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May 30, 2008

BY HAND

Honorable Jaclyn A. Brilling
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Case 08-V-___

Dear Secretary Brilling:

Enclosed please find an original and three (3) copies of the Petition of Verizon New York Inc. ("Verizon") for confirmation, pursuant to § 221 of the Public Service Law, of the cable television franchise agreement (the "Franchise") between Verizon and the City of New York (the "City").¹ Verizon's separate petition for waivers of certain Commission rules in connection with the Franchise is pending in Case 08-V-0497.

The waiver petition discussed the enormous public interest benefits that will be created by the Franchise. Foremost among these are the unprecedented availability of a City-wide competitive alternative to the two cable incumbents, and City-wide deployment of an advanced

¹ The Franchise is provided in Attachment A to the Petition. *See* Petition, footnote 4.

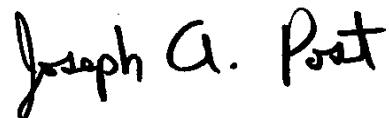
Honorable Jaclyn A. Brillling
May 30, 2008

fiber-optic network infrastructure that will also enable Verizon to provide ultra-fast Internet access service and that will thus help stimulate economic development in the City. At the recent public hearing on the Franchise before the City's Franchise and Concession Review Committee ("FCRC"), numerous speakers commented on the important role that the Franchise will play in promoting video competition and economic development in the City.²

Verizon has the technical and operational capability to offer cable service in portions of the City immediately upon the Commission's confirmation of the Franchise. *See* Petition ¶ 9. In order to bring the benefits of the Franchise to the City and its people at the earliest possible date, Verizon respectfully requests that the Commission approve and confirm the Franchise, and grant the waivers requested in Case 08-V-0497, at its July 16, 2008 Public Session.

Any questions that Staff may have concerning this Petition may be directed to the undersigned (at 212-321-8126) or to Keefe B. Clemons at (212-321-8136).

Respectfully submitted,

Handwritten signature of Joseph A. Post in black ink.

cc: Mitchel Ahlbaum, Esq.
Deputy Commissioner / General Counsel
Department of Information Technology & Telecommunications
75 Park Place, 9th Floor
New York, NY 10007

² See the excerpts from the FCRC transcript provided as Attachment I to the Petition.

Honorable Jaclyn A. Brilling
May 30, 2008

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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**In the Matter of the Petition of Verizon
New York Inc. Pursuant to Section 221
of the Public Service Law for
Confirmation of a Cable Television
Franchise Agreement with the City of
New York (New York, Bronx, Queens,
Kings, and Richmond Counties)**

Case 08-V-_____

PETITION FOR CONFIRMATION

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May 30, 2008

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**STATE OF NEW YORK
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Kings, and Richmond Counties)**

Case 08-V-_____

PETITION FOR CONFIRMATION

Verizon New York Inc. (“Verizon”) respectfully requests that the Commission confirm, pursuant to § 221 of the Public Service Law, a non-exclusive cable franchise (the “Franchise”) that has been awarded to Verizon by the City of New York (the “City”), a municipality comprising New York, Bronx, Queens, Kings, and Richmond Counties. The Franchise was approved by the City’s Franchise and Concession Review Committee (“FCRC”) on May 27, 2008.

As explained in Verizon’s pending petition for waivers of certain Commission rules (Case 08-V-0497), the Franchise is the result of more than a year of intensive negotiations between Verizon and City officials and agencies with the experience, knowledge, resources, and legal obligations to ensure that the needs of the people of the City were fully met. Pursuant to the Franchise, for the first time in the City’s history, a single provider will offer a competitive cable television service throughout the entire City. Neither of the incumbent cable television providers in the City — Cablevision and Time Warner — has ever made a commitment of such broad scope; instead, they have chosen to confine themselves to separate, non-overlapping fiefdoms within the City.

Verizon will provide its cable television service over an advanced, all-fiber-optic video and broadband network that will create numerous new economic development opportunities within the City. The Franchise will also provide a number of other benefits to the City and its people, including the provision of up to 53 channels for public, educational, and governmental (“PEG”) access, grants to the City totaling some \$14 million dollars (together with additional grants to Community Access Organizations (“CAOs”)),¹ and a commitment on Verizon’s part to enhance the City’s own institutional network by providing hundreds of miles of fiber-optic cable running to over 100 sites within the City.

Most importantly, Verizon will provide, for the first time, a head-to-head competitive challenge to the City’s cable incumbents by a wireline provider able to offer a world-class video service either on a stand-alone basis or as part of bundled offerings of data, landline voice, and wireless services. As numerous observers have noted, such competition can be expected to impose competitive discipline on prices, promote innovation, and improve the quality of the service provided to the people of the City.²

In order to bring these benefits to the City as soon as possible, Verizon respectfully requests that the Commission approve and confirm the Franchise, as well as the associated waivers pending in Case 08-V-0497, at its July 16, 2008 Public Session.

¹ CAOs are not-for-profit corporations, designated by the City’s Borough Presidents, “under whose jurisdiction the Public Access Channels shall be placed for purposes of” the PEG provisions of the Franchise.

² *See, e.g.*, the excerpts from the FCRC public hearing included in Attachment I.

I. INFORMATION SUBMITTED IN SUPPORT OF THE PETITION

In support of this Petition, Verizon states as follows:³

1. The applicant for confirmation and approval of the Franchise is Verizon.

Verizon's contact for purposes of this application is Thomas W. McCarroll, Vice President — Regulatory Affairs, 158 State Street, Albany, New York 12207, (518) 396-1001. The municipality that will be served pursuant to the Franchise is the City. Verizon anticipates that it will begin offering service to the public for hire pursuant to the Franchise as soon as is practicable after the Commission confirms the Franchise. (§ 897.2(a))

2. A true copy of the Franchise is provided in Attachment A to this Petition.⁴ True copies of the resolution of the City Council authorizing the negotiation of cable franchises, and of the resolution of the FCRC approving the Franchise, are provided as Attachment B to this Petition. A public hearing on Verizon's application for a franchise was held before the FCRC on May 20, 2008, at the New York City College of Technology, 285 Jay Street, Brooklyn, New York, New York, starting at approximately 3:00 P.M. The hearing closed at approximately

³ Each of the numbered paragraphs in this section of the petition identifies the statute or regulation that requires Verizon to provide the information set forth in the paragraph.

⁴ Some changes were made in the Franchise following the May 2, 2008 filing of Verizon's waiver petition in Case 08-V-0497. (None of the changes affect the arguments set forth in that petition). Attachment A to this Petition also includes blacklined pages showing the changes made between the version of the Franchise filed on May 2 and the final version that is included in that Attachment.

Exhibit 1 to Appendix D of the Franchise contains confidential information and is not included in the copy of the Franchise that is provided in Attachment A to this petition. A copy (along with a blackline showing changes from the May 2 version of the Exhibit) is being provided to the Records Access Officer pursuant to a request for protection under the Public Officers Law.

Finally, Attachment A includes the final CAO Grant and Use Agreements, which are an important part of the obligations imposed by the Franchise (*see* Franchise Article 8 and Appendix C), and which are therefore submitted here for Commission approval.

6:45 P.M. on that date. True copies of the affidavits of publication of the notices of public hearing are provided as Attachment C to this Petition. The FCRC voted to approve the Franchise on May 27, 2008. (§ 897.2(b))

3. True copies of the documents submitted by Verizon to the City as part of, or in support of, its application for the Franchise are included in Attachment D to this Petition. (16 NYCRR § 897.2(c))

4. The facilities in New York State that will be used to provide cable television service pursuant to the Franchise are owned by Verizon. (16 NYCRR § 897.2(d))

5. The technical specifications and design of the cable system are described in Attachment E to this Petition.

Verizon is considering alternatives for origination cablecasting, but at this point it is not clear when or if the company will offer origination cablecasting in this franchise area. With respect to access cablecasting, *see* Article 8 and Appendix C of the Franchise included as Attachment A to this Petition. (§ 897.2(e))

6. On May 2, 2008, Verizon filed a petition for limited waivers of certain rules in connection with the Franchise; that petition is pending in Case 08-V-0497. Verizon's acceptance of the Franchise, and its undertaking of the obligations imposed by the Franchise, are contingent upon approval of those waivers. Subject to the waivers, Verizon's proposed operation of the cable system at issue in this Petition would not be a violation of, or in any way inconsistent with, any applicable federal or state law or regulation. (§ 897.2(f))

7. A copy of this Petition is being served upon the Clerk of the City, and proof of such service is provided as Attachment F to this Petition. (Publ. Serv. L. § 221(1); 16 NYCRR § 897.2(g))

8. Notices of this Petition will be published on June 3, 2008 in the New York Post, the Daily News, and the New York Times, all of which are newspapers of general circulation in the City of New York. Verizon has submitted the notices to those newspapers, has arranged for payment of the necessary charges, and has been assured that the notices will be published on the specified date. Proof of these facts is provided as Attachment G to this Petition. Verizon will file a supplemental affidavit confirming the actual publication of the notices following publication.

(§ 897.2(g))

9. Verizon already has the technical and operational ability to offer cable service in portions of the City. In order to maximize the benefits that cable competition will bring to the City, we respectfully request that the Commission rule on this Petition at its July 16, 2008 session.

II. ISSUES RELATING TO THE STATE ENVIRONMENTAL QUALITY REVIEW ACT

A Department of Environmental Conservation “Full Environmental Assessment Form” (“EAF”) for Verizon’s offering of cable service in the City, together with certain supplemental materials, is provided as Attachment H to this Petition. Verizon has completed Part 1 of the form, which calls for information to be provided by the “Project Sponsor”; Parts 2 and 3 are to be filled out by the Commission.

It is Verizon’s position that submission of an EAF is not required for the activities at issue in this Petition, and that even if such a submission were required, a short-form EAF would suffice.⁵ Attachment H is submitted without prejudice to that position, at Staff’s request, and in recognition of the fact that the Commission has concluded in previous orders that the offering of

⁵ For an explanation of the basis of this position, *see* Section II of Verizon’s October 6, 2005 petition for confirmation of a franchise granted by the Village of Massapequa Park, New York (Case 05-V-1263).

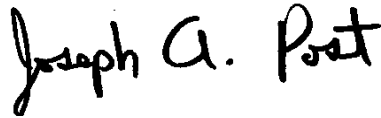
cable service by Verizon is an “unlisted” action — rather than a Type II action or a non-action — under the State Environmental Quality Review Act (“SEQRA”). Even if the Commission concludes that submission of an EAF is required, it should determine on the basis of Attachment H that the actions at issue here will not have a significant effect on the environment — *i.e.*, the Commission should issue a “negative declaration” under SEQRA — as it has done in prior Verizon confirmation proceedings.

III. CONCLUSION

Subject to Verizon’s petition for limited waivers of certain rules, the Franchise — and Verizon’s proposed offering of FiOS video services in the City pursuant to the Franchise — comply in all respects with applicable laws. Moreover, the proposed offering of a new alternative to the video services provided by incumbent cable and satellite providers, utilizing Verizon’s FTTP platform, is in the public interest. Accordingly, the Commission should promptly review this Petition and, based on such review — and subject to the granting of the waivers requested in Case 08-V-0497 — should confirm and approve the Franchise. Further, if the Commission concludes that review under SEQRA is required in connection with its confirmation and approval of the Franchise, it should determine that Verizon’s proposed offering of cable service pursuant to

the Franchise will not have a significant adverse environmental impact, and it should accordingly include a negative declaration under SEQRA in its confirmation order.

Respectfully submitted,

A handwritten signature in black ink that reads "Joseph A. Post". The signature is written in a cursive style with a large, stylized "P" and "Post".


**BRUCE P. BEAUSEJOUR
KEEFE B. CLEMONS
JOSEPH A. POST
140 West Street — 27th Floor
New York, New York 10007-2109
(212) 321-8126**

Counsel for Verizon New York Inc.

May 30, 2008

**In the Matter of the Petition of Verizon
New York Inc. Pursuant to Section 221
of the Public Service Law for
Confirmation of a Cable Television
Franchise Agreement with the City of
New York (New York, Bronx, Queens,
Kings, and Richmond Counties)**

STATE OF NEW JERSEY)
)
 COUNTY OF SOMERSET) SS.:


VERONICA C. GLENNON

Reyna Juliet Ram
Notary Public, State of New Jersey
My Commission Expires
April 17, 2012

LIST OF ATTACHMENTS TO THE PETITION

- A. True copy of the Franchise, including CAO Grant and Use Agreements and blackline showing changes from version filed on May 2, 2008 in Case 08-V-0497
- B. True copy of the resolutions authorizing the Franchise
- C. True copy of the affidavits of publication of notice of public hearing
- D. True copies of documents submitted by Verizon to the Franchisor
- E. Technical specifications and design of the cable system
- F. Proof of service of the Petition upon the Franchisor
- G. Proof of publication of notice of the Petition
- H. Environmental Assessment Form, with supplemental materials
- I. Excerpts from FCRC Public Hearing

ATTACHMENT A

FRANCHISE AGREEMENT

Cable Franchise Agreement

by and between

The City of New York

and

Verizon New York Inc.

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Appendix J: System Architecture
Appendix K: Form of Franchise Fee Report

THIS AGREEMENT (the "Agreement") is entered into by and between the City of New York, a validly organized and existing political subdivision of the State of New York (the "City") and Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon" or the "Franchisee").

WHEREAS, the City is a "franchising authority" in accordance with Title VI of the Communications Act, (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended; and

WHEREAS, the Franchisee is in the process of upgrading its existing Telecommunications Services (as hereinafter defined) and Information Services (as hereinafter defined) network through the installation of the FTTP Network (as hereinafter defined) in the Franchise Area (as hereinafter defined) which transmits Non-Cable Services pursuant to authority determined by Franchisee to have been granted by Section 27 of the New York Transportation Corporations Law, as amended, and Title II of the Communications Act, which Non-Cable Services are not subject to the Cable Law (as hereinafter defined) or Title VI of the Communications Act; and

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way (as hereinafter defined) within the City, and Franchisee desires to use portions of the FTTP Network to provide Cable Services (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, no cable franchisee has ever agreed to provide Cable Service throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, the City wishes to grant Franchisee a nonexclusive franchise to operate a Cable System (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, pursuant to Section 363(a) of the New York City Charter (the "City Charter"), franchises are to be awarded by the City in accordance with the provisions of authorizing resolutions adopted by the City Council of the City (the "City Council"); and

WHEREAS, the City Council adopted Resolution No. 538 on September 27, 2006 (the "Resolution") which authorizes, until September 27, 2011, the Department of Information Technology and Telecommunications ("DoITT") to grant nonexclusive franchises for the provision of cable television services; and

WHEREAS, the delivery of Cable Services is in the City's interest, and the availability of such competitive service to all households in the City on a timely basis pursuant to the terms of this Agreement will significantly benefit the City; and

WHEREAS, the City, pursuant to the terms of the Cable Act (as hereinafter defined), has identified the City's future cable-related community needs and interests and, pursuant to the City

Charter, has issued a solicitation for cable television franchises (the "Solicitation") to which the Franchisee responded; and

WHEREAS, in response to the Solicitation, the Franchisee offered to operate and maintain a Cable System and provide Cable Services (as hereinafter defined) and to perform certain additional undertakings; and

WHEREAS, the Franchisee and the City completed arm's-length negotiations regarding the terms and conditions pursuant to which the City intends to grant to the Franchisee, and the Franchisee intends to accept from the City, a franchise (the "Franchise") described generally in Section 4.1 hereof and more specifically as described by the complete terms of this Agreement; and

WHEREAS, the City has, with respect to the proposed grant of the Franchise, complied with the New York State Environmental Quality Act ("SEQRA") (Section 8-0101 et seq. of the New York State Environmental Conservation Law), the SEQRA regulations set forth at Part 617 of Title 6 of the New York Code of Rules and Regulations, and the City Environmental Quality Review process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and

WHEREAS, the Department of City Planning determined pursuant to Section 363(c) of the City Charter that the grant of this Franchise would not have land use impacts or implications and therefore is not subject to the Uniform Land Use Review Procedure ("ULURP") set forth in Section 197-c of the City Charter;

WHEREAS, the Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

WHEREAS, pursuant to Section 371 of the City Charter, the Franchise and Concession Review Committee (the "FCRC") held a public hearing on the proposed Franchise terms of this Agreement memorializing the terms and conditions of the proposed Franchise; and

WHEREAS, said hearing before the FCRC was held within 30 days of the date that DoITT filed the proposed Franchise with the FCRC; and

WHEREAS, a notice of said hearing and a summary of the terms and conditions of the proposed Franchise were properly published in the City Record; and

WHEREAS, at least 15 days, excluding Sundays and legal holidays, elapsed between publication of said hearing notice and summary in the City Record and the commencement of such hearing before the FCRC; and

WHEREAS, before the FCRC hearing, the requirements regarding publication of notice of such hearing as set forth in Section 371 of the City Charter were met; and

WHEREAS, the FCRC has approved the grant to the Franchisee of the Franchise and the terms of this Agreement as described herein; and

WHEREAS, pursuant to Section 895.1 of Title 16 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive; and

WHEREAS, the City and the Franchisee have determined that this Agreement complies with the franchise standards set forth in the Resolution, Section 363 of the City Charter, Section 626 of the Cable Act as amended, Section 221 of the Public Service Law, the regulations of the Public Service Commission, and all other applicable laws and regulations; and

WHEREAS, the City, following said public hearing, determined that this Franchise granting the Franchisee a nonexclusive franchise complies with the franchise standards set forth in the Cable Act, the Resolution, the aforementioned Public Service Law, the regulations of the NY PSC (including any necessary waivers that the parties may seek and obtain) and all other applicable laws and regulations; and

WHEREAS, the City and Franchisee 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 foregoing clauses, which clauses are hereby made a part of this Agreement, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

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

1.2. *Application:* Application of Verizon New York Inc. for a Cable Television Franchise in the City of New York, filed on April 15, 2008.

1.3. *Agreement:* This Agreement, together with the Appendices attached hereto and all amendments or modifications hereof.

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

- 1.5. *Borough President*: Each President of one of the five boroughs within the City of New York, any Borough President's designee, or any successor thereto.
- 1.6. *Cable Act*: The Cable Communications Policy Act of 1984 (codified at 47 U.S.C. §§ 521-573).
- 1.7. *Cable Law*: The Cable Act, Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, to the extent authorized under and consistent with federal law.
- 1.8. *Cable Service or Cable Services*: Shall be defined herein as it is defined under 47 U.S.C. § 522(6), as amended.
- 1.9. *Cable System or System*: Shall be defined herein as it is defined under 47 U.S.C. § 522(7), as amended.
- 1.10. *Channel*: Shall be defined herein as it is defined under 47 U.S.C. § 522(4), as amended.
- 1.11. *Channel Position*: Shall mean the position on a television receiver, tuner, converter or similar device which is selected to receive a specific Channel.
- 1.12. *Communications Act*: The Communications Act of 1934, as amended, including, without limitation, the Cable Act.
- 1.13. *Closing*: Shall be defined as provided in Section 2.1 hereof.
- 1.14. *Commissioner*: Shall mean the Commissioner of DoITT, the Commissioner's designee or any successor thereto.
- 1.15. *Community Access Organization ("CAO")*: Shall mean, with respect to any particular borough of the City, the nonprofit corporation that has been designated in connection with that borough pursuant to the agreements substantially in the form set forth in Appendix C to this Agreement.
- 1.16. *Controlling Person*: A Person with the ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Franchisee's affairs.
- 1.17. *Corporation Counsel*: The Corporation Counsel of the City, the Corporation Counsel's designee, or any successor thereto.
- 1.18. *DoITT*: The Department of Information Technology and Telecommunications, or any successor thereto.
- 1.19. *FCC*: The United States Federal Communications Commission, or successor governmental entity thereto.

1.20. *FCRC*: Shall mean the Franchise and Concession Review Committee of the City of New York.

1.21. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances and disputes, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, incidences of terrorism, acts of vandalism, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Franchisee 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 Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.22. *Franchise Area*: The incorporated area (entire existing territorial limits) of the City, and such additional areas as may be annexed or acquired.

1.23. *Franchisee*: Verizon New York Inc. and its lawful and permitted successors, assigns and transferees (including for which consent of the City is required under Article 13 hereof).

1.24. *FTTP Network*: The Franchisee's fiber-to-the-premise telecommunications network in the Franchise Area as described in the Application.

1.25. *FTTP Network Created*: All transport connections and equipment in the FTTP Network have been established and are operational to the fiber distribution terminal serving the residence requesting fiber-enabled services (whether Cable Service or Non-Cable Services). Additionally, for MDUs, Franchisee has obtained building access and prepositioned its facilities in the MDU which are necessary for serving residences within the MDU requesting fiber-enabled services (whether Cable Service or Non-Cable Services).

1.26. *Government/Educational Access Channel*: An Access Channel which the Franchisee shall make available for the sole noncommercial use of the City or for noncommercial use by local public schools and public school districts in the Franchise Area and other not-for-profit educational institutions chartered or licensed by the New York State Department of Education or Board of Regents in the Franchise Area as specified by the City, as provided in Article 8 and Appendix B to this Agreement.

1.27. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee (or any Affiliate) from the operation of the Cable System to provide Cable Service in the Franchise Area, as follows:

1.27.1. Gross Revenue includes, without limitation: all Subscriber revenues earned or accrued net of bad debts including revenue for: (i) Basic Service; (ii) all fees charged to any Subscribers for any and all Cable Service provided by Franchisee over the Cable System in the Franchise Area, including, without limitation, Cable Service related program guides, the installation, disconnection or reconnection of Cable Service; revenues from late or delinquent charge fees; Cable Service related or repair calls; the provision of converters, remote controls, additional outlets and/or other Cable Service related Subscriber premises equipment, whether by

lease or fee; (iii) video on demand and pay-per-view; (iv) revenues from the sale or lease of channel(s) or channel capacity; (v) compensation received by Franchisee that is derived from the operation of the Cable System to provide Cable Service with respect to commissions that are paid to Franchisee or an Affiliate providing Cable Service under this Franchise as compensation for promotion or exhibition of any products or services on the Cable System, such as a "home shopping" or similar channel, subject to the exceptions below; and (vi) charges described to Subscribers as attributable to Franchise Fees (as hereinafter defined) and PEG Grants. Gross Revenue shall also include all advertising revenue which is received directly or indirectly by the Franchisee or any Affiliate from or in connection with the distribution of any service over the System (and including, without limitation, compensation for use of studio or other facilities and equipment associated with production or distribution of any programming or advertising to be distributed as part of a Cable Service). The allocation shall be based on the number of Subscribers in the Franchise Area divided by the total number of Subscribers in relation to the relevant local, regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue.

1.27.2. Except as provided above, Gross Revenue shall not include: revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System; bad debts written off by Franchisee in the normal course of its business and in accordance with generally accepted accounting principles (provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected); refunds, rebates or discounts made to Subscribers or other third parties; any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law; any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, provided, however, that any portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System paid to Franchisee or an Affiliate for the sale of such merchandise shall be included in Gross Revenue; the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable Franchise Fees from purchaser's customer; the sale of Cable Services to customers, which are exempt, as required or allowed by the City including, without limitation, the provision of Cable Services to public institutions as required or permitted herein; any tax of general applicability imposed upon Franchisee or upon Subscribers by the LFA, a state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity; taxes imposed on Subscribers by law, which the Franchisee is obligated to collect; any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise (provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue); sales of capital assets or sales of surplus equipment; program launch fees, i.e., reimbursement by programmers to Franchisee of marketing costs incurred by Franchisee for the introduction of new programming; directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

1.27.3. Gross Revenues derived from Cable Services provided over the Cable System in the Franchise Area that are provided to Subscribers as part of a bundle of services that include Non-Cable Services shall be treated in accordance with Section 10.5 hereof.

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

1.29. *Landlord*: The term "landlord" shall mean and include the owner or owners of the freehold of the premises or lesser estate therein, a mortgagee or vendee in possession, assignee of rents, receiver, executor, trustee, lessee, agent, or any other person, firm or corporation, directly or indirectly in control of a dwelling, or any designee of the foregoing enumerated Persons formally authorized to approve physical alterations, improvements or modifications to such dwelling including the installation of Franchisee's facilities.

1.30. *Leading Technology*: The highest level of performance and capability (including, but not limited to, with respect to plant or other equipment; transmission capacity to subscribers' premises; channel offerings; video-on-demand services; construction techniques; consumer service; facilities, equipment, systems and operations; and performance standards), that has been commonly accepted, developed and commercially deployed in the wireline cable television industry and is economically reasonable and technically feasible.

1.31. *Local Franchise Authority ("LFA" or the "City")*: The City of New York, New York, or the lawful successor, transferee, or assignee thereof.

1.32. *Multiple Dwellings ("MDUs")*: Shall have the meaning set forth therefore in NY CLS Mult D § 4(7).

1.33. *Non-Cable Services*: Any service that does not constitute Cable Service pursuant to law including, but not limited to, Information Services and Telecommunications Services.

1.34. *Non-Residential Subscriber*: A Subscriber that is not a Resident.

1.35. *Non-Standard Installation*: Any installation which does not constitute a Standard Installation as defined in Section 1.45 hereof.

1.36. *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.

1.37. *NY PSC*: The New York Public Service Commission.

1.38. *PEG*: Public, Educational, and Governmental.

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

1.40. *Public Access Channel*: An Access Channel which the Franchisee shall make available to a CAO, at no charge, as provided in Article 8 and Appendices B and C to this Agreement.

1.41. *Public Rights-of-Way*: The surface of, and the space above and below, any and all streets, avenues, highways, boulevards, concourses, driveways, bridges, tunnels, parks, parkways, waterways, docks, bulkheads, wharves, piers, public grounds and public places or waters within and belonging to the City and any other property within the City, to the extent to which there exist public easements or public rights of way. Public Rights-of-Way do not include the electromagnetic spectrum above the surface of a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.42. *Resident*: An occupant who: (i) resides in a dwelling which has or is entitled to receive from the City a residential certificate of occupancy, including, without limitation, a private dwelling, class A multiple dwelling, or an interim multiple dwelling; or (ii) has continuously resided in the same building as a permanent resident and who takes occupancy pursuant to a lease (or other similar arrangement) of at least six (6) months duration. For purposes of this Agreement, the terms "private dwelling," "class A multiple dwelling," and "interim multiple dwelling" shall have the same meaning as they have or may have in NY CLS Mult D, as such law may from time to time be amended.

1.43. *Residential Subscriber*: A Subscriber that is a Resident.

1.44. *Service Area*: All portions of the Franchise Area with a video service office ("VSO") that is open for sales and Cable Service is being offered.

1.45. *Standard Installation*: A residence requesting Cable Service that is Video Network Created as of the date of the request for service.

1.46. *Subscriber*: A Person who lawfully receives Cable Service over the Cable System.

1.47. *Telecommunication Services*: Shall be defined herein as it is defined under 47 U.S.C. § 153(46), as amended.

1.48. *Title VI*: Title VI of the Communications Act, Cable Communications, as amended.

1.49. *Video Network Created*: Video transport connections and equipment have been established and are operational to the fiber distribution terminal serving the residence requesting Cable Service. Additionally, for MDUs, Verizon has obtained building access and prepositioned its video facilities in the MDU which are necessary for serving requesting residences within the MDU.

1.50. *Video Programming*: Shall be defined herein as it is defined under 47 U.S.C. § 522(20), as amended.

1.51. *Video Service Office or VSO:* A wire center that has been upgraded by Franchisee to be video-capable and which thereby may be opened for sales for the provision of Cable Service by Franchisee.

1.52. *Wholly Owned Affiliate:* Any entity of which 100% of the ownership interest is ultimately held by Verizon Communications, Inc.

2. CLOSING; CLOSING CONDITIONS

2.1. *Closing:* This Agreement shall be executed and the obligations herein shall commence on the closing of this Agreement (herein referred to as the "Closing"). The Closing shall be the first day on which all of the following conditions have been met and this Agreement has been fully executed and delivered:

2.2. *FCRC Resolution:* The FCRC shall have adopted a resolution approving this Franchise;

2.3. *Certified Copies of Resolutions:* The Franchisee shall have furnished the City with a certified copy of the resolution(s) duly adopted by the Board of Directors or other authorized representative of the Franchisee, approving the execution, delivery and performance of this Agreement and approving the execution, delivery and performance of all other documents, certificates, and other instruments required to be furnished to the City by and pursuant to the terms of this Agreement;

2.4. *Opinion of Franchisee's Counsel:* The City shall have received an opinion dated as of the date of the Closing from outside counsel to the Franchisee in form and substance reasonably satisfactory to the Commissioner and the Corporation Counsel;

2.5. *Representations and Warranties:* The Franchisee shall have provided the City with a certificate of an officer of the Franchisee certifying that the representations and warranties made by the Franchisee in this Agreement are true and correct as of the Closing;

2.6. *Government Approvals:* The Franchisee shall have provided the City with evidence of approval of the transactions contemplated by this Agreement from any necessary governmental authorities, and all notice periods and waiting periods required by law to pass in connection with such transactions shall have passed, except the certificate of confirmation to be issued or renewed by the PSC pursuant to Section 891.4 of the PSC regulations and issuance of an FCC CUID;

2.7. *Performance Bond:* The Franchisee shall have furnished to the City the Performance Bond, pursuant to Article 15 hereof;

2.8. *Security Fund/Letter of Credit:* The Franchisee shall have deposited with the City the Security Fund/Letter of Credit, pursuant to Article 15 hereof;

2.9. *Liability Insurance Policy:* The Franchisee shall have secured its liability insurance policy pursuant to Article 12 hereof;

2.10. *Guaranty*: The Franchisee shall have secured and delivered to the Commissioner and the Comptroller a guaranty executed by the Guarantor in the form set forth at Appendix H to this Agreement, which guaranty shall have been authorized, executed and delivered by the Guarantor;

2.11. *W-9 Form*: The Franchisee shall have submitted an IRS W-9 form certifying the Franchisee's tax ID number;

2.12. *VENDEX*: The Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

2.13. *Other Documents*: The Franchisee shall have delivered such other documents as may be reasonably requested by the City.

2.14. *Waiver*: To the extent permitted by law, any of the above Closing conditions may be waived by the Commissioner, provided such waiver shall not be a waiver of any substantive requirement of this Agreement as set forth hereinafter.

3. EFFECTIVE DATE AND TERM:

3.1. *Effective Date & Term*: This Agreement and the Franchise granted herein shall become effective on the date that the NY PSC issues a certificate of confirmation for this Franchise (the "Effective Date"), following the Closing; provided that implementation of this Agreement shall be subject to the applicable registration provisions of City Charter sections 375 and 328. The term (the "Term") of this Agreement and the Franchise granted herein shall be twelve (12) years from the Effective Date, or until June 30, 2020, whichever is later, unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the City in writing of the same, which notification shall become a part of this Franchise.

3.2. *Termination*: The termination of this Agreement and the Franchise granted hereunder shall occur upon the earliest to occur of: (i) the end of the Term; or (ii) the earlier termination of the Franchise and this Agreement as provided for in this Agreement. The Franchise shall be considered revoked and terminated automatically upon any termination of this Agreement as provided hereunder.

3.3. *Renewal on Expiration*: Subject to 47 U.S.C. § 546, the City reserves the right at the end of the Term to grant, or grant on new terms and conditions, or not grant, renewal of the Franchise without any presumption in favor of a renewal of the Franchise.

4. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

4.1. *Grant of Authority*: The City hereby grants the Franchisee the right to provide Cable Service within the Franchise Area until the end of the Term, subject to the terms and conditions of this Agreement. The parties acknowledge that this Agreement is not in and of itself a sufficient source for the right of the Franchisee to occupy the Public Rights-of-Way for the provision of any service and is intended to grant such right only in accompaniment with a separate authority to occupy the affected Public Rights-of-Way. The parties further

acknowledge (a) that this Agreement does not include all of the terms and conditions which the City would require for such occupancy, (b) that the Franchisee claims that it has preexisting authority to occupy any or all of the Public Rights-of-Way with the facilities that are being installed to provide Cable Services under this Agreement, (c) that the City disputes such claim, and (d) that such dispute is the subject of the Pending Litigation (as defined in Section 18.14 hereof). The parties further acknowledge that if the Pending Litigation results in a final determination (after all opportunities to appeal have been either pursued or expired) that with respect to any of the Public Rights-of-Way the Franchisee does not have authority preexisting this Agreement to occupy such Public Rights-of-Way, then the Franchisee's right to occupy such Public Rights-of-Way with such facilities, including for the provision of Cable Services, shall be conditional on the Franchisee's reaching agreement with the City on the terms and conditions of such occupancy, and that absent such agreement, this Agreement and the Franchise granted hereunder shall terminate immediately on written notice from the City.

4.2. *The FTTP Network:* Consistent with Section 18.14 and 18.15 hereof, upon delivery of Cable Service, by subjecting Franchisee's mixed-use facilities to the NY PSC's minimum franchise standards and the City's police power, the City has not been granted broad new authority over the construction, placement and operation of Franchisee's mixed-use facilities.

4.3. *Grant Not Exclusive:* The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises 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 itself, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under law or this Franchise to provide Cable Service.

4.4. *Franchise Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as may be amended, including but not limited to the Communications Act. Further, the parties to this Franchise agree that this Franchise is consistent with applicable federal and state law and the parties agree to be bound by the terms hereof.

4.5. *No Waiver:* The failure of either the City or Franchisee on one or more occasions to exercise a right under this Franchise, the Cable Law or other applicable state or federal law, or to require compliance or performance under this Franchise, shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance of this Agreement, nor shall it excuse the other (neither the City nor the Franchisee) from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

4.6. *Construction of Agreement:*

4.6.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

4.6.2. Nothing herein shall be construed to limit the scope or applicability of 47 U.S.C. § 545, as amended.

4.6.3. Should any change to state law, rules or regulations have the lawful effect of materially altering the terms and conditions of this Agreement, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on either party of the material alteration. Any modification to this Franchise shall be in writing and shall be subject to Section 222 of the New York Public Service Law and Title 16, Chapter VIII, Part 892, Subpart 892-1, Section 892-1.4 of the Official Compilation of Codes, Rules and Regulations of the State of New York requiring application to the NY PSC and approval of any modification. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

4.7. *Police Powers:* Nothing in this Franchise shall be construed to prohibit the City's reasonable, necessary and lawful exercise of the City's police powers, including, without limitation, in addition to the implementation and enforcement of the provisions of this Agreement and existing applicable laws and regulations, the enactment, adoption, implementation and enforcement of such additional laws and regulations as the City may deem necessary in the exercise of its police power, including any lawful right to compel relocation of Cable System facilities in the Public Rights-of-Way in the event of sewer and water line work, road-widenings and other adjustments to the Public Rights-of-Way, and the provisions of New York City Administrative Code § 6-115.1 (the "MacBride Principles"); provided, however, that such laws and regulations are reasonable and not materially in conflict with the privileges granted in this Franchise and consistent with all federal and state laws, regulations and orders.

4.8. *Restoration and Inspection of Municipal Property:* In order to avoid interference with the City's ability to deliver public services, any municipal property damaged or destroyed shall be promptly repaired or replaced by the Franchisee and restored to pre-existing condition.

4.9. *Restoration of Subscriber Premises:* The Franchisee shall ensure that each Subscriber's premises are restored to at least their pre-existing condition if damaged by the Franchisee's employees or agents in any respect in connection with the installation, repair, provision or disconnection of Cable Service.

5. DEPLOYMENT; PROVISION OF CABLE SERVICE

5.1. *Initial Deployment:* Subject to the exceptions and checkpoint extensions set forth in this Article, the FTTP Network will pass all households served by Franchisee's wire centers within the Franchise Area in accordance with the table attached hereto as Appendix F, with final completion no later than June 30, 2014. For purposes of this Agreement including Appendix F, "pass" or "passage" of a household shall mean MDU's whether or not network created and single family units whether or not a drop is installed.

5.1.1. *Exceptions:* The FTTP Network deployment schedule set forth in Appendix F shall be subject to the following exceptions: (A) for periods of Force Majeure; (B) for periods of delay beyond the normal permitting or approval time period, or due to issuance of a stop work order issued by the City, where such stop work order is not caused by action on the part of Franchisee; and (C) for periods of delay resulting from Franchisee's inability to obtain authority to access private rights-of-way.

5.1.2. *Checkpoint Extensions:* Within thirty (30) days of each of the dates set forth below (each, a "Checkpoint"), the Franchisee shall conduct an evaluation of its "video penetration rate" (as hereinafter defined) in the Franchise Area and, in the event such evaluation determines that Franchisee has not achieved the applicable video penetration rate at each such Checkpoint, the Franchisee shall be afforded an extension of its deployment and service availability obligations pursuant to Sections 5.1, 5.2 and 5.3 hereof, in accordance with the following:

5.1.2.1. *First Checkpoint:* If, by June 30, 2010, Franchisee has achieved a video penetration rate in the Franchise Area which is less than fifteen percent (15%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.2. *Second Checkpoint:* If, by June 30, 2011, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty percent (20%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.3. *Third Checkpoint:* If, by June 30, 2012, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty-five percent (25%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such Checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.4. For purposes of this Agreement, the term "video penetration rate" shall mean:

FiOS TV billable lines in service
(FTTP passed single family units whether or not a drop is installed
+ residential units within FTTP network created MDU's)
in VSOs that are open for sales (OFS).

5.1.3. In the event Franchisee seeks to exercise its right to an extension of its deployment and service availability obligations at any Checkpoint pursuant to this Section 5.1, Franchisee shall, within sixty (60) days from the applicable Checkpoint, provide the City with written documentation, in a format to be reasonably determined by Franchisee, justifying the basis for Franchisee's exercise of such extension. Such written documentation shall be treated as confidential and proprietary consistent with Section 11.1 hereof, and shall include, the number of residential units within FTTP Network Created MDUs and FTTP passed single family units (hereinafter, "SFUs,") along with other elements of the formula set forth in Section 5.1.2.4 of this Agreement, as may be reasonably necessary to satisfy the objectives of this Section 5.1.3.

5.1.4. Consistent with the schedule set forth in Appendix F, nothing herein shall be construed to limit Franchisee's discretion with respect to the order of geographic areas to be wired, provided, however, that at each Checkpoint described above, the estimated median household income of all homes passed shall not be greater than the average household income of all households in New York City (based on the calculations set forth in the 2000 census data).

5.2. *VSO Conversions:* Subject to periods of Force Majeure and the checkpoint extensions set forth at subsection 5.1.2 above, not later than June 30, 2014 Franchisee shall have completed the upgrade of all of Franchisee's wire centers located within or serving the Franchise Area such that all of Franchisee's wire centers within or serving the Franchise Area constitute video-capable VSOs open for sales.

5.3. *Service Availability:*

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units, at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

5.4.1. *Installations of Cable Service – Standard Installations:* Franchisee shall perform all Standard Installations of Cable Service within seven (7) business days after any such request is received by the Franchisee, unless a later date is agreed to with the requesting potential residential Subscriber.

5.4.1.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Standard Installation of Cable Service within seven (7) business days of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), the Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for Franchisee's inability to perform the requested Standard Installation within seven (7) business days or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); and (ii) the date by which Franchisee anticipates performing such Standard Installation. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Standard Installation request subsequent to the later of: (i) the date which is seven (7) business days from the date which is seven (7) business days following a potential Subscriber's initial request for Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.4.1.2. All Standard Installations will be in accordance with FCC requirements governing appropriate grounding and connection of equipment to ensure reception of Cable Service.

5.4.1.3. Consistent with the requirements of Appendix A the Franchisee will offer Subscribers "appointment window" alternatives for arrival to perform all Standard Installations.

5.4.2. *Installations of Cable Service – Non-Standard Installations:* Franchisee shall perform all Non-Standard Installations of Cable Service within six (6) months after any such request is received by the Franchisee, unless either a later date is agreed to with the requesting potential residential Subscriber or Franchisee advises the requesting potential residential Subscriber of the current unavailability of Cable Service at the location as set forth in Subsection 5.4.2.1.

5.4.2.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Non-Standard Installation of Cable Service within six (6) months of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for the current unavailability of Cable Service at the requesting location; and (ii) a good faith estimate of the date by which Franchisee believes that Cable Service may be available at the location. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Non-Standard Installation request subsequent to the later of: (i) the date which is six (6) months from the date which is six (6) months following a potential Subscriber's initial request for Non-Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.5. *Exceptions:* Franchisee's Cable Service availability obligation as set forth in Section 5.4 shall be subject to the following exceptions: (A) where the FTTP Network has not been deployed or a VSO is not yet opened for sales; (B) for periods of Force Majeure; and (C) periods of delay caused by Franchisee's inability, after good faith efforts, to obtain valid legal authority to access any MDU in the Franchise Area for the purpose of providing Cable Service to units within such MDU on other than commercially unreasonable terms and conditions with respect to each such MDU.

5.5.1. *Commercial Unreasonability:* The phrase "commercially unreasonable terms and conditions" means any one or more of the following circumstances:

5.5.1.1. The landlord is imposing buildout, installation and/or maintenance requirements to serve the MDU that require a financial investment which results in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$;

5.5.1.2. The landlord is requiring removal or other remediation of hazardous materials;

5.5.1.3. The landlord, despite the legal requirements of Public Service Law Section 228, is demanding payment above the compensation contemplated by Section 228; and

5.5.1.4. A bulk sales, exclusive marketing or other arrangement is in effect in the MDU that reduces Franchisee's reasonably anticipated penetration rate resulting in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$.

5.5.2. *Access:* The phrase "Franchisee's inability, after good faith efforts, to obtain valid legal authority" as used herein shall be understood in the context, where applicable, of the legal obligations of landlords under Section 228 of the New York State Public Service Law ("Section 228"), or any successor provision of like effect, and therefore in instances in which the Franchisee believes that a landlord is in violation of Section 228, Franchisee is obligated to provide such landlord with notice of Section 228 and the legal obligations imposed upon such landlord pursuant thereto and pursue remedies available thereunder as appropriate in Franchisee's judgment, acting reasonably.

5.5.2.1. *Additional Procedures:* Beginning July 1, 2012, in each case in which the Franchisee needs to obtain access to the property in response to a request for Cable Service where the FTTP Network has been deployed and the VSO is opened for sales, Franchisee shall undertake (and document in written form) the following steps within the following time periods:

5.5.2.1.1. Send promptly (but in no event later than thirty (30) days after receipt of a request for Cable Service) to the property owner or managing agent notice of its intent to wire for Cable Service;

5.5.2.1.2. Attempt to negotiate a survey date and wiring method with the property owner or agent;

5.5.2.1.3. If not yet successful in obtaining access, send a second (2nd) notice of intent to wire including specific reference to Franchisee's access rights, and attempt to wire;

5.5.2.1.4. If the property owner or agent prevents wiring, request assistance from the Commissioner and/or the PSC; and

5.5.2.1.5. If access is not provided within one hundred and eighty (180) days of the first notice to the property owner or agent of intention to wire, file a petition pursuant to 16 NYCRR § 898.4 seeking an order for entry to the property.

5.5.2.2. The Commissioner may waive, or extend the dates for complying with, the requirements of this Section 5.5.2 upon a showing of good cause by the Franchisee.

5.6. *Periodic Reevaluation:* In the event that Franchisee delays service availability to any MDU in the Franchise Area pursuant to the terms of Section 5.5, Franchisee agrees that it will conduct periodic reevaluations of each such MDU to determine whether circumstances have changed in a manner that would enable Franchisee to obtain valid legal authority to access such MDU on commercially reasonable terms and conditions.

5.7. *Technology and Education Fund/Municipal Facilities Service Grant:* In lieu of, and in satisfaction for, the Franchisee's obligation to provide free service outlets and free Cable Service to public buildings, and in order to further the City's objective of funding technological and educational needs throughout the City, the Franchisee hereby agrees to pay to the City the aggregate sum of Four Million Dollars (\$4,000,000)(the "Technology, Educational & Municipal Facilities Grant") payable in accordance with the following schedule: (i) the first (1st) Technology, Educational & Municipal Facilities Grant payment in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) shall be payable on the date which is thirty (30) days from the Effective Date hereof; (ii) the second (2nd) Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the fourth (4th) anniversary of the Effective Date hereof; and (iii) the third (3rd), and final, Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the seventh (7th) anniversary of the Effective Date hereof.

5.7.1. The Technology, Educational & Municipal Facilities Grant will be used by the City to support the provision of technology services to City government locations and/or City government-related locations in each of the five boroughs of the City where technology services are made or to be made available to the community, such as (for example) New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities. Decisions as to the specific facilities to be supported by said Technology, Educational & Municipal Facilities Grant within each borough shall be made by the City in consultation with the Borough President of the applicable borough. Franchisee shall exercise no discretion as to the allocation or distribution of funds from the Technology, Educational & Municipal Facilities Grant in any manner whatsoever.

6. SYSTEM FACILITIES

6.1. *Quality of Materials and Work:* Franchisee shall construct and maintain its System using materials of good and durable quality, and in a manner that limits disruption to public use of City streets, and all work involved in the construction, installation, maintenance and repair of the Cable System shall be performed in a safe, thorough and reliable manner, and in a manner which protects the City's property from damage.

6.2. *System Characteristics:* During the Term hereof, Franchisee's Cable System as described in Appendix J, shall meet or exceed the following requirements:

6.2.1. The System shall initially be designed and operated with a digital carrier passband between 50 and 860 MHz and shall provide for a minimum channel capacity of not less than 77 channels on the Effective Date.

6.2.2. 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.

6.2.3. The Cable System must conform to all applicable FCC technical performance standards, as amended from time to time, and any other future applicable technical performance standards, and shall substantially conform in all material respects to applicable sections of the following standards and regulations to the extent such standards and regulations remain in effect and are consistent with accepted industry procedures:

6.2.3.1. Cable Law;

6.2.3.2. Occupational Safety and Health Administration (OSHA) Safety and Health Standards;

6.2.3.3. National Electrical Code;

6.2.3.4. National Electrical Safety Code (NESC).

6.3. *Cable System Tests and Inspections:*

6.3.1. The Franchisee shall perform all tests necessary to demonstrate compliance with the requirements of the Franchise, and to ensure that the Cable System components are operating as required; provided, however, that Franchisee's testing obligations under this Article 6 shall be limited solely to those tests which are designed for, and applicable to, a fiber optic network transmitting optical spectrum. All tests shall be conducted in accordance with federal rules and any applicable United States National Cable Television Association's Recommended Practices for measurement and testing. In the event that the FCC's technical performance standards are repealed or are no longer applicable to the Cable System, such standards shall remain in force and effect until the Commissioner, or a designee thereof, and the Franchisee agree to new standards.

6.3.2. The Franchisee shall conduct tests as follows:

6.3.2.1. Proof of Performance tests on the Cable System at least once every six (6) months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with DoITT, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines;

6.3.2.2. Special Proof of Performance tests, as limited by the City, of the Cable System or a segment thereof when Subscriber complaints indicate tests are warranted;

6.3.2.3. Tests shall be supervised by a senior engineer of the Franchisee, who shall sign all records of tests provided to the City;

6.3.2.4. The City shall have the right to designate a City employee (or a third party consultant operating on the City's behalf, provided that such third party consultant executes, in advance, a nondisclosure agreement in a form reasonably acceptable to Franchisee) to visually inspect Franchisee's Cable System in order to verify compliance with Section 6.1 hereof and witness and/or review all required Proof of Performance Tests. The Franchisee shall provide the City with at least two (2) business days' notice of, and opportunity to observe, any such Proof of Performance Tests performed on the Cable System;

6.3.2.5. The Franchisee shall retain written reports of the results of any tests required by the FCC, and such reports shall be submitted to the City upon the City's request. The City shall have the same rights the FCC has to inspect the Franchisee's performance test data;

6.3.2.6. If any test indicates that any part or component of the Cable System fails to meet applicable requirements, the Franchisee, without requirement of additional notice or request from the City, shall take corrective action, retest the locations and advise the City of the action taken and results achieved, and supply the City with a copy of the results within thirty days from the date corrective action was completed; and

6.3.2.7. The Commissioner may, for good cause shown, waive or limit the system test and inspection provisions in this Section 6.3.

6.4. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area, and, to the extent necessary to effectuate the objectives of Article 8 hereof, with agreed upon CAO facilities. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall attempt to 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 Franchisee and the existing cable operator(s) shall negotiate the interconnection agreement on reasonable terms and conditions. If, despite Franchisee's reasonable efforts, Franchisee is unable to successfully negotiate interconnection of its Cable System with the existing cable operator(s), the City shall make all best efforts to facilitate such negotiations between Franchisee and such other cable operator(s).

6.5. *Emergency Alert System:* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and the State of New York, including the NY PSC's rules and regulations and the current New York EAS Plan, in order that emergency messages may be distributed over the System.

6.6. *Program Services:* Franchisee shall strive to offer over the Cable System a diversity of video programming services, including, without limitation, a broad category of programming that includes locally-based, not-for-profit, and minority-managed public interest educational programming; provided however that nothing contained in this Agreement shall be

interpreted as a requirement for provision of specific video programming services (except the requirement for provision of PEG Access Channels). Consistent with the Cable Act, the Franchisee will meet with the Commissioner upon request to discuss broad categories of programming offered over the Cable System; provided, however, that such meetings shall not occur more than two (2) times in any calendar year. Franchisee shall at all times comply with applicable provisions of the Cable Act and FCC regulations with respect to program access.

7. LEADING TECHNOLOGY

7.1. *Leading Technology:* The parties hereto acknowledge and agree that the FTTP Network, and the Cable Services provided thereby, as described in Appendix J, will when built constitute a "Leading Technology" that includes more extensive fiber facilities, in lieu of coaxial cable facilities, than is currently, or ever has been, provided by any other Cable Service provider within the City as of the Effective Date.

7.1.1. The Franchisee will, at the City's request (but not before the first anniversary of the Effective Date of the Franchise Agreement and not more often than once in any thirty-six (36) month period), prepare and submit to the City a report (in a mutually agreeable format) setting forth the Franchisee's review and assessment of the current state of cable technology and its current plans, if any, to enhance its Cable System (provided however, that this reporting requirement will be in abeyance to the extent that a substantial competing franchisee delivering service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the City is then using a system in the City that fails to provide at least comparable capacity, reliability and feature richness to Franchisee's system).

7.1.2. Upon the submission of each report as described in the preceding Section 7.1.1 the City may undertake an evaluation of such report, with an opportunity for Franchisee to comment on any City evaluation, and Franchisee will subsequently commence good faith discussions with the City, and implement agreements resulting from such good faith discussions, regarding enhancements, if any, to be made to the Cable System to maintain its leading technology status (provided however, that the requirement pursuant to this Section 7.1.2. will be in abeyance to the extent that a substantial competing franchisee delivering Cable Service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the Franchise Area is then using a system in the Franchise Area that fails to provide at least comparable capacity, reliability and feature richness to the FTTP Network).

8. PEG SERVICES

8.1. *PEG Set Aside:*

8.1.1. In order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date (or, with respect to any Governmental/Educational Access Channels, such later date as may be agreed upon by the City and Franchisee in the event Franchisee reasonably requests an extension in order to complete necessary work), provide on the Basic

Service Tier use of twenty-five (25) access channels in total, as set forth immediately below in Section 8.1.1.1 (each, an "Access Channel"):

8.1.1.1. *Public Access Channel*:. Four (4) Public Access Channels for each Borough (i.e. four (4) Public Access Channels for Manhattan, four (4) Public Access Channels for Staten Island, four (4) Public Access Channels for Brooklyn, four (4) Public Access Channels for the Bronx, four (4) Public Access Channels for Queens).

8.1.1.2. *Government/Educational Access Channels*: Five (5) Governmental/Educational Access Channels, one of which is designated by the City for Educational Access Channel programming, which are cablecast City-wide.

8.1.2. In addition to providing the Access Channels described in Section 8.1.1 above, the Franchisee shall provide the City with the following additional Access Channels on the Basic Service Tier, subject to the conditions set forth below:

8.1.2.1. No sooner than January 1, 2009, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels); and (ii) one (1) additional Governmental/ Educational Access Channel which shall be cablecast City-wide.

8.1.2.2. No sooner than January 1, 2012, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) one (1) additional Public Access Channel for each Borough (for a total of five (5) additional Public Access Channels); and (ii) two (2) additional Governmental/Educational Access Channels which shall be cablecast City-wide.

8.1.2.3. No sooner than the date which is the sixth (6th) Anniversary of the Effective Date hereof, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels).

8.1.2.4. No single additional Governmental/Educational Access Channel or additional Governmental/Educational Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee unless all existing Governmental/Educational Access Channels are providing original, non-text, non-duplicative programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months. With respect to the Public Access Channels to be carried in each Borough, no single additional Public Access Channel or additional Public Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee in the applicable Borough unless all existing Public Access Channels in the applicable Borough are providing programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months.

8.1.3. The City hereby authorizes Franchisee to transmit all Access Channel programming within and without City jurisdictional boundaries. In the event that one or more Public or Governmental/Educational Access Channels are not being utilized by the City or the CAO's, the provisions of 16 NYCRR 895.4 (c)(12) shall be applicable.

8.1.4. Within ten (10) days after the Effective Date of this Agreement, the City shall notify Franchisee of the programming to be carried on each of the Public or Governmental/Educational Access Channels set aside by Franchisee as listed in Appendix B. Thereafter, Franchisee shall assign the Public or Governmental/Educational Access Channel programming on such Public or Governmental/Educational Access Channels on its channel line-up as set forth in such notice, to the extent such Access Channel assignments do not interfere with any pre-existing channels assignments or contractual obligations. Franchisee shall not be required to make Borough-specific Public or Governmental/Educational channels available to Subscribers until one or more VSOs in the specific borough are open for sales.

8.1.5. The Franchisee shall carry the programming on each of the respective Public or Governmental/Educational Access Channels as indicated in Appendix B. In the future, the Franchisee shall assign the Public or Governmental/Educational Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of the Franchisee's respective channel lineup. The Franchisee shall not arbitrarily or capriciously change such channel assignments, and the Franchisee shall minimize the number of such changes; provided, however, that the Franchisee may change such channel assignments as it deems appropriate so long as (i) the Franchisee gives the appropriate CAO(s) or the Governmental/Educational/Access Channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) the Franchisee provides, free of charge, public announcements of such changes that shall include (A) to the extent Franchisee has advertising availability, advertising such Public or Governmental/Educational Access Channels changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Franchisee does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Franchisee shall then provide the advertising contemplated under this Section 8.1.5), and (B) providing notice of such changes in at least two monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event the Franchisee provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

8.1.6. *Governmental/Educational Interconnection:* The City shall designate in writing to the Franchisee up to one (1) physical site for each Governmental/Educational Access Channel provided pursuant to Section 8.1 hereof (for a total of up to eight (8) sites) within the Franchise Area for the purpose of interconnection of Governmental/Educational Access Channel facilities with the Cable System (each, a "GE Access Interconnection Site").

8.1.6.1. Upon one hundred eighty (180) days written notice from the City (or such later date as may be agreed upon by the City and the Franchisee) and subject to the successful completion of all required site preparation work by the City and provision of access to Franchisee for equipment, installation and provisioning, Franchisee shall, without charge to the City, provide upstream Governmental/Educational Access Channel transmission connections between its video channel aggregation point and each of the GE Access Interconnection Sites in

order to permit the signals to be correctly routed from the GE Access Interconnection Site for the distribution to Subscribers.

8.1.6.2. The City shall provide to Franchisee at the GE Access Interconnection Sites a suitable video signal and a suitable audio signal for each Governmental/Educational Access Channel. Franchisee, upon receipt of the suitable video signal, shall provide, install and maintain in good working order the equipment necessary for transmitting the Governmental/Educational Access Channel signal to the channel aggregation site for further processing for distribution to Subscribers. Franchisee's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Franchisee, of suitable required space, environmental conditions, electrical power supply, access, pathway, and facilities and such cooperation of the City as is reasonably necessary for Franchisee to fulfill such obligations; provided, however, that neither Franchisee nor the required site work contemplated hereunder shall impose any unreasonable material burdens on the City.

8.1.6.3. Such upstream transmission provided by Franchisee shall comply with applicable FCC standards governing the transport and distribution of Governmental/Educational Access Channel signals to Subscribers. If Franchisee makes changes to the Cable System that require improvements to Governmental/Educational Access Channel facilities to continue to be used as they were intended under the terms of this Agreement, then Franchisee shall, without charge to the City, make such changes in either the equipment and facilities referred to in this Subsection 8.1.6 or in the Franchisee's video channel aggregation point and distribution equipment and facilities in order to permit the continuation of such intended use.

8.1.7. *Community Access Organizations:* The respective Borough Presidents have each designated an independent, not-for-profit, nonmembership corporation, organized pursuant to the New York Not-for-Profit Corporation Law, to serve as the Community Access Organization for the applicable Borough, under whose jurisdiction the Public Access Channels shall be placed for purposes of Article 8 of this Agreement. The CAO's shall undertake such activities and shall adopt such rules and regulations as are required, and may adopt rules and regulations not inconsistent with this Agreement, the CAO Agreements (as hereinafter defined) attached as Appendix C to this Agreement, the Certificate of Incorporation of the CAO's, the By-Laws of the CAO's, the rules and regulations of the Public Service Commission, and applicable law. The CAO's shall each maintain tax-exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended.

8.1.8. *Use of Public Access Channels.* The Public Access Channels for each Borough shall be under the jurisdiction of the CAO for such Borough. Such Public Access Channels shall be used for the purpose of distributing noncommercial services by the public, any other charitable, nonprofit purpose or other similar purpose, including, without limitation, the generation of revenues by activities reasonably related to such uses and purposes, or any other purpose agreed to between the Franchisee and the CAO.

8.1.8.1. *Public Access Interconnection:* The Franchisee shall effectuate the interconnection of any Public Access Channel facilities with the Cable System for purposes

of transmitting the Public Access Channels contemplated in this Article 8 in accordance with the terms of the CAO Agreements (as hereinafter defined).

8.1.9. *No Editorial Control by Franchisee:* The Franchisee shall not exercise editorial control over programming or distribution of services over any Access Channel used by any Person(s), so long as such Access Channel is being used for the purposes authorized herein and except where the Franchisee is utilizing any such Access Channel pursuant to the fallow time provisions of the Cable Law.

8.1.10. *PEG Channel Quality:* Each Public and Governmental/Educational Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Franchisee's lowest tier of service, provided, however, that Franchisee shall have no responsibility to improve upon or modify the quality of any Public or Governmental/Educational Access Channels content provided to Franchisee by any Public or Governmental/Educational Access Channel programmer.

8.2. *Governmental and Educational Access Grant:* Franchisee shall provide a grant to the City in the amount of Ten Million Dollars (\$10,000,000) in twelve (12) equal annual installments of Eight Hundred Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$833,333.33) over the Franchise Term to be used in support of the production of local Governmental/Educational Access programming (the "Annual GE Grant"). Each annual installment of the Annual GE Grant shall be payable to the City by the Franchisee not later than the date which is sixty (60) days from each anniversary of the Effective Date during the Term hereof (except for the first installment of the Annual GE Grant, which shall be payable not later than the date which is sixty (60) days of the Effective Date). Such grant shall be used solely by the City for Educational Governmental Access, capital costs. Upon request by Franchisee, the City shall provide Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 8.2.

8.3. *Community Access Grant:* Franchisee shall pay to the CAO's certain funding (collectively, the "CAO Grants") pursuant to the terms of certain Community Access Organization Grant and Use Agreements by and between the respective CAO's in the City and the Franchisee (collectively the "CAO Agreements"), substantially in the form attached hereto as Appendix C. The Franchisee and the City acknowledge and agree that:

8.3.1. the amount of the CAO Grants and the terms and conditions of the CAO Agreements were negotiated solely between the Franchisee and the respective CAO's and the City was not a party to any such negotiations;

8.3.2. the CAO Grants, or any portion thereof, shall not constitute a deduction against Franchise Fees payable to the City by Franchisee pursuant to this Agreement; and

8.3.3. consistent with applicable federal and state law, the City shall not exercise any editorial control over any programming carried on any Access Channels set aside for any CAO's pursuant to this Agreement or the CAO Agreements.

8.4. *Franchisee PEG Liability Immunity:* In accordance with 47 U.S.C. §558, the Franchisee shall not incur any liability arising from or in connection with any Access Channels.

8.5. *Recovery of Costs*: To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the grants referenced in this Article 8 and Section 5.7 from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may externalize, line-item, or otherwise pass-through interconnection and any franchise-related costs to Subscribers.

9. **INET**

Requirements for an Institutional Network are set forth in Appendix D.

10. **FRANCHISE FEES**

10.1. *Payment to City*: Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue (the "Franchise Fee"). In accordance with Title VI, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. In the event that said payments are not received by the LFA within forty-five (45) days following the end of the applicable calendar quarter, following at least thirty (30) days written notice from the LFA that the Franchise Fee has not been paid, Franchisee shall pay interest on such overdue Franchise Fee amount at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the LFA retroactive to the first day that such Franchise Fee payment was due. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

10.2. *Acceptance of Payment*: No acceptance of any such payment shall be construed as an accord that the payment is the correct amount, nor shall such acceptance of payment be construed as a release of any claim the City may have for further or additional sums payable under this Agreement. Nothing herein shall be construed in such a way to affect a waiver by either party of applicable statutes of limitation with respect to Franchise Fee payments.

10.3. *Supporting Information*: Along with each quarterly Franchise Fee payment, the Franchisee shall submit to DoITT, or such other entity as the Commissioner may designate, with a copy to the Comptroller, a report in a form reasonably acceptable to the Commissioner (a form of such report that is currently in acceptable form is attached hereto as Appendix K) showing the basis for the computation for such quarterly Franchise Fee payment.

10.4. *Limitation on Franchise Fee Actions*: The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due. Franchisee shall maintain the records necessary to confirm the accurate payment of Franchise Fees during this period and during any pendency of litigation.

10.5. *Bundled Services*: If Cable Services subject to the Franchise Fee required under this Article 10 are provided to Subscribers in conjunction with Non-Cable Services, and the total

cost of the bundle reflects a discount from the aggregate retail prices of the services contained therein, the Franchise Fee shall be applied to the retail price of the Cable Services in the bundle reduced by no more than a proportionate share of the overall discount.

10.5.1. By way of illustrative example of the formula described in the foregoing Section 10.5, if Cable Service A is sold separately at a price of \$40 a month, Non-Cable Service B is sold separately at a price of \$40 a month and Non-Cable Service C is sold separately at a price of \$40 a month, but the three services when purchased together are sold for \$100 a month, the amount of the \$100 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$33.33 per month. As a second example, if Cable Service A is sold separately at a price of \$50 a month, Non-Cable Service B is sold separately at a price of \$63 a month, Non-Cable Service C is sold separately at a price of \$74 a month, but the three services when purchased together are sold for \$150 a month, the amount of the \$150 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$40.11 per month.

10.6. *626 Offset:* The Franchise Fee as defined herein shall not constitute a set off against the special franchise tax as provided for in N.Y. Real Property Tax Law Section 626; provided, however, that the LFA agrees that it shall impose the same special franchise tax offset waiver restriction upon all other existing and new providers of Cable Service or cable service (as such term may be defined by other providers) in the Franchise Area expressed in writing in the franchise agreement, or the renewal of any existing franchise agreement of each respective cable provider. The operation of this subparagraph shall be strictly limited to Franchise Fees lawfully imposed upon Cable Service, and shall not be construed to affect the Franchisee's rights under any provision of state or federal law regarding the provision of services other than Cable Service.

11. REPORTS AND RECORDS

11.1 *Open Books and Records:* Upon reasonable written notice to the Franchisee and consistent with Section 11.1.1 below, the City shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise, including, but not limited to, the calculation of Franchise Fees in accordance with Section 10.5 hereof. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the City. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years. Any records to be inspected by the City pursuant to this Article 11 shall be made available by Franchisee to the City in a mutually agreeable format and location, including, at the City's request, at a designated office of the Franchisee in the City. Franchisee may identify information disclosed to the City hereunder as "proprietary or confidential." For purposes of this Section, "proprietary or confidential" information may include, but is not limited to: information related to the Cable Systems design; trade secrets; Subscriber lists; marketing plans; financial information unrelated to the calculation of the Franchise Fees; or other information that is reasonably determined by the Franchisee to be competitively sensitive.

Subject to applicable law, including but not limited to New York State Public Officers Law ("FOIL"), any such information disclosed to the City that the Franchisee reasonably identifies as confidential or competitively sensitive (including, without limitation, financial information related to the calculation of Franchise Fees) shall be treated by the City as confidential under Section 87(2) (d) of the New York Public Officers Law and the City shall disclose such information only to employees, representatives, and agents thereof who have a need to know, or in order to monitor, enforce, or audit the Franchisee's compliance with, the provisions hereof. If the City receives a request under FOIL or similar law for the disclosure of information that Franchisee has designated as proprietary or confidential, competitively sensitive, a trade secret or proprietary, the City shall notify Franchisee of such request. If the City determines in good faith that public disclosure of the requested information is required under FOIL or pursuant to a court order, the City shall so notify Franchisee and before making disclosure shall give Franchisee a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551. Nothing in this Article 11 is intended to impair in any way the authority of the Comptroller under Section 93(b) of the New York City Charter to perform audits. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee shall not be required to disclose information (including its books and records and books and records of an Affiliate) that, in Franchisee's reasonable determination, does not relate to the provision of Cable Service in the Service Area.

11.1.1. *Franchisee's Response to Records Requests:* In the event the City provides the Franchisee with a written request to inspect or review Franchisee's books and records pursuant to Section 11.1 above, Franchisee shall, within fifteen (15) days of Franchisee's receipt of such written request, provide the City with access to any information Franchisee is reasonably able to collect in response to such request and shall, within thirty (30) days from receipt of such request make available to the City all pertinent information in response to such request, consistent with the terms of Section 11.1 above; provided however, that to the extent there is additional information which Franchisee is unable to reasonably collect in such thirty (30) day period, Franchisee shall provide the City with a written notice setting forth the nature of such additional information and the date on which Franchisee shall provide access to such additional information.

11.2. *Annual and Quarterly Reports:* Subject to the confidentiality requirements of Section 11.1 above, the Franchisee shall submit a written report to the Commissioner no later than forty-five (45) days after the end of each calendar year or calendar quarter, as the case may be, during the Term of this Franchise (except where otherwise expressly indicated herein), which report shall be in a form reasonably satisfactory to the Commissioner, that shall include the information described in Sections 11.2.1 through 11.2.4; provided, however, that unless otherwise expressly described below, Franchisee's reporting obligations pursuant to this Section 11.2 shall not commence until six (6) months after Cable Service is made available by Franchisee on a commercial basis directly to multiple Subscribers in the Franchise Area.

11.2.1. After July 1, 2012, Franchisee shall provide the City with an annual report regarding the MDUs for which Franchisee is using the "Additional Procedures" contained in section 5.5.2.1 of this Franchise and the status of such procedures.

11.2.2. A quarterly report showing the total number of Significant Outages (as defined in Appendix A of this Franchise) which occurred during the quarter, and with respect to each such Significant Outage, the time it occurred, its cause and duration and the households.

11.2.3. In addition to the reports to be provided as expressly set forth in this Article 11, the Franchisee shall also provide the reports described in Section 10.3 and Appendix A (including but not limited to Sections 2.5.3, 3.4.3, 6.5.3 and 7.5.3) and Exhibit 2 to Appendix A of this Franchise.

11.2.4. Franchisee shall provide at each Checkpoint date as listed in section 5.1.2 of this Franchise, a report (based on the calculations set forth in the 2000 census data) showing the estimated median household income of all homes passed and the average household income of all households in New York City.

11.3. *Records Required:* Franchisee shall at all times maintain:

11.3.1. Records of all written complaints for a period of six (6) years after receipt by Franchisee. The term "complaint" as used herein refers to complaints about any aspect of the Cable System or Franchisee's cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

11.3.2. Records of outages for a period of six (6) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

11.3.3. Records of service calls for repair and maintenance for a period of six (6) years after resolution by Franchisee, 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;

11.3.4. Records of installation/reconnection and requests for service extension for a period of six (6) years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended;

11.3.5. Commencing on February 15, 2009, in order to track compliance with the benchmarks established in Appendix F, records showing the number of MDUs and SFUs passed by the FTTP Network in each Borough during the preceding year, and the cumulative number of MDUs and SFUs passed by the FTTP Network in each Borough since Franchisee commenced construction of the FTTP Network;

11.3.6. Commencing on February 15, 2009, records showing which wire centers servicing the Franchise Area have been upgraded so as to make them video capable VSOs open for sales consistent with Section 5.2 of this Franchise. Such records shall also show which wire center upgrades, if any, have been delayed due to the exceptions contained in the opening clause of Section 5.2 of this Franchise;

11.3.7. Commencing on February 15, 2009, records of MDUs and SFUs that were Video Network Created during the preceding year and the total number of MDUs and SFUs in each Borough throughout the City that have been Video Network Created throughout the City. Such records shall show the number of MDUs and SFUs by Borough that could not be Video Network Created due to an exception contained in Section 5.5 of this Franchise which became effective during the year, and the cumulative number of MDUs and SFUs in each Borough that are not Video Network Created due to the exceptions contained in Section 5.5 of this Franchise;

11.3.8. Franchisee shall maintain records documenting the applicability of the Section 5.5.1 exceptions; and make such records available for inspection by the Commissioner or the Commissioner's designee at a designated Franchisee office location;

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

11.3.10. Franchisee shall maintain accurate maps and improvement plans which show the location, size and a general description of all facilities installed in the public ways and any power supply sources, including voltages and connections. Maps shall be based on post-construction inspection to verify location;

11.3.11. Notwithstanding the requirements of Section 11.1 of this Agreement, upon written notice, the Commissioner may request additional information pursuant to this Franchise as may be reasonably necessary for the performance of any of the Commissioner's duties or any other City official's duty as it pertains to this Franchise. Franchisee's response to such request may be provided to the Commissioner in oral or written form, at Franchisee's sole discretion.

11.4. *Service Availability Meeting:* Not later than eight (8) months from each calendar year, upon ten (10) days written notice from the Commissioner, a representative of the Franchisee will hold a meeting with the Commissioner or designated representatives thereof to discuss information on the status of Franchisee's deployment of Cable Services in the City and Franchisee's compliance with the requirements of Article 5 of this Franchise (the "Annual Service Availability Meeting"). If, as a result of any Annual Service Availability Meeting, the Commissioner or designated representative thereof reasonably determines that an additional meeting regarding the topics addressed in the Annual Service Availability Meeting is required, the parties shall hold one (1) additional meeting per calendar year to further discuss such topics. Any information provided to the City by Franchisee in connection with any Annual Service Availability Meeting or additional meeting pursuant to this Section 11.4 shall be treated by the City as confidential and proprietary consistent with Section 11.1 hereof.

11.5. *System-Wide Statistics:* Any valid reporting requirement in the Franchise may be satisfied with system-wide statistics, except those related to Franchise Fees and consumer complaints, or if expressly described otherwise in this Franchise.

11.6. *File for Public Inspection:* Throughout the term of this Agreement, the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated by Franchisee, as required by Appendix A to this Agreement.

12. INSURANCE AND INDEMNIFICATION

12.1. *Insurance Generally; Types of Insurance:* The Franchisee shall continuously maintain one or more liability insurance policies meeting the requirements of this Section 12 throughout the Term (with the minimum limits and special conditions specified). Such insurance shall be issued by companies that meet the standards of Section 12.2(a) hereof and shall be primary (and non-contributing) to any insurance or self-insurance maintained by the City. The Franchisee has, as a condition of the Closing, provided proof of insurance pursuant to Section 12.3 hereof documenting compliance with the insurance requirements of this Section 12 as of the Closing.

(a) The Franchisee shall provide a Commercial General Liability Insurance policy covering the Franchisee as Named Insured and the City as an Additional Insured. Coverage for the City as Additional Insured shall specifically include the City's officials, employees and agents, and shall be at least as broad as Insurance Services Office ("ISO") Form CG 2010 (11/85 ed.) This policy shall protect the City and the Franchisee from claims for property damage and/or bodily injury, including death, which may arise from the performance of, or failure to perform, the Franchisee's obligations under this Agreement and the activities and operations conducted in connection with the provision of Cable Service under this Agreement. Coverage under this policy shall be at least as broad as that provided by ISO Form CG 0001 (1/96 ed.), must be "occurrence" based rather than "claims-made", and shall include, without limitation, the following types of coverage: Premises Operations, Products and Completed Operations, Contractual Liability (including the tort liability of another assumed in a contract), Broad Form Property Damage, Medical Payments, Independent Contractors, Personal Injury (Contractual Exclusion deleted), Cross Liability, Explosion, Collapse and Underground Property, and Incidental Malpractice. If such insurance contains an aggregate limit, it shall apply separately to the operations and activities undertaken pursuant to the Franchise. The Commercial General Liability Insurance policy described herein shall be maintained at all times with limits no less than Five Million Dollars (\$5,000,000) combined single limit per occurrence and Ten Million Dollars (\$10,000,000) aggregate.

(b) The Commercial General Liability Insurance policy referred to in the preceding subsection (a) shall contain each of the following endorsements:

(i) The City of New York together with its officials, employees and agents is an Additional Insured with coverage as broad as ISO Forms CG 2010 (11/85 ed.) and CG 0001 (1/96 ed.); and

(ii) The Duties in the Event of Occurrence, Claim or Suit condition of the policy is amended per the following: if and insofar as knowledge of an "occurrence", "claim", or "suit" is relevant to the City of New York as Additional Insured under this policy, such knowledge by an agent, servant, official, or employee of the City of New York will not be considered knowledge on the part of the City of New York of the "occurrence", "claim", or "suit" unless the following position shall have received notice thereof from such agent, servant, official, or employee: Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department; and

(iii) Any notice, demand or other writing by or on behalf of the Named Insured to the Insurance Company shall also be deemed to be a notice, demand, or other writing on behalf of the City as Additional Insured. Any response by the Insurance Company to such notice, demand or other writing shall be addressed to Named Insured and to the City at the following addresses: Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, N.Y. 10007; and Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department, 100 Church Street, New York, NY 10007 (or replacement addresses of which the City notifies the Franchisee); and

(c) The Franchisee shall provide Workers Compensation Insurance and Disability Benefits Insurance in accordance with the Laws of the State of New York (with minimum limits as required by New York State law without regard to jurisdiction) on behalf of all employees undertaking activities or providing services pursuant to this Agreement.

(d) The Franchisee shall provide, and ensure that each subcontractor (if any) provides, Employers' Liability Insurance affording compensation due to bodily injury by accident or disease sustained by any employee arising out of and in the course of his/her employment under this Agreement. The Employers' Liability Insurance policy described herein shall be maintained at all times with limits no less than \$1 million per accident/disease/policy limit.

(e) The Franchisee shall provide a Comprehensive Business Automobile Liability policy for liability arising out of any automobile including owned, non-owned, leased and hired automobiles to be used in connection with undertaking activities or providing services pursuant to this Agreement. The Automobile Liability Insurance policy described herein shall be maintained at all times with limits no less than Two Million Dollars (\$2,000,000) combined single limit each accident. If automobiles are used for transporting hazardous materials, the Franchisee shall provide pollution liability broadened coverage for covered autos (endorsement CA 99 48) as well as proof of MCS 90.

(f) All insurers shall waive their rights of subrogation against the City, its officials, employees and agents.

(g) The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on indemnity in this Agreement given as a matter of law.

12.2. General Requirements for Insurance Policies:

(a) All required insurance policies shall be maintained with companies that are authorized or permitted to conduct business in the State of New York and have an A.M. Best rating of at least A- VII or a Standard and Poor's rating of at least AA, unless prior written approval is obtained from the Mayor's Office of Operations (or successor entity thereto).

(b) The Franchisee shall be solely responsible for the payment of all premiums for all required policies and all deductibles and self-insured retentions to which such

policies are subject, whether or not the City is an insured under the policy. Any self-insured retention must be reasonable and is subject to approval by the City.

(c) Except for insurance required pursuant to Sections 12.1(c) and 12.1(d) herein, all policies shall contain a provision stating that the insurer or its authorized representative(s) shall use reasonable efforts to provide thirty (30) days prior written notice of intent to non-renew, cancellation or material adverse change to the City, except that ten (10) day notice for nonpayment of premium shall apply. Such notice shall be sent to the City pursuant to Section 18.6 hereof, and to the City's Comptroller ("the Comptroller"), attn: Office of Contract Administration, Municipal Building, Room 1005, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee).

(d) On or before the date of cancellation, termination or material adverse change affecting the City of any policies with respect to notices described in the preceding subsection (c) of this section 12.2., the Franchisee shall obtain and furnish to the City, with a copy to the Comptroller, replacement insurance binders demonstrating that replacement insurance fully compliant with this Section 12 has been obtained.

12.3. *Proof of Insurance:*

(a) The Franchisee has delivered to the City, as a condition of the Closing, for each policy required under this Agreement, a Certificate or Certificates of Insurance evidencing the effectiveness of all insurance required under this Agreement. All Certificates of Insurance shall be in a form reasonably acceptable to the City and shall certify the issuance and effectiveness of the types of insurance required herein, each with the specified minimum limits and conditions.

(b) A Certificate or Certificates of Insurance confirming renewals of, or changes to, insurance policies required hereunder shall be submitted to the City within ten (10) days of the expiration or renewal date of coverage of policies required under this Agreement. Such Certificates of Insurance shall comply with the requirements of the preceding subsection (a).

(c) The Franchisee shall be obligated to provide the City with a copy of any policy required by this Section 12 upon the demand for such policy by the Commissioner or the New York City Law Department; provided, however, that any policies or other related information provided by Franchisee (or Franchisee's designee, including, but limited to, an Affiliate or Franchisee's insurer) to the City pursuant to this subsection 12.3(c) shall be treated by the City as confidential and proprietary consistent with the provisions of Section 11.1 of this Franchise.

12.4. *Operations of the Franchisee:*

(a) Acceptance by the City of a certificate hereunder does not excuse the Franchisee from securing a policy consistent with all provisions of this Section 12 or of any liability arising from its failure to do so.

(b) The Franchisee shall be responsible for providing continuous insurance coverage in the manner, form, and limits required by this Agreement and shall be authorized to provide service pursuant to this Agreement and the Franchise only during the effective period of all required coverage.

(c) In the event of any loss, damage, injury or accident arising under this Agreement, the Franchisee (once the Franchisee's Risk Management Claims Group becomes aware of any of the foregoing circumstances) shall promptly notify in writing the commercial general liability insurance carrier, and, where applicable, the worker's compensation and/or other insurance carrier, of any loss, damage, injury, or accident, and any claim or suit arising under this Agreement from the operations of the Franchisee or its subcontractors, promptly, but not later than 20 days after Franchisee's Risk Management Claims Group becomes aware of such event. The Franchisee's notice to the commercial general liability insurance carrier must expressly specify that "this notice is being given on behalf of the City of New York as Additional Insured as well as the Franchisee as Named Insured." The Franchisee's notice to the insurance carrier shall contain the following information: the name of the Franchisee, the number of the applicable policy, the date of the occurrence, the location (street address and borough) of the occurrence, and, to the extent known to the Franchisee, the identity of the persons or things injured, damaged or lost. Additionally:

(i) At the time notice is provided to the insurance carrier(s), the Franchisee shall provide copies of such notice to the Comptroller and the Commissioner. Notice to the Comptroller shall be sent to the Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee). Notice to the Commissioner shall be sent to the address set forth in Section 18.6 hereof; and

(ii) If the Franchisee fails to provide any of the foregoing notices in a timely and complete manner, the Franchisee shall indemnify the City for all losses, judgments, settlements and expenses, including reasonable attorneys' fees, arising from an insurer's disclaimer of coverage citing late notice by or on behalf of the City.

12.5. *Insurance Notices, Filings, Submissions:* Wherever reference is made in this Section 12 to documents to be sent to the Commissioner (e.g., notices, filings, or submissions), such documents shall be sent to the address set forth in Section 18.6 hereof.

12.6. *Disposal of Hazardous Materials:* If pursuant to this Agreement the Franchisee is involved in the disposal of hazardous materials, the Franchisee shall dispose of such materials only at sites where the disposal site operator maintains Pollution Legal Liability Insurance in the amount of at least Two Million Dollars (\$2,000,000) for losses arising from such disposal site.

12.7. *Other Remedies:* Insurance coverage in the minimum amounts provided for herein shall not relieve the Franchisee or subcontractors of any liability under this Agreement, nor shall it preclude the City from exercising any rights or taking such other actions as are available to it under any other provisions of this Agreement or applicable law.

12.8. *Franchisee Indemnification Obligations:* The Franchisee shall indemnify, defend and hold the City, its officers, agents and employees (the "Indemnitees") harmless from any and all liabilities, suits, damages, claims and expenses (including, without limitation, reasonable attorneys' fees and disbursements) ("Damages") that may be imposed upon or asserted against any of the Indemnitees arising out of the Franchisee's performance of, or its failure to perform, its obligations under this Agreement and/or its provision of services hereunder, provided, however, that the foregoing liability and indemnity obligation of the Franchisee pursuant to this Section 12.8 shall not apply to any Damages to the extent arising out of any willful misconduct or gross negligence of an Indemnatee. Insofar as the facts and law relating to any Damages would preclude the City from being completely indemnified by the Franchisee, the City shall be partially indemnified by the Franchisee to the fullest extent provided by law, except to the extent such Damages arise out of any willful misconduct or gross negligence of any Indemnatee. This indemnification is independent of the Franchisee's obligations to obtain insurance as provided under this agreement.

12.9. *Defense of Claim, Etc:* If any claim, action or proceeding is made or brought against any of the Indemnitees by reason of any event to which reference is made in Section 12.8 herein, then upon demand by the City, the Franchisee shall either resist, defend or satisfy such claim, action or proceeding in such Indemnatee's name, by the attorneys for or approved by the Franchisee's insurance carrier (if the defense of such claim, action or proceeding is provided by the insurance carrier) or by the Franchisee's attorneys. The foregoing notwithstanding, in the event an Indemnatee believes additional representation is needed, such Indemnatee may engage its own attorneys to assist such Indemnatee's defense of such claim, action or proceeding, as the case may be, at its sole cost and expense. The Franchisee shall not settle any claim with respect to which the Franchisee is required to indemnify the Indemnitees pursuant to Section 12.8 without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

12.10. *No Claims Against Officers, Employees, or Agents:* Franchisee agrees not to make any claim against any officer or employee of the City or officer or employee of an agent of the City, in their individual capacity, for, or on account of, anything done or omitted in connection with this Agreement, to the extent that such officer or employee of the City or officer or employee of an agent of the City was acting within the lawful course and scope of his employment or agency. Nothing contained in this Agreement shall be construed to hold the City liable for any lost profits, or any consequential damages incurred by Franchisee or any Person acting or claiming by, through or under Franchisee.

12.11. *Limitation on Indemnification:* As between the City and the Franchisee, the indemnifications obligations of the Franchisee pursuant to Section 12.8 above shall not apply to any Damages arising out of the distribution of programming over the Governmental/Educational Access Channels, the Institutional Network available to and used by the City, and/or the Public Access Channels, to the extent that such claim does not arise out of an act or failure to act by the Franchisee.

12.12. *No Applicability to Pending Litigation:* Franchisee's indemnification obligations pursuant to this Article shall have no applicability to the litigation referenced and defined in Section 18.14.

13. **TRANSFER OF FRANCHISE**

13.1. *City Approval Required:* Subject to the provisions of this Article, the Franchisee shall apply to the City for approval of any transaction in which any change is proposed with respect to ten percent (10%) or more for voting interests or twenty-five percent (25%) or more for non-voting interests of the ownership of the Franchisee, the Cable System, the Cable System assets, or the Franchise by submitting FCC Form 394 or such other form as the FCC may prescribe for that purpose; provided however that the foregoing, requirements of this Section 13.1 shall not be applicable with respect to transfers of any ownership interests contemplated hereunder which are effectuated as a result of any transactions involving the exchange of publicly traded shares. The application shall be made at least one hundred twenty (120) calendar days prior to the contemplated effective date of the transaction. Such application shall contain complete information on the proposed transaction, including details of the legal, financial, technical, and other qualifications of the transferee. At a minimum, the following information must be included in the application:

13.1.1. all information and forms required under federal law;

13.1.2. any shareholder reports or filings with the Securities and Exchange Commission that pertain to the transaction;

13.1.3. a report detailing any changes in ownership of voting or non-voting interests of over five percent;

13.1.4. other information necessary to provide a complete and accurate understanding of the financial position of the Cable System before and after the proposed transaction;

13.1.5. complete information regarding any potential impact of the transaction on Subscriber rates and service; and

13.1.6. any contracts that relate to the proposed transaction as it affects the City and, upon request by the City, all documents and information that are related or referred to therein and which are necessary to understand the proposed transaction; provided, however, that if the Franchisee believes that the requested information is confidential and proprietary, then the Franchisee must provide the following documentation to the City: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) a statement that the documents are available at the Franchisee's designated offices for inspection by the City.

13.2. *City Action on Transfer:* To the extent not prohibited by federal law, the City may: (i) grant; (ii) grant subject to conditions directly related to concerns relevant to the transactions; (iii) deny any such transactions; or (iv) not take action, in which case the

transactions shall be deemed granted, unless the requesting party and the LFA expressly agree in writing to an extension, pursuant to Section 617 of the Communications Act, 47 U.S.C. § 537.

13.3. *Waiver of Transfer Application Requirements:* To the extent consistent with federal law, the City may waive in writing any requirement that information be submitted as part of the transfer application, without thereby waiving any rights the City may have to request such information after the application is filed.

13.4. *Subsequent Approvals:* The City's approval of a transaction described in this Article in one instance shall not render unnecessary approval of any subsequent transaction.

13.5. *Approval Does Not Constitute Waiver:* Approval by the City of a transfer described in this Article shall not constitute a waiver or release of any of the rights of the City under this Agreement, whether arising before or after the date of the transfer.

13.6. *No Consent Required For Transfers Securing Indebtedness:* The Franchisee shall not be required to file an application or obtain the consent or approval of the City for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness. However, the Franchisee will notify the City within ten (10) days if at any time there is a mortgage or security interest granted on substantially all of the assets of the Cable System. The submission of the Franchisee's audited financial statements prepared for the Franchisee's bondholders shall constitute such notice.

13.7. *No Consent Required For Any Affiliate Transfers:* The Franchisee shall not be required to pay any fee or file an application or obtain the consent or approval of the City for any transfer of an ownership or other interest in Franchisee, the Cable System, or the Cable System assets to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee. However, the Franchisee will notify the City within thirty (30) days if at any time a transfer covered by this subsection occurs.

14. RENEWAL OF FRANCHISE

14.1. *Governing Law:* The City and Franchisee agree that any proceedings undertaken by the City that relate to renewal or possible renewal of this Franchise shall be subject to, and shall not be inconsistent with, the Cable Law, including without limitation 47 U.S.C. § 546, as such may be amended from time to time.

14.2. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Franchisee and the City agree that at any time during the Term, while affording the public appropriate notice and opportunity to comment consistent with New York State law and the City Charter, the City and Franchisee may, each acting in its discretion, agree to undertake and finalize, pursuant to 47 U.S.C. §546(h), informal negotiations regarding renewal of the Franchise granted hereunder and, if agreement is reached on the terms and conditions of such a renewal the

City may grant such a renewal, consistent with the applicable procedures and requirements of New York State law and the City Charter.

14.3. *Non-Renewal/Termination:* In the event that the City (i) does not grant a renewal of the Franchise at the scheduled expiration date of the Term; or (ii) this Agreement is terminated for any other lawful reason prior to the scheduled expiration of the Term, then the Term of the Franchise shall expire and all rights of the Franchisee under the Franchise shall cease, provided however that nothing in this Section shall be inconsistent with the terms of Section 18.21, provisions of this Agreement expressly providing for the survival of certain provisions after such termination or expiration, or the provisions of subsection 14.3.1 below.

14.3.1. If the Franchisee continues to provide Cable Service after the termination or expiration of the Term of the Franchise, and the Franchise has not been renewed, then the Franchisee shall be bound by all of the Franchisee's obligations under this Franchise for the period of such continuing provision of Cable Service.

14.4. *Consistent Terms:* Franchisee and the City consider the terms set forth in this Article 14 to be consistent with the express provisions of 47 U.S.C. § 546 and the Cable Law.

15. DEFAULT AND REMEDIES

15.1. *Defaults.* In the event of any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Agreement (each such breach, default, failure or other noncompliance being referred to herein as a "Default"), which Default is not cured within the specific cure period provided for in this Agreement (or if no specific cure period is provided for in this Agreement then within the cure period described in Section 15.3 below), then the City may:

15.1.1. cause a withdrawal from the cash Security Fund, pursuant to the provisions of Section 15.11 herein;

15.1.2. make a demand upon the Performance Bond pursuant to the provisions of Section 15.9 herein;

15.1.3. draw down on the Letter of Credit pursuant to the provisions of Section 15.10 herein;

15.1.4. pursue any rights the City may have under the Guaranty;

15.1.5. seek and/or pursue money damages from the Franchisee as compensation for such Default;

15.1.6. seek to restrain by injunction the continuation of the Default; and/or

15.1.7. pursue any other remedy permitted by law, or in equity, or as set forth in this Agreement, provided however the City shall only have the right to terminate this Agreement upon the occurrence of a Revocation Default (defined hereinafter).

15.2. *Notice of Default:* If at any time the City believes that Franchisee has committed any Default, the City shall notify the Franchisee's designated franchise service manager, and the Franchisee representatives identified in Section 18.6 hereof, of such alleged Default. If, thereafter, the City determines that Franchisee is not in Default, the City shall promptly provide the Franchisee with written notice of such determination. However, if the City determines that such notice has failed to result in a resolution of the matter, the City shall then notify Franchisee in writing of the alleged Default and identifying the specific provision of the Franchise on which the alleged Default is based (for purposes of this Article, the "Notice of Default").

15.3. *Franchisee's Right to Cure or Respond:* Except as set forth in Section 15.3.1 below, Franchisee shall have thirty (30) days from receipt of the Notice of Default to: (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default. Upon cure of any alleged Default, the City shall provide written confirmation that such cure has, to the knowledge of the Commissioner or designated representative thereof, been effected.

15.3.1. With respect to the following Franchise obligations, Franchisee shall have ten (10) days from the receipt of Notice of Default to (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default: (a) payment of Franchise Fees, Annual GE Grants, or Technology, Educational & Municipal Facility Grants; and (b) maintenance of Security pursuant to Sections 15.9, 15.10 and 15.11.

15.4. *Extended Time to Complete Cure:* Notwithstanding anything in the preceding to the contrary, no Default shall exist if a breach or default is curable, and a cure period is provided therefor in this Article 15 or otherwise, but work to be performed, acts to be done, or conditions to be removed to effect such cure cannot, by their nature, reasonably be performed, done or removed within the cure period provided, so long as the Franchisee shall have commenced curing the same within the specified cure period and shall diligently and continuously prosecute the same promptly to completion.

15.5. *Miscellaneous Matters Regarding Default, Cure and Remedies:* The rights and remedies described in Section 15.1 hereof shall not be exclusive, but each and every right and remedy specifically provided or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed appropriate by the City, except as provided herein. The exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy, nor shall any delay or omission in taking any action or exercising any remedies with respect to any Default be construed to be a waiver of or acquiescence to any Default. The exercise of any such right or remedy by the City shall not release the Franchisee from its obligations or any liability under this Agreement, provided that nothing in this Section 15.5 or in this Agreement is intended to authorize or shall result in double recovery of damages by the City.

15.6. *Revocation Defaults; Definition of Revocation Default:* A Revocation Default shall mean any of the following occurrences or events:

15.6.1. any failure by the Franchisee to maintain in effect the cash Security Fund described in Section 15.11 hereof and/or the Letter of Credit described in Section 15.10 hereof in accordance with the provisions of said sections, which failure continues for ten (10) business days after notice;

15.6.2. any failure by the Franchisee to maintain in effect the Performance Bond described in Section 15.9 hereof in accordance with the provisions of said section, which failure continues for ten (10) business days after notice;

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee's compliance with its obligations under this Agreement);

15.6.4. if the Franchisee fails to maintain insurance coverage or otherwise materially breaches Article 12 hereof and such failure continues for ten (10) business days after notice from the City to the Franchisee;

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

15.6.7. if there is any transfer of the Franchise other than in accordance with Article 13;

15.6.8. the conviction, guilty plea or plea of nolo contendere of the Franchisee, any Controlling Person, any director or officer of the Franchisee, or any employee or agent of the Franchisee or of any Controlling Person acting under the express direction or with the actual consent of any of the foregoing, of any offense, including, without limitation, bribery or fraud, arising out of or in connection with this Agreement, the award of the franchise granted pursuant to this Agreement, provided that such shall constitute a Revocation Default with respect to any of the foregoing with respect to a malfeasant director, officer, employee or agent of the Franchisee or of any Controlling Person only if the Franchisee or the applicable Controlling Person refuses to disassociate itself from, or terminate the employment of, said director, officer, employee or agent;

15.6.9. the conviction or guilty plea of any City officer, employee, or agent of the offense of bribery or fraud with respect to this Agreement which arises out of any act of the Franchisee or any Controlling Person, or of any agent or employee thereof acting under the express direction or actual consent of the foregoing;

15.6.10. any abandonment of service in default of the obligations described in Section 15.13 hereof; and

15.6.11. any persistent and repeated pattern of material Defaults, even if individual Defaults constructing such a persistent and repeated pattern are subsequently cured after their occurrence or remediated by recourse to security provided to the City under Sections 15.9 through 15.11 hereof or by other means; provided, however, that this provision shall not apply to alleged Defaults subject to good faith disputes.

15.7. *Remedies of the City for Revocation Defaults:* In the event of a Revocation Default, the City may (in addition to any other remedy which the City may have under Section 15.1 hereof) at its option, give to the Franchisee a written notice ("Notice of Revocation"), in accordance with Section 15.8 hereof, stating that this Agreement and the Franchise granted hereunder shall be revoked on the date specified in such notice (which date shall not be less than ninety (90) days from the giving of the notice), and this Agreement and the Franchise granted hereunder shall terminate on the date set forth in such notice as if such date were the date provided in this Agreement for the scheduled expiration of this Agreement and the franchise granted herein. Notwithstanding the preceding however, during the period between the Notice of Revocation provided pursuant to this Section 15.7 and thirty days prior to the date of revocation set forth in such notice, the Franchisee may submit to the City any material it wishes to document that no Revocation Default has occurred or that revocation as a remedy for such Revocation Default would not be in the best interests of the City. If the City after reviewing such material determines that a Revocation Default has not occurred, or determines in its discretion that termination as a remedy for such Revocation Default would not be in the best interests of the City, then the City shall notify the Franchisee of its withdrawal of the Notice of Revocation which notice shall thereby no longer be effective.

15.8. *Revocation:* In the event the City has not received a satisfactory response from Franchisee to the Notice of Revocation, it may then seek revocation of the Franchise at a hearing. The City shall cause to be served upon the Franchisee, at least thirty (30) business days prior to such hearing, a written notice specifying the time and place of such hearing which shall not be earlier than as provided for in Section 15.7 and stating its intent to revoke the Franchise.

15.8.1. At the designated hearing, Franchisee 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 City, 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.

15.8.2. Following the hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the City in writing and thereafter the City shall determine (i) whether an event of Revocation Default has occurred under this Franchise; (ii) whether such event of Revocation Default is excusable; and (iii) whether such event of Revocation Default has been cured or will be cured by the Franchisee. The City shall also determine whether it will revoke the Franchise based on the information presented, or, where

applicable, grant additional time to the Franchisee to effect any cure. If the City determines that it will revoke the Franchise, the City shall promptly provide Franchisee with a written determination setting forth the City's reasoning for such revocation. Franchisee may appeal such written determination of the City to an appropriate court, which shall have the power to review the decision of the City de novo. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the written determination of the City.

15.9. Performance Bond:

15.9.1. Establishment: The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement, a performance bond, for the benefit of the City, on the form attached hereto as Appendix E and from an institution satisfactory to the City, in an amount as provided in Section 15.9.2 below (the "Performance Bond"). The "City of New York acting by and through the Department of Information Technology and Telecommunications" shall serve as the sole obligee under the Performance Bond. The attorney-in-fact who signs the Performance Bond must file with the bond a certified copy of his/her power of attorney to sign the bond. The Performance Bond shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement.

15.9.2. Amount and Term: The initial amount of the Performance Bond shall be Fifty Million Dollars (\$50,000,000), which amount may at Franchisee's option be periodically reduced pursuant to the following schedule if at the scheduled reduction date Franchisee has timely completed its deployment obligations under Appendix F hereof. The Performance Bond provided hereunder shall provide that it shall remain in effect during the term of this Agreement and for one year thereafter unless within such one year period DoITT notifies the Franchisee that the Performance Bond shall remain in full force and effect because of the pendency of any litigation or the assertion of any claim which has not been brought to final judgment and for which the Performance Bond provides security.

15.9.2.1. Reduction Schedule: The required amount of the Performance Bond shall be reduced in accordance with the following schedule as of December 31 of the year indicated so long as Franchisee has attained the "NYC Total" percentage of households passed required as of that date as set forth in Appendix F, except that the date for reduction in calendar year 2014 shall be June 30 of that year, subject to the same requirement. If Franchisee does not attain the "NYC Total" percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the "NYC Total" percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)
2009: Thirty Million Dollars (\$30,000,000)
2010: Twenty-Five Million Dollars (\$25,000,000)
2011: Fifteen Million Dollars (\$15,000,000)
2012: Ten Million Dollars (\$10,000,000)

2013: Five Million Dollars (\$5,000,000)

2014: One Million Dollars (\$1,000,000)

15.9.3. *Claim Against the Performance Bond:* The City may make a claim against the Performance Bond in such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations referenced in Section 15.9.2 (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such claim may be permitted by a final judgment of a court of competent jurisdiction. The City may not seek recourse against the Performance Bond for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Performance Bond, recourse to the Letter of Credit, or withdrawal from the cash Security Fund.

15.10. *Letter of Credit:*

15.10.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement and for one year thereafter, a letter of credit, for the benefit of the City, in a form and issued by a bank satisfactory to the City, in an amount as provided in Section 15.10.2 below (the "Letter of Credit"). The Letter of Credit shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement. The "City of New York acting by and through the Department of Information technology and Telecommunications" shall be named as the beneficiary. The original Letter of Credit shall be deposited with the City. The Letter of Credit shall contain the following endorsement or with language with similar effect:

"It is hereby understood and agreed that this letter of credit may not be canceled or not renewed by the issuer/surety until at least ninety (90) days after receipt by the New York City Department of Information Technology and Telecommunications of a written notice stating such intention to cancel or not to renew."

15.10.2. *Amount:* The Letter of Credit shall be in the amount of Twenty Million Dollars (\$20,000,000).

15.10.3. *Drawdown Against the Letter of Credit:*

15.10.3.1. The City may draw down against the Letter of Credit such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations under this Agreement not otherwise met in accordance with this Agreement (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such drawdown may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Letter of Credit for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Letter of Credit, recourse to the Performance Bond, or withdrawal from the cash Security Fund.

15.10.3.2. In addition to its right to draw down on the Letter of Credit for any of the reasons set forth in 15.10.3.1 hereof, the City may draw down in full on the Letter

of Credit at any time such Letter of Credit has less than thirty (30) days to run before it is scheduled to expire and no replacement or renewal Letter of Credit has been given in its place. In the event of a drawdown for such reason, the City will hold the proceeds as cash security (paying to itself any interest earned) in lieu of a Letter of Credit (with the City having the right to make withdrawals for the same purposes as drawdowns are permitted on the Letter of Credit) until a replacement Letter of Credit is put in place, at which time such drawdown proceeds will be returned to the Franchisee less any proper withdrawals and any reasonable transaction expenses. In the event of a drawdown on the Letter of Credit as contemplated by this Section 15.10.3.2, and until such time as a replacement Letter of Credit is obtained in accordance herewith, the replenishment obligations of the Franchisee with respect to the moneys held by the City following such drawdown as cash security shall correspond to the replenishment obligations (and rights) of the Franchisee applicable to the cash Security Fund under Section 15.11.

15.10.3.3. Within two business days after any drawdown against the Letter of Credit, the City shall notify Franchisee of the date and amount thereof.

15.10.4. *Replenishment:* Until the expiration of one year after the Term, within 30 days after receipt of notice (the "Replenishment Period") from the City that at least One Hundred Thousand Dollars (\$100,000) (cumulatively or in a single instance) has been drawn down against the Letter of Credit, Franchisee shall obtain a replacement or additional Letter of Credit such that the total amount available under the letter(s) of credit obtained shall be restored to the amount required in Section 15.10.2.

15.11. *Cash Security Fund:*

15.11.1. *Establishment and Amount:* Franchisee shall deposit with DoITT as a condition to the Closing a certified check, bank check or wire transfer, payable to the "City of New York," in the amount of One Million Dollars (\$1,000,000), to be held by the City as security (together with the other elements of security provided for under this Agreement) for performance of Franchisee's obligations under this Agreement (the "Security Fund").

15.11.2. *Withdrawals From or Claims Under the Security Fund:* The City may make withdrawals from the Security Fund of such amounts as are necessary to satisfy (to the degree possible) Franchisee's obligations under this Agreement that are not otherwise satisfied (and to reimburse the City for costs, losses or damages incurred as the result of Franchisee's failure(s) to satisfy its obligations), to the extent that such withdrawal may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Security Fund for any costs, losses or damages for which the City has previously been compensated through a withdrawal from the Security Fund, recourse to the Performance Bond provided for in this Agreement or drawdown against the Letter of Credit provided for in this Agreement. Within two business days after any withdrawal from the Security Fund, the City shall notify the Franchisee of the date and amount thereof.

15.11.3. *Replenishment:* Until the expiration of one year after the end of the Term, within 30 days after receipt of notice (the "Replenishment Period") from the City that any amount has been withdrawn from the Security Fund as provided in Section 15.11.2, the Franchisee shall restore to the Security Fund the amount thus withdrawn.

15.11.4. *Return of Security Fund:* Within thirty (30) days of the end of the Term, the City shall pay over to the Franchisee any amounts remaining in the Security Fund.

15.12. *Not a Limit on Liability:* Neither the Franchisee's obligations under this Agreement nor Franchisee's liability for non-performance of any such obligations are limited in nature or amount by the acceptance or availability of the Performance Bond provided pursuant to Section 15.9, the Letter of Credit provided pursuant to Section 15.10 or the cash Security fund provided by Section 15.11.

15.13. *Abandonment of Service:* Franchisee shall not abandon provision of any Cable Service or portion thereof in the City without the City's prior written consent as provided in the Cable Law.

16. CUSTOMER PROTECTION STANDARDS

16.1. *Generally:* Franchisee shall comply with the consumer protection standards set forth in Parts 890 and 896 of the NY PSC rules and regulations and the provisions of Appendix A hereto.

16.2. *Privacy Protection:* The Franchisee shall comply with the provisions of 47 U.S.C. § 551 and any other applicable law, including any local standards to the extent not inconsistent with the terms of this Franchise established in accordance with applicable law, with respect to the protection of the privacy of Subscribers.

16.3. *Parental Control:* Franchisee shall make available to any Subscriber, if not already incorporated in standard equipment that is offered to all Subscribers, a device that offers as an option the ability to limit access to programming to Persons who provide a personal identification number or other means provided by the Franchisee only to a Subscriber, or other similar means of allowing parents to control children's access to programming in the Subscriber household. Provided, however, that it is not the intention of the parties that this Agreement be construed as placing any responsibility or liability on the Franchisee for the exercise of or failure to exercise such parental controls as are offered and Franchisee shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls as are offered.

16.4. *Information to City:* The Franchisee shall provide subscriber information requested by the City for the purpose of enforcement of this Franchise, to the extent the provision of such information does not violate applicable law (including, without limitation, 47 U.S.C. § 551).

17. EMPLOYMENT AND PURCHASING

17.1. *Right to Bargain Collectively:* The Franchisee shall recognize the right of its employees to bargain collectively through representatives of their own choosing in accordance with applicable law. The Franchisee shall recognize and deal with the representatives duly designated or selected by the majority of its employees for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or any other terms, conditions, or

privileges of employment as required by law. The Franchisee shall not dominate, interfere with, participate in the management or control of, or give financial support to any union or association of its employees.

17.2. *No Discrimination:* The Franchisee shall not: (i) refuse to hire, train, or employ; (ii) bar or discharge from employment; or (iii) discriminate against any individual in compensation, hours of employment, or any other term, condition, or privilege of employment, including, without limitation, promotion, upgrading, demotion, downgrading, transfer, layoff, and termination, on the basis of race, creed, color, national origin, sex, age, handicap, marital status, affectional preference or sexual orientation in accordance with applicable law. The Franchisee agrees to comply in all respects with all applicable federal, state and local employment discrimination laws and requirements during the term of this Agreement.

17.3. *Local Employment Plan:* Within thirty (30) days of the Effective Date hereof, the Franchisee shall, at its own cost and expense, develop, maintain and implement and disclose to the City (subject to appropriate and lawful confidentiality restrictions), a plan, consistent with Franchisee's collective bargaining agreements, for the recruitment, education, training, and employment of residents of the City for the opportunities to be created by the deployment and provision of service contemplated in this Agreement.

17.4. *City Vendors:* To the extent feasible and consistent with applicable law, and with due regard to price and quality considerations, the Franchisee shall utilize vendors located in the City in connection with the deployment and provision of service contemplated by this Agreement.

17.5. *Local Law Requirements:* The Franchisee agrees to comply in all respects with the provisions of the Mayor's Executive Order No. 50 (April 25, 1980) (codified at Title 10 Sections 1-14 of the Rules of the City of New York) and City Administrative Code 6-108.1 (1984) and all rules and regulations promulgated thereunder (collectively, the "EEO Requirements"), as such EEO Requirements may be amended, modified or succeeded throughout the Term of this Agreement. Notwithstanding the fact that the EEO Requirements do not apply on their face to Franchisee in its capacity as a franchisee, the Franchisee shall comply in all respects with the provisions of such EEO Requirements and successor and replacement laws, orders and regulations adopted following the date of this Agreement. As required by said Executive Order No. 50, the provisions of Sections 50.30 and 50.31 of the Final Rule implementing said Order are incorporated herein by this reference.

18. MISCELLANEOUS PROVISIONS

18.1. *Competition:* The parties agree that this Agreement, when compared to the terms of the City's cable television franchise agreements in existence as of the Closing, contains economic and regulatory burdens which, when taken as a whole, are not greater or lesser than those placed upon other cable operators operating within the Franchise Area.

18.2. *Actions of Parties:* Any action to be taken by the City and/or the Commissioner pursuant to this Agreement shall be taken in accordance with the applicable provisions of the City Charter, as said Charter may be amended or modified throughout the Term of this

Agreement. 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, unless expressly agreed otherwise herein.

18.3. *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.

18.4. *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 City.

18.5. *Force Majeure:* Subject to the procedures set forth in the last sentence of this Section 18.5, the Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Franchisee's capability to perform, Franchisee shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. The Franchisee shall notify the Commissioner in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

18.6. *Notices:* Every notice, order, petition, document, or other direction or communication to be served upon the City or the Franchisee shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses (unless expressly stated otherwise in this Agreement):

If to the Franchisee, to:

Verizon New York Inc.
Maura C. Breen, Senior Vice President/General Manager –Regional Operations
140 West Street
31st Floor
New York, NY 10007

with a copy to:

Jack White, Senior Vice President and General Counsel
Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

With a copy to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

If to the City, to:

Department of Information Technology and Telecommunications
75 Park Place, Ninth Floor
New York, NY 10007
Attention: Commissioner

with a copy to:

New York City Law Department
100 Church Street, Sixth Floor
New York, NY 10007
Attention: Chief, Economic Development Division

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

18.7. *Additional Representations and Warranties:* In addition to the representations, warranties, and covenants of the Franchisee to the City set forth elsewhere herein, the Franchisee represents and warrants to the City and covenants and agrees that, as of the Closing:

18.7.1. *Organization, Standing and Power:* The Franchisee is a corporation duly organized and validly existing under the laws of the State of New York and is duly authorized to

do business in the State of New York and in the City. The Franchisee has all requisite power and authority to execute, deliver and perform this Agreement and all other agreements entered into or delivered in connection with or as contemplated hereby. Certified copies of the Franchisee's constituent documents, as amended to date, will be provided to the Commissioner upon request.

18.7.2. *Authorization:* The execution, delivery and performance of this Agreement and all other agreements entered into in connection with the transactions contemplated hereby have been duly, legally and validly authorized by all necessary action on the part of the Franchisee. This Agreement and all other agreements entered into in connection with the transaction contemplated hereby have been duly executed and delivered by the Franchisee and constitute (or upon execution and delivery will constitute) the valid and binding obligations of the Franchisee.

18.7.3. *Compliance with Law:* The Franchisee is in compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the provision of the services contemplated herein and has obtained or will obtain prior to the provision of service to the public all government licenses, permits, and authorizations necessary for the provision of the service, except approval by the NY PSC.

18.7.4. *Ownership Interests:* Franchisee is a wholly owned subsidiary of NYNEX Corporation, which itself is a wholly owned subsidiary of Verizon Communications, Inc.

18.7.5. *Compliance with City Contracts:* The Franchisee has not received notice from the City of any default or noncompliance with any existing written contract or other written agreement with the City, unless such default or noncompliance has subsequently been cured or otherwise resolved to the City's satisfaction or such notice has been withdrawn by the City or otherwise determined by the City or a court of competent jurisdiction to have been issued in error.

18.8. *Compliance with Laws, Licenses and Permits:* With respect to its activities pursuant to this Agreement, the Franchisee shall comply with: (i) all applicable laws, rules, regulations, orders, writs, decrees and judgments (including, but not limited to, those of the PSC and the FCC) and any other federal, state agency or authority of competent jurisdiction; and (ii) all local laws and all rules, regulations, orders, of the City and of DoITT consistent with this Agreement. The Franchisee shall have the sole responsibility for obtaining all permits, licenses and other forms of approval or authorization necessary to construct, operate, maintain, upgrade, replace or repair the System, or any part thereof.

18.9. *Entire Agreement:* This Agreement and the Exhibits and Appendices hereto constitute the entire agreement between Franchisee and the City and they supersede all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof.

18.10. *Amendments and Modifications:* Amendments and/or modifications to this Franchise shall not be effective unless mutually agreed to in writing by the parties and shall be subject to the approval of the NY PSC, pursuant to the Cable Law.

18.11. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the articles, sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement. Terms such as "hereby," "herein," "hereof," "hereinafter," "hereunder," and "hereto" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. The term "may" is permissive; the terms "shall" and "will" are mandatory, not merely directive. All references to any gender shall be deemed to include all others, as the context may require. Terms used in the plural include the singular, and vice versa, unless the context otherwise requires.

18.12. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by, or a final order of any state or federal regulatory authority having competent 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 the Franchise, subject to the obligations of the parties as applicable under Section 18.4 above.

18.13. *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.

18.14. *Pending Litigation:* Nothing in this Franchise shall be construed to prejudice or affect any position taken by either the City or Franchisee in the litigation now pending in the Supreme Court, County of New York, captioned The City of New York v. Verizon New York Inc., Index No. 402961/03 (the "Pending Litigation").

18.15. *FTTP Network Status:* In the event of a lawful termination or non-renewal of the Franchise, the legal status of the FTTP Network in the rights-of-way will revert to whatever status it has as a system providing only services that do not include Cable Service, as such status may be ultimately determined by the final outcome of the litigation referred to in Section 18.14 above. In implementation of the intent of the preceding sentence, if and so long as the Franchisee shall have separate lawful authority to maintain facilities providing services of the type being carried over the FTTP Network in the City's Public Rights-of-Way, the Franchisee shall not be required to remove or relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Service.

18.16. *NY PSC Approval:* This Franchise is subject to confirmation by the NY PSC. Franchisee shall file a petition for confirmation with the NY PSC within sixty (60) days after the date hereof. Franchisee shall also file any necessary notices with the FCC.

18.17. *Rates and Charges:* The rates and charges for Cable Service provided pursuant to this Franchise shall be subject to regulation in accordance with federal law, and in no event shall Franchisee be subject to rate regulation, except to the extent Franchisee is no longer subject to

Effective Competition (as that term is defined by federal law) or such rate regulation is authorized to be imposed as a result of a change in federal law.

18.18. *Publishing Information:* Except as otherwise permitted in this Franchise, the City hereby requests that Franchisee omit publishing information specified in 47 C.F.R. § 76.952 from Subscriber bills.

18.19. *No Third Party Beneficiaries:* This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

18.20. *City Official:* The Commissioner is the City official that is responsible for the continuing administration of this Agreement.

18.21. *Holdover.* To the extent required or permitted by PSC regulations, in the event the Franchisee continues to provide Cable Service within the Franchise Area after the term of this Agreement, the Franchisee shall continue to comply with all applicable provisions of this Agreement, including, without limitation, all compensation and other payment provisions of this Agreement, throughout the period of such continued operation, provided that any such continued operation shall in no way be construed as a renewal or other extension of this Agreement or the Franchise granted pursuant to this Agreement.

18.22. *Investigations Clause:* Franchisee shall comply with the City's standard "Investigations Clause" to be included in City contracts and agreements pursuant to Section 4(b) of Mayoral Executive Order 16 of 1978, as set forth in Appendix I hereto, and in the event of any failure as described therein shall be subject to the penalties set forth therein.

18.23. *Interpretation:* This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party because that party drafted, or caused that party's legal representative to draft, any of its provisions.

18.24. *Voluntary Execution:* The parties acknowledge that each has read this Agreement, that each fully understands its rights, privileges and duties under this Agreement, and that each enters into this Agreement freely and voluntarily. Each party further acknowledges that it has had the opportunity to consult with counsel of its own choosing in the negotiation or and agreement to the provisions of this Agreement.

18.25. *Execution in Counterparts:* This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute a single agreement.

18.26 *Approval of Amendments:* In the event this Agreement is to be amended in any manner which affects the City's interest in a substantial manner, agreement by the City to such amendment shall only be effective if such amendment is approved by the FCRC.

AGREED TO THIS 29th DAY OF May, 2008.

The City of New York:

By: [Signature]
Deputy Mayor

By: [Signature]
Paul Cosgrave, Commissioner

Approved as to form and certified as to legal authority:

[Signature]
Acting Corporation Counsel

Attest:

By: [Signature]
City Clerk [City Seal]

Verizon New York Inc.

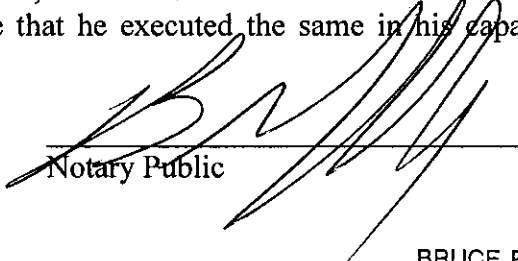
By: [Signature]
Maura C. Breen, Senior Vice President/
General Manager - Regional Operations

Approved as to form:

[Signature]
John Raposa, Vice President & Deputy General Counsel –
Verizon Telecom

CITY OF NEW YORK)
) ss:
STATE OF NEW YORK)

I, Bruce Regal, a Notary Public in and for the State of New York, residing therein, duly commissioned and sworn, do hereby certify that Edward Skyler, Deputy Mayor of the City of New York, being personally known to me, personally appeared before me in the State of New York on the 29th day of May, 2008, executed the above instrument on behalf of the City of New York, and acknowledged to me that he executed the same in his capacity as Deputy Mayor of the City of New York.

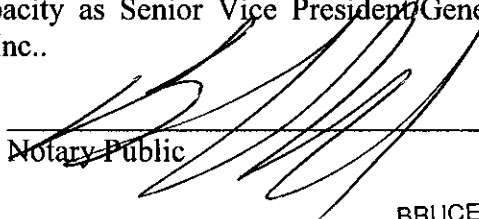


Notary Public

BRUCE REGAL
Notary Public, State of New York
No. 02RE4810923
Qualified in New York County
Commission Expires Aug. 31, ~~2008~~ 2010

CITY OF NEW YORK)
) ss:
STATE OF NEW YORK)

I, Bruce Regal, a Notary Public in and for the State of New York, residing therein, duly commissioned and sworn, do hereby certify that Maura C. Breen, Senior Vice President/General Manager – Regional Operations of Verizon New York Inc., being personally known to me, personally appeared before me in the State of New York on the 29th day of May, 2008, executed the above instrument on behalf of Verizon New York Inc. and acknowledged to me that she executed the same in her capacity as Senior Vice President/General Manager – Regional Operations of Verizon New York Inc..

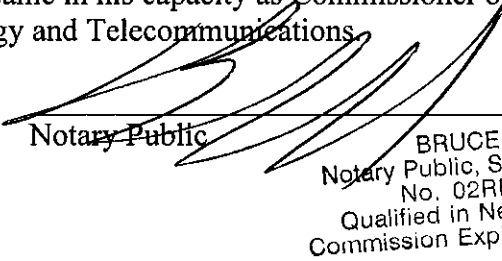


Notary Public

BRUCE REGAL
Notary Public, State of New York
No. 02RE4810923
Qualified in New York County
Commission Expires Aug. 31, ~~2008~~ 2010

CITY OF NEW YORK)
) ss:
STATE OF NEW YORK)

I, Bruce Regal, a Notary Public in and for the State of New York, residing therein, duly commissioned and sworn, do hereby certify that Paul Cosgrave, Commissioner of the New York City Department of Information Technology and Telecommunications, being personally known to me, personally appeared before me in the State of New York on the 29th day of May, 2008, executed the above instrument on behalf of the City of New York, and acknowledged to me that he executed the same in his capacity as Commissioner of the New York City Department of Information Technology and Telecommunications.



Notary Public

BRUCE REGAL
Notary Public, State of New York
No. 02RE4810923
Qualified in New York County
Commission Expires Aug. 31, ~~2008~~ 2010

APPENDICES

Appendix A: Customer Protection Standards

Appendix B: PEG Channels

Appendix C: Form Community Access Organization Agreement

Appendix D: Institutional Network

Appendix E: Form of Security

Appendix F: FTTP Upgrade Schedule

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Appendix K: Form of Franchise Fee Report

APPENDIX A
CONSUMER PROTECTION STANDARDS

APPENDIX A
CONSUMER PROTECTION STANDARDS
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Section 1
SOLICITATION OF SUBSCRIPTIONS

1.1 **Uniforms/Identification Cards/Name Badges.** Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 **Subscription Information.**

1.2.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

- (i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;
- (ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;
- (iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;
- (iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;
- (v) the procedure for the resolution of billing disputes;

(vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;

(vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;

(viii) the required time periods for installation requests, consistent with these consumer protection standards; and

(ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.2.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.2.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.3 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2

INSTALLATION

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

- (ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;
- (iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;
- (iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;
- (v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;
- (vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time);
- (vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices, practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;
- (viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;
- (ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical

capability to do so, including, but not limited to, limitations with respect to character capacity;

- (x) the rules governing the termination of Cable Service;
- (xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer "appointment window" time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee's work crew shall arrive to perform the installation of the necessary equipment to receive

Cable Service (on Saturdays the Franchisee may in its discretion offer "appointment windows," but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber's premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner's satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have) failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service

was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner and the Comptroller authorize the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the forty-fifth (45th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3
SERVICE CENTERS

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough. All such Service Centers will be conveniently located near mass transit.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

(i) each telephone call shall be answered within at least thirty (30) seconds;

(ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;

(iii) callers shall not be kept on hold for longer than thirty (30) seconds;

(iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;

(v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and

(vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may "pass through" to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic

means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Franchisee.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore

agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5

EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment,

provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an "Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber's television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, "loss of picture or sound" shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a "Significant Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all

channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber's television receiver or the Subscriber, and that affects one hundred (100) or more Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a "Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a "Significant Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber's premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee's customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber's premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee's control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee's failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain access to a Subscriber's premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the forty-fifth (45th) day following the end of each calendar quarter. Upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the

Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has determined that there has been an excessive number or identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7 SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Centers to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "Payment Center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee

within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the "comments" section of the Franchisee's records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner and the Comptroller authorize the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

- (i) the total number of complaints received by Franchisee in each Borough and by VSO;
- (ii) the nature and current status of all complaints received by Franchisee in each Borough and VSO, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories as may be tracked in Verizon's internal customer service system; and
- (iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough and VSO.

Section 8 **NOTICE**

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by

Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 **Notice of Termination of Service.** As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 **Termination on Sundays, Holidays or Evenings.** The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 **Resubscription to Cable Service.** The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 **Length of Time to Disconnection.** If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 **Scheduling Appointments.** The Franchisee shall provide Subscribers with "appointment window" time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber's premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide "appointment window" time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 **Grounds.** As a result of the Franchisee's failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable

Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber's claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber's claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from

each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 **Charge for Downgrades.** The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 **Overpayment Credits.** If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 **Procedures for Contacting Subscribers.** Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the

Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature, the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12

FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 Reporting. The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13

ANNUAL CABLE CONSUMER REPORT CARD

13.1 **Annual Cable Consumer Report Card Requirements.** The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.

Exhibit 1 to Appendix A

[Intentionally Omitted]

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All "calls" other than those which receive busy signals, made to the Franchisee's sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee's business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative ("CSR") (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

"Wait Time" is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee's phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all "service" lines are busy, even if "billing" lines are available, unless the Franchisee's system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) "calling hours." "Calling hours" are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner's request.)

ANNUAL CABLE CONSUMER REPORT CARD

Subject to the terms of Section 13.1 hereof, within forty-five (45) days from the end of each calendar year, Franchisee shall post on its website, and provide to the leasing or sales office of each MDU with which Franchisee has executed a marketing agreement for Cable Service, an Annual Cable Consumer Report Card setting forth the following information on a City-wide basis:

(1) Customer service performance information, including:

- (a) Percentage of calls answered by voice response units ("VRU");
- (b) Percentage of calls abandoned by VRU; and
- (c) Percentage of busy calls by VRU.

(2) Subscriber rights and remedies, including but not limited to contact information related to Subscriber complaints and customer service within Verizon, as well as contact information for DoITT for Subscriber issues, Subscriber credit policy, privacy notice, and billing (including a statement that Subscribers may, upon request, receive a written description of any resolution of a billing dispute) and payment information.

(3) Price of services information.

(4) Content/channel changes and improvement information.

(5) Significant Outage information, including:

- (a) Summary of categories of Significant Outages that occurred by VSO, in the Franchise Area during the preceding calendar year;
- (b) Percentage of each category of Significant Outage that occurred by VSO in the Franchise Area during the preceding calendar year; and
- (c) Remedies performed Franchisee for each category of Significant Outage during the preceding calendar year.

APPENDIX B
PEG CHANNELS

Date	Number of Channels	
Within 180 Days of the Effective Date	4 P each Borough, 5 City-wide E/G	25 channels
January 1, 2009	Additional 2 P each Borough, Additional 1 City-wide E/G	11 channels
January 1, 2012	Additional 1 P each Borough, Additional 2 City-wide E/G	7 channels
6 years after Effective Date	Additional 2 P each Borough	10 channels
		53 channels total

APPENDIX C

FORM OF COMMUNITY ACCESS ORGANIZATION ("CAO")

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

[CAO]

THIS AGREEMENT (the "Agreement") made on this [] day of [], 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and [CAO], a New York not-for-profit corporation (the "CAO") designated by the Borough President of [borough name] (the "Borough President"), with a place of business at [address].

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of [borough name] (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of [borough name]; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such

other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in [borough name]; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 **Borough:** The entire existing territorial boundaries of the Borough of [borough name], and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of DOLLAR (\$____) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

DOLLARS (\$_____) shall be due and payable within ninety (90) days of the Effective Date;

DOLLARS (\$_____) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

DOLLARS (\$_____) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

DOLLARS (\$_____) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall

also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of [_____]. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III -OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies, in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO

primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV -PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access

Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at (_____) ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty days (180) of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a "Public Access Channel Origination Site") and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Origination Site, as designated on Exhibit 1. Upon one hundred eighty days (180) days written notice from the CAO to Verizon that a Public Access Channel Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public

disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of the Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

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5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

[CAO NAME]

ATTEST:

BY: _____
[Signatory]

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
[Signatory]

APPENDIX D

FRANCHISE FIBER RIGHT OF USE

Pursuant to the terms of Article 9 of the Franchise, and in consideration for the rights and benefits provided to the Franchisee under the Franchise, the Franchisee shall provide to the City the exclusive right to use of certain fiber optic strands as more fully described in Exhibit 1 to this Appendix D. For purposes of this Appendix D, capitalized terms used herein but not otherwise defined below shall have the meanings ascribed to such terms in the Franchise.

Section 1 DEFINITIONS

1.1 “Connection Points” shall mean the locations at which the City Equipment may be connected to the Franchise Fibers as described on Exhibit 1 to this Appendix D.

1.2 “Franchise Fibers” are identified in Exhibit 1 to this Appendix D as the span locations of the fiber optic strands to be granted to the City hereunder.

1.3 The “City Equipment” shall mean any optronic, electronic, optical, or power equipment, and any other facilities, material or equipment owned, possessed or utilized by the City in connection with the use of the Franchise Fibers, including all innerducts (and other conduit tubing) and fiber optic cable in any telecommunications network owned by the City and connecting to any of the Franchise Fibers.

1.4 “Governmental Authority” shall mean any federal, state, regional, county, city, municipal, local, territorial, or tribal government, whether foreign or domestic, or any department, agency, bureau or other administrative or regulatory body obtaining authority from any of the foregoing, including without limitation, courts, public utilities and other authorities.

1.5 “Underlying Rights” shall mean all deeds, leases, easements, rights-of-way agreements, licenses, franchises, permits, grants and other rights, titles and interests that are necessary for the construction, installation, maintenance, operation, use or repair of the Franchise Fibers and Verizon’s supporting facilities, as applicable.

1.6 “Underlying Rights Requirements” shall mean the requirements, terms, conditions, obligations, liabilities, restrictions, and/or limitations on the City’s right to use and operate the Franchise Fibers and to access, install, repair, maintain and replace the City Equipment as set forth in the Right of Use granted by Article 9 of the Franchise and this Appendix D, in the Underlying Rights, in all applicable government codes, ordinances, laws, rules, permits, approvals and regulations, and all safety, operational and other rules and regulations imposed in connection with any of the foregoing or otherwise.

1.7 “Verizon Network” shall mean all of the physical facilities constructed, maintained and/or operated by the Franchisee or its Affiliates in the City which are utilized by Franchisee or its Affiliates for the provision of services, including, without limitation, Telecommunications Services, Information Services, or Cable Services.

Section 2 GRANT OF RIGHTS

2.1 *Right of Use of Franchise Fibers:* On the terms and subject to the conditions set forth herein, and consistent with the priority list set forth in **Exhibit 1** to this **Appendix D**, Franchisee grants to the City during the Term of the Franchise an exclusive right of use of the Franchise Fibers (the “Right of Use”) solely for the City’s noncommercial use.

2.2 *Franchisee’s Title:* Franchisee shall retain undivided, absolute legal title and ownership in the Franchise Fibers and the City’s rights pursuant to this **Appendix D** and Article 9 of the Franchise shall be limited solely to the Right of Use described herein during the Term of the Franchise.

2.3 *Limitation on City’s Rights:* Nothing herein shall be construed to confer upon the City any right to maintain, modify or alter the Franchise Fibers or Verizon’s supporting facilities, or the right of physical access to the Franchise Fibers or Verizon’s supporting facilities, or the right to encumber or use Verizon’s supporting facilities or any part thereof.

Section 3 TERM

3.1 *Term:* Subject to the terms of the Franchise, Section 3.2 hereof, and the priority list set forth on **Exhibit 1** to this **Appendix D**, the City’s Right of Use shall commence on the Effective Date of the Franchise and shall terminate in accordance with Section 3.2 of this **Appendix D**.

3.2 *Termination:* Upon the earlier of: (i) the expiration of the Term of the Franchise in accordance with Section 3.2 of the Franchise or (ii) the earlier termination of the Franchise pursuant to the terms of the Franchise, the City’s Right of Use shall immediately terminate, and all rights of the City to use the Franchise Fibers, or any parts thereof, shall cease upon written notice to the City from the Franchisee of such termination (the “Termination Notice”). Upon receipt by the City of the Termination Notice, the City shall immediately cease all use of the Franchise Fibers and at the City’s sole cost and expense remove any and all City Equipment connected with the Franchise Fibers or the Verizon’s supporting facilities.

Section 4 USE OF THE FRANCHISE FIBERS

4.1 *Compliance with Underlying Rights:* The City represents, covenants and warrants that it will use the Franchise Fibers granted hereunder in compliance with and subject to the Underlying Rights Requirements and all other applicable codes, ordinances, laws, rules and regulations of any Governmental Authority having jurisdiction over such Franchise Fibers.

4.2 *Permitted Use:* Subject to the provisions of the Right of Use granted by Article 9 of the Franchise and this **Appendix D**, the City may use the Franchise Fibers for the noncommercial purposes of the City and for no other purpose. The City acknowledges and agrees nothing herein shall be construed to confer upon the City any rights to use any fibers or other equipment or facilities, other than the Franchise Fibers, included or incorporated in the Verizon's supporting facilities or any portion of the Verizon Network except as expressly set forth in the Franchise.

Section 5 UNDERLYING RIGHTS

5.1 *Franchisee Underlying Rights:* Subject to the terms and provisions of this **Appendix D**, Franchisee agrees to obtain and maintain during the Term all Underlying Rights necessary for its construction, installation, maintenance and repair of the Franchise Fibers. The Right of Use granted hereunder is subject to the terms of the Underlying Rights, and is subject to the terms under which the Underlying Rights are owned or held by the grantor or grantors of the Underlying Rights, including covenants, conditions, restrictions, easements, reversionary and other interests, bonds, mortgages and indentures, and other matters, whether or not of record, and to the rights of tenants and licensees in possession. The Right of Use granted hereunder is further subject and subordinate to the prior right of the grantor or grantors of the Underlying Rights to use the right of way for other activities, including railroad operations, telecommunications uses, pipeline operations or any other purposes, and to the prior right of Franchisee to use its rights granted under the Underlying Rights. The rights granted to the City herein, if any, are made expressly subject to each and every limitation, restriction, condition or reservation in or affecting the Underlying Rights. Nothing herein shall be construed to be a representation, warranty or covenant of Franchisee's right, title or interest with respect to any of the Underlying Rights or with respect to the City's right to benefit from any of the Underlying Rights.

Section 6 ACCESS TO CONNECTION POINTS

6.1 *Connection:* The Franchisee shall provide the City with access to the Franchise Fibers at the Connection Points designated in **Exhibit 1** to this **Appendix D**. All terminations at Connection Points will be performed by the Franchisee in accordance with Franchisee's applicable specifications and operating procedures. The cost of such terminations at all Connection Points shall be the sole responsibility of the Franchisee.

6.2 *Access to Connection Points:* The City shall provide the Franchisee with all necessary legal, technical and physical access to all Connection Points as necessary to effectuate the objectives and obligations of this **Appendix D**.

6.3 *No Access by the City:* The City will not be entitled to any physical access to the Franchise Fibers or Verizon's supporting facilities.

6.4 *Franchisee Control:* Franchisee shall control all activities concerning access to the Verizon Network, including the Franchise Fibers and Verizon's supporting facilities.

6.5 *No Maintenance or Repair by the City:* Any maintenance or repair work required respecting the Franchise Fibers required by the City for any reason, including, without limitation, splicing of the Franchise Fibers or the installation of handholes or other physical access points shall be undertaken only by Franchisee at the City's request. All such work shall be performed for such charges and on such terms and conditions as are agreed to by the Parties in writing.

6.6 *Remediation/Removal of Hazardous Materials:* To the extent the installation of any Franchise Fibers at any Connection Points requires the removal or remediation of hazardous materials, such removal or remediation shall be the sole responsibility of the City and the Franchisee shall have no obligation to perform such installation until all appropriate removal and remediation of hazardous materials has been completed by the City to the reasonable satisfaction of the Franchisee.

Section 7 OPERATIONS

7.1 *No Interference by the City:* The City shall not interfere with, or adversely affect the use by any other Person of the Verizon Network and/or any electronic or optronic equipment used by such Person in connection therewith.

7.2 *No Interference by Franchisee:* Franchisee shall not interfere with, or materially or adversely affect (or permit another Person under the direct control of Franchisee to materially interfere with, or materially or adversely affect) the City's use of the Franchise Fibers and/or the City Equipment. Franchisee further agrees that it shall use best efforts to avoid interfering with, or materially or adversely affecting, any fiber facilities, directly connected to points of entry to City buildings, owned or operated by any other entity providing similar fiber facilities to the City as Franchisee has agreed to provide pursuant to this Appendix D (the "Third Party Facilities"); provided however, that the parties hereto agree that Franchisee shall rely solely on information provided by the City and thus presumed accurate regarding the location and nature of any such Third Party Facilities and that the Franchisee shall not incur any liability pursuant to this Section 7.2 which arises due to the City's failure to provide Franchisee with accurate information with respect to the location or nature of such Third Party Facilities.

7.3 *No Obligation to Supply Electronics:* The City acknowledges and agrees that Franchisee is not supplying, nor is Franchisee obligated to supply to the City, any of

the City Equipment, optronics or electronics or optical or electrical equipment, electrical power, any related facilities, or any space for the placement thereof (except as expressly agreed by the Parties pursuant to another agreement or agreements executed by the Parties), all of which are the sole responsibility of the City.

7.4 *Compliance with Applicable Authority:* The City represents, warrants and covenants that it will use and operate the Franchise Fibers and use, operate, maintain, repair and replace the City Equipment consistent with and subject to the terms of the Franchise, the Underlying Rights Requirements and all applicable codes, ordinances, laws, rules and regulations.

7.5 *Process for Response to Complaints:* Franchisee shall respond to City complaints and/or requests in accordance with the practices described on Exhibit 2 hereto.

Section 8

RELOCATION, REPLACEMENT AND CONDEMNATION OF CUSTOMER FIBERS

8.1 *Relocation Request:* If Franchisee receives notice of any request, intent or plan by any third Person ("Relocation Request"), including, but not limited to, any Governmental Authority, to relocate or require the relocation of any segment of Verizon's supporting facilities affecting the Franchise Fibers, Franchisee shall notify the City of such Relocation Request and shall keep the City advised of the status of any such proceedings and negotiations related thereto. If relocation is required as a result of any such Relocation Request, Franchisee shall, to the extent possible, give the City at least sixty (60) days' prior written notice of any such required relocation ("Relocation Notice") including an estimate of the cost of such relocation. Franchisee shall have the right to relocate the Franchise Fibers and to the extent Franchisee is not reimbursed for the costs of such relocation by a third party or Governmental Authority, the City shall pay any costs associated with the relocation of the Franchise Fibers.

8.2 *Replacement:* In the event all or any part of the Franchise Fibers shall require replacement during the Term, such replacement shall be made as soon as reasonably practicable at Franchisee's sole cost and expense; provided, however, that if the replacement of the Franchise Fibers is required as a result of the negligence or willful misconduct of the City, then Franchisee shall replace the Franchise Fibers and the City shall pay all costs associated therewith.

8.3 *Condemnation:* In the event any portion of Verizon's supporting facilities affecting the Franchise Fibers, and/or the Underlying Rights, become the subject of a condemnation proceeding which is not dismissed within one hundred eighty (180) days of the date of filing of such proceeding and which could reasonably be expected to result in a taking by any Governmental Authority or other party cloaked with the power of eminent domain for public purpose or use, both Parties shall be entitled, to the extent permitted under applicable law, to participate in any condemnation proceedings to seek to

obtain compensation by separate awards for the economic value of their respective interests in the portion of Verizon's supporting facilities and/or the Franchise Fibers subject to such condemnation. Franchisee shall notify the City as soon as practicable of receipt of any notice of any condemnation proceeding filed against Verizon's supporting facilities, the Franchise Fibers or the Underlying Rights.

Section 9 CONFIDENTIALITY

9.1 *Proprietary and Confidential Information:* The City agrees that it shall treat any information provided to the City by Verizon pursuant this Appendix D as "proprietary and confidential" in accordance with the provisions of Section 11.1 of the Franchise.

Section 10 INDEMNIFICATION

10.1 *Indemnification:* Franchisee hereby agrees to indemnify, defend, protect and hold harmless the City, and its employees, officers, directors and agents (the "the City Indemnified Persons"), from and against, and assumes liability for all suits, actions, damages, claims, losses, fines, judgments, costs and expenses (including reasonable attorneys', accountants' and experts' fees and disbursements) of any character ("Claims"): (a) suffered or incurred by the City Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property which in whole or in part arise on account of the negligent acts or omissions, of Franchisee in the construction of the Franchise Fibers and/or in the performance or non-performance of its repair and maintenance obligations or exercise of its rights under this Right of Use, including any material violation by Franchisee of any Governmental Authority; or (b) under the workers compensation laws asserted by any employee of Franchisee or its agents, contractors, customers or any other Person providing goods or services for or on behalf of any of the foregoing in connection with this Right of Use suffered or incurred by the City Indemnified Persons or any of them. Franchisee's indemnification obligations hereunder shall not be applicable to any Claims to the extent caused by, arising out of or in connection with the negligence, intentional acts or omissions or misconduct of the City Indemnified Persons or any of them.

10.2 The City hereby agrees to indemnify, defend, protect and hold harmless Franchisee and its Affiliates, and their employees, officers, directors and agents (the "Franchisee Indemnified Persons"), from and against, and assumes liability for all Claims (as defined in Section 10.1, above): (a) suffered or incurred by the Franchisee Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property (including, without limitation, the Verizon Network) which in whole or in part arise as a result of the negligent acts or omissions, of the City in the performance or non-performance of its obligations or exercise of its rights under this Right of Use, including any violation by the City of any Underlying Right Requirements or any Governmental Authority; (b) under the workers compensation laws asserted by any employee of the City, or its agents, contractors,

customers or any other Person providing goods or services to any of the foregoing in connection with this Right of Use, and suffered or incurred by the Franchisee Indemnified Persons or any of them; (c) suffered or incurred by the Franchisee Indemnified Persons or any of them and arising out of or resulting from the City's: (i) use or operation of the Franchise Fibers, or the ownership, use, operation, installation, repair, maintenance or replacement of the City Equipment (if any); (ii) the conduct of the City's business, including, without limitation, the provision of any services or the content of any video, voice or data carried through the Franchise Fibers; or (iii) the violation of any Underlying Rights Requirements applicable to the City; or (d) suffered or incurred by Franchisee Indemnified Persons or any of them and arising out of, caused by, related to or based upon a contractual or other relationship between such claiming Party and the City as it relates to the Franchise Fibers, the City Equipment, the Underlying Rights Requirements or this Right of Use, including any claim for interruption of service or in respect of service quality. The City's indemnification obligations hereunder shall not be applicable to any claims to the extent caused by the negligence, intentional acts or omissions or misconduct of Franchisee Indemnified Persons or any of them.

10.3 Either Party seeking indemnification hereunder ("Indemnitee") shall promptly notify the City or Franchisee, as appropriate, of the nature and amount of such claim and the method and means proposed by the Indemnitee for defending or satisfying such claim. The Parties shall consult and cooperate with each other respecting the defense and satisfaction of such claim, including the selection of and direction to legal counsel. Neither Party shall pay or settle any such claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed.

10.4 Subject to Section 10.5, below, nothing contained herein shall operate as a limitation on the right of either Party to bring an action for damages against any third Person, including indirect, special or consequential damages, based on any acts or omissions of such third Person as such acts or omissions may affect the construction, operation or use of the Franchise Fibers or the Verizon Network, except as may be limited by Underlying Rights Requirements; provided, however, that each Party hereto shall assign such rights or claims, execute such documents and do whatever else may be reasonably necessary to enable the other Party to pursue any such action against such third Person.

10.5 Notwithstanding the foregoing provisions of this Section 10, to the extent Franchisee is required under the terms and provisions of any Underlying Rights to indemnify the grantor or provider thereof from and against any and all claims, demands, suits, judgments, liabilities, losses or expenses arising out of or related to such Underlying Rights, regardless of the cause and regardless of whether such claims, demands, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, actions or inaction of such grantor or provider and its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right, the City hereby releases such grantor or provider from the same, regardless of whether such claims, suits, judgments, liabilities, losses or expenses arise

from the sole or partial negligence, willful misconduct or other action or inaction, of such grantor or provider or its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right.

Section 11

ASSIGNMENT

11.1 *Assignment:* The City shall not have the right to assign any rights to use of the Franchise Fibers without the written consent of Franchisee, which consent may be withheld in its absolute discretion.

11.2 *Binding On Permitted Assigns:* Subject to the provisions of this Section, this Right of Use and each of the Parties' respective rights and obligations hereunder, shall be binding upon and shall inure to the benefit of the Parties hereto and each of their respective permitted successors and assigns.

EXHIBIT 1 TO APPENDIX D
FRANCHISE FIBER ROUTES AND SPANS

This Exhibit is filed under separate cover as it contains information that is proprietary and confidential and is exempt from disclosure pursuant to New York Public Officer's Law 87(2)(c),(d), (f) & (i).

EXHIBIT 2 TO APPENDIX D

A. Lines and Circuit Trouble/Outages:

1. For any line or circuit trouble/outage, DoITT may call in a trouble ticket to Verizon Business services at the following number: 1-800 444-1111.
2. Lines and circuits shall be identified pursuant to the designations set forth in Exhibit 1

B. Ticket Escalation

1. Trouble tickets initiated pursuant to Section A.1. above which require escalation or unique review by Franchisee, shall be addressed by the Verizon Business Service Management Team, which will make all the necessary calls and keep the customer updated as to the status of such trouble ticket in accordance with the following management review order:

1st level – Service Manager

2nd level – Manager, Service Management

3rd level – Director, Customer Service, NorthEast

2. Verizon Business is also the interface for DoITT on issues which require internal intervention with other departments (i.e. billing, provisioning, construction, engineering, maintenance, etc.).

APPENDIX E
FORM OF SECURITY

EXHIBIT E-1

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 Fifty Million Dollars (\$50,000,000), 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 Franchise 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 a potential 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; provided, however, that to the extent the Obligee provides the Principal with any written notice of such potential default prior to such 30-day period, the Obligee shall provide the Surety with a copy of such written notice simultaneous with transmission of same to the Principal.

2. In the event of default by the Principal, Obligee shall deliver to Surety a valid court order demonstrating a final judgment not subject to appeal or further judicial relief, together with a written statement of the details of the default resulting in such judgment within thirty (30) days after the entry of such judgment, such notice to be delivered by certified mail to address of said Surety as stated herein.

3. 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. Such termination or cancellation shall not affect any liability incurred or accrued under this bond prior to the effective date of such cancellation.

4. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its

obligations under said Agreement, shall constitute a loss to the Obligee recoverable under this bond.

5. No claim, action, suit or proceeding shall be instituted against this bond unless same be brought or instituted and process served within one year after termination or cancellation of this bond.

6. No right of action shall accrue on this bond for the use of any person, corporation or entity other than the Obligee named herein or the heirs, executors, administrators or successors of the Obligee.

7. The aggregate liability of the surety is limited to the penal sum stated herein regardless of the number of years this bond remains in force or the amount or number of claims brought against this bond.

8. This bond is and shall be construed to be strictly one of suretyship only. If any conflict or inconsistency exists between the Surety's obligations as described in this bond and as may be described in any underlying agreement, permit, document or contract to which this bond is related, then the terms of this bond shall supersede and prevail in all respects.

IN WITNESS WHEREOF, the above bounded Principal and Surety have hereunto signed and sealed this bond effective this ____ day of _____, 2008.

Principal

Surety

By: _____

By: _____

Attorney-in-Fact

EXHIBIT E-2

FORM OF LETTER OF CREDIT

This is an EXAMPLE of a letter of credit. In no way does this guarantee that the JPMorgan Chase Letter of Credit will read exactly as stated below:

Dated

OUR L/C NO.: XXXX-123456

APPLICANT REF. NO.: VZ12

TO:

CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBD STREET

NEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC.

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

ATTN:

EXECUTIVE VICE PRESIDENT

AND

GENERAL MANAGER

WE HAVE ESTABLISHED OUR IRREVOCABLE STANDBY LETTER OF CREDIT
IN YOUR FAVOR AS DETAILED HEREIN SUBJECT TO 600

DOCUMENTARY CREDIT NUMBER: XXXX-123456

DATE OF ISSUE: JUNE XX, 2008

BENEFICIARY: CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBDNEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

DATE AND PLACE OF EXPIRY:

JUNE XX, 2009

AT OUR COUNTER
DOCUMENTARY CREDIT AMOUNT: USD \$20,000,000.00
AVAILABLE WITH: JPMORGAN CHASE BANK, N.A.
BY PAYMENT

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL 12 MONTH PERIODS FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST 60 DAYS PRIOR TO THE CURRENT EXPIRY DATE WE SEND NOTICE IN WRITING TO THE CITY OF NEW YORK VIA SWIFT, TELEX, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT NOT TO AUTOMATICALLY EXTEND THIS LETTER OF CREDIT FOR ANY ADDITIONAL PERIOD. HOWEVER IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND THE FINAL EXPIRY DATE OF JUNE XX, 2009. UPON SUCH NOTICE TO THE CITY OF NEW YORK, THE CITY OF NEW YORK MAY DRAW ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN-APPLICABLE EXPIRY DATE, BY YOUR SWIFT OR PRESENTATION OF YOUR DRAFT AND DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING EXACTLY AS FOLLOWS:

THE AMOUNT OF THIS DRAWING USD UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NUMBER XXX REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM JPMORGAN CHASE BANK, N.A. OF THEIR DECISION NOT TO AUTOMATICALLY EXTEND LETTER OF CREDIT NUMBER TPTS-XXX AND THE UNDERLYING OBLIGATION REMAINS OUTSTANDING.

IN THE EVENT THIS LETTER OF CREDIT IS SUBSEQUENTLY AMENDED BY US TO EITHER:

- I) RESCIND A NOTICE OF NON-EXTENSION AND TO EXTEND THE EXPIRY DATE HEREOF TO A FUTURE DATE, OR
- II) EXTEND THE EXPIRY DATE TO A DATE THAT IS AFTER THE STATED FINAL EXPIRY DATE HEREOF, SUCH EXTENSION SHALL BE FOR THAT SINGLE PERIOD ONLY AND THIS LETTER OF CREDIT WILL NOT BE SUBJECT TO ANY FUTURE AUTOMATIC EXTENSIONS UNLESS AN AUTOMATIC EXTENSION PROVISION IS EXPRESSLY INCORPORATED INTO SUCH AMENDMENT.

ADDITIONAL DETAILS:

THIS LETTER OF CREDIT IS AVAILABLE WITH JPMORGAN CHASE BANK, N.A., AGAINST PRESENTATION OF YOUR DRAFT AT SIGHT MENTIONING THEREON DRAWN ON JPMORGAN CHASE BANK, N.A., LETTER OF CREDIT NUMBER XXX WHEN ACCOMPANIED BY THE DOCUMENTS INDICATED HEREIN.

BENEFICIARY'S DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF ITS OFFICIALS READING AS FOLLOWS:

“THE AMOUNT OF THIS DRAWING LIMITED TO THE AMOUNT REFLECTED ON THE ACCOMPANYING COURT ORDER USD....., UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NO. XXXX-123456 REPRESENTS FUNDS DUE THE CITY OF NEW YORK, NY AS:” THE APPLICANT, VERIZON NEW YORK INC., FAILED TO PERFORM UNDER MATERIAL PROVISIONS OF AGREEMENT (DATED) BETWEEN CITY OF NEW YORK, NY AND VERIZON NEW YORK INC. UNDER A COURT ORDER DEMONSTRATING A FINAL JUDGMENT IN FAVOR OF THE CITY OF NEW YORK NOT SUBJECT TO APPEAL OR FURTHER JUDICIAL RELIEF’.

ALL CORRESPONDENCE AND ANY DRAWINGS HEREUNDER ARE TO BE DIRECTED TO JPMORGAN CHASE BANK, N.A., C/O JPMORGAN TREASURY SERVICES, STANDBY LETTER OF CREDIT DEPT. 4TH FL. 10420 HIGHLAND MANOR DRIVE, TAMPA, FLORIDA 33610.

CUSTOMER INQUIRY NUMBER IS 1-800-634-1969 CHOOSE OPTION 1. E-MAIL ADDRESS IS: GTS.CLIENT.SERVICES@JPMCHASE.COM. PLEASE HAVE OUR REFERENCE NUMBER AVAILABLE WHEN YOU CONTACT US.

WE HEREBY AGREE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

THE NUMBER AND THE DATE OF OUR CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFTS REQUIRED.

AUTHORIZED SIGNATURE

APPENDIX F

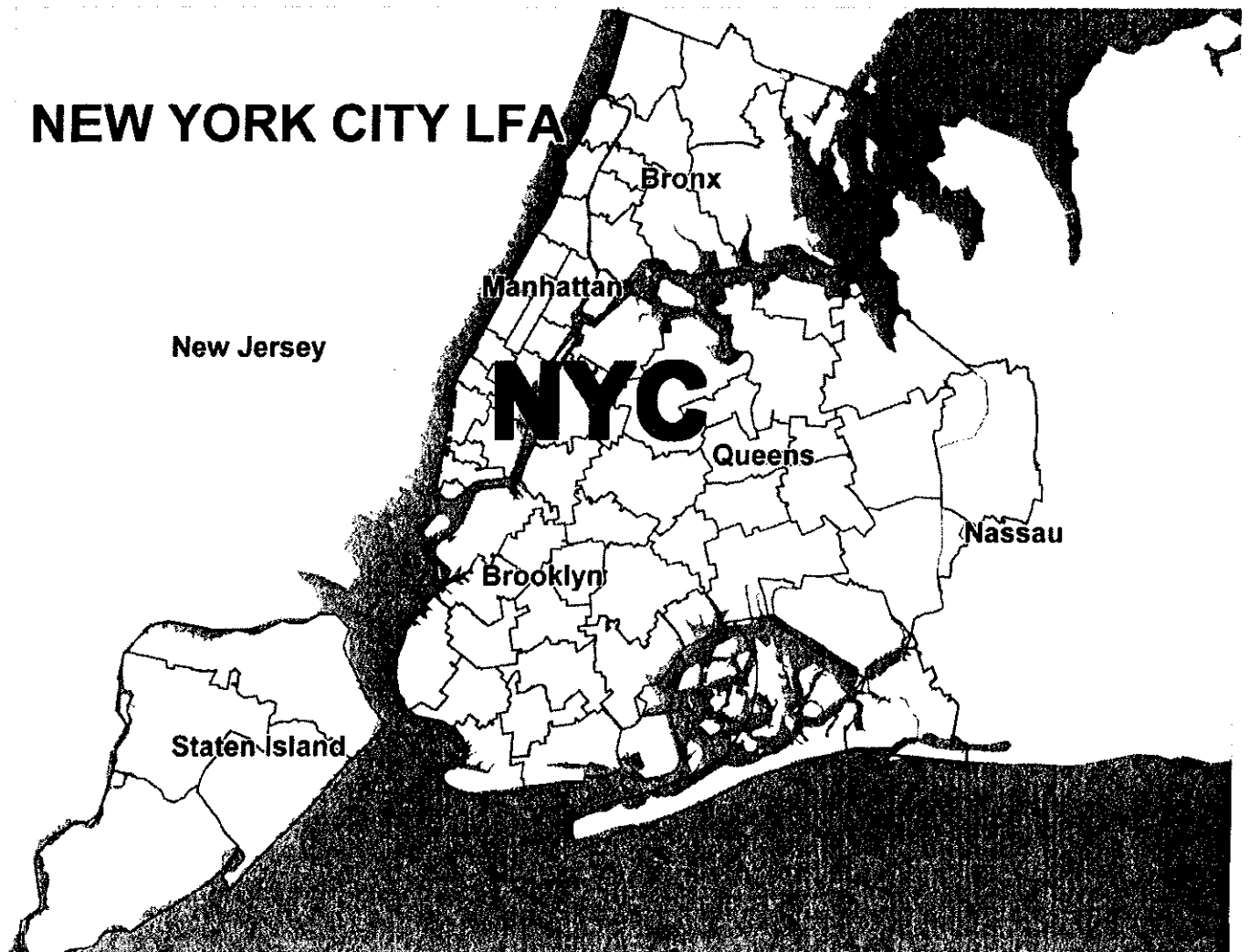
FTTP UPGRADE SCHEDULE

All dates in this schedule refer to December 31 of the year indicated, except for the year 2014, which refers to June 30.

Cumulative Prems Passed (K) - % Complete								
Boro	Type	2008	2009	2010	2011	2012	2013	2014
Manhattan	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	57%	62%	66%	73%	82%	91%	100%
	Total	57%	62%	67%	73%	82%	91%	100%
Bronx	SFU	30%	46%	59%	69%	84%	96%	100%
	MDU	6%	23%	39%	58%	75%	92%	100%
	Total	13%	29%	45%	61%	77%	93%	100%
Queens	SFU	23%	39%	55%	69%	82%	95%	100%
	MDU	7%	21%	37%	54%	72%	93%	100%
	Total	15%	30%	46%	61%	77%	94%	100%
Staten Island	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	100%	100%	100%	100%	100%	100%	100%
	Total	98%	100%	100%	100%	100%	100%	100%
Brooklyn	SFU	17%	33%	47%	63%	77%	92%	100%
	MDU	8%	27%	42%	57%	76%	93%	100%
	Total	12%	30%	45%	60%	76%	93%	100%
NYC	SFU	32%	46%	59%	71%	83%	95%	100%
	MDU	27%	40%	51%	63%	78%	92%	100%
	Total	29%	42%	54%	66%	79%	93%	100%

APPENDIX G
FRANCHISE AREA
[See Attached Map]

NEW YORK CITY LFA



APPENDIX H

FORM OF GUARANTY

In consideration of the award of the Cable Franchise Agreement by and between the City of New York and Verizon New York Inc., dated _____ 2008, we, Verizon Communications Inc., hereby unconditionally and irrevocably agree to provide all the financial resources necessary for the satisfactory performance of the obligations of the Franchisee under the Cable Franchise Agreement and also to be legally liable for performance of the obligations of the Franchisee in case of default or revocation of the Cable Franchise Agreement.

Signature

Corporate Seal

Type or Print Name

Title & Official Name of Guarantor

Date

APPENDIX I

INVESTIGATION CLAUSE

1.1 The parties to this Agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or inquiry.

1.1 (a) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision or public authority thereof, or the Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York; or

(b) If any person refuses to testify for a reason other than the assertion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of, or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City.

1.2 (a) The commission or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.

(b) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending the final determination pursuant to Section 1.3 below without the City incurring any penalty or damages for delay or otherwise.

1.3 The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(a) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a

member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(b) The cancellation or termination of any and all such existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this Agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

1.4 The Commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (a) and (b) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (c) and (d) below in addition to any other information which may be relevant and appropriate:

(a) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(b) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(c) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(d) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under 1.3 above, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in 1.2(a) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

1.5 (a) The term "license" or "permit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.

(b) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.

(c) The term "entity" as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City, or otherwise transacts business with the City.

(d) The term "member" as used herein shall be defined as any person associated with another person or entity as a partner, director, officer, principal or employee.

APPENDIX J

SYSTEM ARCHITECTURE

FTTP System Architecture

End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

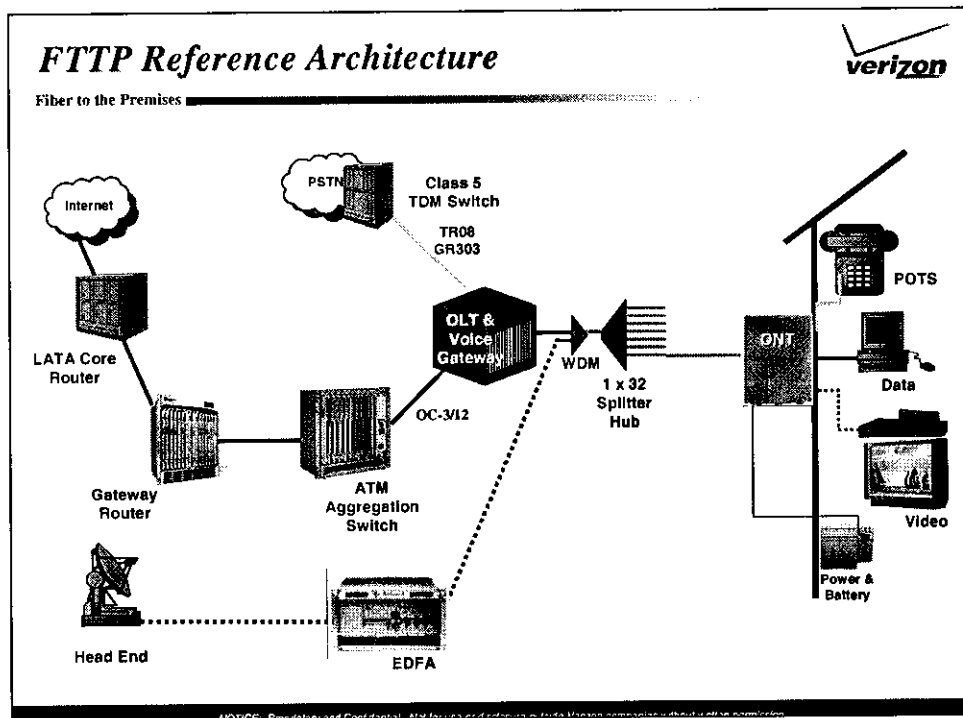
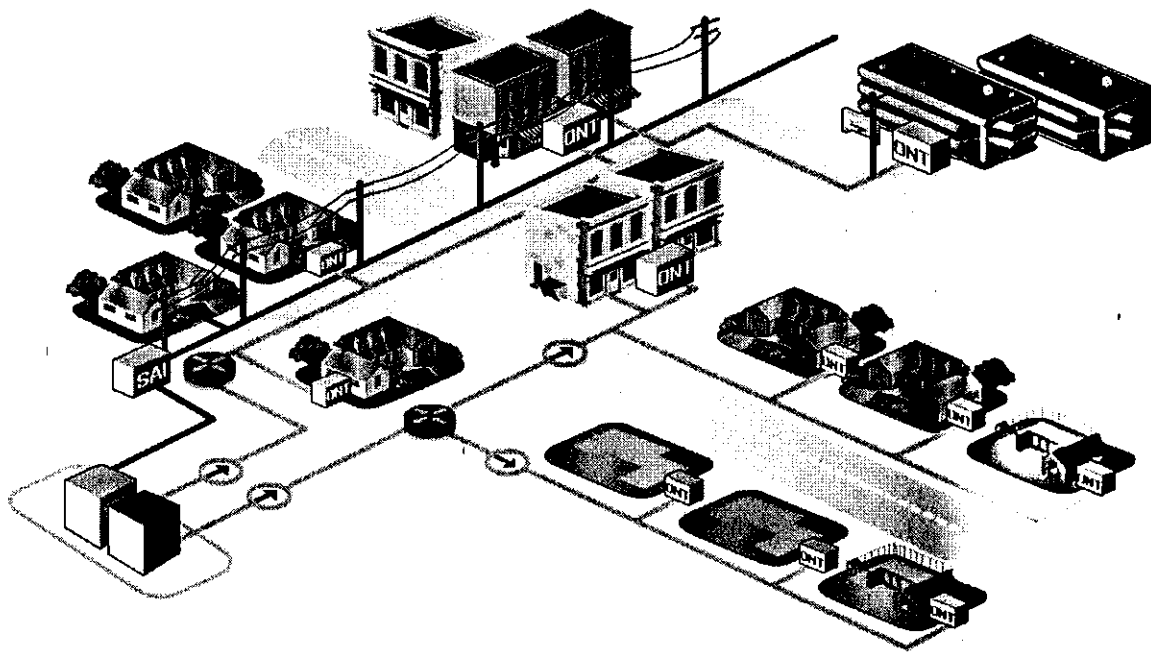


Figure 2-FTTP Full Build and Overlay Architectures



At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET and/or ROADM services. In each market where Verizon seeks to offer service, the broadcast cable television traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast cable television coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Cable television traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the cable television at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical cable television signal is de-multiplexed and converted to an electrical signal, which meets cable television industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the cable television platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

Super Headend (SHE)

A “super” headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of cable television sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET and/or ROADM, and transported via a SONET and/or ROADM transport facilities to a local point-of-presence (POP) for wide area (national) transport.

Wide Area Transport

In support of the cable television service, Verizon will use SONET and/or ROADM network facilities in the POPs serving target cable markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the cable television traffic.

In most cases, it is expected that the cable television traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the cable traffic reaches a POP located in a target market, it will be forwarded to a SONET and/or ROADM interface connected to metro/local SONET and/or ROADM facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target market. If more than one VHO is required, the metro SONET and/or ROADM ring(s) would be deployed to cover multiple sites.

Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Cable television Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via a SONET interface from the SONET POP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO.

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical cable television signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast cable television traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

Metro Area Transport

The optical cable television signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

Video Serving Office (VSO) & Passive Optical Network (PON)

The VSO is a location within the central office containing FTTP equipment. If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Cable television into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical cable television signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the cable signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the cable wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and cable television electrical signal, which meets cable television industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready televisions and to STBs for digital subscribers.

APPENDIX K
FORM OF FRANCHISE FEE REPORT

Franchise Fee Schedule/Report XX Quarter 2008**City of New York****Verizon - JBA****New York****Franchise Fee Rate: 5.00%**

	October	November	December	Quarter Total
Monthly Recurring Cable Service Charges (e.g. Basic, Enhanced Basic, Premium and Equipment Rental)				
Usage Based Charges (e.g. PayPer View, Installation)				
Advertising				
Home Shopping				
Late Payment				
Other Misc. (Leased Access & Other Misc.)				
Franchise Fee Billed				
PEG Fee Billed				
Less:				
Bad Debt				
Total Receipts Subject to Franchise Fee Calculation				
Franchise Fee Due				

Verizon is hereby requesting that this information be treated by the Franchise Authority as confidential business information.

The calculations set forth herein were conducted in accordance with the applicable provisions of the cable franchise agreement by and between Verizon NY Inc. and the City of New York and Verizon's applicable internal financial policies and are true and accurate to the best of my knowledge.

Signature:

Manager, Verizon Settlement Administration

**COMMUNITY ACCESS ORGANIZATION
("CAO") GRANT AND USE AGREEMENTS**



THE CITY OF NEW YORK
DEPARTMENT OF INFORMATION TECHNOLOGY & TELECOMMUNICATIONS
Paul J. Cosgrave, Commissioner

John F. Raposa, Esquire
Verizon
1515 North Court House Road
Suite 500
Arlington, VA 22201

May 29, 2008

Subject: Article 8 and Appendix C of the Franchise Agreement by and between the City of New York and Verizon New York Inc. dated May 29, 2008

Dear Mr. Raposa,

Attached hereto are true and correct copies of the "CAO Agreements" provided to the City by Verizon as referenced in Article 8 and Appendix C which are part of the Franchise Agreement. By this correspondence, the City confirms that these agreements, and each of them, meets the requirements of Section 8.3 of the Franchise Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul J. Cosgrave", written over the printed name and title.

Paul J. Cosgrave,
Commissioner

APPENDIX C

COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

MANHATTAN COMMUNITY ACCESS CORPORATION *D/B/A* MANHATTAN

NEIGHBORHOOD NETWORK

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this 8th day of May, 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and Manhattan Community Access Corporation d/b/a Manhattan Neighborhood Network, a New York not-for-profit corporation (the "CAO"), designated by the Borough President of Manhattan (the "Borough President"), with a place of business at 537 West 59th Street, New York, NY 10019.

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of Manhattan (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of Manhattan; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and

programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in Manhattan; and

WHEREAS, the, CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of Manhattan, and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of ONE DOLLAR (\$1.00) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR THIRTY-FIVE CENTS (\$1.35) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR SIXTY-FIVE CENTS (\$1.65) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR EIGHTY CENTS (\$1.80) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR NINETY CENTS (\$1.90) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TEN CENTS (\$2.10) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS FIFTEEN CENTS (\$2.15) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TWENTY-FIVE CENTS (\$2.25) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS THIRTY CENTS (\$2.30) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

ONE MILLION EIGHT HUNDRED NINETY NINE THOUSAND & 00/DOLLARS (\$1,899,000.00) shall be due and payable within ninety (90) days of the Effective Date;

ONE MILLION FOUR HUNDRED SEVENTY SEVEN THOUSAND & 00/DOLLARS (\$1,477,000.00) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

ONE MILLION TWO HUNDRED SIXTY SIX THOUSAND & 00/DOLLARS (\$1,266,000.00) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

ONE MILLION TWO HUNDRED SIXTY SIX THOUSAND & 00/DOLLARS (\$1,266,000.00) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient

period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of 537 West 59th Street, New York, NY 10019 and one service outlet at 175 East 104th Street, New York, NY 10029 at such time as this location also becomes a master control site for the CAO. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drops unless and until Verizon's Cable Service is available to be offered at such locations. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System, provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III - OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities,

equipment, and supplies in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV - PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4)

Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes, provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at 537 West 59th Street, New York, NY 10019 ("Public Access Channel

Interconnection Site”). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty (180) days of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a “Public Access Channel Content Origination Site”) and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Content Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Content Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Content Origination Site, as designated on Exhibit 1. Upon one hundred eighty (180) days written notice from the CAO to Verizon that a Public Access Channel Content Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall -unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in

connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged default occurred or were caused by a Force Majeure, provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

5.15 Counterparts

The parties hereby agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.16 Notices

Every notice, order, petition, document, or other direction or communication to be served upon the CAO or Verizon shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses:

If to Verizon, to:

Verizon Communications
140 West Street, 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

with a copy to:

Director-Franchise Operations
Verizon Communications Inc. (Location VC11W412)
One Verizon Way
Basking Ridge, NJ 07920


If to the CAO, to:

Executive Director
Manhattan Neighborhood Network
537 West 59th Street,
New York, NY 10019

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

MANHATTAN COMMUNITY ACCESS
CORPORATION *D/B/A* MANHATTAN
NEIGHBORHOOD NETWORK


ATTEST:

BY: 
Name: Daniel Coughlin
Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
Name: Maura C. Breen
Title: Senior Vice President and
General Manager - NY/CT
Region, Verizon Telecom

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

MANHATTAN COMMUNITY ACCESS
CORPORATION *D/B/A* MANHATTAN
NEIGHBORHOOD NETWORK

ATTEST:

BY: _____
Name: Daniel Coughlin
Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY: Maura C. Breen
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region,
Verizon Telecom

FORM APPROVED

Attorney

Date

8/4/08

Exhibit 1

1. Manhattan Neighborhood Network Firehouse, Studio 1
175 East 104th Street
New York, NY 10029

2. Manhattan Neighborhood Network Firehouse, Studio 2
175 East 104th Street
New York, NY 10029

3. Manhattan Neighborhood Network Firehouse, Studio 3
175 East 104th Street
New York, NY 10029

4. Manhattan Neighborhood Network Firehouse, Studio 4
175 East 104th Street
New York, NY 10029

APPENDIX C

COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

BROOKLYN INFORMATION & CULTURE, INC.,

D/B/A BRIC ARTS|MEDIA|BKLYN

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this 8th day of May, 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and Brooklyn Information & Culture, Inc., d/b/a BRIC Arts|Media|Bklyn, a New York not-for-profit corporation (the "CAO"), designated by the Borough President of Brooklyn (the "Borough President"), with a place of business at 647 Fulton Street, Brooklyn, NY 11217.

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of Brooklyn (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of Brooklyn; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and

programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in Brooklyn; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 **Borough**: The entire existing territorial boundaries of the Borough of Brooklyn, and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of ONE DOLLAR (\$1.00) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR THIRTY-FIVE CENTS (\$1.35) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR SIXTY-FIVE CENTS (\$1.65) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR EIGHTY CENTS (\$1.80) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR NINETY CENTS (\$1.90) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TEN CENTS (\$2.10) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS FIFTEEN CENTS (\$2.15) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TWENTY-FIVE CENTS (\$2.25) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS THIRTY CENTS (\$2.30) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

ONE MILLION FOUR HUNDRED SEVENTY SIX THOUSAND & 00/DOLLARS (\$1,476,000.00) shall be due and payable within ninety (90) days of the Effective Date;

ONE MILLION ONE HUNDRED FORTY EIGHT THOUSAND & 00/DOLLARS (\$1,148,000.00) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

NINE HUNDRED EIGHTY FOUR THOUSAND & 00/DOLLARS (\$984,000.00) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

NINE HUNDRED EIGHTY FOUR THOUSAND & 00/DOLLARS (\$984,000.00) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient

period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of 647 Fulton Street, Brooklyn, NY 11217. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System, provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III - OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the

needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV - PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the

programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes, provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at 647 Fulton Street, Brooklyn, NY 11217. ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty (180) days of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a “Public Access Channel Content Origination Site”) and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Content Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Content Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Origination Site, as designated on Exhibit 1. Upon one hundred eighty (180) days written notice from the CAO to Verizon that a Public Access Channel Content Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall -unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is

transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively

sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged default occurred or were caused by a Force Majeure, provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

5.15 Counterparts

The parties hereby agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.16 Notices

Every notice, order, petition, document, or other direction or communication to be served upon the CAO or Verizon shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses:

If to Verizon, to:

Verizon Communications
140 West Street, 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

with a copy to:

Director-Franchise Operations
Verizon Communications Inc. (Location VC11W412)
One Verizon Way
Basking Ridge, NJ 07920

If to the CAO, to:

Executive Director
BRIC Arts|Media|Bklyn
647 Fulton Street
Brooklyn, NY 11217

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

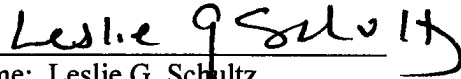
IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

BRIC ARTS|MEDIA|BKLYN

ATTEST:



BY:



Name: Leslie G. Schultz

Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY:

Name: Maura C. Breen

Title: Senior Vice President and
General Manager - NY/CT
Region, Verizon Telecom

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

BRIC ARTS/MEDIA/BKLYN

ATTEST:

BY: _____
Name: Leslie G. Schultz
Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY: Maura C. Breen
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region,
Verizon Telecom

FORM APPROVED

Attorney

Date

Exhibit 1

1. Kingsborough Community College
2001 Oriental Boulevard
Brooklyn, NY 11235

2. Brooklyn College
2900 Bedford Avenue
Brooklyn, NY 11210

3. Medgar Evers College
1650 Bedford Avenue
Brooklyn, NY 11225

4. Bedford Stuyvesant Restoration Corporation
1368 Fulton Street
Brooklyn, NY 11216

APPENDIX C

COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

BRONX COMMUNITY CABLE PROGRAMMING

CORPORATION

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this 8th day of May, 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and Bronx Community Cable Programming Corporation, a New York not-for-profit corporation (the "CAO"), designated by the Borough President of the Bronx (the "Borough President"), with a place of business at 250 Bedford Park Boulevard West, Bronx, NY 10468.

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of the Bronx (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of the Bronx; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and

programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in the Bronx; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of the Bronx, and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of ONE DOLLAR (\$1.00) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR THIRTY-FIVE CENTS (\$1.35) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR SIXTY-FIVE CENTS (\$1.65) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR EIGHTY CENTS (\$1.80) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR NINETY CENTS (\$1.90) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TEN CENTS (\$2.10) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS FIFTEEN CENTS (\$2.15) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS TWENTY-FIVE CENTS (\$2.25) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at TWO DOLLARS THIRTY CENTS (\$2.30) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

ONE MILLION ONE HUNDRED TWENTY FIVE THOUSAND & 00/DOLLARS (\$1,125,000.00) shall be due and payable within ninety (90) days of the Effective Date;

EIGHT HUNDRED SEVENTY FIVE THOUSAND & 00/DOLLARS (\$875,000.00) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

SEVEN HUNDRED FIFTY THOUSAND & 00/DOLLARS (\$750,000.00) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

SEVEN HUNDRED FIFTY THOUSAND & 00/DOLLARS (\$750,000.00) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient

period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of 250 Bedford Park Boulevard West, Bronx, NY 10468. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System, provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III - OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the

needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV - PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the

programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert, provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at 250 Bedford Park Boulevard West, Bronx, NY 10468. ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty (180) days of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a “Public Access Channel Content Origination Site”) and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Content Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Content Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Content Origination Site, as designated on Exhibit 1. Upon one hundred eighty (180) days written notice from the CAO to Verizon that a Public Access Channel Content Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall -unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is

transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively

sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged default occurred or were caused by a Force Majeure, provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

5.15 Counterparts

The parties hereby agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.16 Notices

Every notice, order, petition, document, or other direction or communication to be served upon the CAO or Verizon shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses:

If to Verizon, to:

Verizon Communications
140 West Street, 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

with a copy to:

Director-Franchise Operations
Verizon Communications Inc. (Location VC11W412)
One Verizon Way
Basking Ridge, NJ 07920

If to the CAO, to:

Executive Director
Bronx Community Cable Programming Corporation
250 Bedford Park Boulevard West
Bronx, NY 10468

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

CORPORATION

ATTEST:

BRONX COMMUNITY CABLE
PROGRAMMING

BY:



Name: Michael Max Knobbe
Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY:

Name: Maura C. Breen
Title: Senior Vice President and
General Manager - NY/CT
Region, Verizon Telecom

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

BRONX COMMUNITY CABLE
PROGRAMMING CORPORATION

ATTEST:

BY: _____
Name: Michael Max Knobbe
Title: Executive Director

VERIZON NEW YORK, INC.

ATTEST:

BY: Maura C. Breen
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region,
Verizon Telecom

FORM APPROVED
Attorney _____
Date 5/1/0

Exhibit 1

The Bronx County Courthouse
851 Grand Concourse
Bronx, NY 10451

Hostos Community College
450 Grand Concourse
Bronx, NY 10451

Subject to Section 4.5.02 and the successful completion of all required site preparation work by Verizon, Verizon shall provide to the CAO connections to an additional two (2) Public Access Channel Content Origination Sites within the Borough as designated in writing by the CAO to Verizon. Each additional Public Access Channel Content Origination Site shall be at a location reasonably acceptable to Verizon, and within 200 feet of Verizon's fiber optic trunk or feeder route.

APPENDIX C

COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

QUEENS PUBLIC COMMUNICATIONS CORPORATION

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this 14th day of May, 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and Queens Public Communications Corporation, a New York not-for-profit corporation (the "CAO") designated by the Borough President of Queens (the "Borough President"), with a place of business at 41-61 Kissena Blvd., Flushing, NY 11355.

WHEREAS, the City of New York (the "City"), is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of Queens (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of Queens; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO any support payments and Cash Grants (as hereinafter defined) as may be agreed upon between the CAO and Verizon as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO shall obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in the Borough of Queens; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of Queens, and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 1 - Year 7: The Public Access Channel Grant shall be in the amount of ONE DOLLAR (\$1.00) per month, per Subscriber until the seventh anniversary of the Effective Date;

Year 8: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR FIVE CENTS (\$1.05) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TEN CENTS (\$1.10) per month, per Subscriber until the ninth anniversary of the Effective Date; and

Year 10: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR FIFTEEN CENTS (\$1.15) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TWENTY CENTS (\$1.20) per month, per Subscriber until the eleventh anniversary of the Effective Date; and

Year 12: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TWENTY-FIVE CENTS (\$1.25) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

2.2.01 Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

TWO MILLION DOLLARS (\$2,000,000.00) shall be due and payable within ninety (90) days of the Effective Date;

FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) shall be due and payable on the first anniversary of the first payment; and

FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) shall be due and payable on the second anniversary of the first payment.

2.2.02 Each Cash Grant shall be non-refundable.

2.2.03 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.2 shall not affect Verizon's payment obligations under this Section 2.2.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO and its Board of Directors.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, as set forth in Section 8.5 of the Franchise Agreement, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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 or the provisions of the Franchise Agreement, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The parties hereto have agreed that the Cash Grant provided to the CAO by Verizon pursuant to Section 2.2 represents an equivalent economic burden upon Verizon when compared against the obligation on the incumbent cable operator pursuant to Section 1.2.01 of the Community Access Organization Grant Agreement dated September 16, 1998, by and between the CAO and the incumbent cable operator, Time Warner Cable of New York City, to provide the CAO with a studio and other facilities at 41-61 Kissena Blvd., Flushing, NY 11355. The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefore by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant

payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's

lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, four service outlets activated for Basic Service at the location of the CAO's master control with an address of 41-61 Kissena Boulevard, Flushing, NY 11355. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III - OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code, and as deemed necessary by the Board of Directors of the CAO.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall publish all rules and regulations in a pamphlet, copies of which shall be available to the public at the office of the CAO.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Expenditure Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV - PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days,

and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day, for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's master control headend at 41-61 Kissena Blvd., Flushing, NY 11355 ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty (180) days of the Effective Date. Verizon shall negotiate in good faith with the CAO and all required third parties to acquire all necessary legal approval(s) for access to the Public Access Channel Interconnection Site on reasonable terms and conditions. If the CAO is unable to provide access or any required third party is unable to provide access to Verizon on reasonable terms and conditions to effectuate such interconnection within one hundred eighty (180) days of the Effective Date, Verizon and the CAO will negotiate a reasonable extension of time.

4.5.02 The CAO shall designate in writing to Verizon one (1) content originating location ("Public Access Channel Content Origination Site") within the Borough at a location reasonably acceptable to Verizon and within 200 feet of Verizon's fiber optic trunk or feeder route. Upon one hundred eighty (180) days written notice from the CAO to Verizon that the Public Access Channel Content Origination Site is fully functional for its intended purpose, Verizon shall construct and make operable an auxiliary connection between the Public Access Channel Content Origination Site and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall -unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making

disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged default occurred or were caused by a Force Majeure; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

5.15 Counterparts

The parties hereby agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.16 Notices

Every notice, order, petition, document, or other direction or communication to be served upon the CAO or Verizon shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses:

If to Verizon, to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

with a copy to:

Director-Franchise Operations
Verizon Communications Inc. (Location VC11W412)
One Verizon Way
Basking Ridge, NJ 07920

If to the CAO, to:

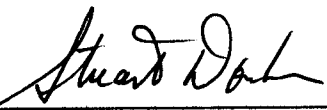
Executive Director
Queens Public Communications Corporation
41-61 Kissena Blvd., Flushing, NY 11355

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

**QUEENS PUBLIC COMMUNICATIONS
CORPORATION**

ATTEST:

BY: 
Name: Stuart Domber
Title: President

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region,
Verizon Telecom

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

QUEENS PUBLIC COMMUNICATIONS
CORPORATION

ATTEST:

BY: _____
Name: Stuart Domber
Title: President

VERIZON NEW YORK, INC.

ATTEST:

BY: Maura C. Breen
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region,
Verizon Telecom

FORM APPROVED
Attorney [Signature]
Date 5/16/05

APPENDIX C
COMMUNITY ACCESS ORGANIZATION (“CAO”)
GRANT AND USE AGREEMENT
BY AND BETWEEN
VERIZON NEW YORK INC.
AND
STATEN ISLAND COMMUNITY TELEVISION, INC.

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this 16th day of May, 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and Staten Island Community Television, Inc., a New York not-for-profit corporation (the "CAO") designated by the Borough President of Staten Island (the "Borough President"), with a place of business at 100 Cable Way, Suite 2, Staten Island, NY 10313.

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of Staten Island (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of Staten Island; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and

programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in Staten Island; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of Staten Island, and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 5: The Public Access Channel Grant shall be in the amount of ONE DOLLAR (\$1.00) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 6: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR FIVE CENTS (\$1.05) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 7: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TEN CENTS (\$1.10) per month, per Subscriber until the seventh anniversary of the Effective Date;

Year 8: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR FIFTEEN CENTS (\$1.15) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TWENTY CENTS (\$1.20) per month, per Subscriber until the ninth anniversary of the Effective Date;

Year 10 - Year 12: The Public Access Channel Grant shall increase to and remain at ONE DOLLAR TWENTY FIVE CENTS (\$1.25) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

ONE MILLION ONE HUNDRED THOUSAND DOLLARS (\$1,100,000.00) shall be due and payable within ninety (90) days of the Effective Date;

TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The parties hereto have agreed that the value of the obligation on the incumbent cable operator pursuant to Section 1.2.01 of the Community Access Organization Grant Agreement dated September 16, 1998, by and between the CAO and the incumbent cable operator, TWC Cable Partners d/b/a Staten Island Company, to provide the CAO with a studio and other facilities at 100 Cable Way, Staten Island, NY 10303, and any similar obligation which may be imposed in any new agreement or the renewal of any existing agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough, shall be considered when determining whether an equivalent economic burden has been imposed when compared against the Cash Grant provided to the CAO by Verizon pursuant to Section 2.2 hereof. The CAO shall seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as

of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of 100 Cable Way, Suite 2, Staten Island, NY 10303 and to such other address to which the CAO may relocate its master control. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III - OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV - PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside

the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at 100 Cable Way, Suite 2, Staten Island, NY 10303 ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty (180) days of the Effective Date. Verizon shall negotiate in good faith with the CAO and all required third parties to acquire all necessary legal approval(s) for access to the Public Access Channel Interconnection Site on reasonable terms and conditions. If the CAO is unable to provide access or any

required third party is unable or unwilling to provide access to Verizon on reasonable terms and conditions to effectuate such interconnection within one hundred eighty (180) days of the Effective Date, Verizon and the CAO will negotiate a reasonable extension of time.

4.5.02 The CAO shall designate in writing to Verizon one (1) content originating location ("Public Access Channel Content Origination Site") within the Borough at a location reasonably acceptable to Verizon and within 200 feet of Verizon's fiber optic trunk or feeder route. Upon one hundred eighty (180) days written notice from the CAO to Verizon that the Public Access Channel Content Origination Site is fully functional for its intended purpose, Verizon shall construct and make operable an auxiliary connection between the Public Access Channel Content Origination Site and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the

adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are open for sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon and served upon the CAO as per Section 5.16) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential,

trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of the Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

5.15 Counterparts

The parties hereby agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.16 Notices

Every notice, order, petition, document, or other direction or communication to be served upon the CAO or Verizon shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses:

If to Verizon, to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

with a copy to:

Director-Franchise Operations
Verizon Communications Inc. (Location VC11W412)
One Verizon Way
Basking Ridge, NJ 07920

If to the CAO, to:

Executive Director
Staten Island Community Television, Inc.
100 Cable Way, Suite 2
Staten Island, NY 10303

with a copy to:

President
Staten Island Community Television, Inc.
100 Cable Way, Suite 2
Staten Island, NY 10303

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Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

STATEN ISLAND COMMUNITY TELEVISION,
INC.

ATTEST:

BY: Maria Esposito
Name: Maria Esposito
Title: President

VERIZON NEW YORK, INC.

ATTEST:

BY: Maura C. Breen
Name: Maura C. Breen
Title: Senior Vice President and General
Manager - NY/CT Region, Verizon
Telecom

FORM APPROVED
Attorney
Date

[Signature]

**BLACKLINE COMPARISON
OF FRANCHISE AGREEMENT
FILED ON MAY 2, 2008 (IN CASE 08-V-0497)
WITH FINAL VERSION**

Cable Franchise Agreement

by and between

The City of New York

and

Verizon New York Inc.

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~~VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT~~

THIS AGREEMENT (the “Agreement”) is entered into by and between the City of New York, a validly organized and existing political subdivision of the State of New York (the “City”) and Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York (“Verizon” or the “Franchisee”).

WHEREAS, the City is a “franchising authority” in accordance with Title VI of the Communications Act, (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended; and

WHEREAS, the Franchisee is in the process of upgrading its existing Telecommunications Services (as hereinafter defined) and Information Services (as hereinafter defined) network through the installation of the FTTP Network (as hereinafter defined) in the Franchise Area (as hereinafter defined) which transmits Non-Cable Services pursuant to authority determined by Franchisee to have been granted by Section 27 of the New York Transportation Corporations Law, as amended, and Title II of the Communications Act, which Non-Cable Services are not subject to the Cable Law (as hereinafter defined) or Title VI of the Communications Act; and

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way (as hereinafter defined) within the City, and Franchisee desires to use portions of the FTTP Network to provide Cable Services (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, no cable franchisee has ever agreed to provide Cable Service throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, the City wishes to grant Franchisee a nonexclusive franchise to operate a Cable System (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, pursuant to Section 363(a) of the New York City Charter (the “City Charter”), franchises are to be awarded by the City in accordance with the provisions of authorizing resolutions adopted by the City Council of the City (the “City Council”); and

WHEREAS, the City Council adopted Resolution No. 538 on September 27, 2006 (the “Resolution”) which authorizes, until September 27, 2011, the Department of Information Technology and Telecommunications (“DoITT”) to grant nonexclusive franchises for the provision of cable television services; and

WHEREAS, the delivery of Cable Services is in the City’s interest, and the availability of such competitive service to all households in the City on a timely basis pursuant to the terms of this Agreement will significantly benefit the City; and

WHEREAS, the City, pursuant to the terms of the Cable Act (as hereinafter defined), has identified the City's future cable-related community needs and interests and, pursuant to the City Charter, has issued a solicitation for cable television franchises (the "Solicitation") to which the Franchisee responded; and

WHEREAS, in response to the Solicitation, the Franchisee offered to operate and maintain a Cable System and provide Cable Services (as hereinafter defined) and to perform certain additional undertakings; and

WHEREAS, the Franchisee and the City completed arm's-length negotiations regarding the terms and conditions pursuant to which the City intends to grant to the Franchisee, and the Franchisee intends to accept from the City, a franchise (the "Franchise") described generally in Section 4.1 hereof and more specifically as described by the complete terms of this Agreement; and

WHEREAS, the City has, with respect to the proposed grant of the Franchise, complied with the New York State Environmental Quality Act ("SEQRA") (Section 8-0101 et seq. of the New York State Environmental Conservation Law), the SEQRA regulations set forth at Part 617 of Title 6 of the New York Code of Rules and Regulations, and the City Environmental Quality Review process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and

WHEREAS, the Department of City Planning determined pursuant to Section 363(c) of the City Charter that the grant of this Franchise would not have land use impacts or implications and therefore is not subject to the Uniform Land Use Review Procedure ("ULURP") set forth in Section 197-c of the City Charter;-

WHEREAS, the Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

WHEREAS, pursuant to Section 371 of the City Charter, the Franchise and Concession Review Committee (the "FCRC") held a public hearing on the proposed Franchise terms of this Agreement memorializing the terms and conditions of the proposed Franchise; and

WHEREAS, said hearing before the FCRC was held within 30 days of the date that DoITT filed the proposed Franchise with the FCRC; and

WHEREAS, a notice of said hearing and a summary of the terms and conditions of the proposed Franchise were properly published in the City Record; and

WHEREAS, at least 15 days, excluding Sundays and legal holidays, elapsed between publication of said hearing notice and summary in the City Record and the commencement of such hearing before the FCRC; and

WHEREAS, before the FCRC hearing, the requirements regarding publication of notice of such hearing as set forth in Section 371 of the City Charter were met; and

WHEREAS, the FCRC has approved the grant to the Franchisee of the Franchise and the terms of this Agreement as described herein; and

WHEREAS, pursuant to Section ~~595.1~~895.1 of Title ~~9~~16 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive; and

WHEREAS, the City and the Franchisee have determined that this Agreement complies with the franchise standards set forth in the Resolution, Section 363 of the City Charter, Section 626 of the Cable Act as amended, Section 221 of the Public Service Law, the regulations of the Public Service Commission, and all other applicable laws and regulations; and

WHEREAS, the City, following said public hearing, determined that this Franchise granting the Franchisee a nonexclusive franchise complies with the franchise standards set forth in the Cable Act, the Resolution, the aforementioned Public Service Law, the regulations of the NY PSC (including any necessary waivers that the parties may seek and obtain) and all other applicable laws and regulations; and

WHEREAS, the City and Franchisee 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 foregoing clauses, which clauses are hereby made a part of this Agreement, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

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

1.2. *Application:* Application of Verizon New York Inc. for a Cable Television Franchise in the City of New York, filed on April 15, 2008.

1.3. *Agreement:* This Agreement, together with the Appendices attached hereto and all amendments or modifications hereof.

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

1.5. *Borough President:* Each President of one of the five boroughs within the City of New York, any Borough President's designee, or any successor thereto.

1.6. *Cable Act:* The Cable Communications Policy Act of 1984 (codified at 47 U.S.C. §§ 521-573).

1.7. *Cable Law:* The Cable Act, Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, to the extent authorized under and consistent with federal law.

1.8. *Cable Service or Cable Services:* Shall be defined herein as it is defined under 47 U.S.C. § 522(6), as amended.

1.9. *Cable System or System:* Shall be defined herein as it is defined under 47 U.S.C. § 522(7), as amended.

1.10. *Channel:* Shall be defined herein as it is defined under 47 U.S.C. § 522(4), as amended.

1.11. *Channel Position:* Shall mean the position on a television receiver, tuner, converter or similar device which is selected to receive a specific Channel.

1.12. *Communications Act:* The Communications Act of 1934, as amended, including, without limitation, the Cable Act.

1.13. *Closing:* Shall be defined as provided in Section 2.1 hereof.

1.14. *Commissioner:* Shall mean the Commissioner of DoITT, the Commissioner's designee or any successor thereto.

1.15. *Community Access Organization ("CAO"):* Shall mean, with respect to any particular borough of the City, the nonprofit corporation that has been designated in connection with that borough pursuant to the agreements substantially in the form set forth in Appendix C to this Agreement.

1.16. *Controlling Person:* A Person with the ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Franchisee's affairs.

1.17. *Corporation Counsel:* The Corporation Counsel of the City, the Corporation Counsel's designee, or any successor thereto.

1.18. *DoITT*: The Department of Information Technology and Telecommunications, or any successor thereto.

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

1.20. *FCRC*: Shall mean the Franchise and Concession Review Committee of the City of New York.

1.21. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances and disputes, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, incidences of terrorism, acts of vandalism, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Franchisee 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 Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.22. *Franchise Area*: The incorporated area (entire existing territorial limits) of the City, and such additional areas as may be annexed or acquired.

1.23. *Franchisee*: Verizon New York Inc. and its lawful and permitted successors, assigns and transferees (including for which consent of the City is required under Article 13 hereof).

1.24. *FTTP Network*: The Franchisee's fiber-to-the-premise telecommunications network in the Franchise Area as described in the Application.

1.25. *FTTP Network Created*: All transport connections and equipment in the FTTP Network have been established and are operational to the fiber distribution terminal serving the residence requesting fiber-enabled services (whether Cable Service or Non-Cable Services). Additionally, for MDUs, Franchisee has obtained building access and prepositioned its facilities in the MDU which are necessary for serving residences within the MDU requesting fiber-enabled services (whether Cable Service or Non-Cable Services).

1.26. *Government/Educational Access Channel*: An Access Channel which the Franchisee shall make available for the sole noncommercial use of the City or for noncommercial use by local public schools and public school districts in the Franchise Area and other not-for-profit educational institutions chartered or licensed by the New York State Department of Education or Board of Regents in the Franchise Area as specified by the City, as provided in Article 8 and Appendix B to this Agreement.

1.27. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee (or any Affiliate) from the operation of the Cable System to provide Cable Service in the Franchise Area, as follows:

1.27.1. Gross Revenue includes, without limitation: all Subscriber revenues earned or accrued net of bad debts including revenue for: (i) Basic Service; (ii) all fees charged to any Subscribers for any and all Cable Service provided by Franchisee over the Cable System in the Franchise Area, including, without limitation, Cable Service related program guides, the installation, disconnection or reconnection of Cable Service; revenues from late or delinquent charge fees; Cable Service related or repair calls; the provision of converters, remote controls, additional outlets and/or other Cable Service related Subscriber premises equipment, whether by lease or fee; (iii) video on demand and pay-per-view; (iv) revenues from the sale or lease of channel(s) or channel capacity; (v) compensation received by Franchisee that is derived from the operation of the Cable System to provide Cable Service with respect to commissions that are paid to Franchisee or an Affiliate providing Cable Service under this Franchise as compensation for promotion or exhibition of any products or services on the Cable System, such as a “home shopping” or similar channel, subject to the exceptions below; and (vi) charges described to Subscribers as attributable to Franchise Fees (as hereinafter defined) and PEG Grants. Gross Revenue shall also include all advertising revenue which is received directly or indirectly by the Franchisee, or any Affiliate from or in connection with the distribution of any ~~Service~~service over the System (and including, without limitation, compensation for use of studio or other facilities and equipment associated with production or distribution of any programming or advertising to be distributed as part of a Cable Service). The allocation shall be based on the number of Subscribers in the Franchise Area divided by the total number of Subscribers in relation to the relevant local, regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue.

1.27.2. Except as provided above, Gross Revenue shall not include: revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System; bad debts written off by Franchisee in the normal course of its business and in accordance with generally accepted accounting principles (provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected); refunds, rebates or discounts made to Subscribers or other third parties; any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law; any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, provided, however, that any portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System paid to Franchisee or an Affiliate for the sale of such merchandise shall be included in Gross Revenue; the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable Franchise Fees from purchaser’s customer; the sale of Cable Services to customers, which are exempt, as required or allowed by the City including, without limitation, the provision of Cable Services to public institutions as required or permitted herein; any tax of general applicability imposed upon Franchisee or upon Subscribers by the LFA, a state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity; taxes imposed on Subscribers by law, which the Franchisee is obligated to collect; any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise (provided,

however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue); sales of capital assets or sales of surplus equipment; program launch fees, i.e., reimbursement by programmers to Franchisee of marketing costs incurred by Franchisee for the introduction of new programming; directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

1.27.3. Gross Revenues derived from Cable Services provided over the Cable System in the Franchise Area that are provided to Subscribers as part of a bundle of services that include Non-Cable Services shall be treated in accordance with Section 10.5 hereof.

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

1.29. *Landlord*: The term "landlord" shall mean and include the owner or owners of the freehold of the premises or lesser estate therein, a mortgagee or vendee in possession, assignee of rents, receiver, executor, trustee, lessee, agent, or any other person, firm or corporation, directly or indirectly in control of a dwelling, or any designee of the foregoing enumerated Persons formally authorized to approve physical alterations, improvements or modifications to such dwelling including the installation of Franchisee's facilities.

1.30. *Leading Technology*: The highest level of performance and capability (including, but not limited to, with respect to plant or other equipment; transmission capacity to subscribers' premises; channel offerings; video-on-demand services; construction techniques; consumer service; facilities, equipment, systems and operations; and performance standards), that has been commonly accepted, developed and commercially deployed in the wireline cable television industry and is economically reasonable and technically feasible.

1.31. *Local Franchise Authority ("LFA" or the "City")*: The City of New York, New York, or the lawful successor, transferee, or assignee thereof.

1.32. *Multiple Dwellings ("MDUs")*: Shall have the meaning set forth therefore in NY CLS Mult D § 4(7).

1.33. *Non-Cable Services*: Any service that does not constitute Cable Service pursuant to law including, but not limited to, Information Services and Telecommunications Services.

1.34. *Non-Residential Subscriber*: A Subscriber that is not a Resident.

1.35. *Non-Standard Installation*: Any installation which does not constitute a Standard Installation as defined in Section 1.45 hereof.

1.36. *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.

1.37. *NY PSC*: The New York Public Service Commission.

1.38. *PEG*: Public, Educational, and Governmental.

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

1.40. *Public Access Channel*: An Access Channel which the Franchisee shall make available to a CAO, at no charge, as provided in Article 8 and Appendices B and C to this Agreement.

1.41. *Public Rights-of-Way*: The surface of, and the space above and below, any and all streets, avenues, highways, boulevards, concourses, driveways, bridges, tunnels, parks, parkways, waterways, docks, bulkheads, wharves, piers, public grounds and public places or waters within and belonging to the City and any other property within the City, to the extent to which there exist public easements or public rights of way. Public Rights-of-Way do not include the electromagnetic spectrum above the surface of a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.42. *Resident*: An occupant who: (i) resides in a dwelling which has or is entitled to receive from the City a residential certificate of occupancy, including, without limitation, a private dwelling, class A multiple dwelling, or an interim multiple dwelling; or (ii) has continuously resided in the same building as a permanent resident and who takes occupancy pursuant to a lease (or other similar arrangement) of at least six (6) months duration. For purposes of this Agreement, the terms “private dwelling,” “class A multiple dwelling,” and “interim multiple dwelling” shall have the same meaning as they have or may have in NY CLS Mult D, as such law may from time to time be amended.

1.43. *Residential Subscriber*: A Subscriber that is a Resident.

1.44. *Service Area*: All portions of the Franchise Area with a video service office (“VSO”) that is open for sales and Cable Service is being offered.

1.45. *Standard Installation*: A residence requesting Cable Service that is Video Network Created as of the date of the request for service.

1.46. *Subscriber*: A Person who lawfully receives Cable Service over the Cable System.

1.47. *Telecommunication Services*: Shall be defined herein as it is defined under 47 U.S.C. § 153(46), as amended.

1.48. *Title VI*: Title VI of the Communications Act, Cable Communications, as amended.

1.49. *Video Network Created*: Video transport connections and equipment have been established and are operational to the fiber distribution terminal serving the residence requesting

Cable Service. Additionally, for MDUs, Verizon has obtained building access and prepositioned its video facilities in the MDU which are necessary for serving requesting residences within the MDU.

1.50. *Video Programming*: Shall be defined herein as it is defined under 47 U.S.C. § 522(20), as amended.

1.51. *Video Service Office or VSO*: A wire center that has been upgraded by Franchisee to be video-capable and which thereby may be opened for sales for the provision of Cable Service by Franchisee.

1.52. *Wholly Owned Affiliate*: Any entity of which 100% of the ownership interest is ultimately held by Verizon Communications, Inc.

2. CLOSING; CLOSING CONDITIONS

2.1. *Closing*: This Agreement shall be executed and the obligations herein shall commence on the closing of this Agreement (herein referred to as the “Closing”). The Closing shall be the first day on which all of the following conditions have been met and this Agreement has been fully executed and delivered:

2.2. *FCRC Resolution*: The FCRC shall have adopted a resolution approving this Franchise;

2.3. *Certified Copies of Resolutions*: The Franchisee shall have furnished the City with a certified copy of the resolution(s) duly adopted by the Board of Directors or other authorized representative of the Franchisee, approving the execution, delivery and performance of this Agreement and approving the execution, delivery and performance of all other documents, certificates, and other instruments required to be furnished to the City by and pursuant to the terms of this Agreement;

2.4. *Opinion of Franchisee’s Counsel*: The City shall have received an opinion dated as of the date of the Closing from outside counsel to the Franchisee in form and substance reasonably satisfactory to the Commissioner and the Corporation Counsel;

2.5. *Representations and Warranties*: The Franchisee shall have provided the City with a certificate of an officer of the Franchisee certifying that the representations and warranties made by the Franchisee in this Agreement are true and correct as of the Closing;

2.6. *Government Approvals*: The Franchisee shall have provided the City with evidence of approval of the transactions contemplated by this Agreement from any necessary governmental authorities, and all notice periods and waiting periods required by law to pass in connection with such transactions shall have passed, except the certificate of confirmation to be issued or renewed by the PSC pursuant to Section ~~591.4~~[891.4](#) of the PSC regulations and issuance of an FCC CUID;

2.7. *Performance Bond:* The Franchisee shall have furnished to the City the Performance Bond, pursuant to Article 15 hereof;

2.8. *Security Fund/Letter of Credit:* The Franchisee shall have deposited with the City the Security Fund/Letter of Credit, pursuant to Article 15 hereof;

2.9. *Liability Insurance Policy:* The Franchisee shall have secured its liability insurance policy pursuant to Article 12 hereof;

2.10. *Guaranty:* The Franchisee shall have secured and delivered to the Commissioner and the Comptroller a guaranty executed by the Guarantor in the form set forth at Appendix H to this Agreement, which guaranty shall have been authorized, executed and delivered by the Guarantor;

2.11. *W-9 Form:* The Franchisee shall have submitted an IRS W-9 form certifying the Franchisee's tax ID number;

2.12. *VENDEX:* The Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

2.13. *Other Documents:* The Franchisee shall have delivered such other documents as may be reasonably requested by the City.

2.14. *Waiver:* To the extent permitted by law, any of the above Closing conditions may be waived by the Commissioner, provided such waiver shall not be a waiver of any substantive requirement of this Agreement as set forth hereinafter.

3. EFFECTIVE DATE AND TERM:

3.1. *Effective Date & Term:* This Agreement and the Franchise granted herein shall become effective on the date that the NY PSC issues a certificate of confirmation for this Franchise (the "Effective Date"), following the Closing; provided that implementation of this Agreement shall be subject to the applicable registration provisions of City Charter sections 375 and 328. The term (the "Term") of this Agreement and the Franchise granted herein shall be twelve (12) years from the Effective Date, or until June 30, 2020, whichever is later, unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the City in writing of the same, which notification shall become a part of this Franchise.

3.2. *Termination:* The termination of this Agreement and the Franchise granted hereunder shall occur upon the earliest to occur of: (i) the end of the Term; or (ii) the earlier termination of the Franchise and this Agreement as provided for in this Agreement. The Franchise shall be considered revoked and terminated automatically upon any termination of this Agreement as provided hereunder.

3.3. *Renewal on Expiration:* Subject to 47 U.S.C. § 546, the City reserves the right at the end of the Term to grant, or grant on new terms and conditions, or not grant, renewal of the Franchise without any presumption in favor of a renewal of the Franchise.

4. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

4.1. *Grant of Authority:* The City hereby grants the Franchisee the right to provide Cable Service within the Franchise Area until the end of the Term, subject to the terms and conditions of this Agreement. The parties acknowledge that this Agreement is not in and of itself a sufficient source for the right of the Franchisee to occupy the Public Rights-of-Way for the provision of any service and is intended to grant such right only in accompaniment with a separate authority to occupy the affected Public Rights-of-Way. The parties further acknowledge (a) that this Agreement does not include all of the terms and conditions which the City would require for such occupancy, (b) that the Franchisee claims that it has preexisting authority to occupy any or all of the Public Rights-of-Way with the facilities that are being installed to provide Cable Services under this Agreement, (c) that the City disputes such claim, and (d) that such dispute is the subject of the Pending Litigation (as defined in Section 18.14 hereof). The parties further acknowledge that if the Pending Litigation results in a final determination (after all opportunities to appeal have been either pursued or expired) that with respect to any of the Public Rights-of-Way the Franchisee does not have authority preexisting this Agreement to occupy such Public Rights-of-Way, then the Franchisee's right to occupy such Public Rights-of-Way with such facilities, including for the provision of Cable Services, shall be conditional on the Franchisee's reaching agreement with the City on the terms and conditions of such occupancy, and that absent such agreement, this Agreement and the Franchise granted hereunder shall terminate immediately on written notice from the City.

4.2. *The FTTP Network:* Consistent with Section 18.14 and 18.15 hereof, upon delivery of Cable Service, by subjecting Franchisee's mixed-use facilities to the NY PSC's minimum franchise standards and the City's police power, the City has not been granted broad new authority over the construction, placement and operation of Franchisee's mixed-use facilities.

4.3. *Grant Not Exclusive:* The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises 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 itself, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under law or this Franchise to provide Cable Service.

4.4. *Franchise Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as may be amended, including but not limited to the Communications Act. Further, the parties to this Franchise agree that this Franchise is consistent with applicable federal and state law and the parties agree to be bound by the terms hereof.

4.5. *No Waiver:* The failure of either the City or Franchisee on one or more occasions to exercise a right under this Franchise, the Cable Law or other applicable state or federal law, or to require compliance or performance under this Franchise, shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance of this Agreement, nor shall it excuse the other (neither the City nor the Franchisee) from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

4.6. *Construction of Agreement:*

4.6.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

4.6.2. Nothing herein shall be construed to limit the scope or applicability of 47 U.S.C. § 545, as amended.

4.6.3. Should any change to state law, rules or regulations have the lawful effect of materially altering the terms and conditions of this Agreement, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on either party of the material alteration. Any modification to this Franchise shall be in writing and shall be subject to Section 222 of the New York Public Service Law and Title 16, Chapter VIII, Part 892, Subpart 892-1, Section 892-1.4 of the Official Compilation of Codes, Rules and Regulations of the State of New York requiring application to the NY PSC and approval of any modification. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

4.7. *Police Powers:* Nothing in this Franchise shall be construed to prohibit the City's reasonable, necessary and lawful exercise of the City's police powers, including, without limitation, in addition to the implementation and enforcement of the provisions of this Agreement and existing applicable laws and regulations, the enactment, adoption, implementation and enforcement of such additional laws and regulations as the City may deem necessary in the exercise of its police power, including any lawful right to compel relocation of Cable System facilities in the Public Rights-of-Way in the event of sewer and water line work, road-widenings and other adjustments to the Public Rights-of-Way, and the provisions of New York City Administrative Code § 6-115.1 (the "MacBride Principles"); provided, however, that such laws and regulations are reasonable and not materially in conflict with the privileges granted in this Franchise and consistent with all federal and state laws, regulations and orders.

4.8. *Restoration and Inspection of Municipal Property:* In order to avoid interference with the City's ability to deliver public services, any municipal property damaged or destroyed shall be promptly repaired or replaced by the Franchisee and restored to pre-existing condition.

4.9. *Restoration of Subscriber Premises:* The Franchisee shall ensure that each Subscriber's premises are restored to at least their pre-existing condition if damaged by the Franchisee's employees or agents in any respect in connection with the installation, repair, provision or disconnection of Cable Service.

5. DEPLOYMENT; PROVISION OF CABLE SERVICE

5.1. *Initial Deployment:* Subject to the exceptions and checkpoint extensions set forth in this Article, the FTTP Network will pass all households served by Franchisee's wire centers within the Franchise Area in accordance with the table attached hereto as Appendix F, with final completion no later than June 30, 2014. For purposes of this Agreement including Appendix F, "pass" or "passage" of a household shall mean MDU's whether or not network created and single family units whether or not a drop is installed.

5.1.1. *Exceptions:* The FTTP Network deployment schedule set forth in Appendix F shall be subject to the following exceptions: (A) for periods of Force Majeure; (B) for periods of delay beyond the normal permitting or approval time period, or due to issuance of a stop work order issued by the City, where such stop work order is not caused by action on the part of Franchisee; and (C) for periods of delay resulting from Franchisee's inability to obtain authority to access private rights-of-way.

5.1.2. *Checkpoint Extensions:* Within thirty (30) days of each of the dates set forth below (each, a "Checkpoint"), the Franchisee shall conduct an evaluation of its "video penetration rate" (as hereinafter defined) in the Franchise Area and, in the event such evaluation determines that Franchisee has not achieved the applicable video penetration rate at each such Checkpoint, the Franchisee shall be afforded an extension of its deployment and service availability obligations pursuant to Sections 5.1, 5.2 and 5.3 hereof, in accordance with the following:

5.1.2.1. *First Checkpoint:* If, by June 30, 2010, Franchisee has achieved a video penetration rate in the Franchise Area which is less than fifteen percent (15%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.2. *Second Checkpoint:* If, by June 30, 2011, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty percent (20%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.3. *Third Checkpoint:* If, by June 30, 2012, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty-five percent (25%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such ~~checkpoint~~Checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.4. For purposes of this Agreement, the term “video penetration rate” shall mean:

FiOS TV billable lines in service
(FTTP passed single family units whether or not a drop is installed
+ residential units within FTTP network created MDU's)
in VSOs that are open for sales (OFS).

5.1.3. In the event Franchisee seeks to exercise its right to an extension of its deployment and service availability obligations at any Checkpoint pursuant to this Section 5.1, Franchisee shall, within sixty (60) days from the applicable Checkpoint, provide the City with written documentation, in a format to be reasonably determined by Franchisee, justifying the basis for Franchisee's exercise of such extension. Such written documentation shall be treated as confidential and proprietary consistent with Section 11.1 hereof, and shall include, the number of residential units within FTTP Network Created MDUs and FTTP passed single family units (hereinafter, “SFUs,”) along with other elements of the formula set forth in Section 5.1.2.4 of this Agreement, as may be reasonably necessary to satisfy the objectives of this Section 5.1.3.

5.1.4. Consistent with the schedule set forth in Appendix F, nothing herein shall be construed to limit Franchisee's discretion with respect to the order of geographic areas to be wired, provided, however, that at each Checkpoint described above, the estimated median household income of all homes passed shall not be greater than the average household income of all households in New York City (based on the calculations set forth in the 2000 census data).

5.2. *VSO Conversions:* Subject to periods of Force Majeure and the checkpoint extensions set forth at subsection 5.1.2 above, not later than June 30, 2014 Franchisee shall have completed the upgrade of all of Franchisee's wire centers located within or serving the Franchise Area such that all of Franchisee's wire centers within or serving the Franchise Area constitute video-capable VSOs open for sales.

5.3. *Service Availability:*

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units, at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

5.4.1. *Installations of Cable Service – Standard Installations:* Franchisee shall perform all Standard Installations of Cable Service within seven (7) business days after any such

request is received by the Franchisee, unless a later date is agreed to with the requesting potential residential Subscriber.

5.4.1.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Standard Installation of Cable Service within seven (7) business days of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), the Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for Franchisee's inability to perform the requested Standard Installation within seven (7) business days or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); and (ii) the date by which Franchisee anticipates performing such Standard Installation. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Standard Installation request subsequent to the later of: (i) the date which is seven (7) business days from the date which is seven (7) business days following a potential Subscriber's initial request for Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.4.1.2. All Standard Installations will be in accordance with FCC requirements governing appropriate grounding and connection of equipment to ensure reception of Cable Service.

5.4.1.3. Consistent with the requirements of Appendix A the Franchisee will offer Subscribers "appointment window" alternatives for arrival to perform all Standard Installations.

5.4.2. *Installations of Cable Service – Non-Standard Installations:* Franchisee shall perform all Non-Standard Installations of Cable Service within six (6) months after any such request is received by the Franchisee, unless either a later date is agreed to with the requesting potential residential Subscriber or Franchisee advises the requesting potential residential Subscriber of the current unavailability of Cable Service at the location as set forth in Subsection 5.4.2.1.

5.4.2.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Non-Standard Installation of Cable Service within six (6) months of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for the current unavailability of Cable Service at the requesting location; and (ii) a good faith estimate of the date by which Franchisee believes that Cable Service may be available at the location. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Non-Standard Installation request subsequent to the later of: (i) the date which is six (6) months from the date which is six (6) months following a potential Subscriber's initial request for Non-Standard Installation or the later date as agreed to

with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.5. *Exceptions:* Franchisee's Cable Service availability obligation as set forth in Section 5.4 shall be subject to the following exceptions: (A) where the FTTP Network has not been deployed or a VSO is not yet opened for sales; (B) for periods of Force Majeure; and (C) periods of delay caused by Franchisee's inability, after good faith efforts, to obtain valid legal authority to access any MDU in the Franchise Area for the purpose of providing Cable Service to units within such MDU on other than commercially unreasonable terms and conditions with respect to each such MDU.

5.5.1. *Commercial Unreasonability:* The phrase "commercially unreasonable terms and conditions" means any one or more of the following circumstances:

5.5.1.1. The landlord is imposing buildout, installation and/or maintenance requirements to serve the MDU that require a financial investment which results in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$;

5.5.1.2. The landlord is requiring removal or other remediation of hazardous materials;

5.5.1.3. The landlord, despite the legal requirements of Public Service Law Section 228, is demanding payment above the compensation contemplated by Section 228; and

5.5.1.4. A bulk sales, exclusive marketing or other arrangement is in effect in the MDU that reduces Franchisee's reasonably anticipated penetration rate resulting in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$.

5.5.2. *Access:* The phrase "Franchisee's inability, after good faith efforts, to obtain valid legal authority" as used herein shall be understood in the context, where applicable, of the legal obligations of landlords under Section 228 of the New York State Public Service Law ("Section 228"), or any successor provision of like effect, and therefore in instances in which the Franchisee believes that a landlord is in violation of Section 228, Franchisee is obligated to provide such landlord with notice of Section 228 and the legal obligations imposed upon such landlord pursuant thereto and pursue remedies available thereunder as appropriate in Franchisee's judgment, acting reasonably.

5.5.2.1. *Additional Procedures:* Beginning July 1, 2012, in each case in which the Franchisee needs to obtain access to the property in response to a request for Cable Service where the FTTP Network has been deployed and the VSO is opened for sales,

Franchisee shall undertake (and document in written form) the following steps within the following time periods:

5.5.2.1.1. Send promptly (but in no event later than thirty (30) days after receipt of a request for Cable Service) to the property owner or managing agent notice of its intent to wire for Cable Service;

5.5.2.1.2. Attempt to negotiate a survey date and ~~writing~~wiring method with the property owner or agent;

5.5.2.1.3. If not yet successful in obtaining access, send a second (2nd) notice of intent to wire including specific reference to Franchisee's access rights, and attempt to wire;

5.5.2.1.4. If the property owner or agent prevents wiring, request assistance from the Commissioner and/or the PSC; and

5.5.2.1.5. If access is not provided within one hundred and eighty (180) days of the first notice to the property owner or agent of intention to wire, file a petition pursuant to 16 NYCRR § 898.4 seeking an order for entry to the property.

5.5.2.2. The Commissioner may waive, or extend the dates for complying with, the requirements of this Section 5.5.2 upon a showing of good cause by the Franchisee.

5.6. *Periodic Reevaluation:* In the event that Franchisee delays service availability to any MDU in the Franchise Area pursuant to the terms of Section 5.5, Franchisee agrees that it will conduct periodic reevaluations of each such MDU to determine whether circumstances have changed in a manner that would enable Franchisee to obtain valid legal authority to access such MDU on commercially reasonable terms and conditions.

5.7. *Technology and Education Fund/Municipal Facilities Service Grant:* In lieu of, and in satisfaction for, the Franchisee's obligation to provide free service outlets and free Cable Service to public buildings, and in order to further the City's objective of funding technological and educational needs throughout the City, the Franchisee hereby agrees to pay to the City the aggregate sum of Four Million Dollars (\$4,000,000)(the "Technology, Educational & Municipal Facilities Grant") payable in accordance with the following schedule: (i) the first (1st) Technology, Educational & Municipal Facilities Grant payment in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) shall be payable on the date which is thirty (30) days from the Effective Date hereof; (ii) the second (2nd) Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the fourth (4th) anniversary of the Effective Date hereof; and (iii) the third (3rd), and final, Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the seventh (7th) anniversary of the Effective Date hereof.

5.7.1. The Technology, Educational & Municipal Facilities Grant will be used by the City to support the provision of technology services to City government locations and/or City government-related locations in each of the five boroughs of the City where technology services are made or to be made available to the community, such as (for example) New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities. Decisions as to the specific facilities to be supported by said Technology, Educational & Municipal Facilities Grant within each borough shall be made by the City in consultation with the Borough President of the applicable borough. Franchisee shall exercise no discretion as to the allocation or distribution of funds from the Technology, Educational & Municipal Facilities Grant in any manner whatsoever.

6. SYSTEM FACILITIES

6.1. *Quality of Materials and Work:* Franchisee shall construct and maintain its System using materials of good and durable quality, and in a manner that limits disruption to public use of City streets, and all work involved in the construction, installation, maintenance and repair of the Cable System shall be performed in a safe, thorough and reliable manner, and in a manner which protects the City's property from damage.

6.2. *System Characteristics:* During the Term hereof, Franchisee's Cable System as described in Appendix J, shall meet or exceed the following requirements:

6.2.1. The System shall initially be designed and operated with a digital carrier passband between 50 and 860 MHz and shall provide for a minimum channel capacity of not less than 77 channels on the Effective Date.

6.2.2. 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.

6.2.3. The Cable System must conform to all applicable FCC technical

performance standards, as amended from time to time, and any other future applicable technical performance standards, and shall substantially conform in all material respects to applicable sections of the following standards and regulations to the extent such standards and regulations remain in effect and are consistent with accepted industry procedures:

- 6.2.3.1. Cable Law;
- 6.2.3.2. Occupational Safety and Health Administration (OSHA) Safety and Health Standards;
- 6.2.3.3. National Electrical Code;
- 6.2.3.4. National Electrical Safety Code (NESC).

6.3. *Cable System Tests and Inspections:*

6.3.1. The Franchisee shall perform all tests necessary to demonstrate compliance with the requirements of the Franchise, and to ensure that the Cable System components are operating as required; provided, however, that Franchisee's testing obligations under this Article 6 shall be limited solely to those tests which are designed for, and applicable to, a fiber optic network transmitting optical spectrum. All tests shall be conducted in accordance with federal rules and any applicable United States National Cable Television Association's Recommended Practices for measurement and testing. In the event that the FCC's technical performance standards are repealed or are no longer applicable to the Cable System, such standards shall remain in force and effect until the Commissioner, or a designee thereof, and the Franchisee agree to new standards.

6.3.2. The Franchisee shall conduct tests as follows:

6.3.2.1. Proof of Performance tests on the Cable System at least once every six (6) months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with DoITT, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines;

6.3.2.2. Special Proof of Performance tests, as limited by the City, of the Cable System or a segment thereof when Subscriber complaints indicate tests are warranted;

6.3.2.3. Tests shall be supervised by a senior engineer of the Franchisee, who shall sign all records of tests provided to the City;

6.3.2.4. The City shall have the right to designate a City employee (or a third party consultant operating on the City's behalf, provided that such third party consultant executes, in advance, a nondisclosure agreement in a form reasonably acceptable to Franchisee) to visually inspect Franchisee's Cable System in order to verify compliance with Section 6.1 hereof and witness and/or review all required Proof of Performance Tests. The Franchisee shall

provide the City with at least two (2) business days' notice of, and opportunity to observe, any such Proof of Performance Tests performed on the Cable System;

6.3.2.5. The Franchisee shall retain written reports of the results of any tests required by the FCC, and such reports shall be submitted to the City upon the City's request. The City shall have the same rights the FCC has to inspect the Franchisee's performance test data;

6.3.2.6. If any test indicates that any part or component of the Cable System fails to meet applicable requirements, the Franchisee, without requirement of additional notice or request from the City, shall take corrective action, retest the locations and advise the City of the action taken and results achieved, and supply the City with a copy of the results within thirty days from the date corrective action was completed; and

6.3.2.7. The Commissioner may, for good cause shown, waive or limit the system test and inspection provisions in this Section 6.3.

6.4. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area, and, to the extent necessary to effectuate the objectives of Article 8 hereof, with agreed upon CAO facilities. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall attempt to 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 Franchisee and the existing cable operator(s) shall negotiate the interconnection agreement on reasonable terms and conditions. If, despite Franchisee's reasonable efforts, Franchisee is unable to successfully negotiate interconnection of its Cable System with the existing cable operator(s), the City shall make all best efforts to facilitate such negotiations between Franchisee and such other cable operator(s).

6.5. *Emergency Alert System:* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and the State of New York, including the NY PSC's rules and regulations and the current New York EAS Plan, in order that emergency messages may be distributed over the System.

6.6. *Program Services:* Franchisee shall strive to offer over the Cable System a diversity of video programming services, including, without limitation, a broad category of programming that includes locally-based, not-for-profit, and minority-managed public interest educational programming; provided however that nothing contained in this Agreement shall be interpreted as a requirement for provision of specific video programming services (except the requirement for provision of PEG Access Channels). Consistent with the Cable Act, the Franchisee will meet with the Commissioner upon request to discuss broad categories of programming offered over the Cable System; provided, however, that such meetings shall not

occur more than two (2) times in any calendar year. Franchisee shall at all times comply with applicable provisions of the Cable Act and FCC regulations with respect to program access.

7. LEADING TECHNOLOGY

7.1. *Leading Technology:* The parties hereto acknowledge and agree that the FTTP Network, and the Cable Services provided thereby, as described in Appendix J, will when built constitute a “Leading Technology” that includes more extensive fiber facilities, in lieu of coaxial cable facilities, than is currently, or ever has been, provided by any other Cable Service provider within the City as of the Effective Date.

7.1.1. The Franchisee will, at the City’s request (but not before the first anniversary of the Effective Date of the Franchise Agreement and not more often than once in any thirty-six (36) month period), prepare and submit to the City a report (in a mutually agreeable format) setting forth the Franchisee’s review and assessment of the current state of cable technology and its current plans, if any, to enhance its Cable System (provided however, that this reporting requirement will be in abeyance to the extent that a substantial competing franchisee delivering service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the City is then using a system in the City that fails to provide at least comparable capacity, reliability and feature richness to Franchisee’s system).

7.1.2. Upon the submission of each report as described in the preceding Section 7.1.1 the City may undertake an evaluation of such report, with an opportunity for Franchisee to comment on any City evaluation, and Franchisee will subsequently commence good faith discussions with the City, and implement agreements resulting from such good faith discussions, regarding enhancements, if any, to be made to the Cable System to maintain its leading technology status (provided however, that the requirement pursuant to this Section 7.1.2. will be in abeyance to the extent that a substantial competing franchisee delivering Cable Service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the Franchise Area is then using a system in the Franchise Area that fails to provide at least comparable capacity, reliability and feature richness to the FTTP Network).

8. PEG SERVICES

8.1. *PEG Set Aside:*

8.1.1. In order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date (or, with respect to any Governmental/Educational Access Channels, such later date as may be agreed upon by the City and Franchisee in the event Franchisee reasonably requests an extension in order to complete necessary work), provide on the Basic Service Tier use of twenty-five (25) access channels in total, as set forth immediately below in Section 8.1.1.1 (each, an “Access Channel”):

8.1.1.1. *Public Access Channel*:. Four (4) Public Access Channels for each Borough (i.e. four (4) Public Access Channels for Manhattan, four (4) Public Access Channels for Staten Island, four (4) Public Access Channels for Brooklyn, four (4) Public Access Channels for the Bronx, four (4) Public Access Channels for Queens).

8.1.1.2. *Government/Educational Access Channels*: Five (5) Governmental/Educational Access Channels, one of which is designated by the City for Educational Access Channel programming, which are cablecast City-wide.

8.1.2. In addition to providing the Access Channels described in Section 8.1.1 above, the Franchisee shall provide the City with the following additional Access Channels on the Basic Service Tier, subject to the conditions set forth below:

8.1.2.1. No sooner than January 1, 2009, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels); and (ii) one (1) additional Governmental/ Educational Access Channel which shall be cablecast City-wide.

8.1.2.2. No sooner than January 1, 2012, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) one (1) additional Public Access Channel for each Borough (for a total of five (5) additional Public Access Channels); and (ii) two (2) additional Governmental/Educational Access Channels which shall be cablecast City-wide.

8.1.2.3. No sooner than the date which is the sixth (6th) Anniversary of the Effective Date hereof, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels).

8.1.2.4. No single additional Governmental/Educational Access Channel or additional Governmental/Educational Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee unless all existing Governmental/Educational Access Channels are providing original, non-text, non-duplicative programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months. With respect to the Public Access Channels to be carried in each Borough, no single additional Public Access Channel or additional Public Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee in the applicable Borough unless all existing Public Access Channels in the applicable Borough are providing programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months.

8.1.3. The City hereby authorizes Franchisee to transmit all Access Channel programming within and without City jurisdictional boundaries. In the event that one or more Public or Governmental/Educational Access Channels are not being utilized by the City or the CAO's, the provisions of 16 NYCRR 895.4 (c)(12) shall be applicable.

8.1.4. Within ten (10) days after the Effective Date of this Agreement, the City shall notify Franchisee of the programming to be carried on each of the Public or Governmental/Educational Access Channels set aside by Franchisee as listed in Appendix B. Thereafter, Franchisee shall assign the Public or Governmental/Educational Access Channel programming on such Public or Governmental/Educational Access Channels on its channel lineup as set forth in such notice, to the extent such Access Channel assignments do not interfere with any pre-existing channels assignments or contractual obligations. Franchisee shall not be required to make Borough-specific Public or Governmental/Educational channels available to Subscribers until one or more VSOs in the specific borough are open for sales.

8.1.5. The Franchisee shall carry the programming on each of the respective Public or Governmental/Educational Access Channels as indicated in Appendix B. In the future, the Franchisee shall assign the Public or Governmental/Educational Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of the Franchisee's respective channel lineup. The Franchisee shall not arbitrarily or capriciously change such channel assignments, and the Franchisee shall minimize the number of such changes; provided, however, that the Franchisee may change such channel assignments as it deems appropriate so long as (i) the Franchisee gives the appropriate CAO(s) or the Governmental/Educational/Access Channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) the Franchisee provides, free of charge, public announcements of such changes that shall include (A) to the extent Franchisee has advertising availability, advertising such Public or Governmental/Educational Access Channels changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Franchisee does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Franchisee shall then provide the advertising contemplated under this Section 8.1.5), and (B) providing notice of such changes in at least two monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event the Franchisee provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

8.1.6. *Governmental/Educational Interconnection:* The City shall designate in writing to the Franchisee up to one (1) physical site for each Governmental/Educational Access Channel provided pursuant to Section 8.1 hereof (for a total of up to eight (8) sites) within the Franchise Area for the purpose of interconnection of Governmental/Educational Access Channel facilities with the Cable System (each, a "GE Access Interconnection Site").

8.1.6.1. Upon one hundred eighty (180) days written notice from the City (or such later date as may be agreed upon by the City and the Franchisee) and subject to the successful completion of all required site preparation work by the City and provision of access to Franchisee for equipment, installation and provisioning, Franchisee shall, without charge to the City, provide upstream Governmental/Educational Access Channel transmission connections between its video channel aggregation point and each of the GE Access Interconnection Sites in

order to permit the signals to be correctly routed from the GE Access Interconnection Site for the distribution to Subscribers.

8.1.6.2. The City shall provide to Franchisee at the GE Access Interconnection Sites a suitable video signal and a suitable audio signal for each Governmental/Educational Access Channel. Franchisee, upon receipt of the suitable video signal, shall provide, install and maintain in good working order the equipment necessary for transmitting the Governmental/Educational Access Channel signal to the channel aggregation site for further processing for distribution to Subscribers. Franchisee's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Franchisee, of suitable required space, environmental conditions, electrical power supply, access, pathway, and facilities and such cooperation of the City as is reasonably necessary for Franchisee to fulfill such obligations; provided, however, that neither Franchisee nor the required site work contemplated hereunder shall impose any unreasonable material burdens on the City.

8.1.6.3. Such upstream transmission provided by Franchisee shall comply with applicable FCC standards governing the transport and distribution of Governmental/Educational Access Channel signals to Subscribers. If Franchisee makes changes to the Cable System that require improvements to Governmental/Educational Access Channel facilities to continue to be used as they were intended under the terms of this Agreement, then Franchisee shall, without charge to the City, make such changes in either the equipment and facilities referred to in this Subsection 8.1.6 or in the Franchisee's video channel aggregation point and distribution equipment and facilities in order to permit the continuation of such intended use.

8.1.7. *Community Access Organizations:* The respective Borough Presidents have each designated an independent, not-for-profit, nonmembership corporation, organized pursuant to the New York Not-for-Profit Corporation Law, to serve as the Community Access Organization for the applicable Borough, under whose jurisdiction the Public Access Channels shall be placed for purposes of Article 8 of this Agreement. The CAO's shall undertake such activities and shall adopt such rules and regulations as are required, and may adopt rules and regulations not inconsistent with this Agreement, the CAO Agreements (as hereinafter defined) attached as Appendix C to this Agreement, the Certificate of Incorporation of the CAO's, the By-Laws of the CAO's, the rules and regulations of the Public Service Commission, and applicable law. The CAO's shall each maintain tax-exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended.

8.1.8. *Use of Public Access Channels.* The Public Access Channels for each Borough shall be under the jurisdiction of the CAO for such Borough. Such Public Access Channels shall be used for the purpose of distributing noncommercial services by the public, any other charitable, nonprofit purpose or other similar purpose, including, without limitation, the generation of revenues by activities reasonably related to such uses and purposes, or any other purpose agreed to between the Franchisee and the CAO.

8.1.8.1. *Public Access Interconnection:* The Franchisee shall effectuate the interconnection of any Public Access Channel facilities with the Cable System for purposes of transmitting the Public Access Channels contemplated in this Article 8 in accordance with the terms of the CAO Agreements (as hereinafter defined).

8.1.9. *No Editorial Control by Franchisee:* The Franchisee shall not exercise editorial control over programming or distribution of services over any Access Channel used by any Person(s), so long as such Access Channel is being used for the purposes authorized herein and except where the Franchisee is utilizing any such Access Channel pursuant to the fallow time provisions of the Cable Law.

8.1.10. *PEG Channel Quality:* Each Public and Governmental/Educational Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Franchisee's lowest tier of service, provided, however, that Franchisee shall have no responsibility to improve upon or modify the quality of any Public or Governmental/Educational Access Channels content provided to Franchisee by any Public or Governmental/Educational Access Channel programmer.

8.2. *Governmental and Educational Access Grant:* Franchisee shall provide a grant to the City in the amount of Ten Million Dollars (\$10,000,000) in twelve (12) equal annual installments of Eight Hundred Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$833,333.33) over the Franchise Term to be used in support of the production of local Governmental/Educational Access programming (the "Annual GE Grant"). Each annual installment of the Annual GE Grant shall be payable to the City by the Franchisee not later than the date which is sixty (60) days from each anniversary of the Effective Date during the Term hereof (except for the first installment of the Annual GE Grant, which shall be payable not later than the date which is sixty (60) days of the Effective Date). Such grant shall be used solely by the City for Educational Governmental Access, capital costs. Upon request by Franchisee, the City shall provide Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 8.2.

8.3. *Community Access Grant:* Franchisee shall pay to the CAO's certain funding (collectively, the "CAO Grants") pursuant to the terms of certain Community Access Organization Grant and Use Agreements by and between the respective CAO's in the City and the Franchisee (collectively the "CAO Agreements"), substantially in the form attached hereto as Appendix C. The Franchisee and the City acknowledge and agree that:

8.3.1. the amount of the CAO Grants and the terms and conditions of the CAO Agreements were negotiated solely between the Franchisee and the respective CAO's and the City was not a party to any such negotiations;

8.3.2. the CAO Grants, or any portion thereof, shall not constitute a deduction against Franchise Fees payable to the City by Franchisee pursuant to this Agreement; and

8.3.3. consistent with applicable federal and state law, the City shall not exercise any editorial control over any programming carried on any Access Channels set aside for any CAO's pursuant to this Agreement or the CAO Agreements.

8.4. *Franchisee PEG Liability Immunity:* In accordance with 47 U.S.C. §558, the Franchisee shall not incur any liability arising from or in connection with any Access Channels.

8.5. *Recovery of Costs:* To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the grants referenced in this Article 8 and Section 5.7 from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may externalize, line-item, or otherwise pass-through interconnection and any franchise-related costs to Subscribers.

9. INET

Requirements for an Institutional Network are set forth in Appendix D.

10. FRANCHISE FEES

10.1. *Payment to City:* Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue (the "Franchise Fee"). In accordance with Title VI, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. In the event that said payments are not received by the LFA within forty-five (45) days following the end of the applicable calendar quarter, following at least thirty (30) days written notice from the LFA that the Franchise Fee has not been paid, Franchisee shall pay interest on such overdue Franchise Fee amount at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the LFA retroactive to the first day that such Franchise Fee payment was due. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

10.2. *Acceptance of Payment:* No acceptance of any such payment shall be construed as an accord that the payment is the correct amount, nor shall such acceptance of payment be construed as a release of any claim the City may have for further or additional sums payable under this Agreement. Nothing herein shall be construed in such a way to affect a waiver by either party of applicable statutes of limitation with respect to Franchise Fee payments.

10.3. *Supporting Information:* Along with each quarterly Franchise Fee payment, the Franchisee shall submit to DoITT, or such other entity as the Commissioner may designate, with a copy to the Comptroller, a report in a form reasonably acceptable to the Commissioner (a form of such report that is currently in acceptable form is attached hereto as Appendix K) showing the basis for the computation for such quarterly Franchise Fee payment.

10.4. *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due. Franchisee shall maintain the records necessary to confirm the accurate payment of Franchise Fees during this period and during any pendency of litigation.

10.5. *Bundled Services:* If Cable Services subject to the Franchise Fee required under this Article 10 are provided to Subscribers in conjunction with Non-Cable Services, and the total cost of the bundle reflects a discount from the aggregate retail prices of the services contained therein, the Franchise Fee shall be applied to the retail price of the Cable Services in the bundle reduced by no more than a proportionate share of the overall discount.

10.5.1. By way of illustrative example of the formula described in the foregoing Section 10.5, if Cable Service A is sold separately at a price of \$40 a month, Non-Cable Service B is sold separately at a price of \$40 a month and Non-Cable Service C is sold separately at a price of \$40 a month, but the three services when purchased together are sold for \$100 a month, the amount of the \$100 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$33.33 per month. As a second example, if Cable Service A is sold separately at a price of \$50 a month, Non-Cable Service B is sold separately at a price of \$63 a month, Non-Cable Service C is sold separately at a price of \$74 a month, but the three services when purchased together are sold for \$150 a month, the amount of the \$150 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$40.11 per month.

10.6. *626 Offset:* The Franchise Fee as defined herein shall not constitute a set off against the special franchise tax as provided for in N.Y. Real Property Tax Law Section 626; provided, however, that the LFA agrees that it shall impose the same special franchise tax offset waiver restriction upon all other existing and new providers of Cable Service or cable service (as such term may be defined by other providers) in the Franchise Area expressed in writing in the franchise agreement, or the renewal of any existing franchise agreement of each respective cable provider. The operation of this subparagraph shall be strictly limited to Franchise Fees lawfully imposed upon Cable Service, and shall not be construed to affect the Franchisee's rights under any provision of state or federal law regarding the provision of services other than Cable Service.

11. REPORTS AND RECORDS

~~11.1.~~ 11.1 *Open Books and Records:* Upon reasonable written notice to the Franchisee and consistent with Section 11.1.1 below, the City shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise, including, but not limited to, the calculation of Franchise Fees in accordance with Section 10.5 hereof. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the City. Franchisee

~~VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT~~

shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years. Any records to be inspected by the City pursuant to this Article 11 shall be made available by Franchisee to the City in a mutually agreeable format and location, including, at the City's request, at a designated office of the Franchisee in the City. ~~Notwithstanding anything to the contrary set forth in this Agreement, Franchisee shall not be required to disclose information that it reasonably deems to be~~ Franchisee may identify information disclosed to the City hereunder as "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 Service Area." For purposes of this Section, "proprietary or confidential" information ~~includes~~ may include, but is not limited to: information related to the Cable ~~System~~ Systems design; trade secrets; Subscriber lists; marketing plans; financial information unrelated to the calculation of the Franchise Fees; or other information that is reasonably determined by the Franchisee to be competitively sensitive. ~~Any Subject to applicable law, including but not limited to New York State Public Officers Law ("FOIL"), any such~~ information disclosed to the City that the Franchisee reasonably identifies as confidential or competitively sensitive (including, without limitation, financial information related to the calculation of Franchise Fees) shall be treated by the City as confidential under Section 87(2) (d) of the New York Public Officers Law and the City shall disclose such information only to employees, representatives, and agents thereof who have a need to know, or in order to monitor, enforce, or audit the Franchisee's compliance with the provisions hereof. If the City receives a request under FOIL or similar law for the disclosure of information that Franchisee has designated as proprietary or confidential, competitively sensitive, a trade secret or proprietary, the City shall notify Franchisee of such request. If the City determines in good faith that public disclosure of the requested information is required under FOIL or pursuant to a court order, the City shall so notify Franchisee and before making disclosure shall give Franchisee a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551. Nothing in this Article 11 is intended to ~~be inconsistent with~~ impair in any way the authority of the Comptroller under Section 93(b) of the New York City Charter to perform audits. ~~Notwithstanding anything to the contrary set forth in this Agreement, Franchisee shall not be required to disclose information (including its books and records and books and records of an Affiliate) that, in Franchisee's reasonable determination, does not relate to the provision of Cable Service in the Service Area.~~

11.1.1. *Franchisee's Response to Records Requests:* In the event the City provides the Franchisee with a written request to inspect or review Franchisee's books and records pursuant to Section 11.1 above, Franchisee shall, within fifteen (15) days of Franchisee's receipt of such written request, provide the City with access to any information Franchisee is reasonably able to collect in response to such request and shall, within thirty (30) days from receipt of such request make available to the City all pertinent information in response to such request, consistent with the terms of Section 11.1 above; provided however, that to the extent there is additional information which Franchisee is unable to reasonably collect in such thirty (30) day period, Franchisee shall provide the City with a written notice setting forth the nature of

such additional information and the date on which Franchisee shall provide access to such additional information.

11.2. *Annual and Quarterly Reports:* Subject to the confidentiality requirements of Section 11.1 above, the Franchisee shall submit a written report to the Commissioner no later than forty-five (45) days after the end of each calendar year or calendar quarter, as the case may be, during the Term of this Franchise (except where otherwise expressly indicated herein), which report shall be in a form reasonably satisfactory to the Commissioner, that shall include the information described in Sections 11.2.1 through 11.2.4; provided, however, that unless otherwise expressly described below, Franchisee's reporting obligations pursuant to this Section 11.2 shall not commence until six (6) months after Cable Service is made available by Franchisee on a commercial basis directly to multiple Subscribers in the Franchise Area.

11.2.1. After July 1, 2012, Franchisee shall provide the City with an annual report regarding the MDUs for which Franchisee is using the "Additional Procedures" contained in section 5.5.2.1 of this Franchise and the status of such procedures.

11.2.2. A quarterly report showing the total number of Significant Outages (as defined in Appendix A of this Franchise) which occurred during the quarter, and with respect to each such Significant Outage, the time it occurred, its cause and duration and the households.

11.2.3. In addition to the reports to be provided as expressly set forth in this Article 11, the Franchisee shall also provide the reports described in Section 10.3 and Appendix A (including but not limited to Sections 2.5.3, 3.4.3, 6.5.3 and 7.5.3) and Exhibit 2 to Appendix A of this Franchise.

11.2.4. Franchisee shall provide at each Checkpoint date as listed in section 5.1.2 of this Franchise, a report (based on the calculations set forth in the 2000 census data) showing the estimated median household income of all homes passed and the average household income of all households in New York City.

11.3. *Records Required:* Franchisee shall at all times maintain:

11.3.1. Records of all written complaints for a period of six (6) years after receipt by Franchisee. The term "complaint" as used herein refers to complaints about any aspect of the Cable System or Franchisee's cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

11.3.2. Records of outages for a period of six (6) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

11.3.3. Records of service calls for repair and maintenance for a period of six (6) years after resolution by Franchisee, 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;

11.3.4. Records of installation/reconnection and requests for service extension for a period of six (6) years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended;

11.3.5. Commencing on February 15, 2009, in order to track compliance with the benchmarks established in Appendix F, records showing the number of MDUs and SFUs passed by the FTTP Network in each Borough during the preceding year, and the cumulative number of MDUs and SFUs passed by the FTTP Network in each Borough since Franchisee commenced construction of the FTTP Network;

11.3.6. Commencing on February 15, 2009, records showing which wire centers servicing the Franchise Area have been upgraded so as to make them video capable VSOs open for sales consistent with Section 5.2 of this Franchise. Such records shall also show which wire center upgrades, if any, have been delayed due to the exceptions contained in the opening clause of Section 5.2 of this Franchise;

11.3.7. Commencing on February 15, 2009, records of MDUs and SFUs that were Video Network Created during the preceding year and the total number of MDUs and SFUs in each Borough throughout the City that have been Video Network Created throughout the City. Such records shall show the number of MDUs and SFUs by Borough that could not be Video Network Created due to an exception contained in Section 5.5 of this Franchise which became effective during the year, and the cumulative number of MDUs and SFUs in each Borough that are not Video Network Created due to the exceptions contained in Section 5.5 of this Franchise;

11.3.8. Franchisee shall maintain records documenting the applicability of the Section 5.5.1 exceptions; and make such records available for inspection by the Commissioner or the Commissioner's designee at a designated Franchisee office location;

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

11.3.10. Franchisee shall maintain accurate maps and improvement plans which show the location, size and a general description of all facilities installed in the public ways and any power supply sources, including voltages and connections. Maps shall be based on post-construction inspection to verify location;

11.3.11. Notwithstanding the requirements of Section 11.1 of this Agreement, upon written notice, the Commissioner may request additional information pursuant to this Franchise as may be reasonably necessary for the performance of any of the Commissioner's duties or any other City official's duty as it pertains to this Franchise. Franchisee's response to such request may be provided to the Commissioner in oral or written form, at Franchisee's sole discretion.

11.4. *Service Availability Meeting:* Not later than eight (8) months from each calendar year, upon ten (10) days written notice from the Commissioner, a representative of the Franchisee will hold a meeting with the Commissioner or designated representatives thereof to discuss information on the status of Franchisee's deployment of Cable Services in the City and Franchisee's compliance with the requirements of Article 5 of this Franchise (the "Annual Service Availability Meeting"). If, as a result of any Annual Service Availability Meeting, the Commissioner or designated representative thereof reasonably determines that an additional meeting regarding the topics addressed in the Annual Service Availability Meeting is required, the parties shall hold one (1) additional meeting per calendar year to further discuss such topics. Any information provided to the City by Franchisee in connection with any Annual Service Availability Meeting or additional meeting pursuant to this Section 11.4 shall be treated by the City as confidential and proprietary consistent with Section 11.1 hereof.

11.5. *System-Wide Statistics:* Any valid reporting requirement in the Franchise may be satisfied with system-wide statistics, except those related to Franchise Fees and consumer complaints, or if expressly described otherwise in this Franchise.

11.6. *File for Public Inspection:* Throughout the term of this Agreement, the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated by Franchisee, as required by Appendix A to this Agreement.

12. INSURANCE AND INDEMNIFICATION

12.1. *Insurance Generally; Types of Insurance:* The Franchisee shall continuously maintain one or more liability insurance policies meeting the requirements of this Section 12 throughout the Term (with the minimum limits and special conditions specified). Such insurance shall be issued by companies that meet the standards of Section 12.2(a) hereof and shall be primary (and non-contributing) to any insurance or self-insurance maintained by the City. The Franchisee has, as a condition of the Closing, provided proof of insurance pursuant to Section 12.3 hereof documenting compliance with the insurance requirements of this Section 12 as of the Closing.

(a) The Franchisee shall provide a Commercial General Liability Insurance policy covering the Franchisee as Named Insured and the City as an Additional Insured. Coverage for the City as Additional Insured shall specifically include the City's officials, employees and agents, and shall be at least as broad as Insurance Services Office ("ISO") Form CG 2010 (11/85 ed.) This policy shall protect the City and the Franchisee from claims for property damage and/or bodily injury, including death, which may arise from the performance of, or failure to perform, the Franchisee's obligations under this Agreement and the activities and operations conducted in connection with the provision of Cable Service under this Agreement. Coverage under this policy shall be at least as broad as that provided by ISO Form CG 0001 (1/96 ed.), must be "occurrence" based rather than "claims-made", and shall include, without limitation, the following types of coverage: Premises Operations, Products and Completed Operations, Contractual Liability (including the tort liability of another assumed in a contract), Broad Form Property Damage, Medical Payments, Independent Contractors, Personal Injury

(Contractual Exclusion deleted), Cross Liability, Explosion, Collapse and Underground Property, and Incidental Malpractice. If such insurance contains an aggregate limit, it shall apply separately to the operations and activities undertaken pursuant to the Franchise. The Commercial General Liability Insurance policy described herein shall be maintained at all times with limits no less than Five Million Dollars (\$5,000,000) combined single limit per occurrence and Ten Million Dollars (\$10,000,000) aggregate.

(b) The Commercial General Liability Insurance policy referred to in the preceding subsection (a) shall contain each of the following endorsements:

(i) The City of New York together with its officials, employees and agents is an Additional Insured with coverage as broad as ISO Forms CG 2010 (11/85 ed.) and CG 0001 (1/96 ed.); and

(ii) The Duties in the Event of Occurrence, Claim or Suit condition of the policy is amended per the following: if and insofar as knowledge of an “occurrence”, “claim”, or “suit” is relevant to the City of New York as Additional Insured under this policy, such knowledge by an agent, servant, official, or employee of the City of New York will not be considered knowledge on the part of the City of New York of the “occurrence”, “claim”, or “suit” unless the following position shall have received notice thereof from such agent, servant, official, or employee: Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department; and

(iii) Any notice, demand or other writing by or on behalf of the Named Insured to the Insurance Company shall also be deemed to be a notice, demand, or other writing on behalf of the City as Additional Insured. Any response by the Insurance Company to such notice, demand or other writing shall be addressed to Named Insured and to the City at the following addresses: Insurance Unit, NYC Comptroller’s Office, 1 Centre Street – Room 1222, New York, N.Y. 10007; and Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department, 100 Church Street, New York, NY 10007 (or replacement addresses of which the City notifies the Franchisee); and

(c) The Franchisee shall provide Workers Compensation Insurance and Disability Benefits Insurance in accordance with the Laws of the State of New York (with minimum limits as required by New York State law without regard to jurisdiction) on behalf of all employees undertaking activities or providing services pursuant to this Agreement.

(d) The Franchisee shall provide, and ensure that each subcontractor (if any) provides, Employers’ Liability Insurance affording compensation due to bodily injury by accident or disease sustained by any employee arising out of and in the course of his/her employment under this Agreement. The Employers’ Liability Insurance policy described herein shall be maintained at all times with limits no less than \$1 million per accident/disease/policy limit.

(e) The Franchisee shall provide a Comprehensive Business Automobile Liability policy for liability arising out of any automobile including owned, non-owned, leased

and hired automobiles to be used in connection with undertaking activities or providing services pursuant to this Agreement. The Automobile Liability Insurance policy described herein shall be maintained at all times with limits no less than Two Million Dollars (\$2,000,000) combined single limit each accident. If automobiles are used for transporting hazardous materials, the Franchisee shall provide pollution liability broadened coverage for covered autos (endorsement CA 99 48) as well as proof of MCS 90.

(f) All insurers shall waive their rights of subrogation against the City, its officials, employees and agents.

(g) The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on indemnity in this Agreement given as a matter of law.

12.2. General Requirements for Insurance Policies:

(a) All required insurance policies shall be maintained with companies that are authorized or permitted to conduct business in the State of New York and have an A.M. Best rating of at least A- VII or a Standard and Poor's rating of at least AA, unless prior written approval is obtained from the Mayor's Office of Operations (or successor entity thereto).

(b) The Franchisee shall be solely responsible for the payment of all premiums for all required policies and all deductibles and self-insured retentions to which such policies are subject, whether or not the City is an insured under the policy. Any self-insured retention must be reasonable and is subject to approval by the City.

(c) Except for insurance required pursuant to Sections 12.1(c) and 12.1(d) herein, all policies shall contain a provision stating that the insurer or its authorized representative(s) shall use reasonable efforts to provide thirty (30) days prior written notice of intent to non-renew, cancellation or material adverse change to the City, except that ten (10) day notice for nonpayment of premium shall apply. Such notice shall be sent to the City pursuant to Section 18.6 hereof, and to the City's Comptroller ("the Comptroller"), attn: Office of Contract Administration, Municipal Building, Room 1005, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee).

(d) On or before the date of cancellation, termination or material adverse change affecting the City of any policies with respect to notices described in the preceding subsection (c) of this section 12.2., the Franchisee shall obtain and furnish to the City, with a copy to the Comptroller, replacement insurance binders demonstrating that replacement insurance fully compliant with this Section 12 has been obtained.

12.3. Proof of Insurance:

(a) The Franchisee has delivered to the City, as a condition of the Closing, for each policy required under this Agreement, a Certificate or Certificates of Insurance evidencing the effectiveness of all insurance required under this Agreement. All Certificates of Insurance

shall be in a form reasonably acceptable to the City and shall certify the issuance and effectiveness of the types of insurance required herein, each with the specified minimum limits and conditions.

(b) A Certificate or Certificates of Insurance confirming renewals of, or changes to, insurance policies required hereunder shall be submitted to the City within ten (10) days of the expiration or renewal date of coverage of policies required under this Agreement. Such Certificates of Insurance shall comply with the requirements of the preceding subsection (a).

(c) The Franchisee shall be obligated to provide the City with a copy of any policy required by this Section 12 upon the demand for such policy by the Commissioner or the New York City Law Department; provided, however, that any policies or other related information provided by Franchisee (or Franchisee's designee, including, but limited to, an Affiliate or Franchisee's insurer) to the City pursuant to this subsection ~~12.4~~12.3(c) shall be treated by the City as confidential and proprietary consistent with the provisions of Section 11.1 of this Franchise.

12.4. *Operations of the Franchisee:*

(a) Acceptance by the City of a certificate hereunder does not excuse the Franchisee from securing a policy consistent with all provisions of this Section 12 or of any liability arising from its failure to do so.

(b) The Franchisee shall be responsible for providing continuous insurance coverage in the manner, form, and limits required by this Agreement and shall be authorized to provide service pursuant to this Agreement and the Franchise only during the effective period of all required coverage.

(c) In the event of any loss, damage, injury or accident arising under this Agreement, the Franchisee (once the Franchisee's Risk Management Claims Group becomes aware of any of the foregoing circumstances) shall promptly notify in writing the commercial general liability insurance carrier, and, where applicable, the worker's compensation and/or other insurance carrier, of any loss, damage, injury, or accident, and any claim or suit arising under this Agreement from the operations of the Franchisee or its subcontractors, promptly, but not later than 20 days after Franchisee's Risk Management Claims Group becomes aware of such event. The Franchisee's notice to the commercial general liability insurance carrier must expressly specify that "this notice is being given on behalf of the City of New York as Additional Insured as well as the Franchisee as Named Insured." The Franchisee's notice to the insurance carrier shall contain the following information: the name of the Franchisee, the number of the applicable policy, the date of the occurrence, the location (street address and borough) of the occurrence, and, to the extent known to the Franchisee, the identity of the persons or things injured, damaged or lost. Additionally:

(i) At the time notice is provided to the insurance carrier(s), the Franchisee shall provide copies of such notice to the Comptroller and the Commissioner. Notice to the Comptroller shall be sent to the Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee). Notice to the Commissioner shall be sent to the address set forth in Section 18.6 hereof; and

(ii) If the Franchisee fails to provide any of the foregoing notices in a timely and complete manner, the Franchisee shall indemnify the City for all losses, judgments, settlements and expenses, including reasonable attorneys' fees, arising from an insurer's disclaimer of coverage citing late notice by or on behalf of the City.

12.5. *Insurance Notices, Filings, Submissions:* Wherever reference is made in this Section 12 to documents to be sent to the Commissioner (e.g., notices, filings, or submissions), such documents shall be sent to the address set forth in Section 18.6 hereof.

12.6. *Disposal of Hazardous Materials:* If pursuant to this Agreement the Franchisee is involved in the disposal of hazardous materials, the Franchisee shall dispose of such materials only at sites where the disposal site operator maintains Pollution Legal Liability Insurance in the amount of at least Two Million Dollars (\$2,000,000) for losses arising from such disposal site.

12.7. *Other Remedies:* Insurance coverage in the minimum amounts provided for herein shall not relieve the Franchisee or subcontractors of any liability under this Agreement, nor shall it preclude the City from exercising any rights or taking such other actions as are available to it under any other provisions of this Agreement or applicable law.

12.8. *Franchisee Indemnification Obligations:* The Franchisee shall indemnify, defend and hold the City, its officers, agents and employees (the "Indemnitees") harmless from any and all liabilities, suits, damages, claims and expenses (including, without limitation, reasonable attorneys' fees and disbursements) ("Damages") that may be imposed upon or asserted against any of the Indemnitees arising out of the Franchisee's performance of, or its failure to perform, its obligations under this Agreement and/or its provision of services hereunder, provided, however, that the foregoing liability and indemnity obligation of the Franchisee pursuant to this Section 12.8 shall not apply to any Damages to the extent arising out of any willful misconduct or gross negligence of an Indemnatee. Insofar as the facts and law relating to any Damages would preclude the City from being completely indemnified by the Franchisee, the City shall be partially indemnified by the Franchisee to the fullest extent provided by law, except to the extent such Damages arise out of any willful misconduct or gross negligence of any Indemnatee. This indemnification is independent of the Franchisee's obligations to obtain insurance as provided under this agreement.

12.9. *Defense of Claim, Etc:* If any claim, action or proceeding is made or brought against any of the Indemnitees by reason of any event to which reference is made in Section 12.8 herein, then upon demand by the City, the Franchisee shall either resist, defend or satisfy such claim, action or proceeding in such Indemnatee's name, by the attorneys for or approved by the

Franchisee's insurance carrier (if the defense of such claim, action or proceeding is provided by the insurance carrier) or by the Franchisee's attorneys. The foregoing notwithstanding, in the event an Indemnatee believes additional representation is needed, such Indemnatee may engage its own attorneys to assist such Indemnatee's defense of such claim, action or proceeding, as the case may be, at its sole cost and expense. The Franchisee shall not settle any claim with respect to which the Franchisee is required to indemnify the Indemnitees pursuant to Section 12.8 without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

12.10. *No Claims Against Officers, Employees, or Agents:* Franchisee agrees not to make any claim against any officer or employee of the City or officer or employee of an agent of the City, in their individual capacity, for, or on account of, anything done or omitted in connection with this Agreement, to the extent that such officer or employee of the City or officer or employee of an agent of the City was acting within the lawful course and scope of his employment or agency. Nothing contained in this Agreement shall be construed to hold the City liable for any lost profits, or any consequential damages incurred by Franchisee or any Person acting or claiming by, through or under Franchisee.

12.11. *Limitation on Indemnification:* As between the City and the Franchisee, the indemnifications obligations of the Franchisee pursuant to Section 12.8 above shall not apply to any Damages arising out of the distribution of programming over the Governmental/Educational Access Channels, the Institutional Network available to and used by the City, and/or the Public Access Channels, to the extent that such claim does not arise out of an act or failure to act by the Franchisee.

12.12. *No Applicability to Pending Litigation:* Franchisee's indemnification obligations pursuant to this Article shall have no applicability to the litigation referenced and defined in Section 18.14.

13. TRANSFER OF FRANCHISE

13.1. *City Approval Required:* Subject to the provisions of this Article, the Franchisee shall apply to the City for approval of any transaction in which any change is proposed with respect to ten percent (10%) or more for voting interests or twenty-five percent (25%) or more for non-voting interests of the ownership of the Franchisee, the Cable System, the Cable System assets, or the Franchise by submitting FCC Form 394 or such other form as the FCC may prescribe for that purpose; provided however that the foregoing, requirements of this Section 13.1 shall not be applicable with respect to transfers of any ownership interests contemplated hereunder which are effectuated as a result of any transactions involving the exchange of publicly traded shares. The application shall be made at least one hundred twenty (120) calendar days prior to the contemplated effective date of the transaction. Such application shall contain complete information on the proposed transaction, including details of the legal, financial, technical, and other qualifications of the transferee. At a minimum, the following information must be included in the application:

13.1.1. all information and forms required under federal law;

13.1.2. any shareholder reports or filings with the Securities and Exchange Commission that pertain to the transaction;

13.1.3. a report detailing any changes in ownership of voting or non-voting interests of over five percent;

13.1.4. other information necessary to provide a complete and accurate understanding of the financial position of the Cable System before and after the proposed transaction;

13.1.5. complete information regarding any potential impact of the transaction on Subscriber rates and service; and

13.1.6. any contracts that relate to the proposed transaction as it affects the City and, upon request by the City, all documents and information that are related or referred to therein and which are necessary to understand the proposed transaction; provided, however, that if the Franchisee believes that the requested information is confidential and proprietary, then the Franchisee must provide the following documentation to the City: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) a statement that the documents are available at the Franchisee's designated offices for inspection by the City.

13.2. *City Action on Transfer:* To the extent not prohibited by federal law, the City may: (i) grant; (ii) grant subject to conditions directly related to concerns relevant to the transactions; (iii) deny any such transactions; or (iv) not take action, in which case the transactions shall be deemed granted, unless the requesting party and the LFA expressly agree in writing to an extension, pursuant to Section 617 of the Communications Act, 47 U.S.C. § 537.

13.3. *Waiver of Transfer Application Requirements:* To the extent consistent with federal law, the City may waive in writing any requirement that information be submitted as part of the transfer application, without thereby waiving any rights the City may have to request such information after the application is filed.

13.4. *Subsequent Approvals:* The City's approval of a transaction described in this Article in one instance shall not render unnecessary approval of any subsequent transaction.

13.5. *Approval Does Not Constitute Waiver:* Approval by the City of a transfer described in this Article shall not constitute a waiver or release of any of the rights of the City under this Agreement, whether arising before or after the date of the transfer.

13.6. *No Consent Required For Transfers Securing Indebtedness:* The Franchisee shall not be required to file an application or obtain the consent or approval of the City for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness. However, the

Franchisee will notify the City within ten (10) days if at any time there is a mortgage or security interest granted on substantially all of the assets of the Cable System. The submission of the Franchisee's audited financial statements prepared for the Franchisee's bondholders shall constitute such notice.

13.7. *No Consent Required For Any Affiliate Transfers:* The Franchisee shall not be required to pay any fee or file an application or obtain the consent or approval of the City for any transfer of an ownership or other interest in Franchisee, the Cable System, or the Cable System assets to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee. However, the Franchisee will notify the City within thirty (30) days if at any time a transfer covered by this subsection occurs.

14. RENEWAL OF FRANCHISE

14.1. *Governing Law:* The City and Franchisee agree that any proceedings undertaken by the City that relate to renewal or possible renewal of this Franchise shall be subject to, and shall not be inconsistent with, the Cable Law, including without limitation 47 U.S.C. § 546, as such may be amended from time to time.

14.2. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Franchisee and the City agree that at any time during the Term, while affording the public appropriate notice and opportunity to comment consistent with New York State law and the City Charter, the City and Franchisee may, each acting in its discretion, agree to undertake and finalize, pursuant to 47 U.S.C. §546(h), informal negotiations regarding renewal of the Franchise granted hereunder and, if agreement is reached on the terms and conditions of such a renewal the City may grant such a renewal, consistent with the applicable procedures and requirements of New York State law and the City Charter.

14.3. *Non-Renewal/Termination:* In the event that the City (i) does not grant a renewal of the Franchise at the scheduled expiration date of the Term; or (ii) this Agreement is terminated for any other lawful reason prior to the scheduled expiration of the Term, then the Term of the Franchise shall expire and all rights of the Franchisee under the Franchise shall cease, provided however that nothing in this Section shall be inconsistent with the terms of Section 18.21, provisions of this Agreement expressly providing for the survival of certain provisions after such termination or expiration, or the provisions of subsection 14.3.1 below.

14.3.1. If the Franchisee continues to provide Cable Service after the termination or expiration of the Term of the Franchise, and the Franchise has not been renewed, then the Franchisee shall be bound by all of the Franchisee's obligations under this Franchise for the period of such continuing provision of Cable Service.

14.4. *Consistent Terms:* Franchisee and the City consider the terms set forth in this Article 14 to be consistent with the express provisions of 47 U.S.C. § 546 and the Cable Law.

15. DEFAULT AND REMEDIES

15.1. *Defaults.* In the event of any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Agreement (each such breach, default, failure or other noncompliance being referred to herein as a “Default”), which Default is not cured within the specific cure period provided for in this Agreement (or if no specific cure period is provided for in this Agreement then within the cure period described in Section 15.3 below), then the City may:

15.1.1. cause a withdrawal from the cash Security Fund, pursuant to the provisions of Section 15.11 herein;

15.1.2. make a demand upon the Performance Bond pursuant to the provisions of Section 15.9 herein;

15.1.3. draw down on the Letter of Credit pursuant to the provisions of Section 15.10 herein;

15.1.4. pursue any rights the City may have under the Guaranty;-

15.1.5. seek and/or pursue money damages from the Franchisee as compensation for such Default;

15.1.6. seek to restrain by injunction the continuation of the Default; and/or

15.1.7. pursue any other remedy permitted by law, or in equity, or as set forth in this Agreement, provided however the City shall only have the right to terminate this Agreement upon the occurrence of a Revocation Default (defined hereinafter).

15.2. *Notice of Default:* If at any time the City believes that Franchisee has committed any Default, the City shall notify the Franchisee’s designated franchise service manager, and the Franchisee representatives identified in Section 18.6 hereof, of such alleged Default. If, thereafter, the City determines that Franchisee is not in Default, the City shall promptly provide the Franchisee with written notice of such determination. However, if the City determines that such notice has failed to result in a resolution of the matter, the City shall then notify Franchisee in writing of the alleged Default and identifying the specific provision of the Franchise on which the alleged Default is based (for purposes of this Article, the “Notice of Default”).

15.3. *Franchisee’s Right to Cure or Respond:* Except as set forth in Section 15.3.1 below, Franchisee shall have thirty (30) days from receipt of the Notice of Default to: (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default. Upon cure of any alleged Default, the City shall provide written confirmation that such cure has, to the knowledge of the Commissioner or designated representative thereof, been effected.

15.3.1. With respect to the following Franchise obligations, Franchisee shall have ten (10) days from the receipt of Notice of Default to (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default: (a) payment of Franchise Fees, Annual GE Grants, or Technology, Educational & Municipal Facility Grants; and (b) maintenance of Security pursuant to Sections 15.9, 15.10 and 15.11.

15.4. *Extended Time to Complete Cure:* Notwithstanding anything in the preceding to the contrary, no Default shall exist if a breach or default is curable, and a cure period is provided therefor in this Article 15 or otherwise, but work to be performed, acts to be done, or conditions to be removed to effect such cure cannot, by their nature, reasonably be performed, done or removed within the cure period provided, so long as the Franchisee shall have commenced curing the same within the specified cure period and shall diligently and continuously prosecute the same promptly to completion.

15.5. *Miscellaneous Matters Regarding Default, Cure and Remedies:* The rights and remedies described in Section 15.1 hereof shall not be exclusive, but each and every right and remedy specifically provided or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed appropriate by the City, except as provided herein. The exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy, nor shall any delay or omission in taking any action or exercising any remedies with respect to any Default be construed to be a waiver of or acquiescence to any Default. The exercise of any such right or remedy by the City shall not release the Franchisee from its obligations or any liability under this Agreement, provided that nothing in this Section 15.5 or in this Agreement is intended to authorize or shall result in double recovery of damages by the City.

15.6. *Revocation Defaults; Definition of Revocation Default:* A Revocation Default shall mean any of the following occurrences or events:

15.6.1. any failure by the Franchisee to maintain in effect the cash Security Fund described in Section 15.11 hereof and/or the Letter of Credit described in Section 15.10 hereof in accordance with the provisions of said sections, which failure continues for ten (10) business days after notice;

15.6.2. any failure by the Franchisee to maintain in effect the Performance Bond described in Section 15.9 hereof in accordance with the provisions of said section, which failure continues for ten (10) business days after notice;

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee's compliance with its obligations under this Agreement);

15.6.4. if the Franchisee fails to maintain insurance coverage or otherwise materially breaches Article 12 hereof and such failure continues for ten (10) business days after notice from the City to the Franchisee;

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

15.6.7. if there is any transfer of the Franchise other than in accordance with Article 13;

15.6.8. the conviction, guilty plea or plea of nolo contendere of the Franchisee, any Controlling Person, any director or officer of the Franchisee, or any employee or agent of the Franchisee or of any Controlling Person acting under the express direction or with the actual consent of any of the foregoing, of any offense, including, without limitation, bribery or fraud, arising out of or in connection with this Agreement, the award of the franchise granted pursuant to this Agreement, provided that such shall constitute a Revocation Default with respect to any of the foregoing with respect to a malfeasant director, officer, employee or agent of the Franchisee or of any Controlling Person only if the Franchisee or the applicable Controlling Person refuses to disassociate itself from, or terminate the employment of, said director, officer, employee or agent;

15.6.9. the conviction or guilty plea of any City officer, employee, or agent of the offense of bribery or fraud with respect to this Agreement which arises out of any act of the Franchisee of any Controlling Person, or of any agent or employee thereof acting under the express direction or actual consent of the foregoing;

15.6.10. any abandonment of service in default of the obligations described in Section 15.13 hereof; and

15.6.11. any persistent and repeated pattern of material Defaults, even if individual Defaults constructing such a persistent and repeated pattern are subsequently cured after their occurrence or remediated by recourse to security provided to the City under Sections 15.9 through 15.11 hereof or by other means; provided, however, that this provision shall not apply to alleged Defaults subject to good faith disputes.

15.7. *Remedies of the City for Revocation Defaults:* In the event of a Revocation Default, the City may (in addition to any other remedy which the City may have under Section 15.1 hereof) at its option, give to the Franchisee a written notice ("Notice of Revocation"), in accordance with Section 15.8 hereof, stating that this Agreement and the Franchise granted hereunder shall be revoked on the date specified in such notice (which date shall not be less than ninety (90) days from the giving of the notice), and this Agreement and the Franchise granted hereunder shall terminate on the date set forth in such notice as if such date were the date provided in this Agreement for the scheduled expiration of this Agreement and the franchise

granted herein. Notwithstanding the preceding however, during the period between the Notice of Revocation provided pursuant to this Section 15.7 and thirty days prior to the date of revocation set forth in such notice, the Franchisee may submit to the City any material it wishes to document that no Revocation Default has occurred or that revocation as a remedy for such Revocation Default would not be in the best interests of the City. If the City after reviewing such material determines that a Revocation Default has not occurred, or determines in its discretion that termination as a remedy for such Revocation Default would not be in the best interests of the City, then the City shall notify the Franchisee of its withdrawal of the Notice of Revocation which notice shall thereby no longer be effective.

15.8. *Revocation:* In the event the City has not received a satisfactory response from Franchisee to the Notice of Revocation, it may then seek revocation of the Franchise at a hearing. The City shall cause to be served upon the Franchisee, at least thirty (30) business days prior to such hearing, a written notice specifying the time and place of such hearing which shall not be earlier than as provided for in Section 15.7 and stating its intent to revoke the Franchise.

15.8.1. At the designated hearing, Franchisee 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 City, 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.

15.8.2. Following the hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the City in writing and thereafter the City shall determine (i) whether an event of Revocation Default has occurred under this Franchise; (ii) whether such event of Revocation Default is excusable; and (iii) whether such event of Revocation Default has been cured or will be cured by the Franchisee. The City shall also determine whether it will revoke the Franchise based on the information presented, or, where applicable, grant additional time to the Franchisee to effect any cure. If the City determines that it will revoke the Franchise, the City shall promptly provide Franchisee with a written determination setting forth the City's reasoning for such revocation. Franchisee may appeal such written determination of the City to an appropriate court, which shall have the power to review the decision of the City de novo. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the written determination of the City.

15.9. *Performance Bond:*

15.9.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement, a performance bond, for the benefit of the City, on the form attached hereto as Appendix E and from an institution satisfactory to the City, in an amount as provided in Section 15.9.2 below (the "Performance Bond"). The "City of New York acting by and through the Department of Information Technology and Telecommunications" shall serve as the sole obligee under the Performance Bond. The attorney-in-fact who signs the Performance Bond must file with the bond a certified copy of his/her power of attorney to sign

the bond. The Performance Bond shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement.

15.9.2. *Amount and Term:* The initial amount of the Performance Bond shall be Fifty Million Dollars (\$50,000,000), which amount may at Franchisee's option be periodically reduced pursuant to the following schedule if at the scheduled reduction date Franchisee has timely completed its deployment obligations under Appendix F hereof. The Performance Bond provided hereunder shall provide that it shall remain in effect during the term of this Agreement and for one year thereafter unless within such one year period DoITT notifies the Franchisee that the Performance Bond shall remain in full force and effect because of the pendency of any litigation or the assertion of any claim which has not been brought to final judgment and for which the Performance Bond provides security.

15.9.2.1. *Reduction Schedule:* The required amount of the Performance Bond shall be reduced in accordance with the following schedule as of December 31 of the year indicated so long as Franchisee has attained the "NYC Total" percentage of households passed required as of that date as set forth in Appendix F, except that the date for reduction in calendar year 2014 shall be June 30 of that year, subject to the same requirement. If Franchisee does not attain the "NYC Total" percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the "NYC Total" percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)
2009: Thirty Million Dollars (\$30,000,000)
2010: Twenty-Five Million Dollars (\$25,000,000)
2011: Fifteen Million Dollars (\$15,000,000)
2012: Ten Million Dollars (\$10,000,000)
2013: Five Million Dollars (\$5,000,000)
2014: One Million Dollars (\$1,000,000)

15.9.3. *Claim Against the Performance Bond:* The City may make a claim against the Performance Bond in such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations referenced in Section 15.9.2 (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such claim may be permitted by a final judgment of a court of competent jurisdiction. The City may not seek recourse against the Performance Bond for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Performance Bond, recourse to the Letter of Credit, or withdrawal from the cash Security Fund.

15.10. *Letter of Credit:*

15.10.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement and for one year thereafter, a letter of credit, for the benefit of the City, in a form and issued by a bank satisfactory to the City, in an amount as

provided in Section 15.10.2 below (the “Letter of Credit”). The Letter of Credit shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee’s timely performance of its obligations under this Agreement. The “City of New York acting by and through the Department of Information technology and Telecommunications” shall be named as the beneficiary. The original Letter of Credit shall be deposited with the City. The Letter of Credit shall contain the following endorsement or with language with similar effect:

“It is hereby understood and agreed that this letter of credit may not be canceled or not renewed by the issuer/surety until at least ninety (90) days after receipt by the New York City Department of Information Technology and Telecommunications of a written notice stating such intention to cancel or not to renew.”

15.10.2. *Amount:* The Letter of Credit shall be in the amount of Twenty Million Dollars (\$20,000,000).

15.10.3. *Drawdown Against the Letter of Credit:*

15.10.3.1. The City may draw down against the Letter of Credit such amounts as are necessary to satisfy (to the degree possible) the Franchisee’s obligations under this Agreement not otherwise met in accordance with this Agreement (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such drawdown may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Letter of Credit for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Letter of Credit, recourse to the Performance Bond, or withdrawal from the cash Security Fund.

15.10.3.2. In addition to its right to draw down on the Letter of Credit for any of the reasons set forth in 15.10.3.1 hereof, the City may draw down in full on the Letter of Credit at any time such Letter of Credit has less than thirty (30) days to run before it is scheduled to expire and no replacement or renewal Letter of Credit has been given in its place. In the event of a drawdown for such reason, the City will hold the proceeds as cash security (paying to itself any interest earned) in lieu of a Letter of Credit (with the City having the right to make withdrawals for the same purposes as drawdowns are permitted on the Letter of Credit) until a replacement Letter of Credit is put in place, at which time such drawdown proceeds will be returned to the Franchisee less any proper withdrawals and any reasonable transaction expenses. In the event of a drawdown on the Letter of Credit as contemplated by this Section 15.10.3.2, and until such time as a replacement Letter of Credit is obtained in accordance herewith, the replenishment obligations of the Franchisee with respect to the moneys held by the City following such drawdown as cash security shall correspond to the replenishment obligations (and rights) of the Franchisee applicable to the cash Security Fund under Section 15.11.

15.10.3.3. Within two business days after any drawdown against the Letter of Credit, the City shall notify Franchisee of the date and amount thereof.

15.10.4. *Replenishment:* Until the expiration of one year after the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that at least One Hundred Thousand Dollars (\$100,000) (cumulatively or in a single instance) has been drawn down against the Letter of Credit, Franchisee shall obtain a replacement or additional Letter of Credit such that the total amount available under the letter(s) of credit obtained shall be restored to the amount required in Section 15.10.2.

15.11. *Cash Security Fund:*

15.11.1. *Establishment and Amount:* Franchisee shall deposit with DoITT as a condition to the Closing a certified check, bank check or wire transfer, payable to the “City of New York,” in the amount of One Million Dollars (\$1,000,000), to be held by the City as security (together with the other elements of security provided for under this Agreement) for performance of Franchisee’s obligations under this Agreement (the “Security Fund”).

15.11.2. *Withdrawals From or Claims Under the Security Fund:* The City may make withdrawals from the Security Fund of such amounts as are necessary to satisfy (to the degree possible) Franchisee’s obligations under this Agreement that are not otherwise satisfied (and to reimburse the City for costs, losses or damages incurred as the result of Franchisee’s failure(s) to satisfy its obligations), to the extent that such withdrawal may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Security Fund for any costs, losses or damages for which the City has previously been compensated through a withdrawal from the Security Fund, recourse to the Performance Bond provided for in this Agreement or drawdown against the Letter of Credit provided for in this Agreement. Within two business days after any withdrawal from the Security Fund, the City shall notify the Franchisee of the date and amount thereof.

15.11.3. *Replenishment:* Until the expiration of one year after the end of the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that any amount has been withdrawn from the Security Fund as provided in Section 15.11.2, the Franchisee shall restore to the Security Fund the amount thus withdrawn.–

15.11.4. *Return of Security Fund:* Within thirty (30) days of the end of the Term, the City shall pay over to the Franchisee any amounts remaining in the Security Fund.

15.12. *Not a Limit on Liability:* Neither the Franchisee’s obligations under this Agreement nor Franchisee’s liability for non-performance of any such obligations are limited in nature or amount by the acceptance or availability of the Performance Bond provided pursuant to Section 15.9, the Letter of Credit provided pursuant to Section 15.10 or the cash Security fund provided by Section 15.11.

15.13. *Abandonment of Service:* Franchisee shall not abandon provision of any Cable Service or portion thereof in the City without the City’s prior written consent as provided in the Cable Law.

16. CUSTOMER PROTECTION STANDARDS

16.1. *Generally:* Franchisee shall comply with the consumer protection standards set forth in Parts 890 and 896 of the NY PSC rules and regulations and the provisions of Appendix A hereto.

16.2. *Privacy Protection:* The Franchisee shall comply with the provisions of 47 U.S.C. § 551 and any other applicable law, including any local standards to the extent not inconsistent with the terms of this Franchise established in accordance with applicable law, with respect to the protection of the privacy of Subscribers.

16.3. *Parental Control:* Franchisee shall make available to any Subscriber, if not already incorporated in standard equipment that is offered to all Subscribers, a device that offers as an option the ability to limit access to programming to Persons who provide a personal identification number or other means provided by the Franchisee only to a Subscriber, or other similar means of allowing parents to control children's access to programming in the Subscriber household. Provided, however, that it is not the intention of the parties that this Agreement be construed as placing any responsibility or liability on the Franchisee for the exercise of or failure to exercise such parental controls as are offered and Franchisee shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls as are offered.

16.4. *Information to City:* The Franchisee shall provide subscriber information requested by the City for the purpose of enforcement of this Franchise, to the extent the provision of such information does not violate applicable law (including, without limitation, 47 U.S.C. § 551).

17. EMPLOYMENT AND PURCHASING

17.1. *Right to Bargain Collectively:* The Franchisee shall recognize the right of its employees to bargain collectively through representatives of their own choosing in accordance with applicable law. The Franchisee shall recognize and deal with the representatives duly designated or selected by the majority of its employees for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or any other terms, conditions, or privileges of employment as required by law. The Franchisee shall not dominate, interfere with, participate in the management or control of, or give financial support to any union or association of its employees.

17.2. *No Discrimination:* The Franchisee shall not: (i) refuse to hire, train, or employ; (ii) bar or discharge from employment; or (iii) discriminate against any individual in compensation, hours of employment, or any other term, condition, or privilege of employment, including, without limitation, promotion, upgrading, demotion, downgrading, transfer, layoff, and termination, on the basis of race, creed, color, national origin, sex, age, handicap, marital status, affectional preference or sexual orientation in accordance with applicable law. The Franchisee agrees to comply in all respects with all applicable federal, state and local employment discrimination laws and requirements during the term of this Agreement.

17.3. *Local Employment Plan:* Within thirty (30) days of the Effective Date hereof, the Franchisee shall, at its own cost and expense, develop, maintain and implement and disclose to the City (subject to appropriate and lawful confidentiality restrictions), a plan, consistent with Franchisee's collective bargaining agreements, for the recruitment, education, training, and employment of residents of the City for the opportunities to be created by the deployment and provision of service contemplated in this Agreement.

17.4. *City Vendors:* To the extent feasible and consistent with applicable law, and with due regard to price and quality considerations, the Franchisee shall utilize vendors located in the City in connection with the deployment and provision of service contemplated by this Agreement.

17.5. *Local Law Requirements:* The Franchisee agrees to comply in all respects with the provisions of the Mayor's Executive Order No. 50 (April 25, 1980) (codified at Title 10 Sections 1-14 of the Rules of the City of New York) and City Administrative Code 6-108.1 (1984) and all rules and regulations promulgated thereunder (collectively, the "EEO Requirements"), as such EEO Requirements may be amended, modified or succeeded throughout the Term of this Agreement. Notwithstanding the fact that the EEO Requirements do not apply on their face to Franchisee in its capacity as a franchisee, the Franchisee shall comply in all respects with the provisions of such EEO Requirements and successor and replacement laws, orders and regulations adopted following the date of this Agreement. As required by said Executive Order No. 50, the provisions of Sections 50.30 and 50.31 of the Final Rule implementing said Order are incorporated herein by this reference.

18. MISCELLANEOUS PROVISIONS

18.1. *Competition:* The parties agree that this Agreement, when compared to the terms of the City's cable television franchise agreements in existence as of the Closing, contains economic and regulatory burdens which, when taken as a whole, are not greater or lesser than those placed upon other cable operators operating within the Franchise Area.

18.2. *Actions of Parties:* Any action to be taken by the City and/or the Commissioner pursuant to this Agreement shall be taken in accordance with the applicable provisions of the City Charter, as said Charter may be amended or modified throughout the Term of this Agreement. 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, unless expressly agreed otherwise herein.

18.3. *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.

18.4. *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 City.

18.5. *Force Majeure*: Subject to the procedures set forth in the last sentence of this Section 18.5, the Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Franchisee's capability to perform, Franchisee shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. The Franchisee shall notify the Commissioner in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

18.6. *Notices*: Every notice, order, petition, document, or other direction or communication to be served upon the City or the Franchisee shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses (unless expressly stated otherwise in this Agreement):

If to the Franchisee, to:

Verizon New York Inc.
Maura C. Breen, Senior Vice President ~~& / General Manager~~ ~~— New York~~
Region Regional Operations
140 West Street
31st Floor
New York, NY 10007

with a copy to:

Jack White, Senior Vice President and General Counsel
Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

With a copy to:

Verizon Communications

140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

If to the City, to:

Department of Information Technology and Telecommunications
75 Park Place, Ninth Floor
New York, NY 10007
Attention: Commissioner

with a copy to:

New York City Law Department
100 Church Street, Sixth Floor
New York, NY 10007
Attention: Chief, Economic Development Division

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

18.7. *Additional Representations and Warranties*: In addition to the representations, warranties, and covenants of the Franchisee to the City set forth elsewhere herein, the Franchisee represents and warrants to the City and covenants and agrees that, as of the Closing:

18.7.1. *Organization, Standing and Power*: The Franchisee is a corporation duly organized and validly existing under the laws of the State of New York and is duly authorized to do business in the State of New York and in the City. The Franchisee has all requisite power and authority to execute, deliver and perform this Agreement and all other agreements entered into or delivered in connection with or as contemplated hereby. Certified copies of the Franchisee's constituent documents, as amended to date, will be provided to the Commissioner upon request.

18.7.2. *Authorization*: The execution, delivery and performance of this Agreement and all other agreements entered into in connection with the transactions contemplated hereby have been duly, legally and validly authorized by all necessary action on the part of the Franchisee. This Agreement and all other agreements entered into in connection with the transaction contemplated hereby have been duly executed and delivered by the Franchisee and constitute (or upon execution and delivery will constitute) the valid and binding obligations of the Franchisee.

18.7.3. *Compliance with Law*: The Franchisee is in compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the provision of the services contemplated herein and has obtained or will obtain prior to the provision of service to

the public all government licenses, permits, and authorizations necessary for the provision of the service, except approval by the NY PSC.

18.7.4. *Ownership Interests*: Franchisee is a wholly owned subsidiary of NYNEX Corporation, which itself is a wholly owned subsidiary of Verizon Communications, Inc.

18.7.5. *Compliance with City Contracts*: The Franchisee has not received notice from the City of any default or noncompliance with any existing written contract or other written agreement with the City, unless such default or noncompliance has subsequently been cured or otherwise resolved to the City's satisfaction or such notice has been withdrawn by the City or otherwise determined by the City or a court of competent jurisdiction to have been issued in error.

18.8. *Compliance with Laws; Licenses and Permits*: With respect to its activities pursuant to this Agreement, the Franchisee shall comply with: (i) all applicable laws, rules, regulations, orders, writs, decrees and judgments (including, but not limited to, those of the PSC and the FCC) and any other federal, state agency or authority of competent jurisdiction; and (ii) all local laws and all rules, regulations, orders, of the City and of DoITT consistent with this Agreement. The Franchisee shall have the sole responsibility for obtaining all permits, licenses and other forms of approval or authorization necessary to construct, operate, maintain, upgrade, replace or repair the System, or any part thereof.

18.9. *Entire Agreement*: This Agreement and the Exhibits and Appendices hereto constitute the entire agreement between Franchisee and the City and they supersede all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof.

18.10. *Amendments and Modifications*: Amendments and/or modifications to this Franchise shall not be effective unless mutually agreed to in writing by the parties and shall be subject to the approval of the NY PSC, pursuant to the Cable Law.

18.11. *Captions*: The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the articles, sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement. Terms such as "hereby," "herein," "hereof," "hereinafter," "hereunder," and "hereto" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. The term "may" is permissive; the terms "shall" and "will" are mandatory, not merely directive. All references to any gender shall be deemed to include all others, as the context may require. Terms used in the plural include the singular, and vice versa, unless the context otherwise requires.

18.12. *Severability*: If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by, or a final order of any state or federal regulatory authority having competent 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 the Franchise, subject to the obligations of the parties as applicable under Section 18.4 above.

18.13. *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.

18.14. *Pending Litigation:* Nothing in this Franchise shall be construed to prejudice or affect any position taken by either the City or Franchisee in the litigation now pending in the Supreme Court, County of New York, captioned The City of New York v. Verizon New York Inc., Index No. 402961/03 (the “Pending Litigation”).

18.15. *FTTP Network Status:* In the event of a lawful termination or non-renewal of the Franchise, the legal status of the FTTP Network in the rights-of-way will revert to whatever status it has as a system providing only services that do not include Cable Service, as such status may be ultimately determined by the final outcome of the litigation referred to in Section 18.14 above. In implementation of the intent of the preceding sentence, if and so long as the Franchisee shall have separate lawful authority to maintain facilities providing services of the type being carried over the FTTP Network in the City’s Public Rights-of-Way, the Franchisee shall not be required to remove or relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Service.

18.16. *NY PSC Approval:* This Franchise is subject to confirmation by the NY PSC. Franchisee shall file a petition for confirmation with the NY PSC within sixty (60) days after the date hereof. Franchisee shall also file any necessary notices with the FCC.

18.17. *Rates and Charges:* The rates and charges for Cable Service provided pursuant to this Franchise shall be subject to regulation in accordance with federal law, and in no event shall Franchisee be subject to rate regulation, except to the extent Franchisee is no longer subject to Effective Competition (as that term is defined by federal law) or such rate regulation is authorized to be imposed as a result of a change in federal law.

18.18. *Publishing Information:* Except as otherwise permitted in this Franchise, the City hereby requests that Franchisee omit publishing information specified in 47 C.F.R. § 76.952 from Subscriber bills.

18.19. *No Third Party Beneficiaries:* This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

18.20. *City Official:* The Commissioner is the City official that is responsible for the continuing administration of this Agreement.

18.21. *Holdover.* To the extent required or permitted by PSC regulations, in the event the Franchisee continues to provide Cable Service within the Franchise Area after the term of this Agreement, the Franchisee shall continue to comply with all applicable provisions of this Agreement, including, without limitation, all compensation and other payment provisions of this

Agreement, throughout the period of such continued operation, provided that any such continued operation shall in no way be construed as a renewal or other extension of this Agreement or the Franchise granted pursuant to this Agreement.

18.22. *Investigations Clause:* Franchisee shall comply with the City's standard "Investigations Clause" to be included in City contracts and agreements pursuant to Section 4(b) of Mayoral Executive Order 16 of 1978, as set forth in Appendix I hereto, and in the event of any failure as described therein shall be subject to the penalties set forth therein.

18.23. *Interpretation:* This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party because that party drafted, or caused that party's legal representative to draft, any of its provisions.

18.24. *Voluntary Execution:* The parties acknowledge that each has read this Agreement, that each fully understands its rights, privileges and duties under this Agreement, and that each enters into this Agreement freely and voluntarily. Each party further acknowledges that it has had the opportunity to consult with counsel of its own choosing in the negotiation or and agreement to the provisions of this Agreement.

18.25. *Execution in Counterparts:* This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute a single agreement.

18.26 *Approval of Amendments:* In the event this Agreement is to be amended in any manner which affects the City's interest in a substantial manner, agreement by the City to such amendment shall only be effective if such amendment is approved by the FCRC.

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AGREED TO THIS ____ DAY OF _____, 2008.

The City of New York:

By: _____
Deputy Mayor

By: _____
Paul Cosgrave, Commissioner

Approved as to form and certified as to legal authority:

Acting Corporation Counsel

Attest:

By: _____
City Clerk [City Seal]

Verizon New York Inc.

By: _____
Maura C. Breen, Senior Vice President & /
General Manager - ~~NY/CT Region, Verizon Telecom~~ Regional Operations

Approved as to form:

John Raposa, Vice President & Deputy General Counsel –
Verizon Telecom

APPENDICES

Appendix A: Customer Protection Standards

Appendix B: PEG Channels

Appendix C: Form Community Access Organization Agreement

Appendix D: Institutional Network

Appendix E: Form of Security

Appendix F: FTTP Upgrade Schedule

Appendix G: Franchise Area

Appendix H: Form of Guarantee

Appendix I: Investigations Clause

Appendix J: System Architecture

Appendix K: Form of Franchise Fee Report

Document comparison done by DeltaView on Wednesday, May 28, 2008 12:41:24 PM

Input:	
Document 1	file:///C:/Documents and Settings/bpinkard/Desktop/NY CITY/FA Draft - NY - NYC (Filed - 4.28.08).DOC
Document 2	file:///C:/Documents and Settings/bpinkard/Desktop/Franchise Agreement Draft - NY - NYC (Execution Copy-5.27.08).DOC
Rendering set	Standard

Legend:	
<u>Insertion</u>	
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Statistics:	
	Count
Insertions	33
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Moved to	2
Style change	0
Format changed	0
Total changes	61

APPENDIX A
CONSUMER PROTECTION STANDARDS

APPENDIX A

CONSUMER PROTECTION STANDARDS
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Section 1

SOLICITATION OF SUBSCRIPTIONS

1.1 Uniforms/Identification Cards/Name Badges. Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 Subscription Information.

1.2.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

- (v) the procedure for the resolution of billing disputes;
- (vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;
- (vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;
- (viii) the required time periods for installation requests, consistent with these consumer protection standards; and
- (ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.2.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.2.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.3 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2

INSTALLATION

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time)-;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices, practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or

obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer "appointment window" time blocks of not more than four (4) hours on weekdays,

for the selection of the Subscriber or potential Subscriber, during which the Franchisee's work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer "appointment windows," but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber's premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner's satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have) failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable

Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner ~~authorizes~~ and the Comptroller authorize the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the forty-fifth (45th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday

installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3 **SERVICE CENTERS**

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough. All such Service Centers will be conveniently located near mass transit.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this

Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

(i) each telephone call shall be answered within at least thirty (30) seconds;

(ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;

(iii) callers shall not be kept on hold for longer than thirty (30) seconds;

(iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;

(v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and

(vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4

BILLING

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may "pass through" to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Franchisee.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5

EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the

Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an "Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber's television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

For purposes of this Section 6, “loss of picture or sound” shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a “Significant Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber’s television receiver or the Subscriber, and that affects one hundred (100) or more Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a “Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a “Significant Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber’s premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee’s customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber’s premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber’s premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later

than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee's control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee's failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain access to a Subscriber's premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the forty-fifth (45th) day following the end of each calendar quarter. Upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has determined that there has been an excessive number or identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7

SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Centers to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable;

provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "Payment Center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the “comments” section of the Franchisee’s records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner ~~authorizes~~ and the Comptroller authorize the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee’s obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

(i) the total number of complaints received by Franchisee in each Borough and by VSO;

(ii) the nature and current status of all complaints received by Franchisee in each Borough and VSO, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories as may be tracked in Verizon’s internal customer service system; and

(iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough [and VSO](#).

Section 8

NOTICE

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be

provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 Scheduling Appointments. The Franchisee shall provide Subscribers with "appointment window" time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber's premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide "appointment window" time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 Grounds. As a result of the Franchisee's failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber's claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber's claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period.

However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 Procedures for Contacting Subscribers. Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the

Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature, the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12

FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement

by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 **Reporting.** The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13

ANNUAL CABLE CONSUMER REPORT CARD

13.1 **Annual Cable Consumer Report Card Requirements.** The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.

DESIGNATION AND LOCATION OF SERVICE CENTERS

SERVICE CENTER

[To be filled in by Verizon]

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All “calls” other than those which receive busy signals, made to the Franchisee’s sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee’s business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative (“CSR”) (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

“Wait Time” is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee’s phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all “service” lines are busy, even if “billing” lines are available, unless the Franchisee’s system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not

include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) "calling hours." "Calling hours" are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner's request.)

ANNUAL CABLE CONSUMER REPORT CARD

Subject to the terms of Section 13.1 hereof, within forty-five (45) days from the end of each calendar year, Franchisee shall post on its website, and provide to the leasing or sales office of each MDU with which Franchisee has executed a marketing agreement for Cable Service, an Annual Cable Consumer Report Card setting forth the following information on a City-wide basis:

(1) Customer service performance information, including:

- (a) Percentage of calls answered by voice response units (“VRU”);
- (b) Percentage of calls abandoned by VRU; and
- (c) Percentage of busy calls by VRU.

(2) Subscriber rights and remedies, including but not limited to contact information related to Subscriber complaints and customer service within Verizon, as well as contact information for DoITT for Subscriber issues; Subscriber credit policy, privacy notice, and billing (including a statement that Subscribers may, upon request, receive a written description of any resolution of a billing dispute) and payment information.

(3) Price of services information.

(4) Content/channel changes and improvement information.

(5) Significant Outage information, including:

- (a) Summary of categories of Significant Outages that occurred by VSO, in the Franchise Area during the preceding calendar year;
- (b) Percentage of each category of Significant Outage that occurred by VSO in the Franchise Area during the preceding calendar year; and
- (c) Remedies performed Franchisee for each category of Significant Outage during the preceding calendar year.

APPENDIX B

PEG CHANNELS

Date	Number of Channels	
Within 180 Days of the Effective Date	4 P each Borough, 5 City-wide E/G	25 channels
January 1, 2009	Additional 2 P each Borough, Additional 1 City-wide E/G	11 channels
January 1, 2012	Additional 1 P each Borough, Additional 2 City-wide E/G	7 channels
6 years after Effective Date	Additional 2 P each Borough	10 channels
	53 channels total	

APPENDIX C
FORM OF COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

[CAO]

THIS AGREEMENT (the “Agreement”) made on this [] day of [], 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York (“Verizon”), with a place of business at 140 West Street, New York, New York 10007 and [CAO], a New York not-for-profit corporation (the “CAO”) designated by the Borough President of [borough name] (the “Borough President”), with a place of business at [address].

WHEREAS, the City of New York (the “City”), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise (“Franchise Agreement”) to operate a Cable System (the “System”) throughout the entire territorial boundaries of the City (“Service Area”), which among other boroughs includes the Borough of [borough name] (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of [borough name]; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels (“Public Access Channels”), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the “Code”), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such

other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in [borough name]; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I-DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of [borough name], and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II-GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of DOLLAR (\$____) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a “Cash Grant”) payable as follows:

DOLLARS (\$____) shall be due and payable within ninety (90) days of the Effective Date;

DOLLARS (\$____) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

DOLLARS (\$____) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

DOLLARS (\$____) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon’s obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the

Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that

the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of [_____]. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III -OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels

provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies, in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV -PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at (_____) ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty days (180) of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a "Public Access Channel Origination Site") and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Origination Site, as designated on Exhibit 1. Upon one hundred eighty days (180) days written notice from the CAO to Verizon that a Public Access Channel Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall -unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V - MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information

that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of the Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

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5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

[CAO NAME]

ATTEST:

BY: _____
[Signatory]

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
[Signatory]

APPENDIX D

FRANCHISE FIBER RIGHT OF USE

Pursuant to the terms of Article 9 of the Franchise, and in consideration for the rights and benefits provided to the Franchisee under the Franchise, the Franchisee shall provide to the City the exclusive right to use of certain fiber optic strands as more fully described in **Exhibit 1** to this **Appendix D**. For purposes of this **Appendix D**, capitalized terms used herein but not otherwise defined below shall have the meanings ascribed to such terms in the Franchise.

Section 1 DEFINITIONS

1.1 “Connection Points” shall mean the locations at which the City Equipment may be connected to the Franchise Fibers as described on **Exhibit 1** to this **Appendix D**.

1.2 “Franchise Fibers” are identified in **Exhibit 1** to this **Appendix D** as the span locations of the fiber optic strands to be granted to the City hereunder.

1.3 The “City Equipment” shall mean any optronic, electronic, optical, or power equipment, and any other facilities, material or equipment owned, possessed or utilized by the City in connection with the use of the Franchise Fibers, including all innerducts (and other conduit tubing) and fiber optic cable in any telecommunications network owned by the City and connecting to any of the Franchise Fibers.

1.4 “Governmental Authority” shall mean any federal, state, regional, county, city, municipal, local, territorial, or tribal government, whether foreign or domestic, or any department, agency, bureau or other administrative or regulatory body obtaining authority from any of the foregoing, including without limitation, courts, public utilities and other authorities.

1.5 “Underlying Rights” shall mean all deeds, leases, easements, rights-of-way agreements, licenses, franchises, permits, grants and other rights, titles and interests that are necessary for the construction, installation, maintenance, operation, use or repair of the Franchise Fibers and Verizon’s supporting facilities, as applicable.

1.6 “Underlying Rights Requirements” shall mean the requirements, terms, conditions, obligations, liabilities, restrictions, and/or limitations on the City’s right to use and operate the Franchise Fibers and to access, install, repair, maintain and replace the City Equipment as set forth in the Right of Use granted by Article 9 of the Franchise and this **Appendix D**, in the Underlying Rights, in all applicable government codes, ordinances, laws, rules, permits, approvals and regulations, and all safety, operational and other rules and regulations imposed in connection with any of the foregoing or otherwise.

1.7 “Verizon Network” shall mean all of the physical facilities constructed, maintained and/or operated by the Franchisee or its Affiliates in the City which are utilized by Franchisee or its Affiliates for the provision of services, including, without limitation, Telecommunications Services, Information Services, or Cable Services.

Section 2 GRANT OF RIGHTS

2.1 *Right of Use of Franchise Fibers:* On the terms and subject to the conditions set forth herein, and consistent with the priority list set forth in **Exhibit 1** to this **Appendix D**, Franchisee grants to the City during the Term of the Franchise an exclusive right of use of the Franchise Fibers (the “Right of Use”) solely for the City’s noncommercial use.

2.2 *Franchisee’s Title:* Franchisee shall retain undivided, absolute legal title and ownership in the Franchise Fibers and the City’s rights pursuant to this **Appendix D** and Article 9 of the Franchise shall be limited solely to the Right of Use described herein during the Term of the Franchise.

2.3 *Limitation on City’s Rights:* Nothing herein shall be construed to confer upon the City any right to maintain, modify or alter the Franchise Fibers or Verizon’s supporting facilities, or the right of physical access to the Franchise Fibers or Verizon’s supporting facilities, or the right to encumber or use Verizon’s supporting facilities or any part thereof.

Section 3 TERM

3.1 *Term:* Subject to the terms of the Franchise, Section 3.2 hereof, and the priority list set forth on **Exhibit 1** to this **Appendix D**, the City’s Right of Use shall commence on the Effective Date of the Franchise and shall terminate in accordance with Section 3.2 of this **Appendix D**.

3.2 *Termination:* Upon the earlier of: (i) the expiration of the Term of the Franchise in accordance with Section 3.2 of the Franchise or (ii) the earlier termination of the Franchise pursuant to the terms of the Franchise, the City’s Right of Use shall immediately terminate, and all rights of the City to use the Franchise Fibers, or any parts thereof, shall cease upon written notice to the City from the Franchisee of such termination (the “Termination Notice”). Upon receipt by the City of the Termination Notice, the City shall immediately cease all use of the Franchise Fibers and at the City’s sole cost and expense remove any and all City Equipment connected with the Franchise Fibers or the Verizon’s supporting facilities.

Section 4 USE OF THE FRANCHISE FIBERS

4.1 *Compliance with Underlying Rights:* The City represents, covenants and warrants that it will use the Franchise Fibers granted hereunder in compliance with and subject to the Underlying Rights Requirements and all other applicable codes, ordinances, laws, rules and regulations of any Governmental Authority having jurisdiction over such Franchise Fibers.

4.2 *Permitted Use:* Subject to the provisions of the Right of Use granted by Article 9 of the Franchise and this **Appendix D**, the City may use the Franchise Fibers for the noncommercial purposes of the City and for no other purpose. The City acknowledges and agrees nothing herein shall be construed to confer upon the City any rights to use any fibers or other equipment or facilities, other than the Franchise Fibers, included or incorporated in the Verizon's supporting facilities or any portion of the Verizon Network except as expressly set forth in the Franchise.

Section 5 UNDERLYING RIGHTS

5.1 *Franchisee Underlying Rights:* Subject to the terms and provisions of this **Appendix D**, Franchisee agrees to obtain and maintain during the Term all Underlying Rights necessary for its construction, installation, maintenance and repair of the Franchise Fibers. The Right of Use granted hereunder is subject to the terms of the Underlying Rights, and is subject to the terms under which the Underlying Rights are owned or held by the grantor or grantors of the Underlying Rights, including covenants, conditions, restrictions, easements, reversionary and other interests, bonds, mortgages and indentures, and other matters, whether or not of record, and to the rights of tenants and licensees in possession. The Right of Use granted hereunder is further subject and subordinate to the prior right of the grantor or grantors of the Underlying Rights to use the right of way for other activities, including railroad operations, telecommunications uses, pipeline operations or any other purposes, and to the prior right of Franchisee to use its rights granted under the Underlying Rights. The rights granted to the City herein, if any, are made expressly subject to each and every limitation, restriction, condition or reservation in or affecting the Underlying Rights. Nothing herein shall be construed to be a representation, warranty or covenant of Franchisee's right, title or interest with respect to any of the Underlying Rights or with respect to the City's right to benefit from any of the Underlying Rights.

Section 6 ACCESS TO CONNECTION POINTS

6.1 *Connection:* The Franchisee shall provide the City with access to the Franchise Fibers at the Connection Points designated in **Exhibit 1** to this **Appendix D**. All terminations at Connection Points will be performed by the Franchisee in accordance with Franchisee's applicable specifications and operating procedures. The cost of such terminations at all Connection Points shall be the sole responsibility of the Franchisee.

6.2 *Access to Connection Points:* The City shall provide the Franchisee with all necessary legal, technical and physical access to all Connection Points as necessary to effectuate the objectives and obligations of this **Appendix D**.

6.3 *No Access by the City:* The City will not be entitled to any physical access to the Franchise Fibers or Verizon's supporting facilities.

6.4 *Franchisee Control:* Franchisee shall control all activities concerning access to the Verizon Network, including the Franchise Fibers and Verizon's supporting facilities.

6.5 *No Maintenance or Repair by ~~Franchisee~~the City:* Any maintenance or repair work required respecting the Franchise Fibers required by the City for any reason, including, without limitation, splicing of the Franchise Fibers or the installation of handholes or other physical access points shall be undertaken only by Franchisee at the City's request. All such work shall be performed for such charges and on such terms and conditions as are agreed to by the Parties in writing.

6.6 *Remediation/Removal of Hazardous Materials:* To the extent the installation of any Franchise Fibers at any Connection Points requires the removal or remediation of hazardous materials, such removal or remediation shall be the sole responsibility of the City and the Franchisee shall have no obligation to perform such installation until all appropriate removal and remediation of hazardous materials has been completed by the City to the reasonable satisfaction of the Franchisee.

Section 7 OPERATIONS

7.1 *No Interference by the City:* The City shall not interfere with, or adversely affect the use by any other Person of the Verizon Network and/or any electronic or optronic equipment used by such Person in connection therewith.

7.2 *No Interference by Franchisee:* Franchisee shall not interfere with, or materially or adversely affect (or permit another Person under the direct control of Franchisee to materially interfere with, or materially or adversely affect) the City's use of the Franchise Fibers and/or the City Equipment. Franchisee further agrees that it shall use best efforts to avoid interfering with, or materially or adversely affecting, any fiber facilities, directly connected to points of entry to City buildings, owned or operated by any other entity providing similar fiber facilities to the City as Franchisee has agreed to provide pursuant to this Appendix D (the "Third Party Facilities"); provided however, that the parties hereto agree that Franchisee shall rely solely on information provided by the City and thus presumed accurate regarding the location and nature of any such Third Party Facilities and that the Franchisee shall not incur any liability pursuant to this Section 7.2 which arises due to the City's failure to provide Franchisee with accurate information with respect to the location or nature of such Third Party Facilities.

7.3 *No Obligation to Supply Electronics:* The City acknowledges and agrees that Franchisee is not supplying, nor is Franchisee obligated to supply to the City, any of the City Equipment, optronics or electronics or optical or electrical equipment, electrical power, any related facilities, or any space for the placement thereof (except as expressly agreed by the Parties pursuant to another agreement or agreements executed by the Parties), all of which are the sole responsibility of the City.

7.4 *Compliance with Applicable Authority:* The City represents, warrants and covenants that it will use and operate the Franchise Fibers and use, operate, maintain, repair and replace the City Equipment consistent with and subject to the terms of the Franchise, the Underlying Rights Requirements and all applicable codes, ordinances, laws, rules and regulations.

7.5 *Process for Response to Complaints:* Franchisee shall respond to City complaints and/or requests in accordance with the practices described on **Exhibit 2** hereto.

Section 8

RELOCATION, REPLACEMENT AND CONDEMNATION OF CUSTOMER FIBERS

8.1 *Relocation Request:* If Franchisee receives notice of any request, intent or plan by any third Person ("Relocation Request"), including, but not limited to, any Governmental Authority, to relocate or require the relocation of any segment of Verizon's supporting facilities affecting the Franchise Fibers, Franchisee shall notify the City of such Relocation Request and shall keep the City advised of the status of any such proceedings and negotiations related thereto. If relocation is required as a result of any such Relocation Request, Franchisee shall, to the extent possible, give the City at least sixty (60) days' prior written notice of any such required relocation ("Relocation Notice") including an estimate of the cost of such relocation. Franchisee shall have the right to relocate the Franchise Fibers and to the extent Franchisee is not reimbursed for the costs of such relocation by a third party or Governmental Authority, the City shall pay any costs associated with the relocation of the Franchise Fibers.

8.2 *Replacement:* In the event all or any part of the Franchise Fibers shall require replacement during the Term, such replacement shall be made as soon as reasonably practicable at Franchisee's sole cost and expense; provided, however, that if the replacement of the Franchise Fibers is required as a result of the negligence or willful misconduct of the City, then Franchisee shall replace the Franchise Fibers and the City shall pay all costs associated therewith.

8.3 *Condemnation:* In the event any portion of Verizon's supporting facilities affecting the Franchise Fibers, and/or the Underlying Rights, become the subject of a condemnation proceeding which is not dismissed within one hundred eighty (180) days of the date of filing of such proceeding and which could reasonably be expected to result in a taking by any Governmental Authority or other party cloaked with the power of

eminent domain for public purpose or use, both Parties shall be entitled, to the extent permitted under applicable law, to participate in any condemnation proceedings to seek to obtain compensation by separate awards for the economic value of their respective interests in the portion of Verizon's supporting facilities and/or the Franchise Fibers subject to such condemnation. Franchisee shall notify the City as soon as practicable of receipt of any notice of any condemnation proceeding filed against Verizon's supporting facilities, the Franchise Fibers or the Underlying Rights.

Section 9 CONFIDENTIALITY

9.1 *Proprietary and Confidential Information:* The City agrees that it shall treat any information provided to the City by Verizon pursuant this Appendix D as "proprietary and confidential" in accordance with the provisions of Section 11.1 of the Franchise.

Section 10 INDEMNIFICATION

10.1 *Indemnification:* Franchisee hereby agrees to indemnify, defend, protect and hold harmless the City, and its employees, officers, directors and agents (the "City Indemnified Persons"), from and against, and assumes liability for all suits, actions, damages, claims, losses, fines, judgments, costs and expenses (including reasonable attorneys', accountants' and experts' fees and disbursements) of any character ("Claims"): (a) suffered or incurred by the City Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property which in whole or in part arise on account of the negligent acts or omissions, of Franchisee in the construction of the Franchise Fibers and/or in the performance or non-performance of its repair and maintenance obligations or exercise of its rights under this Right of Use, including any material violation by Franchisee of any Governmental Authority; or (b) under the workers compensation laws asserted by any employee of Franchisee or its agents, contractors, customers or any other Person providing goods or services for or on behalf of any of the foregoing in connection with this Right of Use suffered or incurred by the City Indemnified Persons or any of them. Franchisee's indemnification obligations hereunder shall not be applicable to any Claims to the extent caused by, arising out of or in connection with the negligence, intentional acts or omissions or misconduct of the City Indemnified Persons or any of them.

10.2 The City hereby agrees to indemnify, defend, protect and hold harmless Franchisee and its Affiliates, and their employees, officers, directors and agents (the "Franchisee Indemnified Persons"), from and against, and assumes liability for all Claims (as defined in Section 10.1, above): (a) suffered or incurred by the Franchisee Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property (including, without limitation, the Verizon Network) which in whole or in part arise as a result of the negligent acts or omissions, of the City in the performance or non-performance of its obligations or exercise of its rights under this Right of Use, including any violation by the City of any

Underlying Right Requirements or any Governmental Authority; (b) under the workers compensation laws asserted by any employee of the City, or its agents, contractors, customers or any other Person providing goods or services to any of the foregoing in connection with this Right of Use, and suffered or incurred by the Franchisee Indemnified Persons or any of them; (c) suffered or incurred by the Franchisee Indemnified Persons or any of them and arising out of or resulting from the City's: (i) use or operation of the Franchise Fibers, or the ownership, use, operation, installation, repair, maintenance or replacement of the City Equipment (if any); (ii) the conduct of the City's business, including, without limitation, the provision of any services or the content of any video, voice or data carried through the Franchise Fibers; or (iii) the violation of any Underlying Rights Requirements applicable to the City; or (d) suffered or incurred by Franchisee Indemnified Persons or any of them and arising out of, caused by, related to or based upon a contractual or other relationship between such claiming Party and the City as it relates to the Franchise Fibers, the City Equipment, the Underlying Rights Requirements or this Right of Use, including any claim for interruption of service or in respect of service quality. The City's indemnification obligations hereunder shall not be applicable to any claims to the extent caused by the negligence, intentional acts or omissions or misconduct of Franchisee Indemnified Persons or any of them.

10.3 Either Party seeking indemnification hereunder ("Indemnatee") shall promptly notify the City or Franchisee, as appropriate, of the nature and amount of such claim and the method and means proposed by the Indemnatee for defending or satisfying such claim. The Parties shall consult and cooperate with each other respecting the defense and satisfaction of such claim, including the selection of and direction to legal counsel. Neither Party shall pay or settle any such claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed.

10.4 Subject to Section 10.5, below, nothing contained herein shall operate as a limitation on the right of either Party to bring an action for damages against any third Person, including indirect, special or consequential damages, based on any acts or omissions of such third Person as such acts or omissions may affect the construction, operation or use of the Franchise Fibers or the Verizon Network, except as may be limited by Underlying Rights Requirements; provided, however, that each Party hereto shall assign such rights or claims, execute such documents and do whatever else may be reasonably necessary to enable the other Party to pursue any such action against such third Person.

10.5 Notwithstanding the foregoing provisions of this Section 10, to the extent Franchisee is required under the terms and provisions of any Underlying Rights to indemnify the grantor or provider thereof from and against any and all claims, demands, suits, judgments, liabilities, losses or expenses arising out of or related to such Underlying Rights, regardless of the cause and regardless of whether such claims, demands, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, actions or inaction of such grantor or provider and its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such

Underlying Right, the City hereby releases such grantor or provider from the same, regardless of whether such claims, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, willful misconduct or other action or inaction, of such grantor or provider or its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right.

Section 11

ASSIGNMENT

11.1 *Assignment:* The City shall not have the right to assign any rights to use of the Franchise Fibers without the written consent of Franchisee, which consent may be withheld in its absolute discretion.

11.2 *Binding On Permitted Assigns:* Subject to the provisions of this Section, this Right of Use and each of the Parties' respective rights and obligations hereunder, shall be binding upon and shall inure to the benefit of the Parties hereto and each of their respective permitted successors and assigns.

EXHIBIT 1 TO APPENDIX D
FRANCHISE FIBER ROUTES AND SPANS

This Exhibit is filed under separate cover as it contains information that is proprietary and confidential and is exempt from disclosure pursuant to New York Public Officer's Law 87(2)(c),(d), (f) & (i).

EXHIBIT 2 TO APPENDIX D

A. Lines and Circuit Trouble/Outages:

1. For any line or circuit trouble/outage, DoITT may call in a trouble ticket to Verizon Business services at the following number: 1-800 444-1111.
2. Lines and circuits shall be identified pursuant to the designations set forth in Exhibit 1

B. Ticket Escalation

1. Trouble tickets initiated pursuant to Section A.1. above which require escalation or unique review by Franchisee, shall be addressed by the Verizon Business Service Management Team, which will make all the necessary calls and keep the customer updated as to the status of such trouble ticket in accordance with the following management review order:

1st level – Service Manager

2nd level – Manager, Service Management

3rd level – Director, Customer Service, NorthEast

2. Verizon Business is also the interface for DoITT on issues which require internal intervention with other departments (i.e. billing, provisioning, construction, engineering, maintenance, etc.).

APPENDIX E
FORM OF SECURITY

EXHIBIT E-1

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 Fifty Million Dollars (\$50,000,000), 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 Franchise 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 a potential 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; provided, however, that to the extent the Obligee provides the Principal with any written notice of such potential default prior to such 30-day period, the Obligee shall provide the Surety with a copy of such written notice simultaneous with transmission of same to the Principal.

2. In the event of default by the Principal, Obligee shall deliver to Surety a valid court order demonstrating a final judgment not subject to appeal or further judicial relief, together with a written statement of the details of the default resulting in such judgment within thirty (30) days after the entry of such judgment, such notice to be delivered by certified mail to address of said Surety as stated herein.

3. 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. Such termination or cancellation shall not affect any liability incurred or accrued under this bond prior to the effective date of such cancellation.

4. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its

obligations under said Agreement, shall constitute a loss to the Obligee recoverable under this bond.

5. No claim, action, suit or proceeding shall be instituted against this bond unless same be brought or instituted and process served within one year after termination or cancellation of this bond.

6. No right of action shall accrue on this bond for the use of any person, corporation or entity other than the Obligee named herein or the heirs, executors, administrators or successors of the Obligee.

7. The aggregate liability of the surety is limited to the penal sum stated herein regardless of the number of years this bond remains in force or the amount or number of claims brought against this bond.

8. This bond is and shall be construed to be strictly one of suretyship only. If any conflict or inconsistency exists between the Surety's obligations as described in this bond and as may be described in any underlying agreement, permit, document or contract to which this bond is related, then the terms of this bond shall supersede and prevail in all respects.

IN WITNESS WHEREOF, the above bounded Principal and Surety have
hereunto signed and sealed this bond effective this _____ day of _____, 2008.

Principal

Surety

By: _____

By: _____

Attorney-in-Fact

EXHIBIT E-2

FORM OF LETTER OF CREDIT

This is an EXAMPLE of a letter of credit. In no way does this guarantee that the JPMorgan Chase Letter of Credit will read exactly as stated below:

Dated

OUR L/C NO.: XXXX-123456

APPLICANT REF. NO.: VZ12

TO:

CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBD STREET

NEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC.

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

ATTN:

EXECUTIVE VICE PRESIDENT

AND

GENERAL MANAGER

WE HAVE ESTABLISHED OUR
IRREVOCABLE STANDBY LETTER OF
CREDIT IN YOUR FAVOR AS
DETAILED HEREIN SUBJECT TO

XXXX-123456

600DOCUMENTARY CREDIT NUMBER:

DATE OF ISSUE:

JUNE XX, 2008

BENEFICIARY:

CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBDNEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

DATE AND PLACE OF EXPIRY:

JUNE XX, 2009

AT OUR COUNTER

DOCUMENTARY CREDIT AMOUNT:

USD \$20,000,000.00

AVAILABLE WITH:

JPMORGAN CHASE BANK, N.A.

BY PAYMENT

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE
AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL 12
MONTH PERIODS FROM THE PRESENT OR EACH FUTURE EXPIRATION
DATE, UNLESS AT LEAST 60 DAYS PRIOR TO THE CURRENT EXPIRY DATE
WE SEND NOTICE IN WRITING TO THE CITY OF NEW YORK VIA SWIFT,
TELEX, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT

NOT TO AUTOMATICALLY EXTEND THIS LETTER OF CREDIT FOR ANY ADDITIONAL PERIOD. HOWEVER IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND THE FINAL EXPIRY DATE OF JUNE XX, 2009. UPON SUCH NOTICE TO THE CITY OF NEW YORK, THE CITY OF NEW YORK MAY DRAW ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN-APPLICABLE EXPIRY DATE, BY YOUR SWIFT OR PRESENTATION OF YOUR DRAFT AND DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING EXACTLY AS FOLLOWS:

THE AMOUNT OF THIS DRAWING USD UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NUMBER XXX REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM JPMORGAN CHASE BANK, N.A. OF THEIR DECISION NOT TO AUTOMATICALLY EXTEND LETTER OF CREDIT NUMBER TPTS-XXX AND THE UNDERLYING OBLIGATION REMAINS OUTSTANDING.

IN THE EVENT THIS LETTER OF CREDIT IS SUBSEQUENTLY AMENDED BY US TO EITHER:

- I) RESCIND A NOTICE OF NON-EXTENSION AND TO EXTEND THE EXPIRY DATE HEREOF TO A FUTURE DATE, OR
- II) EXTEND THE EXPIRY DATE TO A DATE THAT IS AFTER THE STATED FINAL EXPIRY DATE HEREOF, SUCH EXTENSION SHALL BE FOR THAT SINGLE PERIOD ONLY AND THIS LETTER OF CREDIT WILL NOT BE SUBJECT TO ANY FUTURE AUTOMATIC EXTENSIONS UNLESS AN AUTOMATIC EXTENSION PROVISION IS EXPRESSLY INCORPORATED INTO SUCH AMENDMENT.

ADDITIONAL DETAILS:

THIS LETTER OF CREDIT IS AVAILABLE WITH JPMORGAN CHASE BANK, N.A., AGAINST PRESENTATION OF YOUR DRAFT AT SIGHT MENTIONING THEREON DRAWN ON JPMORGAN CHASE BANK, N.A., LETTER OF CREDIT NUMBER XXX WHEN ACCOMPANIED BY THE DOCUMENTS INDICATED HEREIN.

BENEFICIARY'S DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF ITS OFFICIALS READING AS FOLLOWS:

“THE AMOUNT OF THIS DRAWING LIMITED TO THE AMOUNT REFLECTED ON THE ACCOMPANYING COURT ORDER USD....., UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NO. XXXX-123456 REPRESENTS FUNDS DUE THE CITY OF NEW YORK, NY AS:” THE APPLICANT, VERIZON NEW YORK INC.,

FAILED TO PERFORM UNDER MATERIAL PROVISIONS OF AGREEMENT (DATED) BETWEEN CITY OF NEW YORK, NY AND VERIZON NEW YORK INC. UNDER A COURT ORDER DEMONSTRATING A FINAL JUDGMENT IN FAVOR OF THE CITY OF NEW YORK NOT SUBJECT TO APPEAL OR FURTHER JUDICIAL RELIEF’.

ALL CORRESPONDENCE AND ANY DRAWINGS HEREUNDER ARE TO BE DIRECTED TO JPMORGAN CHASE BANK, N.A., C/O JPMORGAN TREASURY SERVICES, STANDBY LETTER OF CREDIT DEPT. 4TH FL. 10420 HIGHLAND MANOR DRIVE, TAMPA, FLORIDA 33610.

CUSTOMER INQUIRY NUMBER IS 1-800-634-1969 CHOOSE OPTION 1. E-MAIL ADDRESS IS: GTS.CLIENT.SERVICES@JPMCHASE.COM. PLEASE HAVE OUR REFERENCE NUMBER AVAILABLE WHEN YOU CONTACT US.

WE HEREBY AGREE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

THE NUMBER AND THE DATE OF OUR CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFTS REQUIRED.

AUTHORIZED SIGNATURE

APPENDIX F

FTTP UPGRADE SCHEDULE

All dates in this schedule refer to December 31 of the year indicated, except for the year 2014, which refers to June 30.

Cumulative Prems Passed (k) - % Complete								
Boro	Type	2008	2009	2010	2011	2012	2013	2014
Manhattan	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	57%	62%	66%	73%	82%	91%	100%
	Total	57%	62%	67%	73%	82%	91%	100%
Bronx	SFU	30%	46%	59%	69%	84%	96%	100%
	MDU	6%	23%	39%	58%	75%	92%	100%
	Total	13%	29%	45%	61%	77%	93%	100%
Queens	SFU	23%	39%	55%	69%	82%	95%	100%
	MDU	7%	21%	37%	54%	72%	93%	100%
	Total	15%	30%	46%	61%	77%	94%	100%
Staten Island	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	100%	100%	100%	100%	100%	100%	100%
	Total	98%	100%	100%	100%	100%	100%	100%
Brooklyn	SFU	17%	33%	47%	63%	77%	92%	100%
	MDU	8%	27%	42%	57%	76%	93%	100%
	Total	12%	30%	45%	60%	76%	93%	100%
NYC	SFU	32%	46%	59%	71%	83%	95%	100%
	MDU	27%	40%	51%	63%	78%	92%	100%
	Total	29%	42%	54%	66%	79%	93%	100%

APPENDIX G
FRANCHISE AREA

[See Attached Map]

NEW YORK CITY LFA

New Jersey

Manhattan

Bronx

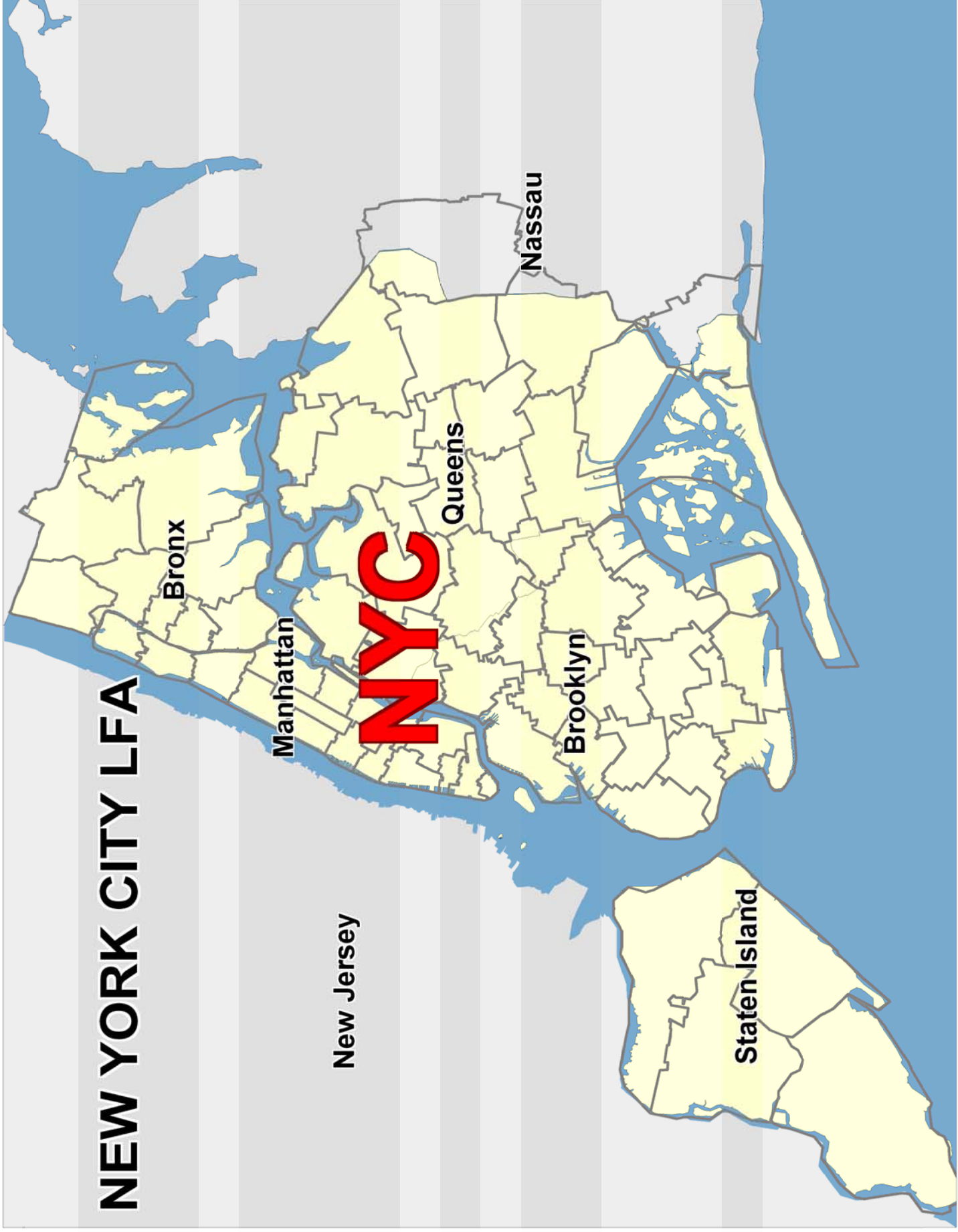
NYC

Queens

Brooklyn

Nassau

Staten Island



APPENDIX H

FORM OF GUARANTY

In consideration of the award of the Cable Franchise Agreement by and between the City of New York and Verizon New York Inc., dated _____2008, we, Verizon Communications Inc., hereby unconditionally and irrevocably agree to provide all the financial resources necessary for the satisfactory performance of the obligations of the Franchisee under the Cable Franchise Agreement and also to be legally liable for performance of the obligations of the Franchisee in case of default or revocation of the Cable Franchise Agreement.

Signature

Corporate Seal

Type or Print Name

Title & Official Name of Guarantor

Date

APPENDIX I

INVESTIGATION CLAUSE

1.1 The parties to this Agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or inquiry.

1.1 (a) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision or public authority thereof, or the Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York; or

(b) If any person refuses to testify for a reason other than the assertion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of, or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City.

1.2 (a) The commission or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.

(b) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending the final determination pursuant to Section 1.3 below without the City incurring any penalty or damages for delay or otherwise.

1.3 The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(a) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a

member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(b) The cancellation or termination of any and all such existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this Agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

1.4 The Commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (a) and (b) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (c) and (d) below in addition to any other information which may be relevant and appropriate:

(a) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(b) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(c) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(d) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under 1.3 above, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in 1.2(a) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

1.5 (a) The term "license" or "permit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.

(b) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.

(c) The term “entity” as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City, or otherwise transacts business with the City.

(d) The term “member” as used herein shall be defined as any person associated with another person or entity as a partner, director, officer, principal or employee.

APPENDIX J

SYSTEM ARCHITECTURE

FTTP System Architecture

End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

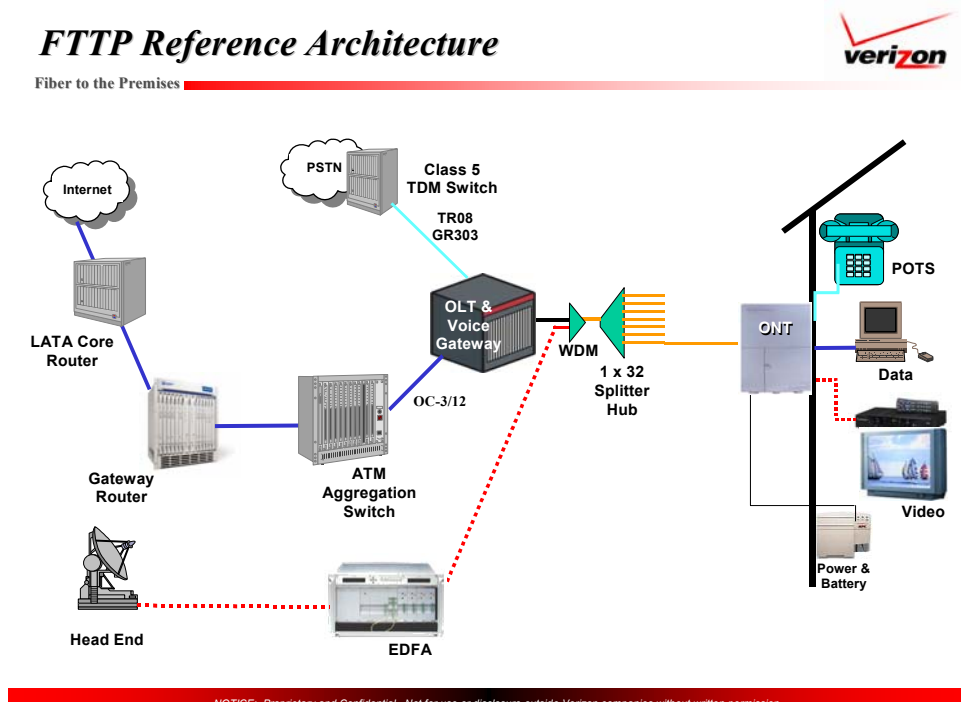


Figure 2-FTTP Full Build and Overlay Architectures

At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET and/or ROADM services. In each market where Verizon seeks to offer service, the broadcast cable television traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast cable television coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Cable television traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the cable television at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical cable television signal is de-multiplexed and converted to an electrical signal, which meets cable television industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the cable television platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

Super Headend (SHE)

A “super” headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of cable television sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET and/or ROADM, and transported via a SONET and/or ROADM transport facilities to a local point-of-presence (POP) for wide area (national) transport.

Wide Area Transport

In support of the cable television service, Verizon will use SONET and/or ROADM network facilities in the POPs serving target cable markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the cable television traffic.

In most cases, it is expected that the cable television traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the cable traffic reaches a POP located in a target market, it will be forwarded to a SONET and/or ROADM interface connected to metro/local SONET and/or ROADM facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target market. If more than one VHO is required, the metro SONET and/or ROADM ring(s) would be deployed to cover multiple sites.

Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Cable television Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via a SONET interface from the SONET POP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO.

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical cable television signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast cable television traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

Metro Area Transport

The optical cable television signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

Video Serving Office (VSO) & Passive Optical Network (PON)

The VSO is a location within the central office containing FTTP equipment. If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Cable television into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical cable television signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the cable signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the cable wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and cable television electrical signal, which meets cable television industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready televisions and to STBs for digital subscribers.

APPENDIX K
FORM OF FRANCHISE FEE REPORT

Franchise Fee Schedule/Report XX Quarter 2008

City of New York

Verizon - fBA

New York

Franchise Fee Rate:

5.00%

	October	November	December	Quarter Total
Monthly Recurring Cable Service Charges (e.g. Basic, Enhanced Basic, Premium and Equipment Rental)				
Usage Based Charges (e.g. PayPer View, Installation)				
Advertising				
Home Shopping				
Late Payment				
Other Misc. (Leased Access & Other Misc.)				
Franchise Fee Billed				
PEG Fee Billed				
Less:				
Bad Debt				
Total Receipts Subject to Franchise Fee Calculation				
Franchise Fee Due				
Verizon is hereby requesting that this information be treated by the Franchise Authority as confidential business information.				

The calculations set forth herein were conducted in accordance with the applicable provisions of the cable franchise agreement by and between Verizon NY Inc. and the City of New York and Verizon's applicable internal financial policies and are true and accurate to the best of my knowledge.

Signature:

Manager, Verizon Settlement Administration

Document comparison done by DeltaView on Wednesday, May 28, 2008
12:47:13 PM

Input:	
Document 1	file://C:/Documents and Settings/bpinkard/Desktop/NY CITY/NYC Franchise Appendices (Filed 4.28.08).DOC
Document 2	file://C:/Documents and Settings/bpinkard/Desktop/5.27.08/NYC Franchise Appendices (Execution Copy - 5.27.08).DOC
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	10
Deletions	27
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	37

ATTACHMENT B

THE COUNCIL

September 27, 2006

Res. No. 538

Resolution authorizing franchises for cable television services. (LU 197-A; 20075011 GFY CITYWIDE).

By Council Members Katz and Avella (at the request of the Mayor).

Whereas, by Executive Order 25, dated August 23, 1995, the Mayor has designated the Department of Information Technology and Telecommunications as the responsible agency for the granting of telecommunications franchises; and

Whereas, the Commissioner of the Department of Information Technology and Telecommunications has made an initial determination, pursuant to Section 363 of the Charter (the "Charter") of the City of New York (the "City"), of the need for franchises for cable television services (as that term is defined hereinafter); and

Whereas, the Mayor has submitted to the Council a proposed authorizing resolution for such franchises pursuant to Section 363 of the Charter; and

Whereas, use of the inalienable property of the City (as defined hereinafter) helps to facilitate the availability of cable television service;

The Council hereby resolves that:

A. The Council authorizes the Department of Information Technology and Telecommunications to grant non-exclusive franchises for the construction, installation, use, operation and/or maintenance of cable, wire and/or optical fiber and associated equipment on, over and under the inalienable property of the City (including through pipes, conduits and similar improvements thereto) for provision of cable television services in the City.

B. The public services to be provided under such franchises shall be cable television services, as defined hereinafter.

C. For purposes of this resolution, "inalienable property of the City" shall mean the property designated as inalienable in Section 383 of the Charter. References herein to facilities "in the inalienable property" shall mean facilities located in, on, over or under the surface of such inalienable property of the City.

D. For purposes of this resolution, "cable television services" shall mean "cable service" as defined in the Cable Communications Policy Act of 1984, as amended (47 U.S.C. Sections 521 et seq.).

E. All franchises granted pursuant to this resolution shall require, as provided in Charter Sections 363 and 372, the approval of the Franchise and Concession Review Committee and the separate and additional approval of the Mayor.

F. The authorization to grant franchises pursuant to this resolution shall expire on the fifth anniversary of the date on which this resolution is adopted by the Council.

G. Prior to the grant of any such franchise, and to the extent consistent with New York State and federal law, a request for proposals or other solicitation ("solicitation") shall be issued by the Department of Information Technology and Telecommunications. Prior to issuing any such solicitation, all legally required environmental and land use review shall be conducted in accordance with City Environmental Quality Review ("CEQR") and Section 197-c of the Charter. The criteria to be used by the Department of Information Technology and Telecommunications to evaluate responses to such solicitation shall include, but not be limited to, the following, if and to the extent permitted by law:

- (1) the adequacy of the proposed compensation to be paid to the City;
- (2) the financial, legal, technical and managerial experience and capabilities of the applicant(s), including (without limitation, except as limited by law) the ability of the applicant(s) to maintain the property of the City in good condition throughout the term of the franchise; and

- (3) the degree to which the public interest will be served by the service proposed to be provided.

H. Any franchise granted pursuant to this authorizing resolution shall be by written agreement which shall include, but not be limited to, terms and conditions consistent with the following to the extent permitted by law (and shall not include any provision which is prohibited by law from inclusion in such franchise agreement):

- (1) no franchise granted pursuant hereto shall have a term that exceeds fifteen (15) years, including options to renew if any;
- (2) the compensation for the franchise to be paid to the City shall be adequate and may include monetary compensation, the provision of facilities and/or services to the City, or both;
- (3) the franchise may be terminated or cancelled in the event of the franchisee's failure to comply with the material terms and conditions of the agreement;
- (4) the franchisee shall be required to provide security to ensure the performance of the franchisee's obligations under the agreement;
- (5) there shall be remedies to protect the City's interest in the event of the franchisee's failure to comply with the terms and conditions of the franchise agreement;
- (6) there shall be adequate insurance and indemnification requirements to protect the interests of the public and the City;
- (7) all franchisees shall be required to maintain complete and accurate books of account and records sufficient to assure franchisee's compliance with the franchise agreement, which books of account and records shall be made available on demand to the City for inspection;
- (8) there shall be provisions to ensure quality workmanship and construction methods with respect to those facilities constructed, installed, used, operated and/or maintained pursuant to the franchise and located in the inalienable property;
- (9) there shall be provisions containing the agreements required pursuant to paragraph 6 of subdivision (h) of Section 363 of the Charter relating to collective bargaining and other matters;
- (10) there shall be provisions requiring the franchisee to comply with applicable City laws and regulations related to, but not limited to, employment and investigations;
- (11) there shall be provisions to ensure adequate oversight by the City of franchisee's performance of its franchise obligations;
- (12) there shall be provisions requiring the consent of the City prior to an assignment or other transfer of, or change in control of, the franchise;
- (13) there shall be provisions regarding City rights to inspect facilities constructed, installed, used, operated and/or maintained pursuant to the franchise and located in the inalienable property, and regarding City rights to direct relocation of such facilities;
- (14) all franchisees shall have been subject, prior to commencement of the franchise term, to review under the City's Vendor Information Exchange System ("VENDEX") or any successor system;
- (15) all franchises shall include provisions incorporating the MacBride Principles;
- (16) there shall be provisions preserving the right of the City to perform public works or public improvements in and around those areas subject to the franchise;
- (17) there shall be provisions requiring the franchisee to protect the property of the City from damage, and the delivery of public services from interruption,

resulting from the construction, installation, use, operation, maintenance and/or removal of franchisee's facilities in the inalienable property;

(18) there shall be provisions designed to minimize the extent to which the public use of the streets of the City are disrupted in connection with the construction, installation, use, operation, maintenance and/or removal of franchisee's facilities in the inalienable property; [and]

(19) no franchise granted hereunder shall contain economic or regulatory burdens on the franchisee which when taken as a whole are greater or lesser than those burdens placed upon another cable television franchisee operating in the same area[.];

(20) all franchises shall be subject to comparable obligations and requirements provided that where the imposition of such obligations and requirements would be duplicative, then alternative but comparable obligations or requirements shall be imposed; and

(21) there shall be provisions requiring capacity and support for public, educational and governmental access.

I. The Department of Information Technology and Telecommunications shall file with the Council the following documents:

(1) within fifteen (15) days of issuance, a copy of each solicitation issued pursuant to this resolution;

(2) within fifteen (15) days of approval by the Mayor, a copy of the agreement for each franchise granted pursuant to this resolution; and

(3) on or before July 1 of each year, a report detailing the revenues received by the City from each franchise granted pursuant to this resolution during the preceding calendar year.

J. If any clause, sentence, paragraph, section or part of this resolution shall for any reason be adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of this resolution or the application thereof but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Adopted.

Office of the City Clerk,
The City of New York } ss.:

I hereby certify that the foregoing matter is a true copy of a Resolution passed by The Council of The City of New York on September 27, 2006 on file in this office.


City Clerk, Clerk of the Council

RESOLUTION
FRANCHISE AND CONCESSION REVIEW COMMITTEE

In the matter of a proposed Franchise Agreement authorizing Verizon New York Inc. ("Verizon") to provide cable television services in the City of New York ("the City").

WHEREAS, pursuant to Authorizing Resolution 538 (adopted by the New York City Council on September 27, 2006) ("the Authorizing Resolution"), DoITT issued a solicitation ("the Solicitation") for proposals for the provision of cable television services, as defined by the Authorizing Resolution, on a Citywide basis; and

WHEREAS, Verizon submitted a proposal in response to the Solicitation; and

WHEREAS, DoITT has reviewed Verizon's proposal and has recommended to the Franchise and Concession Review Committee ("FCRC") that the grant of a franchise to Verizon be approved on the terms described in a proposed franchise agreement that has been submitted to the FCRC (the "Franchise Agreement"), and which franchise agreement has been prepared with due diligence as to the matters described in Section 894.8 of Title 16 of the New York Codes, Rules and Regulations ("the NYCRR"); and

WHEREAS, DoITT has completed the environmental review process, with respect to the proposed franchise, as required pursuant to the New York State Environmental Review Act ("SEQRA") Section 8-0101 et seq. of the New York State Environmental Conservation Law, the SEQR Regulations set forth as Part 617 of Title 6 of the NYCRR, and the City Environmental Quality Review ("CEQR") process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and due diligence has been used to investigate and assess the matters described in Section 894.6 of Title 16 of the NYCRR; and

WHEREAS, the FCRC held a public hearing regarding the proposed franchise on May 20, 2008, which hearing constituted full public proceeding affording due process as contemplated by subsection (a) of Section 895.1 of Title 16 of the NYCRR, and which hearing was conducted after reasonable notice to the public and to applicable parties consistent with applicable New York State law and rules and with the City Charter, and said hearing was closed on that date; and

NOW, THEREFORE, BE IT

RESOLVED, that the FCRC does hereby consent to the award of a franchise to Verizon New York Inc. for the purposes of providing cable television services in accordance with the terms of the franchise agreement submitted to the FCRC.

THIS IS A TRUE COPY OF THE RESOLUTION ADOPTED BY THE
FRANCHISE AND CONCESSION REVIEW COMMITTEE ON

May 27, 2008

Date: 5/27/08

Signed: Maule 68igo

Title: Director of the Mayor's Office of Contract Services

ATTACHMENT C

631938/0416163

State of New York

SS:

COUNTY OF NEW YORK

NOTICE OF PUBLIC HEARING

NOTICE OF A SPECIAL FRANCHISE AND CONCESSION REVIEW COMMITTEE (FCRC) PUBLIC HEARING to be held on Tuesday, May 20, 2008 commencing at 3:00 PM and continuing until at least 6:00 PM at the New York City College of Technology, 285 Jay Street, Borough of Brooklyn, in the matter of a proposed Franchise Agreement authorizing Verizon New York Inc. to provide Citywide cable television services. The proposed agreement also includes, but is not limited to, provisions regarding consumer protection, public, educational and government channels, and a schedule for deployment and service availability. The term of the agreement as proposed would be twelve (12) years and Verizon New York Inc. would pay 5% of cable service gross revenues to the City of New York.

All persons entitled to notice under Section 894.7 of Title 18 of the New York State Codes, Rules and Regulations shall be given full opportunity to participate in the hearing and to ask questions of the applicant or any other participant in the hearing in accordance with the requirements of said Section 894.7.

Copies of the proposed Franchise Agreement and application are available for public inspection during normal business hours at DoITT, 75 Park Place, 9th Floor, New York, New York 10007 commencing April 29, 2008 through May 20, 2008.

Hard copies of the proposed Franchise Agreement may be obtained, by appointment, at a cost of \$.25 per page. All payments shall be made at the time of pickup by check or money order made out to the New York City Department of Finance. The proposed Franchise Agreement may also be obtained in PDF form at no cost, by email request. Interested parties should contact Roxanne Chambers by phone at 212-788-6810 or by email at RChambers@doitt.nyc.gov.

NOTE: Individuals requesting sign language interpreters at the public hearing should contact the Mayor's Office of Contract Services, Public Hearings Unit, 253 Broadway, 9th Floor, New York, New York 10007, (212) 788-7490, no later than SEVEN (7) BUSINESS DAYS PRIOR TO THE PUBLIC HEARING. TDD users should call Verizon relay service.

Recordings of the hearing may be broadcast on NYC TV-Channel 74.

INGRID CHRISTIAN being duly sworn,
says that he/she is the principal Clerk of the Publisher
of the

New York Post

a daily newspaper of general circulation printed and
published in the English language, in the County
of New York, State of New York; that advertisement
hereto annexed has been regularly published in
the said "NEW YORK POST" once,
on the 2, 6 day of MAY 2008

Ingrid Christian

Sworn to before me this 6 day

of MAY 2008

[Signature]
NOTARY PUBLIC

BYRON STEVENS
Notary Public, State of New York
No. 01ST6117803
Qualified in New York County
Commission Expires November 1, 2008

STATE OF NEW JERSEY
COUNTY OF HUDSON

GAIETY CABALLERO being duly sworn, says she is a principal clerk and a duly authorized designee of Daily News, L.P., publisher of the 'DAILY NEWS,' a daily and Sunday newspaper published in the City of New York and that the notice, of which the annexed is a copy, was published in said newspaper and online within the section of:

Ad attached
on 2nd page

PUBLIC NOTICES of the
CITY & SUBURBAN Edition

On May 2 & 7, 2008

Gaiety Caballero

(Representative's signature)
Authorized Designee of Daily News, L.P.,
Publisher of the Daily News

Sworn to before me this
8 day of May 2008

Peter F. Downey
Public Notary

PETER F. DOWNEY
NOTARY PUBLIC STATE OF NEW JERSEY
ID #2179115
QUALIFIED IN HUDSON COUNTY 2010
MY COMMISSION EXPIRES JUNE 21, 2010

NOTICE OF PUBLIC HEARING

NOTICE OF A SPECIAL FRANCHISE AND CONCESSION REVIEW COMMITTEE (FCRC) PUBLIC HEARING to be held on Tuesday, May 20, 2008 commencing at 3:00 PM and continuing until at least 6:00 PM at the New York City College of Technology, 235 Jay Street, Borough of Brooklyn, in the matter of a proposed Franchise Agreement authorizing Verizon New York Inc. to provide Citywide cable television services. The proposed agreement also includes, but is not limited to, provisions regarding consumer protection, public, educational and government channels, and a schedule for deployment and service availability. The term of the agreement as proposed would be twelve (12) years and Verizon New York Inc. would pay 5% of cable service gross revenues to the City of New York.

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Copies of the proposed Franchise Agreement and application are available for public inspection during normal business hours at DoITT, 75 Park Place, 9th Floor, New York, New York 10007 commencing April 20, 2008 through May 20, 2008.

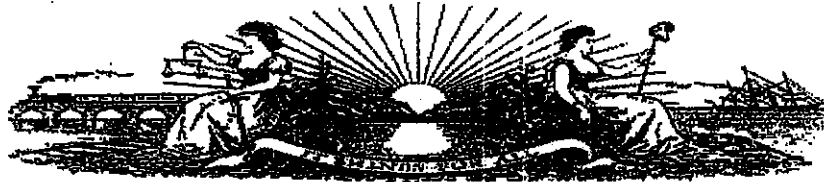
Hard copies of the proposed Franchise Agreement may be obtained, by appointment, at a cost of \$.25 per page. All payments shall be made at the time of pickup by check or money order made out to the New York City Department of Finance. The proposed Franchise Agreement may also be obtained in PDF form at no cost, by email request. Interested parties should contact Roxanne Chambers by phone at 212-788-6610 or by email at RChambers@doitt.nyc.gov.

NOTE: Individuals requesting sign language interpreters at the public hearing should contact the Mayor's Office of Contract Services, Public Hearings Unit, 263 Broadway, 8th Floor, New York, New York 10007, (212) 788-7490, no later than SEVEN (7) BUSINESS DAYS PRIOR TO THE PUBLIC HEARING. TDD users should call Verizon relay service.

Recordings of the hearing may be cablecast on NYC TV-Channel 4.

May 2 & 7, 2008
City & Suburban Edition

Gundy Catlett



THE NEW YORK SUN

STATE OF NEW YORK,
City and County of New York, } ss:

James T. Colarusso, being duly sworn, says that he/she is

the PRINCIPAL CLERK of the Publisher of *THE NEW YORK SUN*, a daily newspaper published in the County of New York; that the advertisement hereto annexed has been regularly published in the said *THE NEW YORK SUN* in each of one time only commencing on the sixth (6th) day of May, 2008

Re: "Insertion Order # ADOITT109NY"
NY Sun AD # 22917

SWORN TO BEFORE ME, the sixth (6th) day of May, 2008

(Notary Public)
Michael P. McI
Notary Public, State of New York
No. 31-4955228
Qualified in New York County
Commission Expires August 28, 2012

You are hereby called to show cause before the Surrogate's Court, New York County, at 31 Chambers Street, New York, New York, on the 20th day of June, 2008, at 10:00 A.M., why a Decree should not be made in Estate of YU CHUANG MAO, deceased, lately residing at 39 Bowers Street, Borough of Manhattan, in the County, City and State of New York, and why the Account of Proceedings (copy attached) of MU-SHA ZEE, as Co-Administrator of the Estate of said deceased, should not be judicially settled; and WHY, MU-SHA ZEE, Co-Administrator herein, should not be authorized and empowered to compromise and settle certain cause of action for the wrongful death of the decedent against defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, in the sum of \$50,000.00; and WHY, the resolutions contained in the Limited Letters of Administration should not be modified to permit said compromise; and WHY, the total recovery of \$50,000.00 should not be allocated to the cause of action for wrongful death, and discontinue the causes of action for personal injuries and conscious pain and suffering; and WHY, the filing of a bond should not be dispensed with; and WHY, defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, or their insurance company, INSURANCE CORPORATION OF NEW YORK, should not pay to CAESAR & NAPOLI, ESQS., out of the proceeds of the settlement, the sum of \$16,658.00 for legal services rendered, together with disbursements of \$325.00, for a total compensation of \$16,983.00; and WHY, defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, or their insurance company, INSURANCE CORPORATION OF NEW YORK, should not pay to WEI MING LEE, out of the proceeds of the settlement, the sum of \$1,500.00 in reimbursement of decedent's funeral expenses; and WHY, defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, or their insurance company, INSURANCE CORPORATION OF NEW YORK, should not pay to MU-SHA ZEE, out of the proceeds of the settlement, the sum of \$790.50 as statutory commissions after deducting attorney's fees, disbursements and funeral reimbursement; and WHY, defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, or their insurance company, INSURANCE CORPORATION OF NEW YORK, should not pay to YA-TRING MAO, out of proceeds of the settlement, the sum of \$790.50 as statutory commissions after deducting attorney's fees, disbursements and funeral reimbursement; and WHY, the Court should not make a determination that CHI KWANG MAO, decedent's son, is presumed dead and that he predeceased the decedent without issue, pursuant to SCPA §2225(e); and WHY, the balance of the settlement proceeds should not be distributed to those distributees having suffered pecuniary loss, pursuant to EPTL §5-4.4, as follows:

YA-TRING MAO - daughter - 100% of net proceeds; and WHY, upon payments as hereinabove mentioned, petitioner should not be permitted to execute and deliver general release and all other necessary papers to defendants, DAHLIA TRAVEL & TOURS, INC. and GUANG MING LI, or their insurance company, INSURANCE CORPORATION OF NEW YORK, releasing them from all claims against them arising out of the aforesaid cause of action for the wrongful death of the decedent, together with any other papers necessary to effectuate the said compromise.

Dated, Attested and Sealed April 30, 2008

HON. Renee R. Roth
Surrogate, New York County

Jane Passaniti
Chief Clerk

CAESAR & NAPOLI, ESQS.
Attorneys for Petitioner
350 Broadway 10th Floor
New York, NY 10013-3911
(212) 226-2100

This Citation is served upon you as required by law. You are not obliged to appear in person. If you fail to appear, it will be assumed that you do not object to the relief requested unless you file written objections. You have a right to have an attorney-at-law appear for you.

Proof of service shall be filed with the clerk of the court at least two (2) days prior to the return date. (207.7c)

Public Notice

NOTICE OF PUBLIC HEARING

NOTICE OF A SPECIAL FRANCHISE AND CONCESSION REVIEW COMMITTEE (FCRC) PUBLIC HEARING to be held on Tuesday, May 20, 2008 commencing at 3:00 PM and continuing until at least 6:00 PM at the New York City College of Technology, 285 Jay Street, Borough of Brooklyn, in the matter of a proposed Franchise Agreement authorizing Verizon New York Inc. to provide Citywide cable television services. The proposed agreement also includes, but is not limited to, provisions regarding consumer protection, public, educational and government channels, and a schedule for deployment and service availability. The term of the agreement as proposed would be twelve (12) years and Verizon New York Inc. would pay 5% of cable service gross revenues to the City of New York.

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Copies of the proposed Franchise Agreement and application are available for public inspection during normal business hours at DoITT, 75 Park Place, 9th Floor, New York, New York 10007 commencing April 28, 2008 through May 20, 2008.

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Recordings of the hearing may be cablecast on NYC TV-Channel 74.

the economy weather a credit contraction and manufacturing slump.

Yahoo, the Web company that spent three months fighting a takeover by Microsoft, tumbled \$4.30 to \$24.37. The world's largest software maker said this weekend it walked away when Yahoo demanded \$87 a share. Microsoft had increased its original \$44.6 billion bid by about \$5 billion to \$33 a share. Yahoo shares were cut to "sell" at Citigroup Inc. and other firms.

Microsoft slipped 16 cents to \$29.08. Google Inc., owner of the most-used Internet search engine, climbed \$13.61 to \$594.90.

Bloomberg News

Bernanke Says Action Is Needed In Mortgage Crisis

WASHINGTON — As the House prepared to take aggressive new steps to stem the wave of home foreclosures, Federal Reserve Chairman Bernanke yesterday night endorsed the need for government intervention, saying that letting markets take their own course could "destabilize communities, reduce the property values of nearby homes, and lower municipal tax revenues."

In a speech in New York, the central bank chairman reiterated his controversial call for lenders and mortgage service companies to consider cutting the principal of some customers' loans to prevent foreclosure.

"When the source of the problem is a decline of the value of the home well below the mortgage's principal balance, the best solution may be a write-down, perhaps combined with a government-orchestrated refinancing," Mr. Bernanke told a Columbia Business School audience.

Mr. Bernanke stepped short of endorsing of a bill being pushed by Rep. Barney Frank, a Democrat from Massachusetts, chairman of the House Financial Services Committee, that would allow the Depression-era Federal Housing Administration to guarantee repayment of as much as \$300 billion in mortgages in return for lenders' making steep cuts in mortgage holders' loan balances.

The Fed chairman did say, though, that Congress "can take an important step by moving quickly to reconcile and enact legislation permitting the [FHA] to increase its scale."

Los Angeles Times

real disposable personal income and a consequent 7% pop in real consumer spending in the final quarter of the year.

Economic consultancy International Strategy & Investment Group is estimating that rebates totaling \$116.7 billion will be paid out in coming months. By the end of this month, about \$50 billion will have reached taxpayers, with another \$50 billion destined to arrive by the end of June. They say that, historically, 65% of the monies distributed have been spent — 25% in the quarter received and 40% in the following quarter.

Putting the figures together, ISI estimates that the impact of the tax rebates will be to boost second-quarter real disposable personal income by 16%. The bad news? That measure is forecast to drop by 11% in the third quarter. Likewise, real consumer spending is projected to rise 4% in the second quarter and 5.1% in the third quarter, but to drop nearly 5% in the fourth period. In other words, the fix is temporary.

Their thinking is that the impact of the rebates will be similar to

Clinton Ratchets

CLINTON from page 1
dismissed the critiques, telling George Stephanopoulos on ABC News on Sunday: "I'm not going to put my lot in with economists."

Her view is "naïve," Ron Geffner, a partner at the law firm Sadis Goldberg, which advises Wall Street firms, said. "Like it or not, the economy is the product of good old-fashioned American greed at every level."

Mrs. Clinton has also ramped up her attacks on China, driving even some of her supporters to jump ship. Last month, a political science professor at the Center for Chinese Studies at UCLA, Richard Baum, left her campaign for what he told Politico.com was "grossly misguided accusations" she made about the communist-led country.

Despite this departure, Mrs. Clinton has increased her criticism of China, telling a crowd in Indiana earlier this week the country "manipulates its currency to our disadvantage, they engage in broad-based intellectual property theft, industrial espionage, they do not follow the rules they agreed to follow when they joined the WTO. What do we get in return from them? Well, we get tainted pet food, we get lead-laced toys, we get polluted pharmaceuticals."

Attacking Wall Street as a means for gaining support among low- and middle-income Americans was bound to happen in this elec-

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DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
THE CITY RECORD

One Centre Street, Room 2208
New York, NY 10007
(212) 669-8252 • Fax (212) 669-3211
Email: cityrecord@dca.nyc.gov

AFFIDAVIT OF PUBLICATION

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Construction

Municipal Supply
Services

Real Estate Services

Citywide Equal
Employment
Opportunity

Citywide
Occupational Safety
& Health

Transportation
Services

The City Record

CityStore

State of New York)
: ss,
County of New York)

Eli Blachman, being duly sworn, deposes and says:

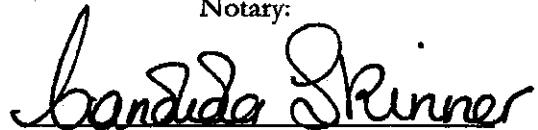
1. I am the Director, Editor of The City Record, the Official Journal of the City of New York, which is published daily, except Saturdays, Sundays and legal holidays.
2. The attached notice was published in The City Record April 29, 30, May 1, 2, 5, 6, 7, 8, 9, 12, 13, 14, 15, 16, 19 and 20, 2008.



Eli Blachman

Sworn to me this 21st day of May, 2008

Notary:



CANDIDA SKINNER

Notary Public, State of New York
No. 015K608944
Qualified in Kings County
Commission Expires 3/31/2011

NOTICE OF A SPECIAL FRANCHISE AND CONCESSION REVIEW COMMITTEE (FCRC) PUBLIC HEARING to be held on Tuesday, May 20, 2008 commencing at 3:00 P.M. and continuing until at least 6:00 P.M. at the New York City College of Technology, 285 Jay Street, Borough of Brooklyn, in the matter of a proposed Franchise Agreement authorizing Verizon New York Inc. to provide Citywide cable television services. The proposed agreement also includes, but is not limited to, provisions regarding consumer protection, public, educational and government channels, and a schedule for deployment and service availability. The term of the agreement as proposed would be twelve (12) years and Verizon New York Inc. would pay 5% of cable service gross revenues to the City of New York.

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NOTE: Individuals requesting sign language interpreters at the public hearing should contact the Mayor's Office of Contract Services, Public Hearings Unit, 253 Broadway, 9th Floor, New York, New York 10007, (212) 788-7490, no later than **SEVEN (7) BUSINESS DAYS PRIOR TO THE PUBLIC HEARING**. TDD users should call Verizon relay service.

Recordings of the hearing may be cablecast on NYC TV-Channel 74.

a29-m20

ATTACHMENT D

**DOCUMENTS SUBMITTED BY VERIZON AS PART OF,
OR IN SUPPORT OF, ITS APPLICATION**

1. 4/15/08 Response of Verizon New York Inc. (“Verizon”) to “Open-Ended, Non-Exclusive Solicitations of Proposals for Cable Television Franchises Pursuant to Which Cable Television Services Will Be Made Available to Households Throughout the City of New York”
2. 4/15/08 – 5/8/08 Information provided by Thomas Dunne, Verizon, to Borough Presidents, outlining the benefits of Verizon FiOS TV
3. 4/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Lew Finkel, Office of Comptroller, enclosing revised Appendix A to the franchise agreement
4. 4/27/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Bruce Regal, Department of Law, regarding corrections to the franchise agreement
5. 4/28/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Lew Finkel, Office of Comptroller, enclosing further revised Appendix A to the franchise agreement
6. 4/28/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Mitchel Ahlbaum and Vincent Grippo, Department of Information Technology and Telecommunications (“DoITT”), and Bruce Regal, Department of Law, enclosing revised franchise agreement in clean and blackline formats
7. 4/29/08 Correspondence from Marie Lasota, Verizon, to Bruce Regal, Department of Law, regarding franchise closing items
8. 5/6/08 Correspondence from John Raposa, Verizon, to Bruce Regal, Department of Law, enclosing draft outside counsel opinion letter
9. 5/6/08 Correspondence from Marie Lasota, Verizon, to Bruce Regal, Department of Law, regarding letter of credit
10. 5/14/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Bruce Regal, Department of Law, enclosing revised franchise agreement in blackline format
11. 5/15/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Bruce Regal, Department of Law, enclosing revised franchise agreement in clean and blackline formats
12. 5/16/08 Correspondence from John Raposa, Verizon, to Bruce Regal, Department of Law, regarding programming agreement, outside counsel opinion letter, and Community Access Organization (“CAO”) agreements
13. 5/16/08 Correspondence from Thomas Dunne, Verizon, to Borough Presidents, regarding Verizon’s proposed franchise agreement and enclosing recent news articles

14. 5/19/08 Correspondence from Marie Lasota, Verizon, to Bruce Regal, Department of Law, regarding ULURP (Uniform Land Use Review Procedure) and CEQRA (City Environmental Quality Review Act) letters
15. 5/22/08 Correspondence from John Raposa, Verizon, to Bruce Regal, Department of Law, enclosing draft CAO agreement side letter
16. 5/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Lew Finkel and Valerie Budzik, Office of Comptroller, regarding revisions to sections 6.6 and 7.5.4 of the franchise agreement
17. 5/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Valerie Budzik, Office of Comptroller, regarding revisions to section 6.6 of the franchise agreement
18. 5/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Valerie Budzik, Office of Comptroller, regarding revisions to section 6.6 of the franchise agreement
19. 5/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Valerie Budzik, Office of Comptroller, regarding revisions to section 6.6 of the franchise agreement
20. 5/23/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Mitchel Ahlbaum and Vincent Grippo, DoITT, and Bruce Regal, Department of Law, enclosing revised franchise agreement in clean and blackline formats
21. 5/27/08 Correspondence from Nia McDonald, Wiley Rein LLP, to Bruce Regal, Department of Law, enclosing four of the executed CAO agreements
22. 5/27/08 Correspondence from Brendon Pinkard, Wiley Rein LLP, to Bruce Regal, Department of Law, enclosing final version of the franchise agreement
23. 5/27/08 Correspondence from Marie Lasota, Verizon, to Bruce Regal, Department of Law, enclosing the final executed CAO agreement

Tab 1

VERIZON NEW YORK INC.

**Response to “Open-Ended, Non-Exclusive Solicitations Of Proposals
For Cable Television Franchises Pursuant To Which Cable Television
Services Will Be Made Available To Households Throughout The
City of New York,” dated April 11, 2008**

Filed on April 15, 2008

Agency: DOITT
PIN: 85808FRANCHI

Maura C. Breen
Senior Vice President &
General Manager
New York Region



140 West Street
New York, NY 10007

Jean Blanc
Deputy Agency Chief Contracting Officer
Department of Information Technology and Telecommunications
The City of New York
75 Park Place, 9th Floor
New York, NY 10007

April 15, 2008

**Subject: Response of Verizon New York, Inc. to
"Open-Ended, Non-Exclusive Solicitations Of Proposals For Cable Television
Franchises Pursuant To Which Cable Television Services Will Be Made
Available To Households Throughout The City of New York,"
dated April 11, 2008**

Dear Mr. Blanc,

Verizon New York, Inc. ("Verizon") is pleased to respond to that certain "Open-Ended, Non-Exclusive Solicitation Of Proposals For Cable Television Franchises Pursuant To Which Cable Television Services Will Be Made Available To Households Throughout The City of New York," released by the Department of Information Technology and Telecommunications of The City of New York on April 11, 2008 (the "Solicitation").

Verizon's proposal in response to the Solicitation consists of the following (collectively, "Verizon's Response"):

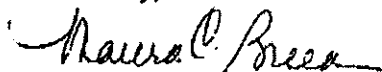
1. This Cover Letter;
2. Application for a Cable Television Franchise By Verizon New York, Inc., in accordance with 16 NYCCR § 894.5, including the material contained therein relevant to Verizon's managerial, legal, technical and financial ability to perform the obligations of the franchise;
3. The proposed Franchise Agreement which sets forth with specificity the obligations that Verizon shall undertake upon grant and confirmation of the franchise. Exhibit 1 to Appendix D of the proposed Franchise Agreement is submitted separately as confidential and proprietary information in accordance with Section 4(e) of the Solicitation. Said Exhibit 1 to Appendix D is excepted from public disclosure in accordance with N.Y. Pub. Off. Law §§ 87(2)(c), (d), (f) & (i) and Verizon therefore requests treatment of this document as confidential and proprietary information;
4. A summary addressing those items enumerated in Section 6(b)(2) of the Solicitation and Section H of Resolution No. 538 of The Council of The City of New York dated September 27, 2006 (*see also* Section 5(f) of the Solicitation). This Summary is provided for ease of reference with respect to representative provisions of the proposed Franchise Agreement addressing those items;

5. Verizon's "Doing Business Data Form" (see Solicitation Attachment #1), which is submitted in a separate, sealed inner envelope in accordance with Section 4(c)(iii) of the Solicitation;
6. Verizon's Affirmation (see Solicitation Attachment #2), submitted in accordance with Section 4(c)(iv) of the Solicitation; and
7. Verizon's Acknowledgement of Release Date and Addendum (see Solicitation Attachment #3), submitted in accordance with Section 6(b)(4) of the Solicitation.

Pursuant to Section 6(b)(3) of the Solicitation, Verizon acknowledges that it is ready and willing to comply with a franchise agreement that will include provisions consistent with the terms described in Section 5 of the Solicitation, including, without limitation, Verizon's proposal in response to Section 6(b)(2) of the Solicitation, as set forth in Verizon's Response and specifically in the proposed Franchise Agreement.

On behalf of Verizon, we thank you for the City's consideration of this proposal.

Sincerely,



Maura C. Breen,
Senior Vice President & General Manager
New York Region

APPLICATION FOR A CABLE TELEVISION FRANCHISE
BY VERIZON NEW YORK INC.

Verizon New York Inc. ("Verizon NY") respectfully submits this application form ("Application") and requests the award of a cable television franchise from the City of New York (the "City"). In this application, Verizon NY answers the questions set forth in Title 16, Chapter VIII, Part 894, Section 894.5, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended.

- (1) A description of the cable television system proposed to be constructed including information regarding (a) channel capacity, including both the total capability of the proposed system and the number of channels to be energized immediately; (b) television and radio broadcast signals which Verizon NY intends to carry on its system initially; (c) the extent and type of any origination cable casting to be undertaken, and the facilities, equipment and staff to be employed therein; and (d) the system layout or design, including where applicable: (i) location of antennae and headends; (ii) plans for a two-way capability including a proposed schedule indication when two-way capability will become available from particular points; (iii) location or origination points and origination facilities; (iv) extent and type of automated services to be provided; and (v) number of channels to be utilized for access cablecasting and the facilities, equipment, staff and other support to be available to access users including access utilization or production costs.

In response to the information requested in subsections 1(a) and (d)(i-ii), please see attached Exhibit 1, "Proposed Service Overview, Product Offers and Architecture." In response to question 1(b), please see the sample channel line up set forth in Exhibit 2, "Verizon FiOS TV – New York Area Channel Lineup."

In response to the information requested in subsection 1(c) and 1(d)(iii), Verizon is considering alternatives for origination cablecasting, but at this point it is not clear when or if the company will offer origination cablecasting in this franchise area.

In response to the information sought in subsection 1(d)(v), Verizon NY intends to provide capacity on its basic service tier for an aggregate of not less than twenty-five (25) and not more than fifty-three (53) dedicated channels for the purpose of Public, Educational and Governmental Access programming.

- (2) The terms and conditions under which service is to be provided to educational and governmental entities.

Verizon NY will provide channel capacity to educational and governmental entities under terms and conditions consistent with applicable law, and as may be required by the City.

- (3) The terms concerning rates and construction schedules.

Verizon NY's cable television service rates and available packages are attached as Exhibit 3.

Verizon NY has completed the construction of its fiber to the premises ("FTTP") network to approximately twenty percent 20% of the households in the City. A full discussion of the construction requirements and central office conversion requirements to bring FTTP and cable television service to the City is contained in Exhibit 1.

On June 15, 2005, the New York Public Service Commission ("NY PSC") "declared that Verizon NY's FTTP upgrade is authorized under its existing state telephone rights because the upgrade furthers the deployment of telecommunications and broadband services, and is consistent with state and federal law and in the public interest." The NY PSC determined that, unlike a company seeking to build an unfranchised cable television system, Verizon NY already has the necessary authority to use the rights-of-way to provide telecommunications service over its existing network. See Declaratory Ruling on Verizon Communication, Inc.'s Built-Out of its Fiber to the Premises Network, NY Public Service Commission, Case 05-M-0520/05-M-0247, June 15, 2005 at 4.

Verizon NY will continue to adhere to applicable lawful customary time, place and manner permitting requirements of the City.

- (4) An indication of whether Verizon NY will provide service on the same terms and conditions as contained in the existing franchise in effect.

Verizon NY will provide service on terms and conditions consistent with the needs and interests of the City and the level playing field requirement set forth in Title 16, Chapter VIII, Part 895, Section 895.3, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, in that the Verizon NY proposed franchise is comparable in its totality with the incumbent cable television provider's agreement. Verizon NY is applying for a cable television franchise in the City in order to provide the residents of the City with competitive choice.

As more fully described in Exhibit 1, Verizon NY maintains that it is constructing its FTTP network pursuant to its authority as a common carrier under Title II of the Communications Act of 1934, as amended, and Section 27 of the New York Transportation Corporations Law. For this reason and others, certain terms and conditions may differ between the incumbent cable provider's franchise and Verizon NY's franchise.

- (5) A statement of Verizon NY's experience in the cable television field including, if applicable, the names and professional experience of the persons or organizations who will be responsible for the construction, installation and operation of the proposed system.

Verizon NY and its predecessor entities have provided telecommunications services in the State of New York for over one hundred years. Consequently, Verizon NY has extensive experience and expertise in the telecommunications field. Generally, the current cable service operation of Verizon NY is similarly based on an extensive history. Specifically, Verizon NY has applied the comprehensive knowledge of current Verizon NY employees in the provision of telecommunications service, including in-depth knowledge and experience of employees who were involved in affiliated enterprises.

Verizon NY was awarded cable television franchise by the following municipalities: (1) Village of Massapequa Park (Nassau County); (2) Village of Nyack (Rockland County); (3) Village of South Nyack (Rockland County); (4) Village of Upper Nyack (Rockland County); (5) Town of Hempstead (Nassau County); (6) Village of Cedarhurst (Nassau County); (7) Town of Oyster Bay (Nassau County); (8) Village of Laurel Hollow (Nassau County); (9) Village of Grand View-on-Hudson (Rockland County); (10) Village of Lynbrook (Nassau County); (11) Town of Clarkstown (Rockland County); (12) Village of Mineola (Nassau County); (13) Village of East Rockaway (Nassau County); (14) Town of Greenburgh (Westchester County); (15) Town of Smithtown (Suffolk County); (16) Village of Irvington (Westchester County); (17) Village of Valley Stream (Nassau County); (18) Town of Huntington (Suffolk County); (19) Village of Farmingdale (Nassau County); (20) Village of Ardsley (Westchester County); (21) Village of Freeport (Nassau County); (22) Village of Dobbs Ferry (Westchester County); (23) Village of Tarrytown (Westchester County); (24) Town of Eastchester (Westchester County); (25) Town of Mount Kisco (Westchester County); (26) Village of Elmsford (Westchester County); (27) Village of Port Chester (Westchester County); (28) Village of Tuckahoe (Westchester County); (29) Town of Orangetown (Rockland County); (30) Village of Piermont (Rockland County); (31) Village of White Plains (Westchester County); (32) Village of Airmont (Rockland County); (33) Village of Williston Park (Nassau County); (34) Town of North Hempstead (Nassau County); (35) Village of Rye Brook (Westchester County); (36) Town of Haverstraw (Rockland County); (37) Village of New Hyde Park (Nassau County); (38) Village of West Haverstraw (Rockland County); (39) Town of North Castle (Westchester County); (40) Village of Chestnut Ridge (Rockland County); (41) Village of Bayville (Nassau County); (42) Village of Sands Point (Nassau County); (43) Town of Mount Pleasant (Westchester County); (44) Village of Old Field (Suffolk County); (45) Village of Mount Vernon (Westchester County); (46) Village of Spring Valley (Rockland County); (47) Village of Suffern (Rockland County); (48) Village of Scarsdale (Westchester County); (49) Village of Bronxville (Westchester County); (50) Village of Yonkers (Westchester County); (51) Village of Floral Park (Nassau County); (52) Town of Islip (Suffolk County); (53) Village of South Floral Park

(Nassau County); (54) City of New Rochelle (Westchester County); (55) Town of Cortlandt (Westchester County); (56) Village of Haverstraw (Rockland County); (57) Village of Garden City (Nassau County); (58) Village of Nissequogue (Suffolk County); (59) Village of Poquott (Suffolk County); (60) City of Peekskill (Westchester County); (61) Village of East Williston (Nassau County); (62) Village of Head of the Harbor (Suffolk County); (63) Village of Hillburn (Rockland County); (64) Village of Mill Neck (Nassau County); (65) Village of Buchanan (Westchester County); (66) Town of Newburgh (Orange County); (67) Village of Stewart Manor (Nassau County); (68) Town of Mamaroneck (Westchester County); (69) City of Rye (Westchester County) (70) Village of Centre Island (Nassau County); (71) Village of Malverne (Nassau County); (72) Village of Mamaroneck (Westchester County); (73) Village of Larchmont (Westchester County); (74) Village of Pelham Manor (Westchester County); (75) Village of the Branch (Suffolk County); (76) Village of Huntington Bay (Suffolk County); (77) Town of Ossining (Westchester County); (78) Village of Oyster Bay Cove (Nassau County); (79) Village of Sleepy Hollow (Westchester County); (80) Village of Briarcliff Manor (Westchester County); (81) Village of Ossining (Westchester County); (82) Town of Ramapo (Rockland County); (83) Village of Bellerose (Nassau County); (84) Village of Kensington (Nassau County); (85) Village of Lake Success (Nassau County); (86) Village of Munsey Park (Nassau County); (87) Village of North Hills (Nassau County); (88) Village of Plandome (Nassau County); (89) Village of Saddle Rock (Nassau County); (90) Village of Thomaston (Nassau County); (91) Village of Russell Gardens (Nassau County); (92) Village of Plandome Heights (Nassau County); (93) Village of Flower Hill (Nassau County); (94) Village of Kings Point (Nassau County); (95) Village of Great Neck Plaza (Nassau County); (96) Village of Great Neck Estates (Nassau County); (97) Village of Plandome Manor (Nassau County); (98) Village of Great Neck (Nassau County); (99) Village of East Hills (Nassau County); (100) Village of Lloyd Harbor (Suffolk County); (101) Village of Roslyn Harbor (Suffolk County), (102) Town of Wappinger (Dutchess County), (103) Village of Hamburg (Erie County), (104) Roslyn Estates (Nassau County), (105) Town of Stony Point (Rockland County) and (106) Village of Wappingers Falls (Dutchess County).

The NY PSC granted the following Orders and Certificates of Confirmation for Verizon NY's approved franchises: (1) Massapequa Park - December 14, 2005; (2) Nyack - February 8, 2006; (3) South Nyack - February 8, 2006; (4) Upper Nyack - May 18, 2006; (5) Hempstead - May 18, 2006; (6) Cedarhurst - June 22, 2006; (7) Oyster Bay - June 23, 2006; (8) Laurel Hollow - August 24, 2006; (9) Grand View-on-Hudson - August 24, 2006; (10) Lynbrook - September 21, 2006; (11) Clarkstown - September 21, 2006; (12) Mineola - September 21, 2006; (13) East Rockaway - October 19, 2006; (14) Greenburgh - October 19, 2006; (15) Smithtown - November 10, 2006; (16) Irvington - November 10, 2006; (17) Valley Stream - November 10, 2006; (18) Huntington - November 10, 2006; (19) Farmingdale - November 10, 2006; (20) Ardsley - December 15, 2006; (21) Dobbs Ferry - December 15, 2006; (22) Freeport - December 15, 2006; (23) Tarrytown - December 15, 2006; (24) Eastchester - January 19, 2007; (25) Mount Kisco - January 19, 2007;

(26) Elmsford – February 16, 2007; (27) Port Chester – March 23, 2007; (28) Tuckahoe – March 23, 2007; (29) Orangetown – April 20, 2007; (30) Piermont – April 20, 2007; (31) White Plains – May 17, 2007; (32) Airmont – May 17, 2007; (33) Williston Park – May 17, 2007; (34) Rye Brook – May 17, 2007; (35) North Hempstead – June 22, 2007; (36) West Haverstraw – June 22, 2007; (37) Haverstraw – June 22, 2007; (38) New Hyde Park – June 22, 2007; (39) North Castle – June 22, 2007; (40) Bayville – June 22, 2007; (41) Chestnut Ridge – June 22, 2007; (42) Sands Point – June 22, 2007; (43) Mount Pleasant – July 19, 2007; (44) Mount Vernon – July 19, 2007; (45) Old Field – July 19, 2007; (46) Spring Valley – July 19, 2007; (47) Bronxville – August 22, 2007; (48) Floral Park – August 22, 2007; (49) Scarsdale – August 22, 2007; (50) Islip – August 22, 2007; (51) South Floral Park – August 22, 2007; (52) Yonkers – August 22, 2007; (53) New Rochelle – September 21, 2007; (54) Haverstraw – September 21, 2007; (55) Cortlandt – September 21, 2007; (56) Nissequogue – September 21, 2007; (57) Poquott – September 21, 2007; (58) Garden City – September 21, 2007; (59) Suffern – September 21, 2007; (60) Head of the Harbor – October 18, 2007; (61) Peekskill – October 18, 2007; and (62) Hillburn – October 18, 2007; (63) Mill Neck – November 8, 2007; (64) Buchanan – November 8, 2007; (65) Newburgh – December 13, 2007; (66) Stewart Manor – December 13, 2007; (67) Rye – December 13, 2007; (68) Malverne – December 13, 2007; (69) Larchmont – December 13, 2007; (70) Pelham Manor – December 13, 2007; (71) East Williston – December 14, 2007; (72) Mamaroneck (Town) – December 14, 2007; (73) Mamaroneck (Village) – December 14, 2007; (74) Centre Island – December 14, 2007; (75) Village of the Branch – December 14, 2007; (76) Huntington Bay (Village) – January 18, 2008; (77) Ossining (Town) – January 18, 2008; (78) Oyster Bay Cove (Village) – January 18, 2008; (79) Sleepy Hollow (Village) – January 18, 2008; (80) Briarcliff Manor (Village) – January 18, 2008; (81) Ossining (Village) – January 18, 2008; (82) Bellerose – February 14, 2008; (83) Ramapo – February 14, 2008; (84) Kensington – March 19, 2008; (85) Russell Gardens – March 19, 2008; (86) Plandome Heights – March 19, 2008; (87) Great Neck Plaza – March 19, 2008; (88) Great Neck Estates – March 19, 2008; (89) Great Neck – March 19, 2008; (90) Flower Hill – March 20, 2008; (91) Kings Point – March 20, 2008; (92) Munsey Park – March 20, 2008; (93) Plandome Manor – March 20, 2008; (94) Saddle Rock – March 20, 2008; (95) Thomaston – March 21, 2008; (96) East Hills – March 21, 2008; (97) Lake Success – March 21, 2008; (98) Lloyd Harbor – March 21, 2008; (99) North Hills – March 21, 2008; and (100) Plandome – March 21, 2008.

Furthermore, other subsidiaries of Verizon Communications Inc. were awarded cable television franchises by franchising authorities in California, Delaware, Florida, Indiana, Maryland, Massachusetts, New Jersey, Oregon, Pennsylvania, Rhode Island, Texas, and Virginia.

- (6) A statement indicating whether Verizon NY or any of its principals owns or operates any other cable television system, directly or indirectly, and a statement indicating the name of any such operations and the name and address of the chief executive officer of the franchising authority in which such system or station is located.

Verizon NY does not own or operate any other cable television system, directly or indirectly.

- (7) A documented plan for financing the proposed system, which plan shall indicate specifically every significant anticipated source of capital and any and all limitations or conditions with respect to the availability of the indicated sources of capital.

Verizon NY intends to finance the construction of the FTTP system and the provision of cable services over the FTTP system through a variety of internally and externally generated funds. Verizon NY is a financially stable company which has provided telecommunications services in New York State for more than a century. Its ultimate parent company, Verizon Communications Inc., is a Fortune 20 company, a Dow 30 Industrials company, and had 2007 revenues of \$93.5 billion. A copy of The 2007 Form 10-K of Verizon Communications Inc. is attached hereto as Exhibit 4 and can be accessed via the following internet address:

http://investor.verizon.com/sec/sec_frame.aspx?FilingID=5765095

A copy of the Verizon Communications Inc. 2007 Annual Report to Shareholders can be accessed via the following internet address:

http://investor.verizon.com/financial/quarterly/pdf/07_annual_report.pdf

- (8) A statement indicating whether Verizon NY or any of its officers, directors and persons having a legal or equitable interest in 10% or more of the voting stock: (a) has ever been convicted of a crime involving moral turpitude (including criminal fraud) or is presently under indictment charging such a crime; (b) has ever been held liable by any court of competent jurisdiction in any civil action based on fraud, deceit or misrepresentation; or (c) has ever been punished or censured in any jurisdiction for any violation or attempted violation of any law, rule or order relating to cable television operations.

Verizon NY has no knowledge of any such finding of guilt toward Verizon NY, any person controlling Verizon NY, or any officer, director or major stockholder of Verizon NY.

EXHIBIT 1
*APPLICATION FOR A CABLE TELEVISION FRANCHISE
CITY OF NEW YORK/VERIZON NEW YORK INC.*

PROPOSED SERVICE OVERVIEW, PRODUCT OFFERS AND ARCHITECTURE

- Overview of Fiber to the Premises (FTTP) Deployment
- Service Overview
 - Product Offer
 - Service Delivery/Connection Method
- FTTP System Architecture
 - End-to-End Architecture
 - Wide Area Transport

Overview of Fiber To The Premises (FTTP) Deployment

Fiber to the Premises (FTTP) is a key Verizon corporate initiative to provide voice, cable television and very high speed data services. FTTP uses fiber-optic cable and optical electronics to directly link homes and many businesses to the Verizon network. The fiber network being deployed can support cable television and, where appropriate, Verizon will seek to provide cable service to customers. Key objectives include, but are not limited to, the delivery of higher customer satisfaction, superior performance (network, applications & technical support), and an installation process that surpasses the Cable, DBS and DSL experience today.

- Verizon Communications companies began deploying FTTP in twelve states in 2004. Verizon passed 9.3 million homes and businesses with FTTP in parts of seventeen states by the end of 2007.
- Cable television services deployment will be a subset that is ancillary to the voice and data FTTP services. Select FTTP-enabled wire centers will be deployed for cable service in the first instance.

Service Overview

The FTTP Network will enable provision of a feature rich and fully competitive cable television offering. The major components of the cable television services which Verizon will offer to consumers will include:

- Basic tier, including local and Public, Educational and Government (PEG) channels as requested by and as negotiated with the community
- Expanded Service tiers
- Premium channel tiers
- Pay Per View (PPV)
- HDTV channels

- Digital music channels
- Digital Video Recorder (DVR)
- Interactive programming guide (IPG)
- Inside coax cable wire installation

Product Offers

For residential customers, Verizon will initially offer Broadcast Television, High Definition TV (HDTV), Digital Video Recorders (DVR), Interactive Programming Guide (IPG) and Pay Per View (PPV) Movies and Events. The Broadcast Television offering will consist of both a Basic Service tier and an Expanded Service tier. The Basic Service tier will include local, public/educational/government (PEG) channels and select cable channels. The Expanded Service tier will include all channels carried on the Basic Service tier as well as additional cable channels, premium cable channels, Spanish language channels, international channels, digital music channels, an interactive program guide (IPG), HDTV programming (for subscribers with an HD STB) and PPV programming. Customers will be charged a monthly recurring fee for each set top box (STB) based upon model. The customer will be offered the option to upgrade STBs to include support for HDTV, or a combined HD DVR STB for additional monthly fees.

In addition to organizing and informing the customer of the programming line-up, the system is designed from its outset to be an active two-way system for subscriber interaction, if any, required for the selection or use of cable service. The IPG will support on-screen program control, parental controls, timers, search, and ordering of PPV services. Pay Per View allows subscribers to pay for and watch prescheduled programming events on an on-demand basis. PPV movies or events will be selected from the IPG. Authorization for billing will occur at the time of purchase. Events begin at pre-scheduled intervals (i.e., programming is not immediately available). Customers will purchase PPV either as discrete events or in pre-defined packages.

Service Delivery/Connection Method

Connection Method

At initial deployment, an installation and maintenance (I&M) technician will connect the Optical Network Terminal (ONT) to a central point of demarcation where a cable television I&M technician will make final connections to provide the cable television service. After the installation of the ONT, a cable television field technician will test the existing in-home coaxial cable to determine if it is technically acceptable and will connect the service. If no coaxial cable exists or the coaxial cable is unacceptable, the technician will install wiring to the first cable outlet, and will install new coaxial wiring to other locations identified by the customer at the customer's request and expense. The customer may choose to self-install such wiring, or to obtain inside wiring installation service from a third party or Verizon.

Connection Method – Set Top Box

The technician will have a set top box that will need to be installed near the TV. The technician will connect a coaxial cable from the wall outlet to the set top and another coaxial cable from the

set top box to the TV. The technician will also connect the customer's VCR and/or DVD device and check for proper operation. A fee may be charged for non-standard installations involving multiple components such as surround sound systems or other electronic equipment. This process will be followed for any boxes installed.

When a set top box is installed the technician will call the service center at which point certain services previously ordered by the customer will be activated. A remote command will be issued to the set top box in real time to turn the purchased service(s) on.

Connection Method: - PPV

The set top box provides access to the service. Customers will use their remote control to purchase the programming they desire. Purchases will appear on the monthly bill.

Equipment Changes and Re-Configurations

When a customer changes the in-home configuration (e.g., moving a set top box from one TV to another), the customer will be able to accomplish this change without reconfiguring the set top box.

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Technical Information

FTTP System Architecture

End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

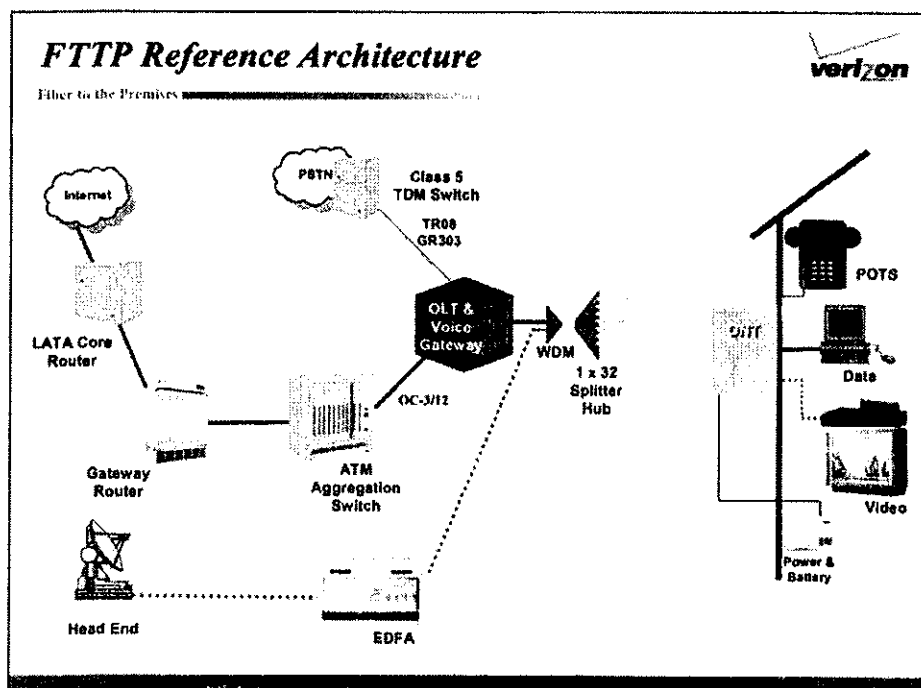
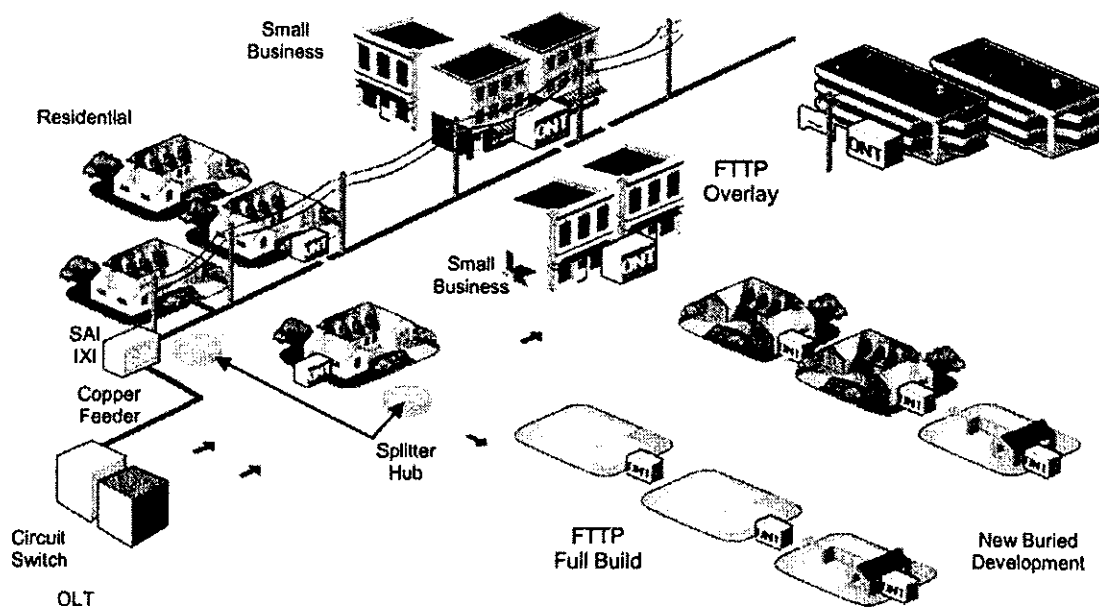


Figure 2-FTTP Full Build and Overlay Architectures



At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET and/or ROADM services. In each market where Verizon seeks to offer service, the broadcast cable television traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast cable television coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Cable television traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the cable television at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical cable television signal is de-multiplexed and converted to an electrical signal, which meets cable television industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the cable television platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

Super Headend (SHE)

A "super" headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of cable television sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET and/or ROADM, and transported via a SONET and/or ROADM transport facilities to a local point-of-presence (POP) for wide area (national) transport.

Wide Area Transport

In support of the cable television service, Verizon will use SONET and/or ROADM network facilities in the POPs serving target cable markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the cable television traffic.

In most cases, it is expected that the cable television traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the cable traffic reaches a POP located

in a target market, it will be forwarded to a SONET and/or ROADM interface connected to metro/local SONET and/or ROADM facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target market. If more than one VHO is required, the metro SONET and/or ROADM ring(s) would be deployed to cover multiple sites.

Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Cable television Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via a SONET interface from the SONET POP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO.

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical cable television signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast cable television traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

Metro Area Transport

The optical cable television signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

Video Serving Office (VSO) & Passive Optical Network (PON)

The Video Serving Office (VSO) is a location within the central office containing FTTP equipment. There are sixty-six (66) VSO's in total that will serve the City, located in each of the five boroughs – Manhattan (18); Brooklyn (18); Queens (17); Bronx (9); and Staten Island (4). If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Cable television into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical cable television signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the cable signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the cable wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and cable television electrical signal, which meets cable television industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready televisions and to STBs for digital subscribers.

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LEGAL AUTHORITY TO CONSTRUCT FIBER TO THE PREMISES

Verizon New York Inc. ("Verizon"), as a common carrier under Title II of the Communications Act of 1934 (the "Act"), is constructing its Fiber To The Premises (FTTP) network as an upgrade to its existing telecommunications network. Verizon maintains that it has the requisite authority to upgrade its network for enhanced voice and broadband services for the reasons discussed, in part, below.

Verizon maintains that it has the necessary Federal, state and local authorizations to upgrade its Title II telecommunications network, subject to customary time, place and manner permitting requirements. Specifically, Section 27 of the New York Transportation Corporations Law ("New York Telecom Law") grants Verizon the right to place its facilities upon, over or under any public streets within the State of New York. See New York Tel. Co. v. Town of North Hempstead, 41 N.Y.2d 691, 363 N.E.2d 694 (1977); New York Tel. Co. v. Village of Amsterdam, 613 N.Y.S.2d 993, 994 (App. Div. 1994) (stating that Section 27 grants "an unconditional privilege to install, maintain and repair" telephone facilities in public streets).

The Title II services to be provided over Verizon's FTTP network are not subject to Title VI of the Act or Article 11 of the New York State Public Service Law ("New York Cable Law"), which regulate cable television service. Verizon plans to utilize FTTP to offer its customers enhanced voice and broadband data services. While FTTP may give Verizon the future capability of providing video service, the network is not subject to Title VI of the Act or the New York Cable Law (including any construction requirements that may be set forth therein) unless and until the network constitutes a "cable system" as defined in Section 602(7) of the Act or a "cable television system" as defined in Section 212(2) of the New York Cable Law. This is triggered only when cable services, such as video programming, are provided to multiple subscribers within a community. As stated in Section 602(7) the Act, "the term 'cable system' ... does not include ... (C) a facility of a common carrier which is subject, in whole or in part, to the provisions of title II of this Act, except ... to the extent that such facility is used in the transmission of video programming directly to subscribers...." (emphasis added) 47 U.S.C. § 522(7)(C). See Nat'l Cable Television Ass'n v. FCC, 33 F.3d 66 (D.C. Cir. 1994) (concluding that the FCC "reasonably interpreted the Act to require that an entity obtain a cable franchise only when that entity selects or provides the video programming to be offered.") Moreover, Section 621(b)(3) of the Act (47 U.S.C. § 541(b)(3)) further specifically prohibits franchising authorities from requiring cable franchises for the provision of telecommunications service or in any way restricting or impeding the provision of such service.

Verizon maintains that it has the requisite authority as a common carrier under Title II of the Act and Section 27 of the NY Telecom Law to construct its FTTP network. It need not seek supplemental authority to construct the network. However, as provided in Title VI of the Act and the New York Cable Law, a cable franchise would be required prior to Verizon using the FTTP network to provide video programming to multiple subscribers in a local franchise area.

*Application of Verizon New York Inc. to the City of New York for a
Cable Television Franchise*
4.15.08

Furthermore, on June 15, 2005, the New York Public Service Commission ruled that Verizon does not need to obtain a cable franchise before constructing its FTTP network. The Commission found that unlike cable companies, Verizon already has the necessary authority under state law to use the public rights-of-way. Thus, the Commission concluded that Verizon has the right to upgrade its telecommunications network to make it capable of providing cable service. See Declaratory Ruling on Verizon Communication, Inc.'s Built-Out of its Fiber to the Premises Network, NY Public Service Commission, Case 05-M-0520/05-M-0247, June 15, 2005

*Application of Verizon New York Inc. to the City of New York for a
Cable Television Franchise
4.15.08*

*EXHIBIT 2
APPLICATION FOR A CABLE TELEVISION FRANCHISE
CITY OF NEW YORK/VERIZON NEW YORK INC.*

VERIZON NEW YORK INC.

VERIZON FiOS TV – NEW YORK AREA CHANNEL LINEUP

NOTE: ALL INFORMATION PROVIDED
IS FOR THE NEW YORK AREA
AND IS SUBJECT TO CHANGE FOR THE CITY

PAY PER VIEW

701 Events
702-707
ESPN NCAA Sports/
GamePlan/Full Court

LOCAL PLUS

860 NBC Weather Plus
861 The Tube Music Network
864 WRBC 4.4
866 WRBW-Fox
870 WLW 21
871 WLW One
872 13 Kids
873 WLW World

VIDEO ON DEMAND**

ALL FREE

Home & Leisure
Kids & Education
Kids
Marketplace
Music
News
People & Culture
Pop Culture
Sports
Women
En Español
Movies
International Films
Library
Movie Trailers
New Releases
En Español
Subscriptions
Chenax
HBO
Showtime
Starz
Sundance
The Movie Channel
Playboy
Herald
Knox Channel
WWE 24-7

Events
Sports
Unscripted
En Español
Adult
FIDS TV Help

FIOS® TV LOCAL

2 CBS - WCBS-TV 2
4 NBC - WRBC-TV 4
6 FOX - WFTV-TV 6
8 WRNN-TV 8
10 ABC - WABC-TV 7
12 Superstation - WGN-TV
14 My VH1-TV 8
16 WLW-TV 45
18 CW - WPD-TV 11
20 Telemundo - WLW-TV 47
22 PBS - WNET-TV 13
24 Telefe - WFTV-TV 67
26 WABC-TV 63
28 PBS - WLW-TV 21
30 PBS - WRNN-TV 50
32 Local Programming
34 NYC-TV
36 Local Programming
38 PBS - WFTV-TV 68
40 Local Programming
42 Local Programming
44 Local Programming
46 Local Programming
48 Local Programming
49 Weather Local

FIOS® TV PREMIER

60 USA Network
61 TNT
62 TBS
63 FX
64 Spike TV
66 ESPN
67 ESPN Classic Sports
68 ESPN News
69 ESPN
70 ESPN 2
71 YES
72 SportsNet NY
73 MSG
74 Fox Sports Net NY
75 Speed Channel
76 NFL Network
77 VERSUS
78 Fox Soccer Channel

FIOS® TV LOCAL

80 CHN
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Verizon FiOS® TV

New York Channel Lineup

EFFECTIVE DECEMBER 2007

FIOS® TV LOCAL

80 CHN
81 CNN
82 CNN News
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FIOS® TV PREMIER

60 USA Network
61 TNT
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63 FX
64 Spike TV
66 ESPN
67 ESPN Classic Sports
68 ESPN News
69 ESPN
70 ESPN 2
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72 SportsNet NY
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74 Fox Sports Net NY
75 Speed Channel
76 NFL Network
77 VERSUS
78 Fox Soccer Channel

FIOS® TV LOCAL

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99 CNN

FOS TV is frequently changing its channel offerings. To view our latest published channel lineup, please visit verizonfios.com/ny.

☐ FOS TV Local ☐ Arts & Entertainment ☐ Sports ☐ News & Information ☐ Lifestyle

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Pay Per View ☐ HD ☐ Local Plus

☐ VOD ☐ Local Public/Education/Government

Verizon

FIOS TV PREMIER

(continued)

- 240 BET
- 241 TV One
- 243 MTV Tds
- 244 Galavision
- 245 Max2
- 246 STV
- 247 42N Television
- 248 Bridge TV
- 249 EWTN
- 250 NIS
- 251 NIS
- 252 iLife
- 253 Clutch
- 254 JCTV
- 255 BYU
- 256 Three Angels
- 257 The West Network
- 258 Daystar
- 259 Sister of a Child
- 270 Tnti Broadcasting Network

SPORTS**

- 300 Fox College Sports - Atlantic
- 301 Fox College Sports - Central
- 302 Fox College Sports - Pacific
- 303 Tennis Channel
- 305 Golf Channel
- 307 Outdoor Channel
- 308 The Sportsman Channel
- 311 Fox Sports en Español
- 313 GOLF
- 315 TVG (Horse Racing)
- 316 Horse Racing TV
- 318 New TV
- 319 Blackbelt TV
- 321 MSG 2
- 322 Fox Sports Net NY 2

MOVIES**

- 340 Starz
- 341 Starz West
- 342 Starz Edge
- 343 Starz Edge West
- 344 Starz in Black
- 345 Starz Kids & Family
- 346 Starz Cinema
- 347 Starz Comedy
- 348 Encore
- 349 Encore West
- 350 Encore Love
- 351 Encore Love West
- 352 Encore Westerns

CHOR PREMIUMS

- 430 Playboy TV
- 431 Playboy TV en Español
- 435 New!

SPANISH LANGUAGE**

- 440 Galavision
- 442 ESPN Deportes
- 443 Fox Sports en Español
- 444 GalTV
- 446 CNN en Español
- 447 Canal SUR
- 448 TVE Internacional
- 452 History Español
- 453 Discovery en Español
- 457 MTV Tds
- 458 VH Uno
- 459 Teletel
- 462 De Pelicula
- 463 De Pelicula Clasico
- 464 Cine Latino
- 465 Cine Mexicano
- 466 La Familia
- 468 TV Chile
- 470 TV Colombia
- 472 Sonya
- 473 Toon Disney Español
- 474 Boomerang (Español)
- 475 Discovery Familia
- 477 TBN Enlace
- 478 EWTN Español

INTERNATIONAL PREMIUMS**

- 480 SBSN (Vietnamese)
- 481 CCTV4 (Mandarin Chinese)
- 482 CIL - Zhong Tian Channel (Chinese)
- 483 TV Japan
- 484 MBC (Korean)
- 485 The Filipino Channel
- 486 TV Asia
- 487 ART (Arabic)
- 488 RAI (Italian)
- 489 TV 5 (French)
- 490 TVP Polonia (Polish)
- 491 Reng A Rang (Farsi)
- 492 RTN Russian
- 493 Channel 1 Russian

PREMIUMS**

- 400 HBO
- 401 HBO West
- 402 HBO 2
- 403 HBO 2 West
- 404 HBO Signature
- 405 HBO Signature West
- 406 HBO Family
- 407 HBO Family West
- 408 HBO Comedy
- 409 HBO Comedy West
- 410 HBO Zone
- 412 HBO Zone West
- 413 HBO Latino
- 414 HBO Latino West
- 415 Cinemax
- 416 Cinemax West
- 417 More Max
- 418 More Max West
- 419 Action Max
- 420 Action Max West
- 421 Thriller Max
- 422 Thriller Max West
- 423 Women's Max
- 424 Al Max
- 425 Five Star Max
- 426 Quidmax

LA CONEXIÓN

- 500 USA Network
- 501 TNT
- 502 TBS
- 503 Galavision
- 504 FX
- 505 Spike TV
- 506 ESPN Deportes
- 511 YES
- 512 SportsNet NY
- 513 Fox Sports en Español
- 514 Fox Soccer Channel
- 515 MSG
- 516 GoTV
- 517 Fox Sports Net NY

- 518 CNN en Español
- 519 CNN
- 520 CNN Headline News
- 521 Fox News
- 522 CNBC
- 524 C-SPAN
- 525 Canal SUR
- 529 TVE Internacional
- 530 History Español
- 531 Discovery Channel
- 532 Discovery en Español
- 534 Animal Planet
- 535 TLC (The Learning Channel)
- 537 Lifetime
- 538 Lifetime Movie Network
- 540 QVC
- 541 HSN
- 543 Shop NBC
- 545 Discovery Health
- 546 Infinito
- 550 Food Network
- 551 HGTV (Home & Garden Television)
- 552 Travel Channel
- 555 El Entertaiment Television
- 556 A&E
- 557 Sci TV
- 558 Min2
- 559 Comedy Central
- 560 Sci-Fi Channel
- 562 MTV Tr3s
- 563 MTV2
- 564 Teletel
- 565 VH Uno
- 566 CMT
- 569 De Pelicula
- 570 De Pelicula Clasico
- 571 Cine Mexicano
- 572 Cine Latino

- 574 ABC Family
- 575 La Familia
- 576 TV Chile
- 577 TV Colombia
- 578 TV Lund
- 580 Nickelodeon
- 581 Disney en Español
- 582 Toon Disney Español
- 583 Boomerang (Español)
- 584 Cartoon Network (Español)
- 585 Sorpresa
- 586 Discovery Familia
- 588 TBN Enlace
- 589 EWTN Español

MUSIC CHOICE

- 600 Sounds of the Seasons
- 601 Today's Country
- 602 Classic Country
- 603 Bluegrass
- 604 Hip-Hop and R&B
- 605 Classic R&B
- 606 R&B Soul
- 607 R&B Hits
- 608 Rap
- 609 Metal
- 610 Rock
- 611 Anna Rock
- 612 Classic Rock
- 613 Adult Alternative
- 614 Alternative
- 615 Retro-Active
- 616 Electronica
- 617 Dance
- 618 Life Hits
- 619 Adult Top 40
- 620 Hit List
- 621 Kid Only!
- 622 Party Favorites
- 623 Showcase
- 624 '90s
- 625 '80s
- 626 '70s
- 627 Solid Gold Oldies
- 628 Smooth Jazz
- 629 Jazz
- 630 Blues
- 631 Reggae
- 632 Soundscapes
- 633 Easy Listening
- 634 Big Band & Swing
- 635 Singers & Standards
- 636 Show Tunes
- 637 Contemporary Christian
- 638 Gospel
- 639 Classical Masterpieces
- 640 Light Classical
- 641 Pop Latino
- 642 Musica Urbana
- 643 Salsa y Meringue
- 644 Mexicana
- 645 Rock en Español
- 646 Opera

*A Spanish-language Secondary Audio Program (SAP) is available for selection.

**Subscription to corresponding premium channels and packages required.

***HBO or Cinemax subscription includes Independent Film Channel.

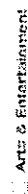
Programming services offered within each package are subject to change, and not all programming services will be available at all times. Blackout restrictions also apply.



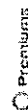
Lifestyle



Sports



Arts & Entertainment



Premiums

News & Information

Music Choice/Urge Radio

VERIZON NEW YORK INC.

VERIZON FiOS TV – NEW YORK RATES & PACKAGES

NOTE: ALL INFORMATION PROVIDED
IS FOR THE NEW YORK AREA
AND IS SUBJECT TO CHANGE FOR THE CITY

1. In all-digital service areas, FIOS TV Local requires a Digital Adapter or Set Top Box and Router for access. Listed monthly price does not include Digital Adapter or Set Top Box fees.

2. If service is cancelled within the first 12 months, Router must be returned or \$99.99 equipment fee applies.

3. In order to be eligible for Movies or Sports, FIOS TV Premier or La Conexión is required. The Spanish Language package cannot be combined with La Conexión. 30-day minimum billing period required for all Packages.

4. 30-day minimum billing period required for all Premiums.

5. A service repair visit charge is assessed when a technician visit is required for general service education, to repair problems related to in-home wiring, or to connect or reconnect the service to customer-owned equipment. A service visit charge is not assessed when a technician visit is required to install or retrieve a Set Top Box or when the repair or maintenance is related to the service itself or Verizon-owned equipment.

Service/program availability varies by location and the number of channels within each package is an approximation. Pricing applies to residential use only within the United States and is subject to change. Taxes, franchise fees and other terms apply. FIOS TV customers purchasing Verizon voice service receive both services over fiber. Non-IP voice service comes with up to 8 hours battery backup.

FiOS®

Rates & Packages



It's the Network

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CCF70038-TV-01/08

Verizon FIOS

TV | Internet | Phone



Here's everything you need to create your perfect Verizon FIOS® TV package. First, choose your service. Then, add to it from our selection of digital packages and premium channels below.

Refer to the Channel Lineup for a complete listing of the channels included in each package.

Service	Number of Channels	Monthly Price
FIOS TV Local ¹	15-35	\$12.99
Digital Service (Requires Set Top Box [STB] and Router ²)		
FIOS TV Premier	228 + FIOS TV Local	\$47.99
La Conexión	162 + FIOS TV Local	\$37.99

Now, add more channels for just a few dollars more.

Packages ³ (Requires STB)	Number of Channels	Monthly Price
Sports	13	\$7.99
Movies	45	\$14.99
Spanish Language	25	\$11.99

Premiums ⁴ (Requires STB)	Number of Channels	Monthly Price
HBO ⁵	14	\$15.99
Cinemax ⁶	12	\$15.99
Playboy TV ⁷ /Playboy TV en Español here!	2	\$16.99
	1	\$7.99

International Premiums ⁸ (Requires STB)	Number of Channels	Monthly Price
International Premium Channels	14	Individually Priced

Video On Demand (VOD) and Pay Per View (PPV) (Requires STB)	Price
On Demand Movies	
New Releases & Library	Varies
On Demand Adult	Varies

On Demand Subscriptions	Price
WWE 24/7	\$9.99/mo.
Karaoke	\$7.99/mo.
PPV Events	Varies
PPV Sports	Varies
ESPN GamePlan — NCAA Football	Varies
ESPN FullCourt — NCAA Basketball	Varies

Set Top Box (STB)	Monthly Price
Cable Card	\$3.99
Digital Adapter	\$3.99
Standard Definition (SD)	\$5.99
High Definition (includes HD channels)	\$9.99
Standard Definition Digital Video Recorder	\$12.99
High Definition Digital Video Recorder (includes HD channels)	\$15.99
SD Home Media DVR (features Multiroom DVR & Media Manager)	\$17.99
HD Home Media DVR (features Multiroom DVR & Media Manager)	\$19.99

Initial Installation	One-Time Charges
Existing Outlet Hookup (up to 3)	No Charge
Additional Outlet/Set Top Box Hookup (per existing outlet)	\$19.99
New Outlet Install/Existing Outlet Rewire (per outlet)	\$54.99
Outlet Relocation (per outlet)	\$54.99
FIOS TV Activation Fee with FIOS TV/Internet/Voice Bundle	Free
FIOS TV Activation Fee with FIOS Internet	\$19.99
FIOS TV Activation Fee without FIOS Internet	\$29.99

Subsequent Installations/Charges	One-Time Charges
New Outlet Installation/Outlet Relocation (per outlet)	\$54.99
Set Top Box Installation/Retrieval (one new/relocated outlet included, if required)	\$79.99
Set Top Box Addition (Self-Install)	Free
Set Top Box Return with equipment drop-off at Verizon authorized locations/UPS location with prepaid mailer	Free
Service Repair Visit Charge ⁹	\$79.99

Other Services and Charges	One-Time Charges
Seasonal Service Suspension (charged at initiation, 1-6 months) ¹⁰	\$24.99
Replacement Remote	\$6.99 + Shipping & Handling
Unreturned/Damaged — Cable Card	\$100.00
Unreturned/Damaged STB — Digital Adapter	\$175.00
Unreturned/Damaged STB — Standard Definition	\$240.00
Unreturned/Damaged STB — High Definition	\$350.00
Unreturned/Damaged STB — SD Digital Video Recorder (DVR)	\$475.00
Unreturned/Damaged STB — HD Digital Video Recorder (DVR)	\$550.00

*Application of Verizon New York Inc. to the City of New York for a
Cable Television Franchise
4.15.08*

*EXHIBIT 4
APPLICATION FOR A CABLE TELEVISION FRANCHISE
CITY OF NEW YORK/VERIZON NEW YORK INC.*

VERIZON NEW YORK INC.

VERIZON FINANCIALS – 2007 SEC 10K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark one)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR

- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

23-2259884
(I.R.S. Employer
Identification No.)

140 West Street
New York, New York
(Address of principal executive offices)

10007
(Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<u>Common Stock, \$.10 par value</u>	<u>New York, Philadelphia, Chicago, London, Swiss, Amsterdam and Frankfurt Stock Exchanges</u>

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

At June 29, 2007, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately \$123,306,030,000.

At January 31, 2008, 2,870,955,142 shares of the registrant's common stock were outstanding, after deducting 96,654,977 shares held in treasury.

Documents incorporated by reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2007 (Parts I and II).

Portions of the registrant's Proxy Statement prepared in connection with the 2008 Annual Meeting of Shareowners (Part III).

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PART I

Item 1. Business

General

Verizon Communications Inc. (Verizon) is one of the world's leading providers of communications services. Formerly known as Bell Atlantic Corporation, we were incorporated in 1983 under the laws of the State of Delaware. We began doing business as Verizon Communications on June 30, 2000 following our merger with GTE Corporation. We completed our merger with MCI on January 6, 2006, and its operations are now part of our wireline business. Stressing diversity and commitment to the communities in which we operate, we have a highly diverse workforce of approximately 235,000 employees.

Our principal executive offices are located at 140 West Street, New York, New York 10007 (telephone number 212-395-1000).

We have two primary reportable segments, Wireline and Domestic Wireless, which we operate and manage as strategic business segments and organize by products and services. These segments and principal activities consist of the following:

Wireline	Wireline communications services include voice, Internet access, broadband video and data, next generation Internet protocol (IP) network services, network
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	access, long distance and other services. We provide these services to consumers, carriers, businesses and government customers both domestically and internationally in 150 countries.
Domestic Wireless	Domestic Wireless's products and services include wireless voice, data products and other value-added services and equipment sales across the United States.

The following portions of the 2007 Verizon Annual Report to Shareowners are incorporated into this Report:

- "Overview" on pages 18 through 19;
- "Segment Results of Operations" on pages 23 through 27 and in Note 17 to the Consolidated Financial Statements on pages 66 through 68; and,
- "Discontinued Operations" and "Extraordinary Item" included in "Consolidated Results of Operations" on page 23.

Wireline

Background

Our Wireline segment comprises two strategic units, Verizon Telecom and Verizon Business. In 2007, Wireline revenues were \$50,316 million, representing approximately 54% of Verizon's aggregate revenues. Our Wireline segment is not dependent on any single customer.

- Verizon Telecom provides voice, video and data services to residential and small business customers in 28 states and Washington D.C. Verizon Telecom operates a Fiber-to-the-Premises (FTTP) network under the FiOS service mark. This advanced fiber-optic network offers sufficient bandwidth for voice, data and video services and is designed to handle future broadband and video applications as they are developed. FiOS allows us to offer our customers fast, reliable broadband access speeds and high definition video with exceptional clarity and vividness, as well as digital voice services.
- Verizon Business provides voice, data, Internet communications, next-generation IP network and Information Technology (IT) products and services to medium and large businesses and government customers both domestically and internationally.

In the discussion that follows, revenue amounts for each of the Wireline units exclude intrasegment eliminations of \$2,846 million.

Operations

Verizon Telecom

Verizon Telecom offers a broad array of telecommunications services, including voice, video and data, network access, long-distance and other communications products and services to our residential and small business customers. We have organized Verizon Telecom into three marketing units which operate across our telephone subsidiaries and focus on specific customer market areas.

Mass Markets offers broadband and voice services to residential and small business customers. Broadband services include High Speed Internet (DSL) and FiOS data and television services. Voice services include long distance services, including calling cards, 800/888 and operator services, as well as value-added services, such as voicemail, call waiting and caller identification. In 2007, Mass Markets revenues were \$21,978 million, representing approximately 44% of Wireline's aggregate revenues. Mass Market revenues were derived primarily from providing telecommunications services to residential users.

Wholesale markets our long distance and local exchange network facilities for resale to interexchange carriers, competitive local exchange carriers (CLECs), wireless carriers and Internet Service Providers

(ISPs). Wholesale services include switched access products, high-capacity data products, unbundled network elements (UNEs) and interconnection services. In 2007, Wholesale

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revenues were approximately \$8,086 million, representing approximately 16.1% of Wireline's aggregate revenues. Approximately 72% of Wholesale revenues were derived from interexchange and wireless carriers. The remaining revenues principally came from CLECs, which resell network connection to their own customers.

Other service offerings include operator services, public (coin) telephone, as well as dial around services including 10-10-987, 10-10-220, 1-800-COLLECT and prepaid phone cards. In 2007, revenues from these other services were \$1,862 million, representing approximately 3.7% of Wireline's aggregate revenues.

Verizon Business

Verizon Business offers medium and large business and government customers in the United States and around the world advanced voice, data, security, and wireless solutions. Verizon Business derives 85% of its revenue from United States operations. Verizon Business provides services to over 70,000 enterprise businesses and government agencies, including 97% of the Fortune 500 companies. We have organized Verizon Business into three marketing units that focus on specific customers.

Enterprise Business offers voice, data and Internet communications services to medium and large business customers, including multi-national corporations and state and federal governments. Enterprise Business also provides value-added services intended to make communications more secure, reliable and efficient. Enterprise Business provides managed network services for customers that outsource all or portions of their communications and information processing operations and data services such as Private IP, Ethernet, Private Line, Frame Relay and ATM services, both domestically and internationally. Enterprise Business revenues in 2007 were \$14,677 million, representing approximately 29% of Wireline's aggregate revenues.

Wholesale markets domestic and international voice, data and IP services over its global network to carriers and service providers, some of whom may compete directly with Verizon at the retail level. These customers purchase services on a wholesale basis so that they can transport voice, data and IP traffic without having to build their own infrastructure. In 2007, total Wholesale revenue was \$3,345 million, representing approximately 6.6% of Wireline's aggregate revenues.

Our *International and Other* operations serve retail and wholesale customers, including enterprise businesses, government entities and telecommunications carriers outside of the United States, primarily in Europe, the Middle East, Africa, the Asia Pacific region, Latin America and Canada. These operations provide telecommunications services, which include voice, data services, Internet and managed network services. Our revenues from International and Other were \$3,214 million, representing 6.4% of Wireline's aggregate revenues in 2007.

Competition

The wireline telecommunications industry is highly competitive. We expect competition to further intensify with traditional, non-traditional and emerging players seeking to capture a larger market share as boundaries between products continue to converge. Current and potential competitors include cable companies, wireless service providers, other domestic and foreign telecommunications providers, satellite television companies, Internet service providers and other companies that offer network services and managed enterprise solutions. Many of these companies have a strong market presence, brand recognition, and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth.

We believe that cable operators represent the largest overall threat to our wireline business. Cable operators have increased the size and digital capacity of their networks so that they can offer more digital products and services. We continue to market competitive bundled offerings that include high-speed Internet access, digital television and voice services. Several major cable operators also offer bundles with wireless services through strategic partnerships or alliances.

Wireless substitution has been an ongoing competitive trend which we expect to continue, as wireless companies position their service as a landline alternative. We also face increasing competition from companies that provide Voice over Internet Protocol (VoIP) services. These services use the Internet or private broadband networks to transmit voice communications. VoIP services are available from a wide range of companies including cable companies, national VoIP providers and regional service providers. Internet portal providers are also entering our competitive space, offering free or inexpensive voice calling from instant messaging clients, encouraging video bypass by offering and enabling video content to PCs, selling content and applications such as gaming, music and business productivity tools and obtaining advertising revenues from web-based directory assistance and Internet search services.

As a result of the Telecommunications Act of 1996, which requires us to allow potential competitors to purchase our services for resale, or access components of our network on an unbundled basis (UNEs) at a prescribed cost, competition in our local exchange markets continues to increase. Our telephone operations generally have been required to sell their services to CLECs at significant discounts from the prices our telephone operations charge their retail customers. The scope of these obligations going forward and the rates we receive, are subject to ongoing review and revision by the Federal Communications Commission (FCC) and state regulators. See "Regulatory and Competitive Trends" in the 2007 Verizon Annual Report to Shareowners.

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We believe the following are the most important competitive factors and consumer trends in the wireline industry:

Network bandwidth (speed): As both consumers and small business customers look to do more online and leverage high speed connections for entertainment, communications, and productivity, we expect broadband penetration will continue to increase over the next several years, although at a slower rate due to market maturity. As online and online-enabled activities increase, so will bandwidth requirements, both downstream and upstream. To succeed, Verizon and other network-based providers must ensure that their networks can deliver against these increasing bandwidth requirements. We are continuing to build out our FiOS network to be able to meet the future demands of our residential and business customers.

Pricing: Pricing will be a significant factor in two key areas. First, in the competition between cable and telecommunications companies, pricing will be used to capture market share from incumbents. Second, pricing is significant as non-traditional modes of providing communication services emerge and redefine existing categories. Portal-based and VoIP calling is free or nearly free to customers and is often supported by advertising revenues. Customers will be increasingly exposed to these dramatically reduced prices and this will place increasing pressure on traditional communications services.

Product differentiation: As a result of pricing pressures, providers will need to differentiate their products. Verizon believes that there are many market trends that provide potential opportunities. Customers are shifting from an access to an applications mindset and are focused on how they can leverage their broadband and video connections. Personalization and increased mobility are critical, enabling customers to obtain products and services on demand. Converged feature sets, such as integrated wireless and wireline functionality, are becoming similarly important, enabled by both customer demand and technological advancement.

Distribution channel reach: As products are becoming more experiential, customers are requiring a "hands-on" demonstration before they make a purchase commitment. One way for us to satisfy this customer need is through the use of a retail store presence. Competitors are offering their products through both their own internal channels such as the Internet and call centers, and also by partnering with retailers to showcase products. Small business customers require more and more hands-on consultation, and we are aligning our channel mix to address this need.

Network

As of December 31, 2007, our wireline network included more than 41 million wireline access lines, 8.2 million broadband connections and 943,000 FiOS TV customers nationwide. Our business strategy is to be the premier broadband and entertainment service provider in the mass market, while maintaining the level of network reliability currently provided by our telephony network. We are executing on this strategy by deploying FTTP access technologies that replace copper loop facilities with fiber optic cables. FTTP provides the highest possible bandwidth to the customer premise, based on current technology. The FTTP deployment also allows us the flexibility to more easily adapt our facilities to future product development. New optical terminals can be added to the FTTP network, providing greater bandwidth and new services without any additional field construction. To further differentiate our network, we began deploying Gigabit Passive Optical Network (GPON) technology in 2007. GPON technology will continue to support the services we offer today, while allowing for the introduction of new services through improved downstream and upstream capacity.

In conjunction with the evolution of our access plant, we are also transitioning our metro (local) network infrastructure from traditional TDM/SONET (Synchronous Optical Network)/ATM technologies to Ethernet over Dense Wavelength Division Multiplexing (DWDM). In 2007 we began to deploy Reconfigurable Optic Add Drop Multiplexer (ROADM) nodes in the transport network. As a result, the new optical transport network provides features optimized for video distribution services and high speed data services, while maintaining the level of network reliability achieved with SONET.

To fully leverage this new network infrastructure and allow for the more efficient sharing of our network across services, we are upgrading our multiplexing and routing infrastructure to use IP, Ethernet and MPLS (Multi Protocol Label Switching) technologies. In addition, we are migrating from traditional TDM-based voice switching to VoIP. This migration lowers the lifecycle cost of current data and voice services and creates a network which can offer future multi-media communications services by adding service platforms without requiring widespread network upgrades. In keeping with our strategy of leading in network reliability, our service infrastructure utilizes our managed, Quality of Service-enabled resilient IP network rather than the Internet.

We advanced our goal of becoming a leading IP Services provider to the global business market by acquiring one of the most expansive IP networks in the world through the MCI merger in 2006. In 2007, we focused on growing our Ethernet infrastructure to support the full range of Ethernet private line and E-LAN services locally, domestically and globally. To lower the access cost and provide significant services flexibility, we are using a converged packet access strategy that replaces the private circuit-based customer access and aggregates traffic from multiple customers onto a shared Ethernet and MPLS network. We have also focused on the expansion of the Private IP network (PIP) to serve all key international markets with managed Quality of Service (QoS)-aware IP Virtual Private Network (VPN) services. Verizon's Public IP network is now interconnected to PIP through Security Gateway platforms that allow business customers to extend the reach of their private virtual networks to 'off-net' sites, such as employees' homes, small branch offices and mobile work forces. These enhancements extend our IP-services reach across the globe.

We continue to focus on emerging optical transport technologies and expansion of our network to lower overall cost. We are integrating Ethernet, SONET and Optics, and Ultra Long Haul technologies. In addition, we are deploying a new, next generation undersea cable technology through the Trans-Pacific Express (TPE) connecting the west coast of the United States to China, Korea and Taiwan.

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Wireline Offerings

Verizon Telecom's strategy is to be the customer's first choice for communications and entertainment services. We offer a variety of packages for these services that we believe are competitively priced.

Voice Services: We offer packages that include local exchange services, regional and long distance services, VoIP services, wire maintenance, as well as voice messaging and value-added services. Value-added services expand the utilization of our network and include products such as Caller ID, Call Waiting and Return Call. In 2007 we also began offering in most markets a new calling plan that bundles landline and wireless services, with calling features and unlimited calling between a customer's home phone and wireless handset, all on a single bill.

Data Services: We offer high speed DSL and FiOS broadband data products with varying downstream and upstream processing speeds. In 2007 we introduced a new, symmetrical FiOS Internet service with download and upload speeds of up to 20 Mbps. Our data packages include technical support, anti-virus and spam protection, and email online storage.

Video Services: We offer FiOS TV, Verizon's fiber-optic video service, and a variety of DIRECTV packages that are delivered over satellite systems. FiOS TV provides access to more than 200 all-digital channels and up to 31 high definition channels and now is available to more than 5 million homes across 13 states: New York, New Jersey, California, Delaware, Texas, Florida, Maryland, Pennsylvania, Indiana, Massachusetts, Virginia, Rhode Island and Oregon. Innovative features that differentiate FiOS TV from the competition include:

- *Channel Line-up* – We designed the channel line-up with the viewer in mind, grouping channels by category so viewers can easily find all of the shows within a particular genre.
- *High Definition Content* – We offer up to 31 channels in high definition with exceptional clarity and vividness and clear digital sound (Dolby 5.1) enabled by the fiber network.
- *Video on Demand* – We offer access to as many as 10,000 movies and shows via subscription, transactional and free on-demand programming, including high definition video on demand.
- *Interactive Media Guide* – Our FiOS TV guide helps customers quickly and easily find content from television listings, video on demand catalogs and their own personal music and photo files.
- *Home Media DVR* – Our multi-room digital video recorder also includes the Interactive Media Guide.
- *FiOS TV Widgets* – Viewers get one-touch, on demand access to local weather, traffic and community information, shown at the bottom of the television screen.
- *Personalized Settings and Controls* – Parents can manage the content received on their televisions.

Verizon Business products may be classified under either Core or Strategic Services. Core services comprise 76% of Verizon Business revenue and include traditional voice and data services, as well as the sale, installation, and maintenance of customer premises equipment (CPE). The market for these services is declining as customers migrate to newer technologies.

Core Services : Verizon has the experience, reliability, and product depth to support voice solutions globally. Core Services provide a comprehensive product portfolio and a convergence plan for present and future VoIP services. Core Data services include Frame Relay, ATM, and Private Line access technologies. Additionally, Verizon Business provides CPE and value added services such as installation, maintenance, and site services and supports a wide variety of technology partners in both the voice and data arenas.

Strategic Services: Strategic Services comprise 24% of Verizon Business revenue. Our service offerings can be grouped into three main categories: IP and data services, including connectivity to the Internet; managed IT and professional services, including security; and advanced voice services. Verizon Business

offers IP Services, including IP Contact Center solutions, Internet, IP Communications, Private IP (MPLS), and Secure Gateway services. With professional services personnel in more than 30 countries to assist customers in adopting new IT solutions, including application management, infrastructure services, unified communications, contact center solutions, and security and business continuity services, Verizon Business seeks to transform the way enterprises operate today.

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Customers can choose to purchase customized packages of services, which they can manage internally or we can manage for them. These services include:

- *Private IP* – Our fastest growing service around the world, MPLS – based solutions, enable customers to securely leverage the efficiency, performance and value of IP. MPLS solutions increase the speed of network traffic as it travels over various platforms – IP, ATM and Frame Relay.
- *Managed Services* – Offers companies the opportunity to realize the simplicity, efficiency and total cost-of-ownership savings of outsourcing the management of their networks, security, remote access, and web applications.
- *Enterprise Mobility* – Enables customers to remotely access the power of our global IP network and leverage wireless applications.
- *Applications Hosting* – Offers housing and managing of corporate software applications and provides content delivery for customers.
- *Customer Service Management* – Provides tools that improve the customers' experience and increases call center efficiency and productivity.
- *Security* – Provides integrated solutions to help companies secure their networks and data.

Domestic Wireless

Background

Our Domestic Wireless segment, primarily includes Cellco Partnership doing business as Verizon Wireless (Verizon Wireless), which is a joint venture formed in April 2000 by the combination of the United States wireless operations and interests of Verizon and Vodafone Group Plc (Vodafone). Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45%.

Operations

Verizon Wireless provides wireless voice and data services across one of the most extensive wireless networks in the United States. Verizon Wireless is the largest domestic wireless carrier in terms of total revenue and the most profitable, as measured by operating income. We believe, based on publicly available information, that Verizon Wireless has the largest base of retail customers, that is, customers who are directly served and managed by Verizon Wireless and who buy its branded services.

Competition

There is significant competition in the wireless telecommunications industry. Other wireless providers, including other cellular and PCS operators and resellers, also serve each of the markets in which we operate. We currently compete primarily against three other national wireless service providers: AT&T (formerly Cingular), Sprint Nextel and T-Mobile USA. In many markets we also compete with regional carriers, such as ALLTEL, US Cellular, Leap and MetroPCS. Competition may increase due to ongoing

industry consolidation, if smaller, stand-alone wireless providers transfer licenses to larger, better capitalized and more experienced wireless providers. Resellers, sometimes referred to as Mobile Virtual Network Operators, who buy bulk wholesale services from facilities-based carriers for resale, provide yet another set of differentiated competitors in the marketplace.

We expect competition for both customers and network usage to intensify for several reasons: the higher penetration levels that currently exist in the industry; the development and deployment of new technologies; the introduction of new wireless and fixed line products and services; new market entrants; the availability of additional spectrum, both licensed and unlicensed; and regulatory changes. For example, we face increased competition from the use of other high-speed wireless technologies, such as Wi-Fi and WiMAX, which are being deployed to meet the growing customer appetite for wireless communications. In addition, some cable companies have partnered with wireless carriers, acquired wireless spectrum and introduced wireless offerings in some of their markets. We are also experiencing competition from providers of fixed line VoIP services, which displace in-building usage from cellular/PCS carriers. Additionally, as wireless data use increases, content is becoming an increasingly significant factor in the appeal of these services. This may give content providers and other participants in the wireless value chain opportunities for increased leverage and/or opportunities to compete for wireless data revenues.

We believe that the following are the most important competitive factors in our industry:

- *Network Reliability, Capacity and Coverage.* Lower prices, improved service quality and new service offerings have led to increased network usage. As a result, the ability to keep pace with network capacity needs and offer highly reliable national coverage through one's own network is important. We have an extensive national network, and we continue to look for expansion opportunities through the build-out of existing licenses, acquisitions and/or spectrum leasing. We own licenses that cover much of the country but we expect to continue making significant investments to expand our capacity, extend our coverage area and maintain and improve the reliability of our network. Our major competitors also have these needs and they are addressing them in a similar manner.

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- *Pricing .* Service and equipment pricing is an important area in which wireless carriers compete, as evidenced by recent increases in the marketing of minutes-sharing plans, free mobile-to-mobile calling, as well as offerings of larger bundles of included minutes at price points with no roaming or long distance charges. We seek to compete in this area by offering our customers services and equipment that they will regard as the best value for the cost.
- *Customer Service .* Continued high quality customer service is essential to attract new customers and retain existing customers. We believe that the quality of our customer service is a key factor in retaining our customers and in attracting both new-to-wireless customers and customers of other carriers who want to switch their wireless service. Our competitors also recognize the importance of customer service and are also focusing on improving the customer experience.
- *Product Differentiation .* As wireless technologies develop and wireless broadband networks expand, continued customer and revenue growth will be increasingly dependent on the development of new and differentiated products and services. We are committed to providing customer solutions through the development and rapid deployment of new and innovative products and services developed both internally and in collaboration with application service providers. In order to expand the availability of a wide range of devices for customers, by the end of 2008 customers will have the option to use wireless devices on our nationwide wireless network that are not provided by Verizon Wireless but otherwise meet Verizon Wireless technical standards.
- *Sales and Distribution .* Key to achieving sales success in the wireless industry is the reach and quality of sales channels and distribution points. We believe that the optimal mix of direct, indirect and

wholesale distribution channels is an important ingredient in achieving industry-leading profitability. A goal of our distribution strategy is to increase sales through our company-operated stores and our outside sales team, as well as through telemarketing and web-based sales and fulfillment capabilities. Supplementing this is an extensive indirect distribution network of retail outlets and prepaid replenishment locations, original equipment manufacturers and value-added distributors, as well as various resellers who buy our service on a wholesale basis.

Our success will depend on our ability to anticipate and respond to various factors affecting the industry, including the factors described above, as well as new technologies, new business models, changes in customer preferences, regulatory changes, demographic trends, economic conditions, and pricing strategies of competitors.

Network

A key part of our business strategy is to provide the highest network reliability, which we believe is a key differentiator in the United States market and a driver of customer satisfaction. We will continue to expand and upgrade our network to provide sufficient capacity and superior coverage throughout our licensed area so that our customers can enjoy high-quality, reliable service. In addition, we will continue to explore strategic opportunities to expand our overall national coverage through selective acquisitions of wireless operations and spectrum licenses. Also, as part of our initiative to provide customers with the option of using wireless devices not provided by Verizon Wireless on our nationwide wireless network (see "Domestic Wireless – Competition – Product Differentiation"), in early 2008, we will publish the technical interface standards that the development community will need in order to design such devices.

Our network is among the most extensive in the United States, with licensed and operational coverage in 49 of the 50 largest metropolitan areas. Our existing network covered a population of approximately 263 million and provided service to 65.7 million customers as of December 31, 2007.

Network Technology

Our primary network technology platform is CDMA, based on spread-spectrum digital radio technology. 1XRTT technology is deployed in virtually all of our cell sites nationwide. In 2004, we began deploying EV-DO (Revision 0), a 3G packet-based technology intended primarily for high-speed data transmission. In 2007, we expanded our EV-DO footprint, covering a population of approximately 242 million as of December 31, 2007. In addition, we deployed EV-DO (Revision A) throughout this footprint, which allows for even faster data speeds than Revision 0.

We plan to develop and deploy our fourth generation mobile broadband network using long term evolution (LTE) technology developed within the Third Generation Partnership Project standards organization. We believe that LTE will provide us with a unique opportunity to adopt an access platform with global scale and compatibility with other technologies. The technology is designed to deliver mobile data networks with higher speed and throughput performance, lower latency, improved efficiencies and global roaming.

Spectrum

We have licenses to provide mobile wireless services on the 800-900 MHz, the 1800 -1900 MHz and on the 1700 and 2100 MHz portions of the radio spectrum. Collectively, these licenses cover territories in which approximately 295 million people, or approximately 99% of the estimated United States population, reside. The 800-900 MHz portion is used to provide digital cellular voice and data services and it was also used to provide analog service in our cellular markets. However, as of February 18, 2008, the FCC no longer requires cellular carriers to provide analog service. We are currently shutting down our analog service and expect the shutdown to be complete in virtually all of our markets by the end of the first quarter of 2008. We use the 1800-1900 MHz portion of the spectrum to provide digital PCS voice and data services, and we intend to use the 1700 and 2100 MHz portions to deploy advanced wireless broadband services.

We anticipate that we will need additional spectrum to meet future demand and that we can meet such needs by purchasing licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC. The FCC began conducting an auction of

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spectrum in the 700 MHz band on January 24, 2008. This spectrum is currently used for UHF television operations but by law those operations must cease no later than February 17, 2009. We filed an application on December 3, 2007, to qualify as a bidder in this auction, and on January 14, 2008, the FCC announced that we and 213 other applicants had qualified as eligible to bid in the auction. The FCC determined that bidding in this auction will be "anonymous," which means that prior to and during the course of the auction(s), the FCC will not make public any information about a specific applicant's upfront deposit or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in the auction.

Wireless Offerings

We believe that increasing the value of our service offerings to customers will help us to retain our existing customers, attract new customers and increase customer usage, all of which will, in turn, drive revenue and net income growth.

Our service packages are designed around key customer groups, from the young adult market to multinational business accounts. We tailor our wireless services, which include both voice and data offerings, and postpaid and prepaid pricing options, to the needs of these customers.

Wireless Services

Voice services. We offer a variety of packages for voice services with features and competitive pricing plans that are predominantly offered on a postpaid basis with a contract term. Specifically, we offer our Nationwide Calling Plans, which provide a choice in amounts of bundled minutes together with no roaming or long distance charges for calls on our preferred network; family/small group and shared minute plans for multiple-user households and small businesses; and plans targeted to business accounts with over 100 lines and national accounts with over 1,000 lines. In addition, we offer a national prepaid product that enables individuals to obtain wireless voice services without a long-term contract by paying in advance.

Data services. We believe that we are in a strong position to take advantage of the growing demand for wireless data services. Our strategy is to continue to expand our wireless data, messaging and multi-media offerings for both consumer and business customers.

We offer an array of data transmission and content services, such as:

- *NationalAccess/BroadbandAccess* . We offer our NationalAccess service, which enables applications such as e-mail, enterprise applications, image downloads and full browsing capabilities for laptop computer users. In addition, in areas where our network provides EV-DO coverage, we offer our BroadbandAccess service, which provides faster speeds on those applications and enables the provisioning of enhanced data applications that can operate at broadband speeds.
- *Text and Picture Messaging* . With compatible wireless devices, our customers can send and receive text messages, as well as still pictures and full-motion video clips with sound.
- *V CAST* . Our V CAST Video service enables customers to access daily-updated videos from leading content providers of news, weather, sports and entertainment programming in areas covered by our EV-DO network. Our V CAST Music service enables customers to download music either directly to their V CAST Music-enabled handsets or to their personal computers. In addition, our V CAST MobileTV service provides customers in select markets the ability to access television programming such as news, sports, music and comedy through the use of TV-enabled handsets.
- *Get It Now* . Our Get It Now service enables our customers to download hundreds of applications to their handsets, including ringtones, games and wallpaper images .

- *Mobile Web* . Our *Mobile Web* service offers our customers access to content on the Internet through our portal, such as web-based e-mail, news, weather and sports and the ability to bookmark their favorite sites for access to their preferred content.
- *VZ Navigator* . Our *VZ Navigator* service enables customers to obtain audible turn-by-turn directions to their destinations, locate various points of interest and access other location-related information by using *VZ Navigator* -capable wireless devices.
- *Wireless Business Solutions – VZOffice* . Through our suite of *VZOffice* services, we provide enterprise customers with solutions for accessing the Internet and their corporate intranet, which allow for optimized wireless access to the customer's corporate applications or databases. *VZEmail* , included as part of our *VZOffice* services, offers a compelling suite of products that enables wireless e-mail across our diverse portfolio of wireless devices.
- *Wireless Office*. Our *Wireless Office* suite of services offers our wireless business customers, through the use of their existing wireless devices, calling features traditionally associated with landline/PBX phones, such as abbreviated dialing.

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Global Services

We offer a host of global solutions, available on certain of the wireless devices we offer, including GlobalAccess and GlobalEmail. This suite of solutions gives customers voice service in more than 185 destinations worldwide and data access in more than 100 destinations worldwide.

Wireless Devices

We are a service provider of choice for wireless device manufacturers which helps us develop exclusive offers for our customers, as well as branded wireless devices that complement our focus on a high-quality customer experience. The wireless devices that we offer are predominantly EV-DO enabled, and all of them are compatible with our 1XRTT network. In addition, all of the handsets that we offer are headphone/earphone compatible and, compliant with the FCC's E-911 requirements, through their GPS functionality.

Marketing

We focus our marketing strategy on targeting solutions based on satisfying our customers' needs, promoting our brand, leveraging our extensive distribution network and cross-marketing with Verizon's other business units and Vodafone.

We focus our marketing efforts on a coordinated program of television, print, radio, outdoor signage and Internet and point-of-sale media promotions. Coordinated marketing efforts throughout our service area ensure that our marketing message is consistently presented across all of our markets. Promoting the "Verizon Wireless" brand is complemented by Verizon's other brand marketing efforts, reinforcing the awareness of our services in shared markets and capitalizing on the size and breadth of Verizon Communications' customer base.

Sales and Distribution Channels

Our sales strategy uses a mix of direct, indirect and wholesale distribution channels to increase customer growth while reducing customer acquisition costs.

Our company-operated stores are an important component of our distribution strategy. Our experience has been that customers entering through this direct channel are generally higher-value customers who generate

higher revenue per month on average and are less likely to cancel their service than those who come through other mass-market channels. We had approximately 2,400 company-operated stores and kiosks (including our "store-within-a-store" kiosks in Circuit City and BJ's Wholesale locations) as of December 31, 2007. In addition, our direct channel also includes our business-to-business organization, which is focused on supporting the needs of our local, regional and national business customers, as well as a telemarketing sales force dedicated to receiving incoming calls. We also offer fully-automated, end-to-end, web-based sales of wireless devices, accessories and service in all of our markets.

We have indirect retail locations throughout the United States selling wireless services, including both full-service locations and locations selling our prepaid products and services, such as Wal-Mart, Best Buy and Target. We also sell wireless access on a wholesale basis, which involves the sale of wholesale access and minutes to independent companies that package and resell wireless services to end-users.

Customer Service, Retention and Satisfaction

We believe that quality customer service increases customer satisfaction, which reduces churn, and is a key differentiator in the wireless industry. We are committed to providing high-quality customer service, investing in loyalty and retention efforts and continually monitoring customer satisfaction in all facets of our service.

While our customer service representatives are available during our normal business hours, we also have representatives available 24 hours a day, 7 days a week for emergency and technical customer issues. In addition, customers can do business with us at any time, without having to speak with a customer service representative, through our enhanced self-service applications via our interactive voice response system, through our web site, and via applications accessible from the customer's handset.

Under our enhanced Worry Free Guarantee, a national retention and loyalty initiative, we commit to provide our customers an extensive and advanced network: responsive customer service with end-to-end resolution; the option to change at any time to any qualifying price plan without payment of any additional fees or requiring any contract extension; a satisfaction guarantee with our "Test Drive" program; an early termination fee that declines each full month that a customer remains on their contract; and a handset upgrade credit every two years, provided that the customer signs a new two-year contract on a calling plan with at least \$35 monthly access. In addition, our "My Account Advantage" program offers customers who register with our "My Account" website free back-up protection that stores a copy of the customer's phone contact list on a secure website, an annual handset upgrade option for qualified customers and periodic notification if the customer exceeds their plan allowance. Another major retention and loyalty program is a customer life cycle management program in which we contact customers at key points in their service tenure with targeted offers and to provide proactive rate-plan analysis.

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Recent Developments

"Recent Developments" included in "Other Factors That May Affect Future Results" on pages 33 through 34 of the 2007 Verizon Annual Report to Shareowners is incorporated by reference into this Report.

Regulatory and Competitive Trends
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"Regulatory and Competitive Trends" included in "Other Factors That May Affect Future Results" on pages 34 through 37 of the 2007 Verizon Annual Report to Shareowners is incorporated by reference into this Report.

Employees

As of December 31, 2007, Verizon and its subsidiaries had approximately 235,000 employees. Unions represent approximately 40% of our employees.

Information on Our Internet Website

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). Our website address is www.verizon.com. This information is included in "Investor Information" on our website.

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Cautionary Statement Concerning Forward-Looking Statements

In this Annual Report on Form 10-K we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments;
- material changes in available technology, including disruption of our suppliers' provisioning of critical products or services;
- the impact on our operations of natural or man-made disasters and any resulting financial impact not covered by insurance;
- technology substitution;
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations;
- the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results;
- the effects of competition in our markets;
- the timing, scope and financial impact of our deployment of fiber-to-the-premises broadband technology;

- the ability of Verizon Wireless to continue to obtain sufficient spectrum resources;
- changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- the ability to complete acquisitions and dispositions; and
- the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.

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Item 1A. Risk Factors

We face significant competition that may reduce our market share and lower our profits.

We face significant competition in our industry. The rapid development of new technologies, services and products has eliminated the traditional lines between local, long distance, wireless, cable and Internet communication services and brought new competitors to our markets, including other telephone companies, cable companies, wireless service providers, satellite providers, electric utilities, and providers of VoIP services. While these changes have enabled us to offer new types of services, they have also allowed other service providers to broaden the scope of their own competitive offerings. Our ability to compete effectively will depend on how successfully we anticipate and respond to various competitive factors, including new services that may be introduced by our competitors, changes in consumer preferences, demographic trends and pricing pressures. We are subject to more regulation and have higher cost structures than many of our competitors, due in part to the presence of a unionized workforce and a large retiree population in our wireline business. Accordingly, our competitors may be able to offer services at lower prices. The resulting pressure on the price of services we provide may result in reduced revenues and profits. In addition, while the workforce of our wireless business is almost entirely non-union, we cannot predict what level of success unions may have in organizing this workforce or the potentially negative impact of such labor organizing on our costs.

If we are not able to take advantage of technological developments in the telecommunications industry on a timely basis, we may experience a decline in a demand for our services or may be unable to implement our business strategy.

Our industry is experiencing rapid change as new technologies are developed that offer consumers an array of choices for their communications needs. In order to grow and remain competitive, we will need to adapt to future changes in technology, to enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our customers. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected.

While we believe our primary wireless technology platform, CDMA, and its upgrades offer many advantages, many competing wireless service providers have chosen GSM or other technologies as the technology platforms for their wireless networks. In addition, in November 2007, we announced that we intend to develop and deploy our "fourth generation" mobile broadband network using "Long Term

Evolution" (LTE). This new technology is designed to enable mobile data networks with higher speeds and improved efficiencies. However, there are risks that current or future versions of the wireless technologies and evolutionary path that we have selected may not be demanded by existing and prospective customers or provide the advantages that we expect. In addition, there are risks that other wireless carriers on whom our customers roam may change their technology to other technologies that are incompatible with ours. As a result, the ability of our and such other carriers' customers to roam on our respective wireless networks could be adversely affected. If these risks materialize, our ability to provide national wireless service to our customers, to retain and attract customers, and to maintain and grow our customer revenues could be materially adversely affected.

We depend on key suppliers and vendors to provide equipment that we need to operate our business.

We also depend upon various key suppliers and vendors to provide us with the equipment that we need to operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, it could have an adverse impact on our ability to implement our business strategy and, in addition, we might be unable to satisfy the requirements contained in our FCC licenses regarding the construction of our wireless network. These suppliers and vendors may be subject to litigation with respect to technology that we depend on for our service offerings.

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our operations are subject to regulation by the FCC and other federal, state and local agencies. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our provision of retail or wholesale services, or the reviews by federal or state courts of regulatory rulings. Unless we are able to obtain appropriate relief, existing laws and regulations may inhibit our ability to expand our business and introduce new products and services. In addition, the adoption of new laws or regulations or changes to the existing regulatory framework could adversely affect our business plans. For example, the development of new technologies, such as Internet Protocol-based services, including VoIP and super high-speed broadband and video, could be subject to conflicting regulation between the FCC and various state and local authorities, which could significantly increase the cost of implementing and introducing new services based on this technology. In addition, the rapid growth of the wireless industry has led to an increase in efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. Moreover, many states have also imposed significant taxes on providers in the wireless industry.

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Natural or man-made disasters may disrupt our operations.

The occurrence of natural or man-made disasters may disrupt our operations. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our inability to operate our wireline or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers, which could have a material adverse effect on our results of operations and financial condition.

We are subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

Our business faces a substantial amount of litigation, including patent infringement lawsuits, antitrust class actions, wage and hour class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection practices. In addition, our wireless business also faces personal injury and consumer class action lawsuits relating to alleged health effects of wireless phones or radio frequency transmitters,

and class action lawsuits that challenge marketing practices and disclosures relating to alleged adverse health effects of handheld wireless phones. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards or settlements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

General

Our principal properties do not lend themselves to simple description by character and location. Our total investment in plant, property and equipment was approximately \$214 billion at December 31, 2007 and \$204 billion at December 31, 2006, including the effect of retirements, but before deducting accumulated depreciation. Our gross investment in plant, property and equipment consisted of the following at December 31:

	2007	2006
Network equipment	81.1%	80.1%
Land, buildings and building equipment	9.6	9.9
Furniture and other	9.3	10.0
	100.0%	100.0%

Our properties are divided among our operating segments at December 31, as follows:

	2007	2006
Wireline	75.7%	76.7%
Wireless	23.8	22.7
Corporate and Other	0.5	0.6
	100.0%	100.0%

Network equipment consists primarily of cable (predominantly aerial, buried underground or undersea) and the related support structures of poles and conduit, wireless plant, switching equipment, transmission equipment and related facilities. Land, buildings and building equipment consists of land and land improvements, central office buildings or any other buildings that house network equipment, and buildings owned by Verizon that are used for administrative and other purposes. Furniture and other consists of public telephone instruments and telephone equipment (including PBXs), furniture, office equipment, motor vehicles, plant under construction, capital leases, capitalized computer software costs and leasehold improvements. A portion of our property is subject to the liens of their respective mortgages securing funded debt.

The customers of our telephone operations are served by electronic switch systems (analog/digital/packet) that provide a wide variety of services. As of December 31, 2007, virtually all of the switched access lines were served by digital capability.

Capital Expenditures

We continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital spending for Wireline was \$10,956 million in 2007, \$10,259

million in 2006 and \$8,267 million in 2005. Capital spending for Domestic Wireless was \$6,503 million in 2007, \$6,618 million in 2006 and \$6,484 million in 2005.

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Item 3. Legal Proceedings

Verizon, and a number of other telecommunications companies, have been the subject of multiple class action suits concerning its alleged participation in intelligence-gathering activities allegedly carried out by the federal government, at the direction of the President of the United States, as part of the government's post-September 11 program to prevent terrorist attacks. Plaintiffs generally allege that Verizon has participated by permitting the government to gain access to the content of its subscribers' telephone calls and/or records concerning those calls and that such action violates federal and/or state constitutional and statutory law. Relief sought in the cases includes injunctive relief, attorneys' fees, and statutory and punitive damages. On August 9, 2006, the Judicial Panel on Multidistrict Litigation ("Panel") ordered that these actions be transferred, consolidated and coordinated in the U.S. District Court for the Northern District of California. The Panel subsequently ordered that a number of "tag along" actions also be transferred to the Northern District of California. Verizon believes that these lawsuits are without merit and has moved to dismiss them.

The New York State Department of Environmental Conservation has advised Verizon New York Inc. (VZNY) of potential issues in connection with its underground storage tank registration, inspection and maintenance program. While VZNY does not believe that any of the alleged conditions has resulted in a release or threatened release, aggregate penalties relating to alleged violations could exceed \$100,000 because of the number of tanks operated by VZNY. VZNY does not believe that the cost of remedying any alleged violations will be material.

Verizon Wireless is conducting an audit of its cell site, switch and non-retail building facilities under an audit agreement with the United States Environmental Protection Agency. The audit while not complete, identified potential violations of various laws governing hazardous substance reporting, air permitting and spill plan preparation. Although none of the potential violations has resulted in a release or threatened release, aggregate penalties relating to alleged violations could exceed \$100,000 because of the number of facilities operated by Verizon Wireless. Verizon Wireless does not believe that the penalties ultimately incurred and the cost of remedying any alleged violations will be material.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Executive Officers of the Registrant

Set forth below is information with respect to our executive officers.

Name	Age	Office	Held Since
Ivan G. Seidenberg	61	Chairman and Chief Executive Officer	2000
William P. Barr	57	Executive Vice President and General Counsel	2000
Thomas A. Bartlett	49	Senior Vice President and Controller	2005
John W. Diercksen	58	Executive Vice President - Strategy, Development and Planning	2003
Shaygan Kheradpir	47	Executive Vice President and Chief Information Officer	2007
John F. Killian	53	President - Verizon Business	2006

Richard J. Lynch	59 Executive Vice President and Chief Technology Officer	2007
Lowell C. McAdam	53 Executive Vice President and President and Chief Executive Officer – Verizon Wireless	2007
Marc C. Reed	49 Executive Vice President – Human Resources	2004
Virginia P. Ruesterholz	46 President – Verizon Telecom	2006
John G. Stratton	46 Executive Vice President and Chief Marketing Officer	2007
Dennis F. Strigl	61 President and Chief Operating Officer	2007
Thomas J. Tauke	Executive Vice President – Public Affairs, Policy and Communications	2004
Doreen A. Toben	58 Executive Vice President and Chief Financial Officer	2002
Catherine T. Webster	55 Senior Vice President and Treasurer	2005

Prior to serving as an executive officer, each of the above officers has held high level managerial positions with the company or one of its subsidiaries for at least five years.

Officers are not elected for a fixed term of office and may be removed from office at any time at the discretion of the Board of Directors.

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PART II **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The principal market for trading in the common stock of Verizon is the New York Stock Exchange. The common stock is also listed in the United States on the Chicago and Philadelphia stock exchanges. As of December 31, 2007, there were 836,237 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

	Market Price		Cash Dividend Declared
	High	Low	
2007 First Quarter	\$ 38.77	\$ 35.60	\$.405
Second Quarter	43.99	36.75	.405
Third Quarter	44.75	39.27	.430
Fourth Quarter	46.24	40.77	.430
2006* First Quarter	\$ 33.89	\$ 28.95	\$.405
Second Quarter	33.46	29.00	.405
Third Quarter	36.62	30.22	.405
Fourth Quarter	37.64	33.99	.405

* 2006 prices have been adjusted for the spin-off of our domestic print and Internet yellow pages directories business.

The following table provides information about Verizon's common stock repurchases during the fourth quarter of 2007.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October	7,245,000	\$ 45.02	7,245,000	56,814,000
November	11,209,000	43.28	11,209,000	45,605,000
December	6,781,000	43.85	6,781,000	38,824,000
	<u>25,235,000</u>		<u>25,235,000</u>	

On January 19, 2006, the Board of Directors approved a share buy back program which authorized the repurchase of up to 100 million common shares by no later than the close of business on February 28, 2008. On March 1, 2007, the Board of Directors replaced this share buy back program with a new program for the repurchase of up to 100 million shares of Verizon common stock through the earlier of February 28, 2010 or when the total number of shares repurchased under the new buy back program aggregates to 100 million. On February 7, 2008, the Board of Directors replaced this share buy back program with a new program for the repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2011. The Board also determined that no additional shares were to be purchased under the prior program. The current program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Board also authorized Verizon to enter into Rule 10b5-1 plans from time to time to facilitate the repurchase of its shares. A Rule 10b5-1 plan permits the Company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the Company is not aware of material non-public information.

Item 6. Selected Financial Data

Information required by this item is included in the 2007 Verizon Annual Report to Shareowners under the heading "Selected Financial Data" on page 17, which is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Results of Financial Condition and Results of Operations

Information required by this item is included in the 2007 Verizon Annual Report to Shareowners under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 37, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is included in the 2007 Verizon Annual Report to Shareowners under the heading "Market Risk" on page 31, which is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Information required by this item is included in the 2007 Verizon Annual Report to Shareowners on pages 38 through 71, which is incorporated herein by reference.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this annual report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported, within required time periods. Based on this evaluation, our chief executive officer and chief financial officer have concluded that the registrant's disclosure controls and procedures were effective as of December 31, 2007.

There were no changes in the registrant's internal control over financial reporting during the fourth quarter of 2007 that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

Management's report on internal control over financial reporting and the attestation report of Verizon's independent registered public accounting firm is included in the 2007 Verizon Annual Report to Shareowners on pages 38 through 39 and is incorporated herein by reference.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

For information with respect to our executive officers, see "Executive Officers of the Registrant" at the end of Part I of this Report. For other information required by this item see the sections entitled "Election of Directors," "About Verizon's Governance Practices," "About the Board of Directors and its Committees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for our 2008 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 11. Executive Compensation

For information with respect to executive compensation, see the section entitled "Executive Compensation" in the Proxy Statement for our 2008 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information with respect to the security ownership of the Directors and Executive Officers, see the section entitled "Security Ownership of Directors and Officers" in the Proxy Statement for our 2008 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference. In addition, the following table provides other equity compensation plan information:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans	139,145,918	\$ 49.28	137,935,869

approved by security holders			
Equity compensation plans not approved by security holders	36,754,227	41.96	13,236,690*
Total	175,900,145	47.75	151,172,559

* Indicates the number of securities available for issuance under the Verizon Communications 2000 Broad-Based Incentive Plan, which provides for awards of nonqualified stock options, restricted stock, restricted stock units and other equity-based hypothetical stock units to employees of Verizon and its subsidiaries.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

For information with respect to certain relationships and related transactions, and director independence, see the sections entitled "About Verizon's Governance Practices" and "About the Board of Directors and its Committees" in the Proxy Statement for our 2008 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

For information with respect to principal accounting fees and services, see the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement for our 2008 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report:

	Page
(1) Report of Management on Internal Control Over Financial Reporting	*
(2) Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	*
(3) Report of Independent Registered Public Accounting Firm on Financial Statements	*
Financial Statements covered by Report of Independent Registered Public Accounting Firm:	
Consolidated Statements of Income	*
Consolidated Balance Sheets	*
Consolidated Statements of Cash Flows	*
Consolidated Statements of Changes in Shareowners' Investment	*
Notes to Consolidated Financial Statements	*

- * Incorporated herein by reference to the appropriate portions of the registrant's annual report to shareowners for the fiscal year ended December 31, 2007.
(See Part II.)

(4) Financial Statement Schedule

II – Valuation and Qualifying Accounts

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(5) Exhibits

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Exhibit Number

- 3a Restated Certificate of Incorporation of Verizon Communications Inc. (Verizon) (Exhibit 3a to Form 10-K for the year ended December 31, 2005).
- 3b Bylaws of Verizon, as amended, effective as of February 7, 2008 (Exhibit 3b to Form 8-K dated February 7, 2008).
- 4 No instrument which defines the rights of holders of long-term debt of Verizon and its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, Verizon hereby agrees to furnish a copy of any such instrument to the SEC upon request.
- 10a Description of Verizon Deferred Compensation Plan for Non-Employee Directors (Exhibit 10a to Form 10-K for the year ended December 31, 2000).*
- 10a(i) Description of Amendment to Plan (Exhibit 10a(i) to Form 10-K for the year ended December 31, 2004).*
- 10b Bell Atlantic Deferred Compensation Plan for Outside Directors, as amended and restated (Exhibit 10a to Form 10-K for the year ended December 31, 1998).*
- 10c Deferred Compensation Plan for Non-Employee Members of the Board of Directors of GTE, as amended (Exhibit 10-1 to GTE's Form 10-K for the year ended December 31, 1997 and Exhibit 10.1 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755).*
- 10d GTE's Directors' Deferred Stock Unit Plan (Exhibit 10-8 to GTE's Form 10-K for the year ended December 31, 1997, File No. 1-2755).*
- 10e Description of Non-Employee Director's Travel Accident Insurance Coverage filed herewith.*
- 10f Bell Atlantic Directors' Charitable Giving Program, as amended (Exhibit 10p to Form SE dated March 29, 1990 and Exhibit 10p to Form SE dated March 29, 1993).*
- 10g GTE's Charitable Awards Program (Exhibit 10-10 to GTE's Form 10-K for the year ended December 31, 1992, File No. 1-2755).*
- 10h NYNEX Directors' Charitable Award Program (Exhibit 10i to Form 10-K for the year ended December 31, 2000).*
- 10i Verizon 2000 Broad-Based Incentive Plan (Exhibit 10h to Form 10-Q for the period ended September 30, 2000).*
- 10j Verizon Long-Term Incentive Plan (Appendix B to Verizon's 2001 Proxy Statement filed March 12, 2001).*

10j(i) Restricted Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10a to Form 10-Q for the period ended March 31, 2005).*

10j(ii) Performance Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10b to Form 10-Q for the period ended March 31, 2005).*

10j(ii)(a) Addendum to Performance Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10j(iv)(a) to Form 10-K for the year ended December 31, 2005).*

10j(iii) Restricted Stock Unit Agreement 2006-2008 Award Cycle (Exhibit 10j(v) to Form 10-K for the year ended December 31, 2005).*

10j(iv) Performance Stock Unit Agreement 2006-2008 Award Cycle (Exhibit 10j(vi) to Form 10-K for the year ended December 31, 2005).*

10j(iv)(a) Addendum to Performance Stock Unit Agreement (Exhibit 10a to Form 10-Q for the period ended March 31, 2006). *

10j(v) Restricted Stock Unit Agreement 2007-09 Award Cycle (Exhibit 10a to Form 10-Q for the period ended March 31, 2007).*

10j(v)(a) Special Restricted Stock Unit Agreement (Exhibit 10c to Form 10-Q for the period ended March 31, 2007).*

10j(vi) Performance Stock Unit Agreement 2007-09 Award Cycle (Exhibit 10b to Form 10-Q for the period ended March 31, 2007).*

10j(vi)(a) Form of Addendum to Performance Stock Unit Agreement (Exhibit 10d to Form 10-Q for the period ended March 31, 2007).*

10k GTE's Long-Term Incentive Plan, as amended (Exhibit B to GTE's 1997 Proxy Statement and Exhibit 10.5 to GTE's 1998 Form 10-K for the year ended December 31, 1998, File No. 1-2755); Description of Amendments (Exhibit 10l to Form 10-K for the year ended December 31, 2000).*

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10m NYNEX 1995 Stock Option Plan, as amended (Exhibit No. 1 to NYNEX's Proxy Statement dated March 20, 1995, File No. 1-8608); Description of Amendments (Exhibit 10n to Form 10-K for the year ended December 31, 2000).*

10n Verizon Short-Term Incentive Plan (Appendix C to Verizon's 2001 Proxy Statement filed March 12, 2001).*

10o Verizon Income Deferral Plan (Exhibit 10f to Form 10-Q for the period ended June 30, 2002).*

10o(i) Description of Amendment to Plan (Exhibit 10o(i) to Form 10-K for the year ended December 31, 2004). *

10p Verizon Excess Pension Plan (Exhibit 10p to Form 10-K for the year ended December 31, 2004).*

10p(i) Description of Amendment to Plan (Exhibit 10p(i) to Form 10-K for the year ended December 31, 2004).*

10q GTE's Executive Salary Deferral Plan, as amended (Exhibit 10.10 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755).*

- 10r Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended (Exhibit 10h to Form SE filed on March 27, 1986 and Exhibit 10b(ii) to Form 10-K for the year ended December 31, 1997).*
- 10s Description of Bell Atlantic Senior Management Estate Management Plan (Exhibit 10rr to Form 10-K for year ended December 31, 1997).*
- 10t GTE's Executive Retired Life Insurance Plan, as amended (Exhibits 10-6, 10-6 and 10-6 to GTE's Form 10-K for the years ended December 31, 1991, 1992 and 1993, respectively, File No. 1-2755).*
- 10u NYNEX Supplemental Life Insurance Plan (Exhibit No. 10 iii 21 to NYNEX's Form 10-Q for the period ended June 30, 1996, File No. 1-8608).*
- 10v Summary Plan Description of Verizon Executive Deferral Plan (Exhibit 10(v) to Form 10-K for the year ended December 31, 2005).*
- 10y Employment Agreement between Verizon and Marc C. Reed (Exhibit 10a to Form 10-Q for the period ended June 30, 2004).*
- 10z Employment Agreement between Verizon and William P. Barr (Exhibit 10z to Form 10-Q for the period ended March 31, 2003).*
- 10cc Employment Agreement between Verizon and Doreen A. Toben (Exhibit 10d to Form 10-Q for the period ended June 30, 2002).*
- 10dd Description of the Split-Dollar Insurance Arrangements (Exhibit 10g to Form 10-Q for the period ended June 30, 2002).*
 - 10dd(i) Description of Changes to Arrangements (Exhibit 10dd(i) to Form 10-K for the year ended December 31, 2004).*
- 10ee Employment Agreement between Verizon and Dennis F. Strigl (Exhibit 10f to Form 10-Q for the period ended September 30, 2000).*
- 10ff Employment Agreement between Verizon and Thomas J. Tauke (Exhibit 10b to Form 10-Q for the period ended June 30, 2004).*
- 10gg Form of Employment Agreement between Verizon and Band 1 Senior Management Employee (Exhibit 10gg to the Form 10-K for the year ended December 31, 2004).*
- 10hh NYNEX Deferred Compensation Plan for Non-Employee Directors (Exhibit 10gg to NYNEX's Registration Statement No. 2-87850, File No. 1-8608).*
 - 10hh(i) Amendment to NYNEX Deferred Compensation Plan for Non-Employee Directors (Exhibit 10iii 5a to NYNEX's Quarterly Report on Form 10-Q for the period ended June 30, 1996, File No. 1-8608).*
- 10ii U.S. Wireless Agreement, dated September 21, 1999, among Bell Atlantic and Vodafone Airtouch plc, including the forms of Amended and Restated Partnership Agreement and the Investment Agreement (Exhibit 10 to Form 10-Q for the period ended September 30, 1999).
- 12 Computation of Ratio of Earnings to Fixed Charges filed herewith.
- 13 Portions of Verizon's Annual Report to Shareowners for the fiscal year ended December 31, 2007. Only the information incorporated by reference into this Form 10-K is included in the exhibit.

- 21 List of principal subsidiaries of Verizon filed herewith.
- 23 Consent of Ernst & Young LLP filed herewith.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contract or compensatory plan or arrangement.

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Schedule II - Valuation and Qualifying Accounts

Verizon Communications Inc. and Subsidiaries

For the Years Ended December 31, 2007, 2006 and 2005

Description	Balance at Beginning of Period	Additions		Deductions Note (b)	(dollars in millions) Balance at End of Period
		Charged To Expenses	Charged to Other Accounts Note (a)		
Allowance for Uncollectible Accounts Receivable:					
Year 2007	\$ 1,139	\$ 1,047	\$ 834	\$ 1,995	\$ 1,025
Year 2006	1,100	1,034	1,627	2,622	1,139
Year 2005	1,363	1,076	794	2,133	1,100
Valuation Allowance for Deferred Tax Assets:					
Year 2007	\$ 2,600	\$ 231	\$ 29	\$ 189	\$ 2,671
Year 2006	815	51	2,234	500	2,600
Year 2005	1,217	46	43	491	815
Discontinued Businesses:					
Year 2007	\$ 237	\$ —	\$ —	\$ 13	\$ 224
Year 2006	248	—	—	11	237
Year 2005	287	5	—	44	248

- (a) Allowance for Uncollectible Accounts Receivable includes: (1) amounts previously written off which were credited directly to this account when recovered; and (2) accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which were billed by us. Also includes amounts transferred from other accounts. The 2006 amounts charged to other accounts for the allowance for uncollectible accounts receivable and valuation allowance for deferred

tax assets were primarily due to the acquisition of MCI.

(b) Amounts written off as uncollectible or transferred to other accounts or utilized.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon Communications Inc.

By: /s/ Thomas A. Bartlett

February 26,
Date: 2008

Thomas A. Bartlett
Senior Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

/s/ Ivan G. Seidenberg

February 26,
2008

Ivan G. Seidenberg

Chairman and
Chief Executive Officer

Principal Financial Officer:

/s/ Doreen A. Toben

February 26,
2008

Doreen A. Toben

Executive Vice President and
Chief Financial Officer

Principal Accounting Officer:

/s/ Thomas A. Bartlett

February 26,
2008

Thomas A. Bartlett

Senior Vice President and
Controller

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Signatures – Continued

/s/ Ivan G. Seidenberg	Director	February 26, 2008
<hr/>		
Ivan G. Seidenberg		
/s/ Richard L. Carrión	Director	February 26, 2008
<hr/>		
Richard L. Carrión		
/s/ M. Frances Keeth	Director	February 26, 2008
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M. Frances Keeth		
/s/ Robert W. Lane	Director	February 26, 2008
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Robert W. Lane		
/s/ Sandra O. Moose	Director	February 26, 2008
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Sandra O. Moose		
/s/ Joseph Neubauer	Director	February 26, 2008
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Joseph Neubauer		
/s/ Donald T. Nicolaisen	Director	February 26, 2008
<hr/>		
Donald T. Nicolaisen		
/s/ Thomas H. O'Brien	Director	February 26, 2008
<hr/>		
Thomas H. O'Brien		
/s/ Clarence Otis, Jr.	Director	February 26, 2008
<hr/>		
Clarence Otis, Jr.		
/s/ Hugh B. Price	Director	February 26, 2008
<hr/>		
Hugh B. Price		
/s/ John W. Snow	Director	February 26, 2008
<hr/>		

John W. Snow

/s/ John R. Stafford

Director

February 26,
2008

John R. Stafford

/s/ Robert D. Storey

Director

February 26,
2008

Robert D. Storey

EXHIBIT 10e

Description of Non-Employee Director's Travel Accident Insurance Coverage

Verizon provides accident protection to non-employee Directors while travelling on Verizon business. Benefits are payable in the event of (1) accidental death and dismemberment, including paralysis, and (2) in the case of insured non-employee Directors under the age of 70, permanent total disability.

EXHIBIT 12

**Computation of Ratio of Earnings to Fixed Charges
Verizon Communications Inc. and Subsidiaries**

(dollars in millions)

Years Ended December 31,	2007	2006	2005	2004	2003
Income before provision for income taxes, discontinued operations, extraordinary items, and cumulative effect of accounting change	\$9,492	\$8,154	\$8,448	\$7,977	\$2,681
Minority interest	5,053	4,038	3,001	2,329	1,562
Equity in (earnings) loss of unconsolidated businesses	(585)	(773)	(686)	(1,690)	(1,273)
Dividends from unconsolidated businesses	2,571	42	2,335	162	198
Interest expense ⁽¹⁾	1,829	2,349	2,129	2,336	2,741
Portion of rent expense representing interest	571	530	511	449	432
Amortization of capitalized interest	115	112	108	104	103
Income, as adjusted	<u>\$19,046</u>	<u>\$14,452</u>	<u>\$15,846</u>	<u>\$11,667</u>	<u>\$6,444</u>
Fixed charges:					
Interest expense ⁽¹⁾	\$1,829	\$2,349	\$2,129	\$2,336	\$2,741
Portion of rent expense representing interest	571	530	511	449	432
Capitalized interest	429	462	352	177	144
Preferred stock dividend requirement ⁽²⁾	-	2	9	8	12
Fixed Charges	<u>\$2,829</u>	<u>\$3,343</u>	<u>\$3,001</u>	<u>\$2,970</u>	<u>\$3,329</u>
Ratio of Earnings to Fixed Charges	<u>6.73</u>	<u>4.32</u>	<u>5.28</u>	<u>3.93</u>	<u>1.94</u>

⁽¹⁾ Verizon adopted FIN 48 on January 1, 2007 (see Note 1 and 16 of the Consolidated Financial Statements in this Annual Report on Form 10-K). Our policy is to classify interest expense recognized on uncertain tax positions as income tax expense. We have excluded interest expense recognized on uncertain tax positions from the Ratio of Earnings to Fixed Charges.

⁽²⁾ On January 15, 2006, Verizon redeemed \$100 million Verizon International Holding Ltd. Series A variable term voting cumulative preferred stock and paid holders the last dividend on that stock.

EXHIBIT 13

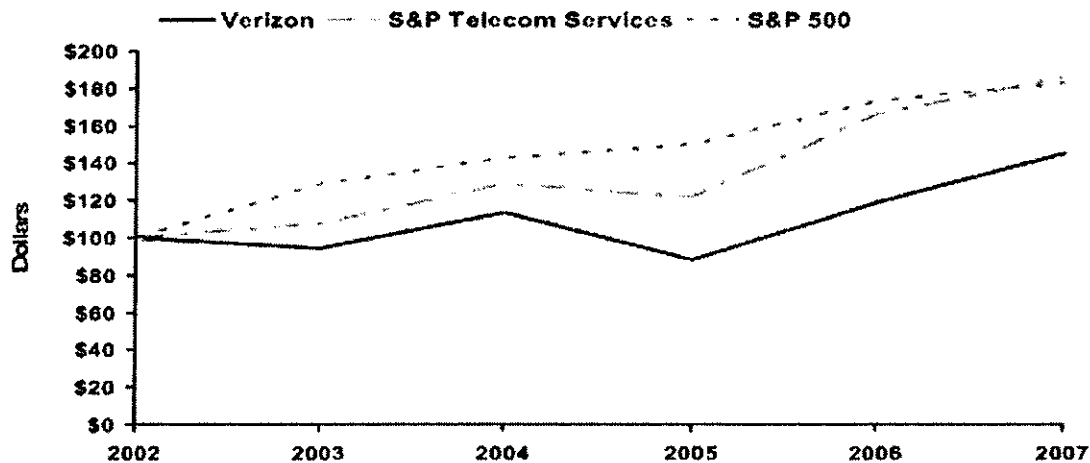
Selected Financial Data Verizon Communications Inc. and Subsidiaries

	2007	2006	2005	2004	2003
(dollars in millions, except per share amounts)					
Results of Operations					
Operating revenues	\$ 93,469	\$ 88,182	\$ 69,518	\$ 65,751	\$ 61,754
Operating income	15,578	13,373	12,581	10,870	5,312
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	5,510	5,480	6,027	5,899	2,168
Per common share – basic	1.90	1.88	2.18	2.13	.79
Per common share – diluted	1.90	1.88	2.16	2.11	.79
Net income available to common shareowners	5,521	6,197	7,397	7,831	3,077
Per common share – basic	1.91	2.13	2.67	2.83	1.12
Per common share – diluted	1.90	2.12	2.65	2.79	1.12
Cash dividends declared per common share	1.67	1.62	1.62	1.54	1.54
Financial Position					
Total assets	\$ 186,959	\$ 188,804	\$ 168,130	\$ 165,958	\$ 165,968
Debt maturing within one year	2,954	7,715	6,688	3,476	5,883
Long-term debt	28,203	28,646	31,569	34,970	38,609
Employee benefit obligations	29,960	30,779	17,693	16,796	15,726
Minority interest	32,288	28,337	26,433	24,709	24,023
Shareowners' investment	50,581	48,535	39,680	37,560	33,466

- Significant events affecting our historical earnings trends in 2005 through 2007 are described in Management's Discussion and Analysis of Results of Operations and Financial Condition.
- 2004 data includes sales of business, severance, pension and benefit charges and other items.
- 2003 data includes severance, pension and benefit charges and other items.

Stock Performance Graph

COMPARISON OF FIVE-YEAR TOTAL RETURN AMONG VERIZON,
S&P 500 TELECOM SERVICES INDEX AND S&P 500 STOCK INDEX



Data Points in Dollars	At December 31,					
	2002	2003	2004	2005	2006	2007
Verizon	100.0	94.5	113.6	88.5	119.1	145.4
S&P Telecom Services	100.0	107.2	128.5	121.6	166.2	185.9
S&P 500	100.0	128.7	142.7	149.6	173.3	182.8

The graph compares the cumulative total returns of Verizon, the S&P 500 Telecommunications Services Index, and the S&P 500 Stock Index over a five-year period, adjusted for the spin-off of our domestic print and Internet yellow pages directories business. It assumes \$100 was invested on December 31, 2002, with dividends reinvested.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Verizon Communications Inc. (Verizon or the Company) is one of the world's leading providers of communications services. Verizon's wireline business provides communications services, including voice, broadband data and video services, network access, nationwide long-distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. Verizon's domestic wireless business, operating as Verizon Wireless, provides wireless voice and data products and services across the United States using one of the most extensive and reliable wireless networks. Stressing diversity and commitment to the communities in which we operate, we have a highly diverse workforce of approximately 235,000 employees.

The sections that follow provide information about the important aspects of our operations and investments, both at the consolidated and segment levels, and include discussions of our results of operations, financial position and sources and uses of cash. In addition, we have highlighted key trends and uncertainties to the extent practicable. The content and organization of the financial and non-financial data presented in these sections are consistent with information used by our chief operating decision makers for, among other purposes, evaluating performance and allocating resources. We also monitor several key economic indicators as well as the state of the economy in general, primarily in the United States where the majority of our operations are located, in evaluating our operating results and analyzing and understanding business trends. While most key economic indicators, including gross domestic product, impact our operations to some degree, we have noted higher correlations to housing starts, non-farm employment, personal consumption expenditures and capital spending, as well as more general economic indicators such as inflation and unemployment rates.

Our results of operations, financial position and sources and uses of cash in the current and future periods reflect Verizon management's focus on the following strategic imperatives:

- **Revenue Growth** – Our emphasis is on revenue growth, devoting more resources to higher growth markets such as wireless, including wireless data, wireline broadband connections, including Verizon's high-capacity fiber optics to the premises network operated under the FiOS service mark, digital subscriber lines (DSL) and other data services, as well as expanded strategic services to business markets, rather than to the traditional wireline voice market. During 2007, we reported consolidated revenue growth of 6% compared to 2006, primarily driven by 15.3% higher revenue at Domestic Wireless, where we added approximately 6.9 million retail net wireless customers, partially offset by a decline in reseller customers, resulting in approximately 6.7 million total wireless net customer additions. At Wireline, revenue growth in the residential market, driven by broadband and video

services, coupled with growth in the business market derived from strategic services, partially offset declines in the traditional voice mass market.

- **Market Share Gains** – We are focused on gaining market share. In our wireline business, our goal is to become the leading broadband provider in every market in which we operate. We added 1,253,000 wireline broadband connections during 2007 and we achieved our goal of being among the top 10 video providers in the U.S. during 2007 through the continued deployment of FiOS. At Wireline, as of December 31, 2007, we passed 9.3 million premises with our high-capacity fiber network, and we have obtained over 1,000 video franchises covering 12.5 million households with TV service available for sale to 5.9 million premises. We had 943,000 FiOS TV customers, adding approximately 736,000 net new FiOS TV customers in 2007 and exceeded 1.8 million total video customers, including our satellite offering from DIRECTV. Also during 2007, revenues from our enterprise customers grew 2.7% compared with last year, primarily driven by a 25.7% increase in revenues from sales of strategic services (Private IP, IP, Virtual Private Network or VPN, Web Hosting and Voice over IP or VoIP). At Domestic Wireless, we continue to add retail customers, grow revenue and gain market share while maintaining a low churn (customer turnover) rate.
 - **Profitability Improvement** – Our goal is to increase operating income and margins. In 2007, operating income rose 16.5% compared to 2006, while income before provision for income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change rose 16.4% over the same period. Our operating income margin rose to 16.7% in 2007, compared with 15.2% in 2006. Supporting these improvements, our capital spending continues to be directed toward growth markets, positioning the Company for sustainable, long-term profitability. High-speed wireless data (Evolution-Data Optimized or EV-DO) services, deployment of fiber optics to the premises, as well as expanded services to enterprise customers are examples of these growth markets. During 2007, capital expenditures were \$17,538 million compared with capital expenditures of \$17,101 million in 2006, excluding discontinued operations. We expect 2008 capital expenditures to be lower than 2007 capital expenditures. In addition to capital expenditures, Domestic Wireless expects, from time-to-time, to acquire additional wireless spectrum through participation in the Federal Communications Commission's (FCC) wireless spectrum auctions and in the secondary market, as spectrum capacity is needed to support expanding data applications and a growing customer base. Domestic Wireless also expects, from time-to-time, to acquire operating markets and spectrum in geographic areas where it does not currently operate.
-
- **Operational Efficiency** – While focusing resources on revenue growth and market share gains, we are continually challenging our management team to lower expenses, particularly through technology-assisted productivity improvements, including self-service initiatives. The effect of these and other efforts, such as real estate consolidations, call center routing improvements, the formation of a centralized shared services organization, and centralizing information technology and marketing efforts, has led to changes to the Company's cost structure as well as maintaining and improving operating income margins. With our deployment of the FiOS network, we expect to realize savings in annual, ongoing operating expenses as a result of efficiencies gained from fiber network facilities. As the deployment of the FiOS network gains scale and installation and automation improvements occur, costs per home connected are expected to decline. Since the merger with MCI, we have gained operational benefits from sales force and product and systems integration initiatives. Workforce levels in 2007 decreased to 235,000 compared to 238,000 in 2006, primarily from a decrease at Wireline due to continued productivity improvements and merger synergy savings, partially offset by an increase in headcount at Wireless.
 - **Customer Experience** – Our goal is to provide the best customer experience possible and to be the leading company in customer service in every market we serve. We view superior product offerings and customer service experiences as a competitive differentiator and a catalyst to growing revenues and gaining market share. During 2007, our Company received citations for superior products and customer service, and we continued these initiatives to enhance the value of our products and services. We are developing and marketing innovative product bundles to include local wireline, long-distance, wireless and broadband services for consumer and general business retail customers. These efforts will help counter the effects of competition and technology substitution that have resulted in access line losses,

and will enable us to grow revenues. Also at Wireline, we continued to roll out next-generation global IP networks to meet the ongoing global enterprise market shift to IP-based products and services. Deployment of new strategic service offerings — including expansion of our VoIP and international Ethernet capabilities, the introduction of cutting edge video and web-based conferencing capabilities, and enhancements to our virtual private network portfolio — will allow us to continue to gain share in the enterprise market. In addition, during 2007 we acquired a security-services firm that enhanced our managed information security services offerings to large-business and government customers worldwide. At Domestic Wireless, we continue to execute on the fundamentals of our network superiority and value proposition to deliver growth for our business and provide new and innovative products and services, such as Broadband Access, our EV-DO service. We also continue to expand our wireless data, messaging and multi-media offerings for both consumer and business customers and take advantage of the growing demand for wireless data services.

- **Performance-Based Culture** – We embrace a culture of corporate-wide accountability, based on individual and team objectives that are performance-based and tied to these imperatives. Key objectives of our compensation programs are pay-for-performance and the alignment of executives' and shareowners' long-term interests. We also employ a highly diverse workforce, since respect for diversity is an integral part of Verizon's culture and a critical element of our competitive success.

We create value for our shareowners by investing the cash flows generated by the business in opportunities and transactions that support these strategic imperatives, thereby increasing customer satisfaction and usage of our products and services. In addition, we use our cash flows to repurchase shares and maintain and grow our dividend payout to shareowners. Verizon's total debt decreased by \$5,204 million to \$31,157 million as of December 31, 2007 from December 31, 2006. Reflecting continued strong cash flows and confidence in Verizon's business model, Verizon's Board of Directors increased the Company's quarterly dividend 6.2% during the third quarter of 2007. Verizon's ratio of debt to debt combined with shareowners' equity was 38.1% as of December 31, 2007 compared with 42.8% as of December 31, 2006. During 2007, we repurchased \$2,843 million of our common stock as part of our previously announced share buyback program. We plan to continue our share buyback program in 2008. Verizon's cash and cash equivalents at December 31, 2007 of \$1,153 million decreased by \$2,066 million from \$3,219 million at December 31, 2006.

As discussed in the "Recent Developments" section beginning on page 33, in January 2007, Verizon announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange access lines and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon's shareowners, and immediately merging it with and into FairPoint. Based upon the number of shares (as adjusted) and closing price of FairPoint common stock on the date immediately prior to the announcement of the merger, the estimated total value to be received by Verizon and its shareowners in exchange for these operations was approximately \$2,715 million. The actual total value to be received by Verizon and its shareowners will be determined based on the number of shares (as adjusted) and price of FairPoint common stock on the date of the closing of the merger, and is expected to be less than \$2,715 million.

Consolidated Results of Operations

In this section, we discuss our overall results of operations and highlight items that are not included in our business segment results. As a result of the spin-off of our domestic print and Internet yellow pages directories business, which was included in the Information Services segment, and the sale of our interests in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) and Verizon Dominicana, each of which was included in the International segment, the operations of our former domestic print and Internet yellow pages directories business, Verizon Dominicana and TELPRI are reported as discontinued operations and assets held for sale. Accordingly, we currently have two reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Wireline and Domestic Wireless. Included in our Wireline results of operations are the results of the former MCI business subsequent to the close of the merger on January 6, 2006.

This section and the following "Segment Results of Operations" section also highlight and describe those items of a non-recurring nature separately to ensure consistency of presentation. In the following section, we review the performance of our two reportable segments. We exclude the effects of certain items that management does not consider in assessing segment performance, due primarily to their non-recurring and/or non-operational nature as discussed below and in the "Other Consolidated Results" and "Other Items" sections. We believe that this presentation will assist readers in better understanding our results of operations and trends from period to period.

Consolidated Revenues

Years Ended December 31,	2007	2006	% Change	(dollars in millions)		
				2006	2005	% Change
Wireline						
Verizon Telecom	\$ 31,926	\$ 32,938		\$ 32,938	\$ 31,694	
Verizon Business	21,236	20,678		20,678	7,771	
Intrasegment eliminations	(2,846)	(2,888)		(2,888)	(1,849)	
	<u>50,316</u>	<u>50,728</u>	(0.8)	<u>50,728</u>	<u>37,616</u>	34.9
Domestic Wireless	43,882	38,043	15.3	38,043	32,301	17.8
Corporate & Other	(729)	(589)	23.8	(589)	(579)	1.7
Revenues of Hawaii operations sold	-	-	-	-	180	(100.0)
Consolidated Revenues	<u>\$ 93,469</u>	<u>\$ 88,182</u>	6.0	<u>\$ 88,182</u>	<u>\$ 69,518</u>	26.8

2007 Compared to 2006

Consolidated revenues in 2007 increased by \$5,287 million, or 6.0% compared to 2006. This increase was primarily the result of continued strong growth at Domestic Wireless.

Wireline's revenues in 2007 decreased \$412 million, or 0.8% compared to 2006, primarily driven by lower demand and usage of our basic local exchange and accompanying services, partially offset by continued growth from broadband and strategic services. During 2007, we added 1,253,000 new broadband connections, an increase of 17.9%, including 854,000 for FiOS, for a total of 8,235,000 lines at December 31, 2007. In addition, we added 736,000 FiOS TV customers in 2007, for a total of 943,000 at December 31, 2007. Revenues at Verizon Business increased during 2007 compared to 2006 primarily due to higher demand for strategic products. These increases were offset by a decline in voice revenues at Verizon Telecom due to a 3.6 million decline in subscribers resulting from competition and technology substitution, such as wireless and VoIP, including those subscribers who have migrated to our other service offerings.

Domestic Wireless's revenues in 2007 increased by \$5,839 million, or 15.3% compared to 2006 due to increases in service revenues, which include data revenues, and equipment and other revenue. Equipment and other revenue increased principally as a result of increases in the number of existing customers upgrading their wireless devices. Total data revenues increased by \$2,911 million, or 65.0% in 2007 compared to 2006. There were approximately 65.7 million total Domestic Wireless customers as of December 31, 2007, an increase of 11.3% from December 31, 2006. Domestic Wireless's retail customer base as of December 31, 2007 was approximately 63.7 million, a 12.2% increase from 2006, and represented approximately 97% of its total customer base. Average total service revenue per customer (ARPU) increased by 2.3% to \$50.96 in 2007 compared to 2006, primarily attributable to increases in data revenue per customer driven by increased use of our messaging and other data services. Retail ARPU increased by 2.2% to \$51.57 in 2007 compared to 2006.

2006 Compared to 2005

Consolidated revenues in 2006 were higher by \$18,664 million, or 26.8% compared to 2005 revenues. This increase was primarily the result of significantly higher revenues at Wireline and Domestic Wireless.

Wireline's revenues in 2006 increased by \$13,112 million, or 34.9% compared to 2005 primarily due to the acquisition of MCI and, to a lesser extent, growth from broadband and long distance services. We added 1.8 million new broadband connections, for a total of 7.0 million lines in service at December 31, 2006, an increase of 35.7% compared to 5.1 million lines in service at December 31, 2005. The number of retail service plans continued to stimulate growth in long distance services, as the number of packages reached 7.9 million at December 31, 2006, representing a 44.1% increase from December 31, 2005. These increases were partially offset by declines in wholesale revenues at Verizon Telecom due to subscriber losses resulting from technology substitution, including wireless and VoIP. Wholesale revenues at Verizon Telecom declined by \$748 million, or 8.2% in 2006 compared to similar periods in 2005 primarily due to the exclusion of affiliated access revenues billed to the former MCI mass market entities in 2006. Revenues at Verizon Business increased primarily due to the acquisition of MCI.

Domestic Wireless's revenues increased by \$5,742 million, or 17.8% compared to 2005 due to increases in service revenues (which include data revenues) and equipment and other revenue. Data revenues increased by \$2,232 million or 99.5% compared to 2005. Domestic Wireless ended 2006 with 59.1 million customers, an increase of 15.0% over 2005. Domestic Wireless's retail customer base as of December 31, 2006 was approximately 56.8 million, a 15.9% increase over December 31, 2005, and represented approximately 96.2% of our total customer base. ARPU increased by 0.6% to \$49.80 in 2006 compared to 2005, primarily attributable to increases in data revenue per customer driven by increased use of our messaging and other data services. Retail ARPU increased by 0.7% to \$50.44 for 2006 compared to 2005.

The \$180 million decrease in revenues from Hawaii operations from 2006 to 2005 resulted from the sale of our wireline and directory businesses in Hawaii during 2005. Verizon Hawaii Inc., which operated approximately 700,000 switched access lines, as well as the services and assets of Verizon Long Distance, Verizon Online, Verizon Information Services and Verizon Select Services Inc. in Hawaii, were sold to an affiliate of The Carlyle Group for \$1,326 million in cash proceeds. In connection with this sale, we recorded a net pretax gain of \$530 million (\$336 million after-tax, or \$.12 per diluted share) during the second quarter of 2005.

Consolidated Operating Expenses

Years Ended December 31,			% Change	(dollars in millions)		% Change
	2007	2006		2006	2005	
Cost of services and sales	\$ 37,547	\$ 35,309	6.3	\$ 35,309	\$ 24,409	44.7
Selling, general and administrative expense	25,967	24,955	4.1	24,955	19,443	28.3
Depreciation and amortization expense	14,377	14,545	(1.2)	14,545	13,615	6.8
Sales of businesses, net	-	-	-	-	(530)	(100.0)
Consolidated Operating Expenses	<u>\$ 77,891</u>	<u>\$ 74,809</u>	4.1	<u>\$ 74,809</u>	<u>\$ 56,937</u>	31.4

2007 Compared to 2006

Cost of Services and Sales

Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support, costs to support our outsourcing contracts and technical facilities and contributions to the universal service fund. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.

Consolidated cost of services and sales in 2007 increased \$2,238 million, or 6.3% compared to 2006, primarily as a result of higher wireless network costs and wireless equipment costs, as well as higher costs associated with Wireline's growth businesses. The increase was partially offset by the impact of productivity improvement initiatives and decreases in net pension and other postretirement benefit costs.

The higher wireless network costs were caused by increased network usage relating to both voice and data services in 2007 compared to 2006, partially offset by decreased local interconnection, long distance and roaming rates. Cost of wireless equipment sales increased in 2007 compared to 2006, primarily as a result of an increase in wireless devices sold due to an increase in equipment upgrades.

Consolidated operating expenses in 2007 and 2006 primarily include \$32 million and \$25 million, respectively, of costs associated with the integration of MCI into our wireline business.

Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space.

Consolidated selling, general and administrative expense in 2007 increased \$1,012 million, or 4.1% compared to 2006. The increase was primarily attributable to higher salary and benefits expenses. Also contributing to the increase was higher sales commission expense at Domestic Wireless and higher advertising costs at Wireline. Partially offsetting the increases were lower bad debt expenses and cost reduction initiatives.

Consolidated operating expenses in 2007 included \$772 million for severance and related expenses as a result of workforce reductions that began in the fourth quarter of 2007 and are expected to occur throughout 2008 as well as adjustments to our actuarial assumptions for severance to align with future expectations, \$146 million for merger integration costs, primarily comprised of Wireline systems integration activities related to businesses acquired and \$84 million related to the spin-off of local exchange and related business assets in Maine, New Hampshire and Vermont. In addition, during 2007 we contributed \$100 million of the proceeds from the sale of TELPRI to the Verizon Foundation.

Consolidated operating expenses in 2006 included \$56 million related to pension settlement losses incurred in connection with our benefit plans and a net pretax charge of \$369 million for employee severance and severance-related activities in connection with the involuntary separation of approximately 4,100 employees who were separated in 2006. Consolidated operating expenses in 2006 also included \$207 million of merger integration costs, primarily for advertising and other costs related to re-branding initiatives and systems integration activities, and a net pretax charge of \$184 million for Verizon Center relocation costs.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased \$168 million, or 1.2% in 2007 compared to 2006. The decrease was primarily due to lower rates of depreciation as a result of changes in the estimated useful lives of certain asset classes at Wireline and fully amortized customer lists at Domestic Wireless, partially offset by growth in depreciable telephone plant as a result of increased capital expenditures.

2006 Compared to 2005

Cost of Services and Sales

Cost of services and sales increased by \$10,900 million, or 44.7% in 2006 compared to 2005. This increase was principally driven by higher costs attributable to the inclusion of the former MCI operations in the Wireline segment subsequent to the completion of the merger, and to a lesser extent higher wireless network costs, increases in wireless equipment costs and increases in pension and other postretirement benefit costs, partially offset by the net impact of productivity improvement initiatives.

The higher wireless network costs were caused by increased network usage relating to both voice and data services in 2006 compared to 2005, partially offset by decreased roaming, local interconnection and long distance rates. Cost of wireless equipment sales increased in 2006 compared to 2005 primarily as a result of

an increase in wireless devices sold due to an increase in gross activations and equipment upgrades as well as an increase in cost per unit.

Costs in these periods were also impacted by increased pension and other postretirement benefit costs. The overall impact of the 2006 assumptions, combined with the impact of lower than expected actual asset returns over the past several years, resulted in pension and other postretirement benefit expense of approximately \$1,377 million in 2006 compared to net pension and postretirement benefit expense of \$1,231 million in 2005. Consolidated operating expenses in 2006 included \$25 million of merger integration costs related to the acquisition of MCI.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by \$5,512 million, or 28.3% in 2006 compared to 2005. This increase was driven by the inclusion of the former MCI operations in the Wireline segment subsequent to the completion of the merger, increases in the Domestic Wireless segment primarily related to increased salary and benefits expenses, and non-operational charges.

Consolidated operating expenses in 2006 included \$56 million related to pension settlement losses incurred in connection with our benefit plans, a net pretax charge of \$369 million for employee severance and severance-related activities in connection with the involuntary separation of approximately 4,100 employees who were separated in 2006. Consolidated operating expenses in 2006 also included \$207 million of merger integration costs primarily for advertising and other costs related to re-branding initiatives and systems integration activities, and a net pretax charge of \$184 million for Verizon Center relocation costs. Consolidated operating expenses in 2005 included a pretax impairment charge of \$125 million pertaining to our leasing operations for airplanes leased to airlines experiencing financial difficulties, a net pretax charge of \$98 million related to the restructuring of the Verizon management retirement benefit plans and a pretax charge of \$59 million associated with employee severance costs and severance-related activities in connection with the voluntary separation program for surplus union-represented employees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by \$930 million, or 6.8% in 2006 compared to 2005. This increase was primarily due to higher depreciable and amortizable asset bases as a result of the MCI merger and, to a lesser extent, increased capital expenditures.

Other Consolidated Results

Equity in Earnings of Unconsolidated Businesses

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Vodafone Omnitel	\$ 597	\$ 703	\$ 741
CANTV	-	182	53
Other	(12)	(112)	(108)
	<u>\$ 585</u>	<u>\$ 773</u>	<u>\$ 686</u>

Equity in earnings of unconsolidated businesses decreased by \$188 million, or 24.3% in 2007 compared to 2006. The decrease is primarily driven by the nationalization of Compañía Anónima Nacional Teléfonos de Venezuela (CANTV) during 2007, as well as the effect of lower tax benefits at Vodafone Omnitel N.V. (Vodafone Omnitel).

Equity in earnings of unconsolidated businesses increased by \$87 million, or 12.7% in 2006 compared to 2005. The increase is primarily due to additional pension liabilities that CANTV recognized in 2005, as well as the effect of favorable operating results and lower taxes in 2006. In addition, the increase reflects our proportionate share, or \$85 million, of a tax benefit at Vodafone Omnitel in the third quarter of 2006,

partially offset by a similar benefit recorded in the third quarter of 2005 of \$76 million. This was offset by lower tax benefits and lower operating results at Vodafone Omnitel.

Other Income and (Expense), Net

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Interest income	\$ 168	\$ 201	\$ 103
Foreign exchange gains (losses), net	14	(3)	11
Other, net	29	197	197
Total	<u>\$ 211</u>	<u>\$ 395</u>	<u>\$ 311</u>

Other Income and (Expense), Net in 2007 decreased \$184 million, or 46.6% compared to 2006. The decline was primarily attributable to a gain on the sale of a Wireline investment in the prior year, as well as decreased interest income as a result of lower average cash balances.

Other Income and (Expense), Net in 2006 increased \$84 million, or 27% compared to 2005. The increase was primarily due to increased interest income as a result of higher average cash balances coupled with higher interest rates in 2006 compared to 2005, partially offset by foreign exchange losses. Other, net in 2005 included a pretax gain on the sale of a small international business and investment gains and expenses related to the early retirement of debt.

Interest Expense

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Total interest costs on debt balances	\$ 2,258	\$ 2,811	\$ 2,481
Less: capitalized interest costs	(429)	(462)	(352)
Interest expense	<u>\$ 1,829</u>	<u>\$ 2,349</u>	<u>\$ 2,129</u>

Weighted average debt outstanding	\$ 32,964	\$ 41,500	\$ 39,152
Effective interest rate	6.85%	6.78%	6.30%

Total interest costs decreased \$553 million in 2007 compared to 2006, primarily due to a decrease in average debt levels, partially offset by slightly higher interest rates. Debt levels decreased primarily as a result of the approximately \$7.1 billion reduction from the spin-off of our domestic print and Internet yellow pages directories business in November 2006, as well as from debt redemptions and retirements funded by proceeds from the spin-off and the divestiture of our Caribbean and Latin American investments during 2006 and the first quarter of 2007.

In 2006, interest costs increased \$330 million compared to 2005 primarily due to an increase in average debt level of \$2,348 million and increased interest rates compared to 2005. Higher capital expenditures in 2006 contributed to higher capitalized interest costs.

Minority Interest

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Minority interest	\$ 5,053	\$ 4,038	\$ 3,001

The increase in minority interest in 2007 compared to 2006, and in 2006 compared to 2005, was due to the higher earnings at Domestic Wireless, which has a significant minority interest attributable to Vodafone Group Plc (Vodafone).

Provision for Income Taxes

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Provision for income taxes	\$ 3,982	\$ 2,674	\$ 2,421
Effective income tax rate	42.0%	32.8%	28.7%

The effective income tax rate is calculated by dividing the provision for income taxes by income from continuing operations before the provision for income taxes. The effective income tax rate in 2007 compared to 2006 was higher primarily due to recording \$610 million of foreign and domestic taxes and expenses specifically relating to our share of Vodafone Omnitel distributable earnings. Verizon received a net distribution from Vodafone Omnitel in December 2007 of approximately \$2.1 billion and anticipates that it may receive an additional distribution from Vodafone Omnitel within the next twelve months. The 2007 rate was also increased due to higher state taxes in 2007 as compared to 2006, as well as greater benefits from foreign operations in 2006 compared to 2007. These increases were partially offset by lower expenses recorded for unrecognized tax benefits in 2007 as compared to 2006.

Our effective income tax rate in 2006 was higher than 2005 primarily as a result of favorable tax settlements and the recognition of capital loss carry forwards in 2005. These increases were partially offset by tax benefits from foreign operations and lower state taxes in 2006 compared to 2005.

A reconciliation of the statutory federal income tax rate to the effective income tax rate for each period is included in Note 16 to the consolidated financial statements.

Discontinued Operations

In accordance with Statement of Financial Accounting Standard (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we have classified TELPRI, Verizon Dominicana and our former domestic print and Internet yellow pages directories publishing operations as discontinued operations in the consolidated financial statements for all periods presented through the date of the spin-off or divestiture.

On March 30, 2007, after receiving Federal Communications Commission approval, we completed the sale of our 52% interest in TELPRI and received gross proceeds of approximately \$980 million. The sale resulted in a pretax gain of \$120 million (\$70 million after-tax, or \$.02 per diluted share). Additionally, \$100 million of the proceeds were contributed to the Verizon Foundation.

The sale of Verizon Dominicana closed in December 2006, and primarily due to taxes on previously unremitted earnings, a pretax gain of \$30 million resulted in an after-tax loss of \$541 million (or \$.18 per diluted share).

We completed the spin-off of our domestic print and Internet yellow pages directories business to our shareowners on November 17, 2006, which resulted in an \$8,695 million increase to contributed capital in shareowner's investment. In addition, we recorded pretax charges of \$117 million (\$101 million after-tax, or \$.03 per diluted share) for costs related to this spin-off. These costs primarily consisted of debt retirement costs, costs associated with accumulated vested benefits of employees, investment banking fees and other transaction costs related to the spin-off, which are included in discontinued operations.

Income from discontinued operations, net of tax, decreased by \$617 million, or 81.3% in 2007 compared to 2006. The decrease was primarily driven by the assets disposed of in 2006, partially offset by the after-tax gain recorded in 2007 on the sale of TELPRI. Income from discontinued operations, net of tax, decreased by \$611 million, or 44.6% in 2006 compared to 2005. This decrease was primarily due to the after-tax loss recorded in 2006 on the sale of Verizon Dominicana, partially offset by the cessation of depreciation on fixed assets held for sale.

Extraordinary Item

In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of

Understanding (MOU) with the Republic, which provided that the Republic offer to purchase all of the equity securities of CANTV, including our 28.5% interest, through public tender offers in Venezuela and the United States. Under the terms of the MOU, the prices in the tender offers would be adjusted downward to reflect any dividends declared and paid subsequent to February 12, 2007. During the second quarter of 2007, the tender offers were completed and Verizon received an aggregate amount of approximately \$572 million, which included \$476 million from the tender offers as well as \$96 million of dividends declared and paid subsequent to the MOU. Based upon our investment balance in CANTV, we recorded an extraordinary loss of \$131 million, including taxes of \$38 million, or \$.05 per diluted share.

Cumulative Effect of Accounting Change

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payments*, utilizing the modified prospective method. The impact to Verizon primarily resulted from Domestic Wireless, for which we recorded a \$42 million (\$.01 per diluted share) cumulative effect of accounting change, net of taxes and after minority interest, to recognize the effect of initially measuring the outstanding liability for awards granted to Domestic Wireless employees at fair value utilizing a Black-Scholes model.

Segment Results of Operations

We have two reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Wireline and Domestic Wireless. You can find additional information about our segments in Note 17 to the consolidated financial statements.

We measure and evaluate our reportable segments based on segment income. Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses such as our wholly-owned insurance and leasing subsidiaries, the results of investments in unconsolidated businesses, primarily Vodafone Omnitel, and other adjustments that are not allocated in assessing segment performance. These adjustments also include transactions that the chief operating decision makers exclude in assessing business unit performance due primarily to their non-recurring and/or non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results, since these items are included in the chief operating decision makers' assessment of unit performance.

Wireline

The Wireline segment consists of the operations of Verizon Telecom, a provider of communication services, including voice, broadband video and data, network access, long distance, and other services to residential and small business customers and carriers, and Verizon Business, which provides next-generation IP network services to medium and large businesses and government customers globally. Operating results shown for 2006 exclude the results of the former MCI prior to the date of the merger (January 6, 2006).

Operating Revenues

Years Ended December 31,	2007	(dollars in millions)	
		2006	2005
Verizon Telecom			
Mass Markets	\$ 21,978	\$ 22,234	\$ 20,044
Wholesale	8,086	8,336	9,084
Other	1,862	2,368	2,566
Verizon Business			
Enterprise Business	14,677	14,296	6,385
Wholesale	3,345	3,281	1,386
International and Other	3,214	3,101	—

Intrasegment Eliminations	(2,846)	(2,888)	(1,849)
Total Wireline Operating Revenues	<u>\$ 50,316</u>	<u>\$ 50,728</u>	<u>\$ 37,616</u>

Verizon Telecom

Mass Markets

Verizon Telecom's Mass Markets revenue includes local exchange (basic service and end-user access), value-added services, long distance, broadband services for residential and certain small business accounts and FiOS TV services. Also included are revenues generated from former MCI consumer and small business products and services. Long distance includes both regional toll services and long distance services. Broadband services include DSL and FiOS data.

Our Mass Markets revenue decreased by \$256 million, or 1.2% in 2007, and increased by \$2,190 million, or 10.9% in 2006. The decrease in 2007 was primarily driven by lower demand and usage of our basic local exchange and accompanying services, attributable to consumer subscriber losses. These losses are driven by competition and technology substitution, including wireless and VoIP. These decreases were partially offset by growth from broadband services and FiOS TV services and the inclusion of the results of operations of the former MCI business subsequent to the close of the merger on January 6, 2006, which helped drive the increase in 2006 over 2005.

Declines in switched access lines in service of 8.1% in 2007 and 7.6% in 2006 were mainly driven by the effects of competition and technology substitution. Residential retail access lines declined 9.5% in 2007 and 8.8% in 2006, as customers substituted wireless, VoIP, broadband and cable services for traditional voice landline services. At the same time, business retail access lines declined 4.0% in 2007 and 3.2% in 2006, primarily reflecting competition and a shift to high-speed access lines. The resulting total retail access line loss was 7.6% and 6.9% in 2007 and 2006, respectively. Access line losses include the loss of lines served by the former MCI.

We added 1,253,000 new broadband connections, including 854,000 for FiOS data in 2007. We ended 2007 with 8,235,000 broadband lines in service, including 1,541,000 for FiOS data, representing an increase of 17.9% compared to 6,982,000 lines in service at December 31, 2006. In addition, we added approximately 736,000 FiOS TV customers in 2007 and ended the year with a total of 943,000, an increase of approximately 355% compared to 207,000 FiOS TV customers at December 31, 2006. As of December 31, 2007, for FiOS data and FiOS TV, we achieved penetration rates of 20.6% and 16.0%, respectively, across the markets where we have been selling these services.

Wholesale

Wholesale revenues are earned from long distance and other competing carriers who use our local exchange facilities to provide services to their customers. Switched access revenues are generated from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues are generated from carriers that buy dedicated local exchange capacity to support their private networks. Wholesale services also include local wholesale revenues from unbundled network elements (UNEs) and interconnection revenues from competitive local exchange carriers (CLECs) and wireless carriers.

Wholesale revenues decreased by \$250 million, or 3.0% in 2007 and by \$748 million, or 8.2% in 2006, due to declines in switched access revenues and local wholesale revenues (UNEs) and, in 2006, the reduction in access revenues billed to the former MCI mass market entities. These declines were partially offset by increases in special access revenues.

Switched minutes of use (MOUs) declined in 2007 and 2006, reflecting the impact of access line loss and wireless substitution. Wholesale lines decreased by 15.9% in 2007 due to the ongoing impact of a 2005 decision by a major competitor to deemphasize their local market initiatives. Special access revenue growth reflects continuing demand for high-capacity, high-speed digital services, partially offset by lower demand for older, low-speed data products and services. As of December 31, 2007, customer demand for high-capacity and digital data services increased 8.2% compared to 2006.

The FCC regulates the rates that we charge customers for interstate access services. See "Other Factors That May Affect Future Results – Regulatory and Competitive Trends – FCC Regulation" for additional information on FCC rulemaking concerning federal access rates, universal service and certain broadband services.

Other Revenues

Other revenues include such services as operator services (including deaf relay services), public (coin) telephone, card services and supply sales, as well as dial around services including 10-10-987, 10-10-220, 1-800-COLLECT and Prepaid Cards.

Verizon Telecom's revenues from other services decreased by \$506 million, or 21.4% in 2007, and by \$198 million, or 7.7% in 2006. These revenue decreases were mainly due to the discontinuation of non-strategic product lines and reduced business volumes, partially offset by the inclusion of revenues from the former MCI in 2006.

Verizon Business

Enterprise Business

Our Enterprise Business channel distributes voice, data and Internet communications services to medium and large business customers, multi-national corporations, and state and federal government customers. In addition to communication services, this channel provides value-added services that make communications more secure, reliable and efficient. Enterprise Business provides managed network services for customers that outsource all or portions of their communications and information processing operations and data services such as Private IP, Private Line, Frame Relay and ATM services, both domestically and internationally.

Enterprise Business 2007 revenues of \$14,677 million increased by \$381 million, or 2.7%, as compared to 2006, primarily reflecting growth in demand for our strategic products, specifically IP services and managed services, as well as the inclusion of the results of operations of the former MCI business subsequent to the close of the merger on January 6, 2006. The IP suite of products is Enterprise Business' fastest growing set of product offerings and includes Private IP, IP VPN, Web Hosting and VoIP. Our Enterprise Business channel services many customer accounts that are moving from core data products to IP based products. This shift in technology is occurring across our customer base. Enterprise Business 2006 revenues of \$14,296 million increased \$7,911 million, or 123.9% compared to 2005 primarily due to the acquisition of MCI.

Wholesale

Our Wholesale revenues relate to domestic wholesale services and include all interexchange wholesale traffic sold in the United States, as well as internationally destined traffic that originates in the United States. The Wholesale line of business is comprised of numerous large and small customers that predominately resell voice services to their own customer base. A portion of this revenue is generated by a few large telecommunication carriers, many of whom compete directly with Verizon.

Verizon Business 2007 Wholesale revenues of \$3,345 million increased by \$64 million, or 2.0% as compared to 2006, primarily due to increased MOUs in traditional voice products, partially offset by continued rate compression due to competition in the marketplace. During 2006, Verizon Business Wholesale revenues of \$3,281 million, increased \$1,895 million, or 136.7%, compared to 2005, primarily due to the MCI acquisition.

International and Other

Our International operations serve retail and wholesale customers, including enterprise businesses, government entities and telecommunication carriers outside of the United States, primarily in Europe, the Middle East and Africa, the Asia Pacific region, Latin America and Canada. These operations provide telecommunications services, which include voice, data services, Internet and managed network services.

International and other revenues of \$3,214 million during 2007 increased by \$113 million, or 3.6% as compared to 2006. Revenue growth in our strategic products, specifically IP services, was partially offset by competitive rate compression and lower volumes with respect to our voice products. Our revenues from International and Other in the year ended December 31, 2006 were \$3,101 million. This market represented a new revenue stream to Verizon resulting from the MCI acquisition on January 6, 2006.

Operating Expenses

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Cost of services and sales	\$ 25,220	\$ 24,767	\$ 15,813
Selling, general and administrative expense	11,236	11,820	8,210
Depreciation and amortization expense	9,184	9,590	8,801
	<u>\$ 45,640</u>	<u>\$ 46,177</u>	<u>\$ 32,824</u>

Cost of Services and Sales

Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support, costs to support our outsourcing contracts and technical facilities, contributions to the universal service fund, customer provisioning costs and cost of products sold. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.

Cost of services and sales increased by \$453 million, or 1.8%, during 2007 compared to 2006. This increase was primarily due to higher costs associated with our growth businesses, annual wage increases and higher customer premise equipment costs, partially offset by productivity improvement initiatives and lower switched access lines in service, as well as lower wholesale voice connections.

Cost of services and sales increased by \$8,954 million, or 56.6%, in 2006 compared to 2005. These increases were primarily due to the MCI merger in 2006 partially offset by the net impact of other cost changes. Higher costs associated with our growth businesses and annual wage increases were partially offset by productivity improvement initiatives, which reduced cost of services and sales expenses in 2006. Expenses were also impacted by increased net pension and other postretirement benefit costs. The overall impact of the 2006 assumption changes, combined with the impact of lower than expected actual asset returns over the past several years, resulted in pension and other postretirement benefit expense of \$1,408 million in 2006 compared to net pension and postretirement benefit expense of \$1,248 million in 2005. Expenses decreased in 2006 due to the discontinuation of non-strategic businesses, including the termination of a large commercial inventory management contract in 2005.

Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries, wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space.

Selling, general and administrative expenses in 2007 decreased by \$584 million or 4.9%, in 2007 compared to 2006. The decrease was primarily due to cost reduction initiatives, as well as the impact of gains from real estate sales and lower bad debt costs, partially offset by higher advertising costs and the inclusion of the results of operations of the former MCI business subsequent to the close of the merger on January 6, 2006.

Selling, general and administrative expenses in 2006 increased by \$3,610 million, or 44.0% compared to 2005. These increases were primarily due to the inclusion of expenses from the former MCI in 2006, partially offset by synergy savings resulting from our merger integration efforts, the impact of gains from real estate sales and lower bad debt costs.

Depreciation and Amortization Expense

The decrease in depreciation and amortization expense of \$406 million, or 4.2%, in 2007 compared to 2006 was mainly driven by lower rates of depreciation as a result of changes in the estimated useful lives of certain asset classes, partially offset by growth in depreciable telephone plant from increased capital spending. The increase in depreciation and amortization expense of \$789 million, or 9.0% in 2006 compared to 2005 was mainly driven by the acquisition of MCI's depreciable property and equipment and finite-lived intangible assets, including its customer lists and capitalized non-network software, and by growth in depreciable telephone plant and non-network software assets.

Segment Income

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Segment Income	\$ 1,506	\$ 1,625	\$ 1,906

Segment income decreased by \$119 million, or 7.3% in 2007 and by \$281 million, or 14.7% in 2006, due to the after-tax impact of operating revenues and operating expenses described above, along with the impact of favorable income tax adjustments in 2005.

Non-recurring or non-operational items not included in Verizon Wireline's segment income totaled \$714 million, \$407 million and (\$168) million in 2007, 2006, and 2005, respectively. Non-recurring or non-operational items in 2007 included costs associated with severance and other related charges, costs incurred related to network, non-network software, and other activities in connection with the spin-off of local exchange assets in Maine, New Hampshire and Vermont (see "Recent Developments" section), as well as costs associated with merger integration initiatives, principally related to the acquisition of MCI and other items. Non-recurring or non-operational items in 2006 included costs associated with severance activity, pension settlement losses, Verizon Center relocation-related costs and merger integration costs. Merger integration costs primarily included costs related to advertising and re-branding initiatives, facility exit costs, severance costs, labor and contractor costs related to information technology integration initiatives and employee retention expenses. Non-recurring or non-operational items in 2005 related to the gain on the sale of our Hawaii wireline operations, the net gain on the sale of a New York City office building, changes to management retirement benefit plans, severance costs and Verizon Center relocation-related costs.

Domestic Wireless

Our Domestic Wireless segment provides wireless voice and data services, other value-added services and equipment sales across the United States. This segment primarily represents the operations of the Verizon Wireless joint venture with Vodafone. Verizon owns a 55% interest in the joint venture and Vodafone owns the remaining 45%. All financial results included in the tables below reflect the consolidated results of Verizon Wireless.

Operating Revenues

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Service revenues	\$ 38,016	\$ 32,796	\$ 28,131
Equipment and other	5,866	5,247	4,170
Total Domestic Wireless Operating Revenue	\$ 43,882	\$ 38,043	\$ 32,301

Domestic Wireless's total operating revenues of \$43,882 million were \$5,839 million, or 15.3% higher in 2007 compared to 2006. Service revenues of \$38,016 million were \$5,220 million, or 15.9% higher than 2006. The service revenue increase was primarily due to an 11.3% increase in customers as of December 31, 2007 compared to December 31, 2006, and increased average revenue per customer.

Equipment and other revenue increased \$619 million, or 11.8% in 2007 compared to 2006, principally as a result of increases in the number of customers upgrading their wireless devices. Other revenue also increased due to increases in cost recovery surcharges and regulatory fees.

Total customers as of December 31, 2007 were 65.7 million, of which 97% were retail customers, compared to 59.1 million, of which 96% were retail customers at December 31, 2006. Retail (non-wholesale) customers are customers who are directly served and managed by Verizon Wireless and who buy its branded services. Our Domestic Wireless customer base as of December 31, 2007 was 93% retail postpaid compared to 92.6% retail postpaid at December 31, 2006. Total average monthly churn was 1.21% in 2007 compared to 1.17% in 2006.

Our Domestic Wireless segment ended 2007 with 63.7 million retail customers, an increase of 6.9 million net new retail customers or 12.2%, compared to December 31, 2006. Average monthly retail postpaid churn, the rate at which retail postpaid customers disconnect service, was 0.91% in 2007, unchanged compared to 2006.

Average retail service revenue per customer per month increased 2.2% to \$51.57 in 2007 compared to 2006. Average retail data service revenue per customer per month increased 43.9% in 2007 compared to 2006 driven by increased use of our messaging service, VZAccess, and other data services. Retail data revenues were \$7,309 million and accounted for 19.7% of retail service revenue in 2007, compared to \$4,445 million and 14.0% of retail service revenue in 2006.

Domestic Wireless's total operating revenues of \$38,043 million in 2006 increased \$5,742 million, or 17.8% compared to 2005. Service revenues of \$32,796 million were \$4,665 million, or 16.6% higher than 2005. The service revenue increase was primarily due to a 15.0% increase in customers as of December 31, 2006 compared to December 31, 2005, and increased average revenue per customer. Equipment and other revenue increased \$1,077 million, or 25.8% in 2006 compared to 2005 principally as a result of increases in the number and price of wireless devices sold. Other revenue also increased due to increases in regulatory fees, primarily the universal service fund and cost recovery surcharges.

Average retail service revenue per customer per month increased 0.7% to \$50.44 in 2006 compared to 2005. Average retail data service revenue per customer per month increased 71.3% in 2006, compared to 2005, driven by increased use of our messaging, VZAccess and other data services. However, Domestic Wireless experienced an increase in the proportion of customers on its Family Share price plans, which put downward pressure on average service revenue per customer during 2006. Retail data revenues were \$4,445 million and accounted for 14.0% of retail service revenue in 2006, compared to \$2,232 million and 8.2% of retail service revenue in 2005.

Operating Expenses

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Cost of services and sales	\$ 13,456	\$ 11,491	\$ 9,393
Selling, general and administrative expense	13,477	12,039	10,768
Depreciation and amortization expense	5,154	4,913	4,760
	<u>\$ 32,087</u>	<u>\$ 28,443</u>	<u>\$ 24,921</u>

Cost of Services and Sales

Cost of services and sales, which are costs to operate the wireless network as well as the cost of roaming, long distance and equipment sales, increased by \$1,965 million, or 17.1% in 2007 compared to 2006. Cost of services increased due to higher wireless network costs in 2007 caused by increased network usage, partially offset by lower rates for long distance, roaming and local interconnection. Cost of equipment sales grew by 20.2% in 2007 compared to 2006. The increase was primarily attributed to an increase in equipment upgrades, together with an increase in cost per unit as a result of increased sales of higher cost advanced wireless devices.

Cost of services and sales increased by \$2,098 million, or 22.3% in 2006 compared to 2005. This increase was primarily due to higher wireless network costs in 2006 caused by increased network usage relating to both voice and data services and an increase in cost of equipment sales driven by an increase in wireless devices sold, resulting from an increase in equipment upgrades, together with an increase in cost per unit in 2006.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by \$1,438 million, or 11.9% in 2007 compared to 2006. This increase was primarily due to an increase in salary and benefits expense of \$641 million, resulting from an increase in employees in the sales and customer care areas, and higher per employee salary and benefit costs. Sales commissions expense in both our direct and indirect channels increased by \$147 million in 2007 compared to 2006, primarily as a result of an increase in customer renewals and equipment upgrades. Advertising and promotion expense increased \$144 million in 2007, compared to 2006. Also contributing to the increase were higher costs associated with regulatory fees, which increased by \$127 million in 2007.

Selling, general and administrative expense increased by \$1,271 million, or 11.8% in 2006 compared to 2005. This increase was primarily due to an increase in salary and benefits expense, as well as advertising and promotion, and regulatory fee increases, compared to 2005.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by \$241 million, or 4.9% in 2007 compared to 2006 and increased by \$153 million, or 3.2% in 2006 compared to 2005. These increases were primarily due to an increase in depreciable assets. Partially offsetting this increase in 2007 was lower amortization expense resulting from customer lists becoming fully amortized during 2006.

Segment Income

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Segment Income	\$ 3,794	\$ 2,976	\$ 2,219

Segment income increased by \$818 million, or 27.5% in 2007 compared to 2006 and increased by \$757 million, or 34.1% in 2006 compared to 2005, primarily as a result of the after-tax impact of operating revenues and operating expenses described above, partially offset by higher minority interest expense. Segment income in 2006 excludes \$42 million after-tax due to the adoption of SFAS No. 123(R).

Increases in minority interest expense in 2007 and 2006 were due to the increased income of the wireless joint venture and the significant minority interest attributable to Vodafone.

Other Items

Merger Integration Costs

In 2007 and 2006, we recorded pretax charges of \$178 million (\$112 million after-tax, or \$.04 per diluted share) and \$232 million (\$146 million after-tax, or \$.05 per diluted share), respectively, primarily associated with the MCI acquisition in 2006 that were comprised of advertising and other costs related to re-branding initiatives, facility exit costs and systems integration activities.

Tax Matters

In December 2007, Verizon received a net distribution from Vodafone Omnitel of approximately \$2.1 billion and we anticipate that we may receive an additional distribution from Vodafone Omnitel within the next twelve months. As a result, we recorded \$610 million (\$.21 per diluted share) of foreign and domestic taxes and expenses specifically relating to our share of Vodafone Omnitel's distributable earnings.

During 2005, we recorded tax benefits of \$336 million (\$.12 per diluted share) in connection with the utilization of prior year loss carry forwards. As a result of the capital gain realized in 2005 in connection with the sale of our Hawaii businesses, we recorded a tax benefit of \$242 million related to the capital losses incurred in previous years.

Also during 2005, we recorded a net tax provision of \$206 million (\$.07 per diluted share) related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004, for two of our foreign investments.

Facility and Employee-Related Items

During the fourth quarter of 2007, we recorded a charge of \$772 million (\$477 million after-tax, or \$.16 per diluted share) primarily in connection with workforce reductions of 9,000 employees and related charges, 4,000 of whom were terminated in the fourth quarter of 2007 with the remaining reductions expected to occur throughout 2008. In addition, we adjusted our actuarial assumptions for severance to align with future expectations.

During 2006, we recorded net pretax severance, pension and benefits charges of \$425 million (\$258 million after-tax, or \$.09 per diluted share). These charges included net pretax pension settlement losses of \$56 million (\$26 million after-tax, or \$.01 per diluted share) related to employees that received lump-sum distributions primarily resulting from our separation plans. These charges were recorded in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination* (SFAS No. 88), which requires that settlement losses be recorded once prescribed payment thresholds have been reached. Also included are pretax charges of \$369 million (\$228 million after-tax, or \$.08 per diluted share), for employee severance and severance-related costs in connection with the involuntary separation of approximately 4,100 employees. In addition, during 2005 we recorded a charge of \$59 million (\$36 million after-tax, or \$.01 per diluted share) associated with employee severance costs and severance-related activities in connection with the voluntary separation program for surplus union-represented employees.

During 2006, we recorded pretax charges of \$184 million (\$118 million after-tax, or \$.04 per diluted share) in connection with the relocation of employees and business operations to Verizon Center in Basking Ridge, New Jersey. During 2005, we recorded a net pretax gain of \$18 million (\$8 million after-tax) in connection with the relocation, including a pretax gain of \$120 million (\$72 million after-tax, or \$.03 per diluted share) related to the sale of a New York City office building, partially offset by a pretax charge of \$102 million (\$64 million after-tax, or \$.02 per diluted share), primarily associated with relocation, employee severance and related activities.

During 2005, we reported a net pretax charge of \$98 million (\$59 million after-tax, or \$.02 per diluted share) related to the restructuring of the Verizon management retirement benefit plans. This pretax charge was recorded in accordance with SFAS No. 88, and SFAS No. 106, *Employers' Accounting for the Postretirement Benefits Other Than Pensions* (SFAS No. 106) and includes the unamortized cost of prior pension enhancements of \$430 million offset partially by a pretax curtailment gain of \$332 million related to retiree medical benefits. In connection with this restructuring, management employees: no longer earn pension benefits or earn service towards the company retiree medical subsidy after June, 2006; received an 18-month enhancement of the value of their pension and retiree medical subsidy; and receive a higher savings plan matching contribution.

Other

In 2006, we recorded pretax charges of \$26 million (\$16 million after-tax, or \$.01 per diluted share) resulting from the extinguishment of debt assumed in connection with the completion of the MCI merger.

During 2005, we recorded pretax charges of \$139 million (\$133 million after-tax, or \$.05 per diluted share) including a pretax impairment charge of \$125 million (\$125 million after-tax, or \$.04 per diluted share) pertaining to aircraft leased to airlines involved in bankruptcy proceedings and a pretax charge of \$14 million (\$8 million after-tax, or less than \$.01 per diluted share) in connection with the early extinguishment of debt.

Consolidated Financial Condition

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Cash Flows Provided By (Used In)			
Operating Activities:			
Continuing operations	\$ 26,309	\$ 23,030	\$ 20,444
Discontinued operations	(570)	1,076	1,581
Investing Activities:			
Continuing operations	(16,865)	(17,422)	(18,136)
Discontinued operations	757	1,806	(356)
Financing activities:			
Continuing operations	(11,697)	(5,752)	(4,958)
Discontinued operations	—	(279)	(76)
Increase (Decrease) In Cash and Cash Equivalents	\$ (2,066)	\$ 2,459	\$ (1,501)

We use the net cash generated from our operations to fund network expansion and modernization, repay external financing, pay dividends and invest in new businesses. Additional external financing is obtained when necessary. While our current liabilities typically exceed current assets, our sources of funds, primarily from operations and, to the extent necessary, from readily available external financing arrangements, are sufficient to meet ongoing operating and investing requirements. We expect that capital spending requirements will continue to be financed primarily through internally generated funds. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

Cash Flows Provided By Operating Activities

Our primary source of funds continues to be cash generated from operations. In total, cash from operating activities in 2007 increased compared to the similar period of 2006. The increase was due to higher cash flow from continuing operations, partially offset by decreased cash flow from discontinued operations. The increase in cash flow from operating activities – continuing operations in 2007 compared to 2006 was primarily due to the distributions from Vodafone Omnitel and CANTV, increased operating cash flows from Domestic Wireless and lower interest payments on outstanding debt, partially offset by changes in working capital.

The decrease in cash flow from operating activities—discontinued operations in 2007 compared to 2006 was primarily due to income taxes paid in 2007 related to the fourth quarter 2006 disposition of Verizon Dominicana, as well as the disposal of the discontinued operations in the fourth quarter of 2006.

In 2006, the increase in cash from operating activities compared to 2005 was primarily due to higher earnings at Domestic Wireless, which included higher minority interest earnings, and lower dividends paid to minority partners. Total minority interest earnings, net of dividends paid to minority interest partners, was \$3.2 billion in 2006 compared to \$1.7 billion in 2005. In addition, higher operating cash flow in 2006 compared to 2005 was due to lower cash taxes paid in 2006, resulting from 2005 tax payments related to

foreign operations and investments sold during the fourth quarter of 2004. Partially offsetting these increases were significant 2005 repatriations of foreign earnings of unconsolidated businesses.

Operating cash flows from discontinued operations decreased \$505 million to \$1,076 million in 2006 from \$1,581 million in 2005 due to the completion of our domestic print and Internet yellow pages directories business spin-off on November 17, 2006 and the close of the sale of Verizon Dominicana on December 1, 2006, partially offset by the operating activities of the remaining assets held for sale.

Cash Flows Used In Investing Activities

Capital expenditures continue to be our primary use of cash flows from operations, as they facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of our networks. Including capitalized software, we invested \$10,956 million in our Wireline business in 2007, compared to \$10,259 million and \$8,267 million in 2006 and 2005, respectively. We also invested \$6,503 million in our Domestic Wireless business in 2007, compared to \$6,618 million and \$6,484 million in 2006 and 2005, respectively. The increase in capital spending at Wireline is mainly driven by increased spending in high growth areas such as fiber optic to the premises. Capital spending at Domestic Wireless represents our continuing effort to invest in this high growth business.

In 2008, capital expenditures, including capitalized software, are expected to be lower than 2007 expenditures.

In 2007, we paid \$417 million, net of cash received, to acquire a security-services firm and \$180 million to purchase several wireless properties and licenses. In 2006, we invested \$1,422 million in acquisitions and investments in businesses, including \$2,809 million to acquire thirteen 20 MHz licenses in connection with the FCC Advanced Wireless Services auction and \$57 million to acquire other wireless properties. This was offset by MCI's cash balances of \$2,361 million we acquired at the date of the merger. In 2005, we invested \$4,684 million in acquisitions and investments in businesses, including \$3,003 million to acquire NextWave Telecom Inc. (NextWave) personal communications services licenses, \$641 million to acquire 63 broadband wireless licenses in connection with FCC auction 58, \$419 million to purchase Qwest Wireless, LLC's spectrum licenses and wireless network assets in several existing and new markets, \$230 million to purchase spectrum from MetroPCS, Inc. and \$297 million for other wireless properties and licenses. In 2005, we received cash proceeds of \$1,326 million in connection with the sale of Verizon's wireline operations in Hawaii.

Our short-term investments principally include cash equivalents held in trust accounts for payment of employee benefits. In 2007, 2006 and 2005, we invested \$1,693 million, \$1,915 million and \$1,955 million, respectively, in short-term investments, primarily to pre-fund active employees' health and welfare benefits. Proceeds from the sales of all short-term investments, principally for the payment of these benefits, were \$1,862 million, \$2,205 million and \$1,609 million in the years 2007, 2006 and 2005, respectively.

Other, net investing activities during 2007 primarily include cash proceeds of approximately \$800 million from property sales and sales of select non-strategic assets, as well as \$476 million from the disposition of our interest in CANTV. Other, net investing activities for 2006 primarily include cash proceeds of \$283 million from property sales. Other, net investing activities for 2005 primarily include a net investment of \$913 million for the purchase of 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helú, offset by cash proceeds of \$713 million from property sales, including a New York City office building, and \$349 million of repatriated proceeds from the sales of European investments in prior years.

In 2007, investing activities of discontinued operations primarily included gross proceeds of approximately \$980 million in connection with the sale of TELPRI. In 2006, investing activities of discontinued operations included net pretax cash proceeds of \$2,042 million in connection with the sale of Verizon

Dominicana. In 2005, investing activities of discontinued operations primarily related to capital expenditures related to discontinued operations.

Cash Flows Used In Financing Activities

In 2007, our total debt was reduced by \$5.2 billion, due to the repayment of approximately \$1.7 billion of Wireline debt, including the early repayment of previously guaranteed \$300 million 7% debentures issued by Verizon South Inc. and \$480 million 7% debentures issued by Verizon New England Inc., as well as approximately \$1.6 billion of other borrowings. Also, we redeemed \$1,580 million principal of our outstanding floating rate notes, which were called on January 8, 2007, and the \$500 million 7.90% debentures issued by GTE Corporation. Partially offsetting the reduction in total debt were cash proceeds of \$3,402 million in connection with fixed and floating rate debt issued during 2007.

Our total debt was reduced by \$1,896 million in 2006. We repaid \$6,838 million of Wireline debt, including premiums associated with the retirement of \$5,665 million of aggregate principal amount of long-term debt assumed in connection with the MCI merger. The Wireline repayments also included the early retirement/prepayment of \$697 million of long-term debt and \$155 million of other long-term debt at maturity. We repaid approximately \$2.5 billion of Domestic Wireless 5.375% fixed rate notes that matured on December 15, 2006. Also, we redeemed the \$1,375 million accreted principal of our remaining zero-coupon convertible notes and retired \$482 million of other corporate long-term debt at maturity. These repayments were partially offset by our issuance of long-term debt with a total aggregate principal amount of \$4 billion, resulting in cash proceeds of \$3,958 million, net of discounts, issuance costs and the receipt of cash proceeds related to hedges on the interest rate of an anticipated financing. In connection with the spin-off of our domestic print and Internet yellow pages directories business, we received net cash proceeds of approximately \$2 billion and retired debt in the aggregate principal amount of approximately \$7 billion.

Cash of \$240 million was used to reduce our total debt in 2005. We repaid \$1,533 million of Domestic Wireless, \$1,183 million of Wireline and \$1,109 million of Verizon corporate long-term debt. The Wireline debt repayment included the early retirement of \$350 million of long-term debt and \$806 million of other long-term debt at maturity. This decrease was largely offset by the issuance by Verizon corporate of long-term debt with a total principal amount of \$1,500 million, resulting in total cash proceeds of \$1,478 million, net of discounts and costs, and an increase in our short-term borrowings of \$2,098 million.

Our ratio of debt to debt combined with shareowners' equity was 38.1% at December 31, 2007 compared to 42.8% at December 31, 2006.

As of December 31, 2007, we had no bank borrowings outstanding. We also had approximately \$6.2 billion of unused bank lines of credit (including a \$6 billion three-year committed facility that expires in September 2009 and various other facilities totaling approximately \$400 million) and we had shelf registrations for the issuance of up to \$8 billion of unsecured debt securities. The debt securities of Verizon and our telephone subsidiaries continue to be accorded high ratings by primary rating agencies. In July 2007, S&P revised its outlook to stable from negative and affirmed its long term rating of A. Other long-term ratings of Verizon are: Moody's A3 with stable outlook; and Fitch A+ with stable outlook. The short-term ratings of Verizon are: Moody's P-2; S&P A-1; and Fitch F1.

We and our consolidated subsidiaries are in compliance with all of our debt covenants.

In February 2008, we issued \$4,000 million of fixed rate notes with varying maturities that resulted in cash proceeds of \$3,953 million, net of discounts and issuance costs.

As in prior years, dividend payments were a significant use of cash flows from operations. We continuously evaluate the level of our dividend payments by considering such factors as long-term growth opportunities, internal cash requirements and the expectations of our shareowners. During the first half of 2007, Verizon announced quarterly cash dividends of \$.405 per share. During the third quarter of 2007, we increased our dividend payments 6.2% to \$.43 per share from \$.405 per share. In the third and fourth

quarters of 2007, Verizon declared a quarterly cash dividend of \$.43 per share. In 2006 and 2005, Verizon declared quarterly cash dividends of \$.405 per share.

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans. On March 1, 2007, the Board of Directors determined that no additional common shares could be purchased under previously authorized share repurchase programs and gave authorization to repurchase up to 100 million common shares terminating no later than the close of business on February 28, 2010. During 2007, we repurchased \$2,843 million of our common stock. We plan to continue our share buyback program in 2008. Additionally, we received \$1,274 million of cash proceeds from the sale of common stock, primarily due to the exercise of stock options. On February 7, 2008, the Board of Directors replaced this share buy back program with a new program for the repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2011. The Board also determined that no additional shares were to be purchased under the prior program.

Increase (Decrease) In Cash and Cash Equivalents

Our cash and cash equivalents at December 31, 2007 totaled \$1,153 million, a \$2,066 million decrease compared to cash and cash equivalents at December 31, 2006. Our cash and cash equivalents at December 31, 2006 totaled \$3,219 million, a \$2,459 million increase compared to cash and cash equivalents at December 31, 2005 of \$760 million.

Employee Benefit Plan Funded Status and Contributions

We operate numerous qualified and nonqualified pension plans and other postretirement benefit plans. These plans primarily relate to our domestic business units. The majority of Verizon's pension plans are adequately funded. We contributed \$612 million, \$451 million and \$593 million in 2007, 2006 and 2005, respectively, to our qualified pension plans. We also contributed \$125 million, \$117 million and \$105 million to our nonqualified pension plans in 2007, 2006 and 2005, respectively.

Based on the funded status of the plans at December 31, 2007, we anticipate qualified pension trust contributions of \$350 million in 2008. Our estimate of required qualified pension trust contributions for 2009 is approximately \$300 million. Nonqualified pension contributions are estimated to be approximately \$130 million for both 2008 and 2009, respectively.

Contributions to our other postretirement benefit plans generally relate to payments for benefits on an as-incurred basis since the other postretirement benefit plans do not have funding requirements similar to the pension plans. We contributed \$1,048 million, \$1,099 million and \$1,040 million to our other postretirement benefit plans in 2007, 2006 and 2005, respectively. Contributions to our other postretirement benefit plans are estimated to be approximately \$1,580 million in 2008 and \$1,770 million in 2009.

Refer to Note 1 in the consolidated financial statements for a discussion of the adoption of SFAS No. 158, which was effective December 31, 2006.

Leasing Arrangements

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities, which comprise the majority of the portfolio along with telecommunications equipment, real estate property and other equipment. These leases have remaining terms up to 48 years as of December 31, 2007. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with generally accepted accounting principles. All recourse debt is reflected in our consolidated balance sheets. See "Other Items" for a discussion of lease impairment charges.

Off Balance Sheet Arrangements and Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table provides a summary of our contractual obligations and commercial commitments at December 31, 2007. Additional detail about these items is included in the notes to the consolidated financial statements.

Contractual Obligations	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (see Note 11)	\$ 30,455	\$ 2,518	\$ 5,781	\$ 6,891	\$ 15,265
Capital lease obligations (see Note 10)	312	46	93	71	102
Total long-term debt, including current maturities	30,767	2,564	5,874	6,962	15,367
Interest on long-term debt (see Note 11)	21,116	1,897	3,350	2,622	13,247
Operating leases (see Note 10)	7,001	1,489	2,292	1,253	1,967
Purchase obligations (see Note 20)	844	613	188	33	10
Income Tax Audit Settlements* (see Note 16)	233	233	-	-	-
Other long-term liabilities (see Note 15)	4,190	2,020	2,170	-	-
Total contractual obligations	\$ 64,151	\$ 8,816	\$ 13,874	\$ 10,870	\$ 30,591

*The \$233 million of income tax audit settlements include gross unrecognized tax benefits of \$148 million as determined under Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) and related gross interest of \$85 million. We are not able to make a reliable estimate of when the balance of \$2,735 million of unrecognized tax benefits and related interest and penalties will be settled with the respective taxing authorities until issues or examinations are further developed (see Note 16).

Guarantees

In connection with the execution of agreements for the sale of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses.

As of December 31, 2007, letters of credit totaling \$225 million were executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in equity investment and commodity prices and changes in corporate tax rates. We employ risk management strategies using a variety of derivatives, including interest rate swap agreements, interest rate locks, foreign currency forwards and commodity swaps. We do not hold derivatives for trading purposes.

It is our general policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposure to the various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. We do not hedge our market risk exposure in a manner that would completely

eliminate the effect of changes in interest rates, commodity prices and foreign exchange rates on our earnings. We do not expect that our net income, liquidity and cash flows will be materially affected by these risk management strategies.

Interest Rate Risk

The table that follows summarizes the fair values of our long-term debt and interest rate derivatives as of December 31, 2007 and 2006. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward shifts in the yield curve. Our sensitivity analysis does not include the fair values of our commercial paper and bank loans, if any, because they are not significantly affected by changes in market interest rates.

			(dollars in millions)
	Fair Value	Fair Value assuming +100 basis point shift	Fair Value assuming -100 basis point shift
At December 31, 2007			
Long-term debt and interest rate derivatives	\$ 31,930	\$ 30,154	\$ 33,957
At December 31, 2006			
Long-term debt and interest rate derivatives	\$ 33,569	\$ 31,724	\$ 35,607

Foreign Currency Translation

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars are recorded as cumulative translation adjustments, which are included in Accumulated Other Comprehensive Loss in our consolidated balance sheets. The translation gains and losses of foreign currency transactions and balances are recorded in the consolidated statements of income in Other Income and (Expense), Net and Income from Discontinued Operations, Net of Tax. At December 31, 2007, our primary translation exposure was to the British Pound and the Euro.

During 2007, we entered into foreign currency forward contracts to hedge a portion of our net investment in Vodafone Omnitel. Changes in fair value of these contracts due to Euro exchange rate fluctuations are recognized in Accumulated Other Comprehensive Loss and partially offset the impact of foreign currency changes on the value of our net investment. As of December 31, 2007, Accumulated Other Comprehensive Loss includes unrecognized losses of approximately \$57 million (\$37 million after-tax) related to these hedge contracts, which along with the unrealized foreign currency translation balance on the investment hedged, remain in Accumulated Other Comprehensive Loss until the investment is sold. We have not hedged our accounting translation exposure to foreign currency fluctuations relative to the carrying value of our other investments.

Critical Accounting Estimates and Recent Accounting Pronouncements

Critical Accounting Estimates

A summary of the critical accounting estimates used in preparing our financial statements are as follows:

- Verizon's plant, property and equipment balance represents a significant component of our consolidated assets. Depreciation expense on Verizon's local telephone operations is principally based on the composite group remaining life method and straight-line composite rates, which 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. We depreciate other plant, property and equipment generally on a straight-line basis over the estimated useful life of the assets. Changes in the remaining useful lives of assets as a result of technological change or other changes in circumstances, including competitive

factors in the markets where we operate, can have a significant impact on asset balances and depreciation expense.

- We maintain benefit plans for most of our employees, including pension and other postretirement benefit plans. In the aggregate, the fair value of pension plan assets exceeds benefit obligations, which contributes to pension plan income. Other postretirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant benefit plan assumptions, including the discount rate used, the long-term rate of return on plan assets and health care trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations (see "Consolidated Results of Operations – Consolidated Operating Expenses – Pension and Other Postretirement Benefits"). A sensitivity analysis of the impact of changes in these assumptions on the benefit obligations and expense (income) recorded as of December 31, 2007 and for the year then ended pertaining to Verizon's pension and postretirement benefit plans is provided in the table below.

	Percentage point change	Benefit obligation increase (decrease) at December 31, 2007	(dollars in millions) Expense increase (decrease) for the year ended December 31, 2007
Pension plans discount rate	+ 0.50	\$ (1,768)	\$ (64)
	- 0.50	1,886	109
Long-term rate of return on pension plan assets	+1.00	–	(374)
	- 1.00	–	374
Postretirement plans discount rate	+0.50	(1,442)	(117)
	- 0.50	1,579	118
Long-term rate of return on postretirement plan assets	+1.00	–	(37)
	- 1.00	–	37
Health care trend rates	+1.00	3,038	489
	- 1.00	(2,512)	(378)

- Our current and deferred income taxes, and associated valuation allowances, are impacted by events and transactions arising in the normal course of business as well as in connection with the adoption of new accounting standards, acquisitions of businesses and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual collections and payments may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances. We account for tax benefits taken or expected to be taken in our tax returns in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions.
- Goodwill and other intangible assets are a significant component of our consolidated assets. Wireline goodwill of \$4,900 million represents the largest component of our goodwill and, as required by SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), is periodically evaluated for impairment. The evaluation of Wireline goodwill for impairment is primarily based on a discounted cash flow model that includes estimates of future cash flows. There is inherent subjectivity involved in estimating future cash flows, which can have a material impact on the amount of any potential impairment. Wireless licenses of \$50,796 million represent the largest component of our intangible assets. Our wireless licenses are indefinite-lived intangible assets, and as required by SFAS No. 142, are not amortized but are periodically evaluated for impairment. Any impairment loss would be determined by comparing the aggregated fair value of the wireless licenses with the aggregated carrying value. The direct value approach is used to determine fair value by estimating future cash flows. There is inherent subjectivity involved in estimating future cash flows, which can have a material impact on the amount of any impairment.

Recent Accounting Pronouncements

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)), to replace SFAS No. 141, *Business Combinations*. SFAS No. 141(R) requires use of the acquisition method of accounting, defines the acquirer, establishes the acquisition date and broadens the scope to all transactions and other events in which one entity obtains control over one or more other businesses. This statement is effective for business combinations or transactions entered into for fiscal years beginning on or after December 15, 2008. We are still evaluating the impact of SFAS No. 141(R), however, the adoption of this statement is not expected to have a material impact on our financial position or results of operations.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the retained interest and gain or loss when a subsidiary is deconsolidated. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. Upon the initial adoption of this statement we will change the classification and presentation of Noncontrolling Interest in our financial statements, which we currently refer to as minority interest. We are still evaluating the impact SFAS No. 160 will have, but we do not expect a material impact on our financial position or results of operations.

Fair Value Measurements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115* (SFAS No. 159), which permits but does not require us to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. As we will not elect to fair value any of our financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 will not have an impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS No. 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We will elect a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, other intangible assets, wireless licenses and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. The impact of partially adopting SFAS No. 157 effective January 1, 2008 will not be material to our financial statements.

Refer to Note 1 in the consolidated financial statements for a discussion of the accounting pronouncements adopted during 2007.

Other Factors That May Affect Future Results

Recent Developments

Rural Cellular Corporation

In late July 2007, Verizon Wireless announced that it had entered into an agreement to acquire Rural Cellular Corporation (Rural Cellular), for \$45 per share in cash (or approximately \$757 million). As a result of the acquisition, Verizon Wireless will assume Rural Cellular's outstanding debt. The total value of the transaction is approximately \$2.7 billion. Rural Cellular has more than 700,000 customers in markets adjacent to Verizon Wireless's existing customer service areas. Rural Cellular's networks are located in the states of Maine, Vermont, New Hampshire, New York, Massachusetts, Alabama, Mississippi, Minnesota, North Dakota, South Dakota, Wisconsin, Kansas, Idaho, Washington, and Oregon. Rural Cellular's shareholders approved the transaction on October 4, 2007. The acquisition, which is subject to regulatory approvals, is expected to close in the first half of 2008.

In a related transaction, on December 3, 2007, Verizon Wireless signed a definitive exchange agreement with AT&T. Under the terms of the agreement, Verizon Wireless will receive cellular operating markets in Madison and Mason, KY, and 10MHz PCS licenses in Las Vegas, NV; Buffalo, NY; Sunbury-Shamokin and Erie, PA; and Youngstown, OH. Verizon Wireless will also receive minority interests held by AT&T in three entities in which Verizon Wireless also holds an interest plus a cash payment. In exchange, Verizon Wireless will transfer to AT&T six cellular operating markets in Burlington, Franklin and the northern portion of Addison, VT; Franklin, NY; and Okanogan and Ferry, WA; and a cellular license for the Kentucky-6 market. The operating markets Verizon Wireless is exchanging are among those it is to acquire from Rural Cellular. The exchange with AT&T is subject to regulatory approvals and is expected to close in the first half of 2008.

Telephone Access Lines Spin-off

On January 16, 2007, we announced a definitive agreement with FairPoint that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity into a newly formed company, known as Northern New England Spinco Inc. (Spinco), to Verizon's shareowners, and immediately merging it with and into FairPoint. These local exchange and business assets are included in Verizon's continuing operations. It is anticipated that as long as all conditions are satisfied and assuming completion of the related financing transactions, both the spin-off of Spinco to Verizon shareowners and the merger of Spinco with FairPoint will occur on March 31, 2008. Verizon's Board of Directors established a record date of March 7, 2008, and a closing date of March 31, 2008, for the proposed spin-off of shares of Spinco to Verizon shareowners.

During 2007, we recorded pretax charges of \$84 million (\$80 million after-tax, or \$.03 per diluted share) for costs incurred related to certain network and work center re-arrangements, the isolation and extraction of related business information, and other activities to separate the wireline facilities and operations in Maine, New Hampshire and Vermont from Verizon at the closing of the transaction, as well as professional advisory and legal fees in connection with this transaction.

Upon the closing of the transaction, Verizon shareowners will own approximately 60 percent of the new company, and FairPoint shareowners will own approximately 40 percent. Verizon Communications will not receive any shares in FairPoint as a result of the transaction. In connection with the merger, Verizon shareowners will receive one share of FairPoint stock for approximately every 53 shares of Verizon stock held as of the record date. The proposal relating to the merger was approved by the FairPoint shareowners in August 2007. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon shareowners in lieu of fractional shares.

Based upon the number of shares (as adjusted) and price of FairPoint common stock (NYSE: FRP) on the date of the announcement of the merger, the estimated total value to be received by Verizon and its shareowners in exchange for these operations was approximately \$2,715 million. This consisted of (a) approximately \$1,015 million of FairPoint common stock that was to be received by Verizon shareowners in the merger, and (b) \$1,700 million in value that was to be received by Verizon through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon currently intends to exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt.

The actual total value to be received by Verizon and its shareowners will be determined in part based on the number of shares (as adjusted) and price of FairPoint common stock on the date of the closing of the merger. This value is now expected to be less than \$2,715 million because (a) FairPoint expects to issue approximately 54 million shares of common stock in the merger and the price of FairPoint common stock has declined since the announcement of the merger (the closing price of FairPoint common stock on the last business day prior to the announcement of the merger was \$18.54 per share) and (b) in connection with the regulatory approval process, Verizon currently expects to make additional contributions of approximately \$320 million to the entity that will merge with FairPoint.

Environmental Matters

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s. Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted. A reassessment of costs related to remediation efforts at several other former facilities was also undertaken. In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program. This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon. To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made. Adjustments may also be made based upon actual conditions discovered during the remediation at any of the sites requiring remediation.

New York Recovery Funding

In August 2002, President Bush signed the Supplemental Appropriations bill that included \$5.5 billion in New York recovery funding. Of that amount, approximately \$750 million was allocated to cover utility restoration and infrastructure rebuilding as a result of the September 11th terrorist attacks on lower Manhattan. These funds will be distributed through the Lower Manhattan Development Corporation following an application and audit process. As of September 2004, we had applied for reimbursement of approximately \$266 million under Category One and in 2004 and 2005 we applied for reimbursement of an additional \$139 million of Category Two losses. Category One funding relates to Emergency and Temporary Service Response while Category Two funding is for permanent restoration and infrastructure improvement. According to the plan, permanent restoration is reimbursed up to 75% of the loss. On November 3, 2005, we received the results of preliminary audit findings disallowing all but \$49.9 million of our \$266 million of Category One application. On December 8, 2005, we provided a detailed rebuttal to the preliminary audit findings. We received a copy of the final audit report for Verizon's Category One applications largely confirming the preliminary audit findings and, on January 4, 2007, we filed an appeal. That appeal, as well as our Category Two applications, are pending.

Regulatory and Competitive Trends

Competition and Regulation

Technological, regulatory and market changes have provided Verizon both new opportunities and challenges. These changes have allowed Verizon to offer new types of services in an increasingly competitive market. At the same time, they have allowed other service providers to broaden the scope of their own competitive offerings. Current and potential competitors for network services include other telephone companies, cable companies, wireless service providers, foreign telecommunications providers, satellite providers, electric utilities, Internet service providers, providers of VoIP services, and other companies that offer network services using a variety of technologies. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. Many of our competitors also remain subject to fewer regulatory constraints than Verizon.

We are unable to predict definitively the impact that the ongoing changes in the telecommunications industry will ultimately have on our business, results of operations or financial condition. The financial

impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities.

FCC Regulation

The FCC has jurisdiction over our interstate telecommunications services and other matters for which the FCC has jurisdiction under the Communications Act of 1934, as amended (Communications Act). The Communications Act generally provides that we may not charge unjust or unreasonable rates, or engage in unreasonable discrimination when we are providing services as a common carrier, and regulates some of the rates, terms and conditions under which we provide certain services. The FCC also has adopted regulations governing various aspects of our business including: (i) use and disclosure of customer proprietary network information; (ii) telemarketing; (iii) assignment of telephone numbers to customers; (iv) provision to law enforcement agencies of the capability to obtain call identifying information and call content information from calls pursuant to lawful process; (v) accessibility of services and equipment to individuals with disabilities if readily achievable; (vi) interconnection with the networks of other carriers; (vii) customers' ability to keep (or "port") their telephone numbers when switching to another carrier; and (viii) availability of back-up power. In addition, we pay various fees to support other FCC programs, such as the universal service program discussed below. Changes to these mandates, or the adoption of additional mandates, could require us to make changes to our operations or otherwise increase our costs of compliance.

Broadband

The FCC has adopted a series of orders that recognize the competitive nature of the broadband market and impose lesser regulatory requirements on broadband services and facilities than apply to narrowband or traditional telephone services. With respect to facilities, the FCC has determined that certain unbundling requirements that apply to narrowband facilities do not apply to broadband facilities such as fiber to the premise loops and packet switches. With respect to services, the FCC has concluded that broadband Internet access services offered by telephone companies and their affiliates qualify as largely deregulated information services. The same order also concluded that telephone companies may offer the underlying broadband transmission services that are used as an input to Internet access services through private carriage arrangements on negotiated commercial terms. The order was upheld on appeal. In addition, a Verizon petition asking the FCC to forbear from applying common carrier regulation to certain broadband services sold primarily to larger business customers when those services are not used for Internet access was deemed granted by operation of law on March 19, 2006 when the FCC did not deny the petition by the statutory deadline. The relief obtained through the forbearance petition has been upheld on appeal, but remains under challenge.

Video

The FCC has a body of rules that apply to cable operators under Title VI of the Communications Act of 1934, and these rules also generally apply to telephone companies that provide cable services over their networks. In addition, companies that provide cable service over a cable system generally must obtain a local cable franchise. On March 5, 2007, the FCC released an order setting forth parameters consistent with Section 621 of the Communications Act of 1934 and other federal law, on the timing and scope of franchise negotiations by local franchising authorities. The FCC found that some prior practices in the local franchise approval process constituted an unreasonable refusal to award a competitive local franchise under the requirements of federal law. This order is the subject of a pending appeal.

Interstate Access Charges and Intercarrier Compensation

The current framework for interstate access rates was established in the Coalition for Affordable Local and Long Distance Services (CALLS) plan which the FCC adopted on May 31, 2000. The CALLS plan has three main components. First, it establishes portable interstate access universal service support of \$650 million for the industry that replaces implicit support previously embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers. Third, the plan set into place a

mechanism to transition to a set target of \$.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices. As a result of tariff adjustments which became effective in July 2003, virtually all of our switched access lines reached the \$.0055 benchmark.

The FCC currently is conducting a broad rulemaking proceeding to consider new rules governing intercarrier compensation including, but not limited to, access charges, compensation for Internet traffic and reciprocal compensation for local traffic. The FCC has sought

comments about intercarrier compensation in general and requested input on a number of specific reform proposals. The FCC also has pending before it issues relating to intercarrier compensation for dial-up Internet-bound traffic. The FCC previously found that this traffic is not subject to reciprocal compensation under Section 251(b)(5) of the Telecommunications Act of 1996. Instead, the FCC established federal rates per minute for this traffic that declined from \$.0015 to \$.0007 over a three-year period, established caps on the total minutes of this traffic subject to compensation in a state and required incumbent local exchange carriers to offer to both bill and pay reciprocal compensation for local traffic at the same rate as they are required to pay on Internet-bound traffic. The U.S. Court of Appeals for the D.C. Circuit rejected part of the FCC's rationale, but declined to vacate the order while it is on remand. As a result, pending further action by the FCC, the FCC's underlying order remains in effect. The FCC subsequently denied a petition to discontinue the \$.0007 rate cap on this traffic, but removed the caps on the total minutes of Internet-bound traffic subject to compensation. That decision has been upheld on appeal. Disputes also remain pending in a number of forums relating to the appropriate compensation for Internet-bound traffic during previous periods under the terms of our interconnection agreements with other carriers.

The FCC also is conducting a rulemaking proceeding to address the regulation of services that use Internet protocol. One of the issues raised in the rulemaking as well as in several petitions currently pending before the FCC addresses whether, and under what circumstances, access charges should apply to voice or other Internet protocol services. The FCC previously has held that one provider's peer-to-peer Internet protocol service that does not use the public switched network is an interstate information service and is not subject to access charges, while a service that utilizes Internet protocol for only one intermediate part of a call's transmission is a telecommunications service that is subject to access charges. Another petition asking the FCC to forbear from applying access charges to voice over Internet protocol services that are terminated on switched local exchange networks was withdrawn by the carrier that filed that petition. The FCC also declared the services offered by one provider of a voice over Internet protocol service to be jurisdictionally interstate. The FCC also stated that its conclusion would apply to other services with similar characteristics. On March 21, 2007, the Eighth Circuit Court of Appeals affirmed the FCC's Order.

The FCC also has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. More than half of special access revenues are now removed from price regulation. The FCC currently has a rulemaking proceeding underway to update the public record concerning its pricing flexibility rules and to determine whether any changes to those rules are warranted.

Universal Service

The FCC also has a body of rules implementing the universal service provisions of the Telecommunications Act of 1996, including rules governing support to rural and non-rural high-cost areas, support for low income subscribers and support for schools, libraries and rural health care. The FCC's current rules for support to high-cost areas served by larger "non-rural" local telephone companies were previously remanded by U.S. Court of Appeals for the Tenth Circuit, which had found that the FCC had not adequately justified these rules. The FCC has initiated a rulemaking proceeding in response to the court's remand, but its rules remain in effect pending the results of the rulemaking. It is also considering modifications to the high-cost support system that could include a cap on the amount of support and other limits on what certain eligible carriers may receive. The FCC also has proceedings underway to evaluate possible changes to its current rules for assessing contributions to the universal service fund. As an interim step, in June 2006, the FCC ordered that providers of VoIP services are subject to federal universal service obligations. The FCC also increased the percentage of revenues subject to federal universal service

obligations that wireless providers may use as a safe harbor. The substance of these orders was upheld on appeal in June 2007, but the Court did remand some more minor implementation issues back to the FCC. Any further change in the current assessment mechanism could result in a change in the contribution that local telephone companies, wireless carriers or others must make and that would have to be collected from customers.

Unbundling of Network Elements

Under Section 251 of the Telecommunications Act of 1996, incumbent local exchange carriers were required to provide competing carriers with access to components of their network on an unbundled basis, known as UNEs, where certain statutory standards are satisfied. The Telecommunications Act of 1996 also adopted a cost-based pricing standard for these UNEs, which the FCC interpreted as allowing it to impose a pricing standard known as "total element long run incremental cost" or "TELRIC." The FCC's rules defining the unbundled network elements that must be made available at TELRIC prices have been overturned on multiple occasions by the courts. In its most recent order issued in response to these court decisions, the FCC eliminated the requirement to unbundle mass market local switching on a nationwide basis, with the obligation to accept new orders ending as of the effective date of the order (March 11, 2005). The FCC also established a one year transition for existing UNE switching arrangements. For high-capacity transmission facilities, the FCC established criteria for determining whether high-capacity loops, transport or dark fiber transport must be unbundled in individual wire centers, and stated that these standards were only expected to affect a small number of wire centers. The FCC also eliminated the obligation to provide dark fiber loops and found that there is no obligation to provide UNEs exclusively for wireless or long distance service. In any instance where a particular high-capacity facility no longer has to be made available as a UNE, the FCC established a similar one year transition for any existing high-capacity loop or transport UNEs, and an 18 month transition for any existing dark fiber UNEs. This decision has been upheld on appeal.

As noted above, the FCC has concluded that the requirement under Section 251 of the Telecommunications Act of 1996 to provide unbundled network elements at TELRIC prices generally does not apply with respect to broadband facilities, such as fiber to the premises loops, the packet-switched capabilities of hybrid loops and packet switching. The FCC also has held that any separate unbundling obligations that may be imposed by Section 271 of the Telecommunications Act of 1996 do not apply to these same facilities. The decision with respect to Section 271 has been upheld on appeal and a petition for rehearing of that order was denied.

Wireless Services

The FCC regulates the licensing, construction, operation, acquisition and transfer of wireless communications systems, including the systems that Verizon Wireless operates, pursuant to the Communications Act, other legislation, and the FCC's rules. The FCC and Congress continuously consider changes to these laws and rules. Adoption of new laws or rules may raise the cost of providing service or require modification of Verizon Wireless' business plans or operations.

To use the radio frequency spectrum, wireless communications systems must be licensed by the FCC to operate the wireless network and mobile devices in assigned spectrum segments. Verizon Wireless holds FCC licenses to operate in several different radio services, including the cellular radiotelephone service, personal communications service, advanced wireless service, and point-to-point radio service. The technical and service rules, the specific radio frequencies and amounts of spectrum we hold, and the sizes of the geographic areas we are authorized to operate in, vary for each of these services. However, all of the licenses Verizon Wireless holds allow it to use spectrum to provide a wide range of mobile and fixed communications services, including both voice and data services, and Verizon Wireless operates a seamless network that utilizes those licenses to provide services to customers. Because the FCC issues licenses for only a fixed time, generally 10 years, Verizon Wireless must periodically seek renewal of those licenses. Although the FCC has routinely renewed all of Verizon Wireless' licenses that have come up for renewal to date, challenges could be brought against the licenses in the future. If a wireless license were revoked or

not renewed upon expiration, Verizon Wireless would not be permitted to provide services on the licensed spectrum in the area covered by that license.

The FCC has also imposed specific mandates on carriers that operate wireless communications systems, which increase Verizon Wireless' costs. These mandates include requirements that Verizon Wireless: (i) meet specific construction and geographic coverage requirements during the license term; (ii) meet technical operating standards that, among other things, limit the radio frequency radiation from mobile devices and antennas; (iii) deploy "Enhanced 911" wireless services that provide the wireless caller's number, location and other information upon request by a state or local public safety agency that handles 911 calls; (iv) provide backup electric power at most cell sites in the event electric utility service is disrupted; and (v) comply with regulations for the construction of transmitters and towers that, among other things, restrict siting of towers in environmentally sensitive locations and in places where the towers would affect a site listed or eligible for listing on the National Register of Historic Places. Changes to these mandates could require Verizon Wireless to make changes to operations or increase its costs of compliance.

The Communications Act imposes restrictions on foreign ownership of U.S. wireless systems. The FCC has approved the interest that Vodafone Group Plc holds, through various of its subsidiaries, in Verizon Wireless. The FCC may need to approve any increase in Vodafone's interest or the acquisition of an ownership interest by other foreign entities. In addition, as part of the FCC's approval of Vodafone's ownership interest, Verizon Wireless, Verizon and Vodafone entered into an agreement with the U.S. Department of Defense, Department of Justice and Federal Bureau of Investigation which imposes national security and law enforcement-related obligations on the ways in which Verizon Wireless stores information and otherwise conducts its business.

Verizon Wireless anticipates that it will need additional spectrum to meet future demand. It can meet spectrum needs by purchasing licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC. Under the Communications Act, before Verizon Wireless can acquire a license from another licensee in order to expand its coverage or its spectrum capacity in a particular area, it must file an application with the FCC, and the FCC can grant the application only after a period for public notice and comment. This review process can delay acquisition of spectrum needed to expand services. The Communications Act also requires the FCC to award new licenses for most commercial wireless services through a competitive bidding process in which spectrum is awarded to bidders in an auction. Verizon Wireless participated in spectrum auctions to acquire licenses for personal communication service and most recently advanced wireless service. In addition, the FCC began conducting an auction of spectrum in the 700 MHz band on January 24, 2008. This spectrum is currently used for UHF television operations but by law those operations must cease no later than February 17, 2009. Verizon Wireless filed an application on December 3, 2007, to qualify as a bidder in this auction, and on January 14, 2008, the FCC announced that Verizon Wireless and 213 other applicants had qualified as eligible to bid in the auction. The FCC determined that bidding in this auction will be "anonymous," which means that prior to and during the course of the auction(s), the FCC will not make public any information about a specific applicant's upfront deposit or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in the auction. The FCC also adopted service rules that will impose costs on licensees that acquire the 700 MHz band spectrum, including minimum coverage mandates by specific dates during the license terms, and, for approximately one-third of the spectrum, "open access" requirements, which generally require licensees of that spectrum to allow customers to use devices and applications of their choice, subject to certain limits. The open access requirements are the subject of a pending appeal in which Verizon Wireless has intervened. The timing of future auctions, and the spectrum being sold, may not match Verizon Wireless' needs, and the company may not be able to secure the spectrum in the amounts and/or in the markets it seeks through the current or any future auction.

The FCC is also conducting several proceedings to explore making additional spectrum available for licensed and/or unlicensed use. These proceedings could increase radio interference to Verizon Wireless' operations from other spectrum users and could impact the ways in which it uses spectrum, the capacity of that spectrum to carry traffic, and the value of that spectrum.

State Regulation and Local Approvals

Telephone Operations

State public utility commissions regulate our telephone operations with respect to certain telecommunications intrastate rates and services and other matters. Our competitive local exchange carrier and long distance operations are generally classified as nondominant and lightly regulated the same as other similarly situated carriers. Our incumbent local exchange operations are generally classified as dominant. These latter operations predominantly are subject to alternative forms of regulation (AFORs) in the various states, although they remain subject to rate of return regulation in a few states. Arizona, Illinois, Nevada, New Hampshire, Oregon and Washington are rate of return regulated with various levels of pricing flexibility for competitive services. California, Connecticut, Delaware, the District of Columbia, Florida, Indiana, Maryland, Michigan, Maine, Massachusetts, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, West Virginia and Wisconsin are under AFORs with various levels of pricing flexibility, detariffing, and service quality standards. None of the AFORs include earnings regulation. In Idaho, Verizon has made the election under a recent statutory amendment into a deregulatory regime that phases out all price regulation.

Video

Companies that provide cable service over a cable system are typically subject to state and/or local cable television rules and regulations. As noted above, cable operators generally must obtain a local cable franchise from each local unit of government prior to providing cable service in that local area. Some states have recently enacted legislation that enables cable operators to apply for, and obtain, a single cable franchise at the state, rather than local, level. To date, Verizon has applied for and received state-issued franchises in California, Indiana, Florida, New Jersey, Texas and the unincorporated areas of Delaware. Virginia law provides us the option of entering a given franchise area using state standards if local franchise negotiations are unsuccessful.

Wireless Services

The rapid growth of the wireless industry has led to an increase in efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. The Communications Act generally preempts regulation by state and local governments of the entry of, or the rates charged by, wireless carriers. Although a state may petition the FCC to allow it to impose rate regulation, no state has done so. In addition, the Communications Act does not prohibit the states from regulating the other "terms and conditions" of wireless service. While numerous state commissions do not currently have jurisdiction over wireless services, state legislatures may decide to grant them such jurisdiction, and those commissions that already have authority to impose regulations on wireless carriers may adopt new rules.

State efforts to regulate wireless services have included proposals to regulate customer billing, termination of service, trial periods for service, advertising, network outages, the use of handsets while driving, and the provision of emergency or alert services. Over the past several years, only a few states have imposed regulation in one or more of these areas, and in 2006 a federal appellate court struck down one such state statute, but Verizon Wireless expects these efforts to continue. Some states also impose their own universal service support regimes on wireless and other telecommunications carriers, and other states are considering whether to create such regimes.

Verizon Wireless (as well as AT&T (formerly Cingular) and Sprint-Nextel) is a party to an Assurance of Voluntary Compliance ("AVC") with 33 State Attorneys General. The AVC, which generally reflected Verizon Wireless's practices at the time it was entered into in July 2004, obligates the company to disclose certain rates and terms during a sales transaction, to provide maps depicting coverage, and to comply with various requirements regarding advertising, billing, and other practices.

At the state and local level, wireless facilities are subject to zoning and land use regulation. Under the Communications Act, neither state nor local governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting service. Nonetheless, securing state and local government approvals for new tower sites has

been and is likely to continue to be a difficult, lengthy and expensive process. Finally, state and local governments continue to impose new or higher fees and taxes on wireless carriers.

Cautionary Statement Concerning Forward-Looking Statements

In this Annual Report on Form 10-K we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments;
 - material changes in available technology, including disruption of our suppliers' provisioning of critical products or services;
 - the impact on our operations of natural or man-made disasters and any resulting financial impact not covered by insurance;
 - technology substitution;
 - an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations;
 - the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results;
 - the effects of competition in our markets;
 - the timing, scope and financial impact of our deployment of fiber-to-the-premises broadband technology;
 - the ability of Verizon Wireless to continue to obtain sufficient spectrum resources;
 - changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
 - the ability to complete acquisitions and dispositions; and
 - the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.
-

Report of Management on Internal Control Over Financial Reporting

We, the management of Verizon Communications Inc., are responsible for establishing and maintaining adequate internal control over financial reporting of the company. Management has evaluated internal control over financial reporting of the company using the criteria for effective internal control established

in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2007. Based on this assessment, we believe that the internal control over financial reporting of the company is effective as of December 31, 2007. In connection with this assessment, there were no material weaknesses in the company's internal control over financial reporting identified by management.

The company's financial statements included in this annual report have been audited by Ernst & Young LLP, independent registered public accounting firm. Ernst & Young LLP has also provided an attestation report on the company's internal control over financial reporting.

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg
Chairman and Chief Executive Officer

/s/ Doreen A. Toben

Doreen A. Toben
Executive Vice President and Chief Financial Officer

/s/ Thomas A. Bartlett

Thomas A. Bartlett
Senior Vice President and Controller

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited Verizon Communications Inc. and subsidiaries' (Verizon) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Verizon's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we

considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Verizon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Verizon as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and changes in shareowners' investment for each of the three years in the period ended December 31, 2007 of Verizon and our report dated February 22, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 22, 2008

Report of Independent Registered Public Accounting Firm on Financial Statements

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited the accompanying consolidated balance sheets of Verizon Communications Inc. and subsidiaries (Verizon) as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and changes in shareowners' investment for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of Verizon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 consolidated financial position of Verizon at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, Verizon changed its methods of accounting for uncertainty in income taxes and leveraged lease transactions effective January 1, 2007, stock-based compensation effective January 1, 2006 and pension and other post-retirement obligations effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Verizon's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 22, 2008

Consolidated Statements of Income Verizon Communications Inc. and Subsidiaries

Years Ended December 31,	(dollars in millions, except per share amounts)		
	2007	2006	2005
Operating Revenues	\$ 93,469	\$ 88,182	\$ 69,518
Operating Expenses			
Cost of services and sales (exclusive of items shown below)	37,547	35,309	24,409
Selling, general & administrative expense	25,967	24,955	19,443
Depreciation and amortization expense	14,377	14,545	13,615
Sales of businesses, net	—	—	(530)
Total Operating Expenses	77,891	74,809	56,937
Operating Income	15,578	13,373	12,581
Equity in earnings of unconsolidated businesses	585	773	686
Other income and (expense), net	211	395	311
Interest expense	(1,829)	(2,349)	(2,129)
Minority interest	(5,053)	(4,038)	(3,001)
Income Before Provision for Income Taxes, Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change	9,492	8,154	8,448
Provision for income taxes	(3,982)	(2,674)	(2,421)
Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change	5,510	5,480	6,027
Income from discontinued operations, net of tax	142	759	1,370

Extraordinary item, net of tax	(131)	-	-
Cumulative effect of accounting change, net of tax	-	(42)	-
Net Income	\$ 5,521	\$ 6,197	\$ 7,397

Basic Earnings Per Common Share ⁽¹⁾

Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 1.90	\$ 1.88	\$ 2.18
Income from discontinued operations, net of tax	.05	.26	.50
Extraordinary item, net of tax	(.05)	-	-
Cumulative effect of accounting change, net of tax	-	(.01)	-
Net Income	\$ 1.91	\$ 2.13	\$ 2.67
Weighted-average shares outstanding (in millions)	2,898	2,912	2,766

Diluted Earnings Per Common Share ⁽¹⁾

Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 1.90	\$ 1.88	\$ 2.16
Income from discontinued operations, net of tax	.05	.26	.49
Extraordinary item, net of tax	(.05)	-	-
Cumulative effect of accounting change, net of tax	-	(.01)	-
Net Income	\$ 1.90	\$ 2.12	\$ 2.65
Weighted-average shares outstanding (in millions)	2,902	2,938	2,817

(1) Total per share amounts may not add due to rounding.

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets Verizon Communications Inc. and Subsidiaries

At December 31,	(dollars in millions, except per share amounts)	
	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 1,153	\$ 3,219
Short-term investments	2,244	2,434
Accounts receivable, net of allowances of \$1,025 and \$1,139	11,736	10,891
Inventories	1,729	1,514
Assets held for sale	-	2,592
Prepaid expenses and other	1,836	1,888
Total current assets	18,698	22,538
Plant, property and equipment	213,994	204,109
Less accumulated depreciation	128,700	121,753
	85,294	82,356
Investments in unconsolidated businesses	3,372	4,868
Wireless licenses	50,796	50,959
Goodwill	5,245	5,655
Other intangible assets, net	4,988	5,140
Other assets	18,566	17,288
Total assets	\$ 186,959	\$ 188,804
Liabilities and Shareowners' Investment		
Current liabilities		
Debt maturing within one year	\$ 2,954	\$ 7,715

Accounts payable and accrued liabilities	14,462	14,320
Liabilities related to assets held for sale	-	2,154
Other	7,325	8,091
Total current liabilities	24,741	32,280
Long-term debt	28,203	28,646
Employee benefit obligations	29,960	30,779
Deferred income taxes	14,784	16,270
Other liabilities	6,402	3,957
Minority interest	32,288	28,337
Shareowners' investment		
Series preferred stock (\$.10 par value; none issued)	-	-
Common stock (\$.10 par value; 2,967,610,119 shares and 2,967,652,438 shares issued)	297	297
Contributed capital	40,316	40,124
Reinvested earnings	17,884	17,324
Accumulated other comprehensive loss	(4,506)	(7,530)
Common stock in treasury, at cost	(3,489)	(1,871)
Deferred compensation-employee stock ownership plans and other	79	191
Total shareowners' investment	50,581	48,535
Total liabilities and shareowners' investment	\$ 186,959	\$ 188,804

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows Verizon Communications Inc. and Subsidiaries

Years Ended December 31,	2007	(dollars in millions)	
	2006	2005	
Cash Flows from Operating Activities			
Net Income	\$ 5,521	\$ 6,197	\$ 7,397
Adjustments to reconcile net income to net cash provided by operating activities-continuing operations:			
Depreciation and amortization expense	14,377	14,545	13,615
Sales of businesses, net	-	-	(530)
Loss on sale of discontinued operations	-	541	-
Employee retirement benefits	1,720	1,923	1,695
Deferred income taxes	408	(252)	(1,093)
Provision for uncollectible accounts	1,047	1,034	1,076
Equity in earnings of unconsolidated businesses, net of dividends received	1,986	(731)	1,649
Extraordinary item, net of tax	131	-	-
Cumulative effect of accounting change, net of tax	-	42	-
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses:			
Accounts receivable	(1,931)	(1,312)	(788)
Inventories	(255)	8	(236)
Other assets	(140)	52	(176)
Accounts payable and accrued liabilities	(567)	(383)	(899)
Other, net	4,012	1,366	(1,266)
Net cash provided by operating activities – continuing operations	26,309	23,030	20,444
Net cash provided by (used in) operating activities – discontinued	(570)	1,076	1,581

operations			
Net cash provided by operating activities	<u>25,739</u>	<u>24,106</u>	<u>22,025</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(17,538)	(17,101)	(14,964)
Acquisitions, net of cash acquired, and investments	(763)	(1,422)	(4,684)
Proceeds from disposition of businesses	-	-	1,326
Net change in short-term and other current investments	169	290	(346)
Other, net	<u>1,267</u>	<u>811</u>	<u>532</u>
Net cash used in investing activities – continuing operations	(16,865)	(17,422)	(18,136)
Net cash provided by (used in) investing activities – discontinued operations	<u>757</u>	<u>1,806</u>	<u>(356)</u>
Net cash used in investing activities	<u>(16,108)</u>	<u>(15,616)</u>	<u>(18,492)</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	3,402	3,983	1,487
Repayments of long-term borrowings and capital lease obligations	(5,503)	(11,233)	(3,825)
Increase (decrease) in short-term obligations, excluding current maturities	(3,252)	7,944	2,098
Dividends paid	(4,773)	(4,719)	(4,427)
Proceeds from sale of common stock	1,274	174	37
Purchase of common stock for treasury	(2,843)	(1,700)	(271)
Other, net	<u>(2)</u>	<u>(201)</u>	<u>(57)</u>
Net cash used in financing activities – continuing operations	(11,697)	(5,752)	(4,958)
Net cash used in financing activities – discontinued operations	<u>-</u>	<u>(279)</u>	<u>(76)</u>
Net cash used in financing activities	(11,697)	(6,031)	(5,034)
Increase (decrease) in cash and cash equivalents	(2,066)	2,459	(1,501)
Cash and cash equivalents, beginning of year	3,219	760	2,261
Cash and cash equivalents, end of year	<u>\$ 1,153</u>	<u>\$ 3,219</u>	<u>\$ 760</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Investment Verizon Communications Inc. and Subsidiaries

Years Ended December 31,	(dollars in millions, except per share amounts, and shares in thousands)					
	2007		2006		2005	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	2,967,652	\$ 297	2,774,865	\$ 277	2,774,865	\$ 277
Shares issued MCI/Price acquisitions	(42)	-	192,787	20	-	-
Balance at end of year	<u>2,967,610</u>	<u>297</u>	<u>2,967,652</u>	<u>297</u>	<u>2,774,865</u>	<u>277</u>
Contributed Capital						
Balance at beginning of year		40,124		25,369		25,404
Shares issued-employee and shareowner plans		58		(1)		(24)
Shares issued-MCI/Price acquisitions		-		6,010		-
Domestic print and Internet yellow pages directories business spin-off		-		8,695		-
Other		134		51		(11)
Balance at end of year		<u>40,316</u>		<u>40,124</u>		<u>25,369</u>

Reinvested Earnings			
Balance at beginning of year	17,324	15,905	12,984
Adoption of tax accounting standards (See Note 1)	(134)	—	—
Adjusted balance at beginning of year	17,190	15,905	12,984
Net income	5,521	6,197	7,397
Dividends declared (\$1.67, \$1.62 and \$1.62 per share)	(4,830)	(4,781)	(4,479)
Other	3	3	3
Balance at end of year	17,884	17,324	15,905

Accumulated Other Comprehensive Loss			
Balance at beginning of year	(7,530)	(1,783)	(1,053)
Foreign currency translation adjustments	838	1,196	(755)
Unrealized gains on net investment hedges	—	—	2
Unrealized gains (losses) on marketable securities	(4)	54	(21)
Unrealized gains on cash flow hedges	1	14	10
Defined benefit pension and postretirement plans	1,948	—	—
Minimum pension liability adjustment	—	526	51
Other	241	(128)	(17)
Other comprehensive income (loss)	3,024	1,662	(730)
Adoption of pension and postretirement benefit accounting standard (See Note 15)	—	(7,409)	—
Balance at end of year	(4,506)	(7,530)	(1,783)

Treasury Stock						
Balance at beginning of year	(56,147)	(1,871)	(11,456)	(353)	(5,213)	(142)
Shares purchased	(68,063)	(2,843)	(50,066)	(1,700)	(7,859)	(271)
Shares distributed						
Employee plans	33,411	1,224	5,355	181	1,594	59
Shareowner plans	13	1	20	1	22	1
Balance at end of year	(90,786)	(3,489)	(56,147)	(1,871)	(11,456)	(353)

Deferred Compensation--ESOPs and Other			
Balance at beginning of year	191	265	90
Amortization	(112)	(74)	174
Other	—	—	1
Balance at end of year	79	191	265
Total Shareowners' Investment	\$ 50,581	\$ 48,535	\$ 39,680

Comprehensive Income			
Net income	\$ 5,521	\$ 6,197	\$ 7,397
Other comprehensive income (loss) per above	3,024	1,662	(730)
Total Comprehensive Income	\$ 8,545	\$ 7,859	\$ 6,667

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements Verizon Communications Inc. and Subsidiaries

Note 1

Description of Business and Summary of Significant Accounting Policies

Description of Business

Verizon Communications Inc. (Verizon or the Company) is one of the world's leading providers of communications services. We have two reportable segments, Wireline and Domestic Wireless, which we operate and manage as strategic business units and organize by products and services. For further information concerning our business segments, see Note 17. Our Wireline segment provides communications services, including voice, broadband video and data, network access, nationwide long-distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We continue to deploy advanced broadband network technology, with our fiber-to-the-premises network (FiOS) creating a platform with sufficient bandwidth and capabilities to meet customers' current and future needs. FiOS allows us to offer our customers a wide array of broadband services, including advanced data and video offerings. Our IP network includes over 485,000 route miles of fiber optic cable and provides access to over 150 countries across six continents, enabling us to provide next-generation IP network products and Information Technology (IT) services to medium and large businesses and government customers worldwide.

Verizon's Domestic Wireless segment, operating as Verizon Wireless, provides wireless voice and data products and other value-added services and equipment across the United States using one of the most extensive and reliable wireless networks. Verizon Wireless continues to expand our wireless data, messaging and multi-media offerings at broadband speeds for both consumer and business customers.

Consolidation

The method of accounting applied to investments, whether consolidated, equity or cost, involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the investee. The consolidated financial statements include our controlled subsidiaries. Investments in businesses which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. Equity and cost method investments are included in Investments in Unconsolidated Businesses in our consolidated balance sheets. Certain of our cost method investments are classified as available-for-sale securities and adjusted to fair value pursuant to the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS No. 115).

All significant intercompany accounts and transactions have been eliminated.

We have reclassified prior year amounts to conform to the current year presentation.

Discontinued Operations, Assets Held for Sale, and Sales of Businesses and Investments

We classify as discontinued operations for all periods presented any component of our business that we hold for sale or disposal that has operations and cash flows that are clearly distinguishable operationally and for financial reporting purposes from the rest of Verizon. For those components, Verizon has no significant continuing involvement after disposal and their operations and cash flows are eliminated from Verizon's ongoing operations. Sales of significant components of our business not classified as discontinued operations are reported as either Sales of Businesses, Net, Equity in Earnings of Unconsolidated Businesses or Other Income and (Expense), Net in our consolidated statements of income.

Use of Estimates

We prepare our financial statements using U.S. generally accepted accounting principles (GAAP), 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 unrealized tax benefits, the allowance for doubtful accounts, the recoverability of plant, property and equipment, the recoverability of intangible assets and other long-lived assets, valuation allowances on tax assets and pension and postretirement benefit assumptions.

Revenue Recognition

Wireline

Our Wireline segment earns revenue based upon usage of our network and facilities and contract fees. In general, fixed monthly fees for voice, video, data and certain other services are billed one month in advance and recognized the following month when earned. Revenue from services that are not fixed in amount and are based on usage are recognized when such services are provided.

We recognize equipment 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.

Domestic Wireless

Our Domestic Wireless segment earns revenue by providing access to and usage of our network, which includes roaming revenue. In general, access revenue is billed one month in advance and recognized when earned. Access revenue, usage revenue and roaming revenue are recognized when service is rendered. Equipment sales revenue associated with the sale of wireless handsets and accessories is recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. Customer activation fees are considered additional consideration when handsets are sold to customers at a discount and are recorded as equipment sales revenue at the time of customer acceptance.

Maintenance and Repairs

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

Advertising Costs

Advertising costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, General & Administrative expense in the periods in which they are incurred.

Earnings Per Common Share

Basic earnings per common share are based on the weighted-average number of shares outstanding during the period. Diluted earnings per common share include the dilutive effect of shares issuable under our stock-based compensation plans, an exchangeable equity interest and zero-coupon convertible notes (see Note 13). As of December 31, 2006, the exchangeable equity interest and zero-coupon convertible notes were no longer outstanding.

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

Marketable Securities

Marketable securities are included in the accompanying consolidated balance sheets in Investments in Unconsolidated Businesses or Other Assets. We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other than temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other than temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

Inventories

Inventory consists primarily of wireless equipment held for sale, which is carried at the lower of cost (determined principally on either an average cost or first-in, first-out basis) or market. We also include in inventory new and reusable supplies and network equipment of our local telephone operations, 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. Our local telephone operations' 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 local telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

Plant, property and equipment of other wireline and wireless operations are generally depreciated on a straight-line basis.

The asset lives used by our operations are presented in the following table:

Average Useful Lives (in years)	
Buildings	8 - 45
Central office equipment	3 - 11
Other network equipment	3 - 15
Outside communications plant	
Copper cable	13 - 18
Fiber cable (including undersea cable)	11 - 25
Microwave towers	30
Poles and conduit	30 - 50
Furniture, vehicles and other	1 - 20

When we replace, retire or otherwise dispose of depreciable plant used in our local telephone network, we deduct the carrying amount of such plant from the respective accounts and charge it to accumulated depreciation. When the depreciable assets of our other Wireline and Domestic Wireless operations are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, and any gains or losses on disposition are recognized in income.

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

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 copper cable and certain components of central office equipment at our Wireline segment 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.

Effective January 1, 2007, the remaining useful lives of certain of the circuit equipment was lengthened from 8 years to 9 years based on subsequent modifications to our fiber optic cable deployment plan. The remaining useful lives of buildings was also increased from 42 years to 45 years. The reduction in depreciation resulting from these adjustments in 2007 was partially offset by increased depreciation resulting from the shortening of the lives of various types of wireless plant, property and equipment. While the timing and extent of current deployment plans are subject to modification, we believe that current estimates of reductions in impacted asset lives is reasonable and subject to ongoing analysis as deployment of fiber optic lines continues.

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 software costs are amortized using the straight-line method over a period of 2 to 7 years and are included in Other Intangible Assets, Net in our consolidated balance sheets. For a discussion of our impairment policy for capitalized software costs under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), see "Goodwill and Other Intangible Assets" below. Also, see Note 9 for additional detail of internal-use non-network software reflected in our consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually or more frequently if indications of impairment exist under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The impairment test for goodwill uses a two-step approach, which is performed at the reporting unit level. We have determined that in our case, the reporting units are our operating segments since that is the lowest level at which discrete, reliable financial and cash flow information is available. Step one compares the fair value of the reporting unit (calculated using a market approach and a discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the carrying value of goodwill exceeds its implied fair value, the excess is required to be recorded as an impairment.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are Domestic Wireless licenses that provide our wireless operations with the exclusive right to utilize designated radio frequency spectrum to provide cellular communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). Renewals of licenses have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal,

regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. As a result, we treat the wireless licenses as an indefinite-lived intangible asset under the provisions of SFAS No. 142. We reevaluate the useful life determination for wireless licenses each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

We test our Domestic Wireless licenses for impairment annually or more frequently if indications of impairment exist. We use a direct value approach in performing our annual impairment test. The direct value approach determines fair value using estimates of future cash flows associated specifically with the licenses. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized.

Intangible Assets Subject to Amortization

Our intangible assets that do not have indefinite lives (primarily customer lists and non-network internal-use software) are amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 144, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indications were present, we would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount (i.e., the asset is not recoverable), we would perform the next step which is to determine the fair value of the asset and record an impairment, if any. We reevaluate the useful life determinations for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives.

For information related to the carrying amount of goodwill, other intangibles and wireless licenses by segment as well as the major components and average useful lives of our other acquired intangible assets, see Note 9.

Income Taxes

Verizon and its domestic subsidiaries file a consolidated federal income tax return.

Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. We record valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realized.

Effective January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

As a result of the implementation of FIN 48, we recorded adjustments to liabilities that resulted in a net \$79 million increase in the liability for unrecognized tax benefits with an offsetting reduction to reinvested earnings as of January 1, 2007. The implementation

of FIN 48 also resulted in adjustments to prior acquisitions accounted for under purchase accounting, resulting in a reduction in the liability for tax contingencies in the amount of \$635 million and

corresponding reductions to goodwill and wireless licenses of \$100 million and \$535 million, respectively. The implementation impact included a reduction in deferred income taxes of approximately \$3 billion, offset with a similar increase in other liabilities as of January 1, 2007.

FASB Staff Position FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction* (FSP 13-2), requires that changes in the projected timing of income tax cash flows generated by a leveraged lease transaction be recognized as a gain or loss in the year in which the change occurs. We adopted FSP 13-2 effective January 1, 2007. The cumulative effect of initially adopting FSP 13-2 was a reduction to reinvested earnings of \$55 million, after-tax.

Stock-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)) utilizing the modified prospective method. SFAS No. 123(R) requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. Under the modified prospective method, the provisions of SFAS No. 123(R) apply to all awards granted or modified after the date of adoption. The impact to Verizon resulted from the Domestic Wireless segment, for which we recorded a \$42 million cumulative effect of accounting change as of January 1, 2006, net of taxes and after minority interest, to recognize the effect of initially measuring the outstanding liability for Value Appreciation Rights (VARs) granted to Domestic Wireless employees at fair value utilizing a Black-Scholes model.

Foreign Currency Translation

The functional currency for all of our foreign operations is generally the local currency. For these foreign entities, we translate income statement amounts at average exchange rates for the period, and we translate assets and liabilities at end-of-period exchange rates. We record these translation adjustments in Accumulated Other Comprehensive Loss, a separate component of Shareowners' Investment, in our consolidated balance sheets. We report exchange gains and losses on intercompany foreign currency transactions of a long-term nature in Accumulated Other Comprehensive Loss. Other exchange gains and losses are reported in income.

Employee Benefit 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. Expected return on plan assets is determined by applying the return on assets assumption to the market-related value of assets.

As of July 1, 2006, Verizon management employees no longer earn pension benefits or earn service towards the company retiree medical subsidy (see Note 15).

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). Effective December 31, 2006, SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, the fair value of plan assets must be determined as of the Company's year-end. We adopted SFAS No. 158 effective December 31, 2006, which resulted in a net decrease to shareowners' investment of \$7,409 million. This included a net increase in pension obligations of \$2,007 million, an increase in Other Postretirement Benefits Obligations of \$10,828 million and an increase in Other Employee Benefit Obligations of \$31 million, offset by an increase in deferred taxes of \$5,457 million.

Derivative Instruments

We have entered into derivative transactions to manage our exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. We employ risk management strategies using a variety of derivatives including foreign currency forwards and collars, equity options, interest rate and commodity swap agreements and interest rate locks. We do not hold derivatives for trading purposes.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133) 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 consolidated 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

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations (Revised)*, (SFAS No. 141(R)), to replace SFAS No. 141, *Business Combinations*. SFAS No. 141(R) requires the use of the acquisition method of accounting, defines the acquirer, establishes the acquisition date and broadens the scope to all transactions and other events in which one entity obtains control over one or more other businesses. This statement is effective for business combinations or transactions entered into for fiscal years beginning on or after December 15, 2008. We are still evaluating the impact of SFAS No. 141(R), however, the adoption of this statement is not expected to have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the retained interest and gain or loss when a subsidiary is deconsolidated. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. Upon the initial adoption of this statement we will change the classification and presentation of Noncontrolling Interest in our financial statements, which we currently refer to as minority interest. We are still evaluating the impact SFAS No. 160 will have, but we do not expect a material impact on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115* (SFAS No. 159), which permits but does not require us to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. As we will not elect to fair value any of our financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 will not have any impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS No. 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We will elect a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, other intangible assets, wireless licenses and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. The impact of partially adopting SFAS No. 157 effective January 1, 2008 will not be material to our financial statements.

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on EITF No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (EITF No. 06-3). EITF No. 06-3 permits that such taxes may be presented on either a gross basis or a net basis as long as that presentation is used consistently. The adoption of EITF No. 06-3 on January 1, 2007 did not impact our financial statements. We present the taxes within the scope of EITF No. 06-3 on a net basis.

Note 2

Discontinued Operations, Extraordinary Item and Other Dispositions

Discontinued Operations

Telecomunicaciones de Puerto Rico, Inc.

On March 30, 2007, we completed the sale of our 52% interest in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) and received gross proceeds of approximately \$980 million. The sale resulted in a pretax gain of \$120 million (\$70 million after-tax). Verizon contributed \$100 million (\$65 million after-tax) of the proceeds to the Verizon Foundation.

Verizon Dominicana C. por A.

On December 1, 2006, we closed the sale of Verizon Dominicana C. por A (Verizon Dominicana). The transaction resulted in net pretax cash proceeds of \$2,042 million, net of a purchase price adjustment of \$373 million. The U.S. taxes that became payable and were recognized at the time the transaction closed exceeded the \$30 million pretax gain on the sale resulting in an overall after-tax loss of \$541 million.

Verizon Information Services

In October, 2006, we announced our intention to spin-off our domestic print and Internet yellow pages directories publishing operations, which have been organized into a newly formed company known as Idearc Inc. On October 18, 2006, the Verizon Board of Directors declared a dividend consisting of 1 share of the newly formed company for each 20 shares of Verizon owned. In making its determination to effect the spin-off, Verizon's Board of Directors considered, among other things, that the spin-off may allow each company to separately focus on its core business, which may facilitate the potential expansion and growth of Verizon and the newly

formed company, and allow each company to determine its own capital structure. On November 17, 2006, we completed the spin-off of our domestic print and Internet yellow pages directories business. Cash was paid for fractional shares. The distribution of common stock of the newly formed company to our shareowners was considered a tax free transaction for us and for our shareowners, except for the cash payments for fractional shares which were generally taxable.

At the time of the spin-off, the exercise price and number of shares of Verizon common stock underlying options to purchase shares of Verizon common stock, restricted stock units (RSU's) and performance stock units (PSU's) were adjusted pursuant to the terms of the applicable Verizon equity incentive plans, taking into account the change in the value of Verizon common stock as a result of the spin-off.

In connection with the spin-off, Verizon received approximately \$2 billion in cash from the proceeds of loans under a term loan facility of the newly formed company and transferred to the newly formed company debt obligations in the aggregate principal amount of approximately \$7.1 billion thereby reducing Verizon's outstanding debt at that time. We incurred pretax charges of approximately \$117 million (\$101 million after-tax), including debt retirement costs, costs associated with accumulated vested benefits of employees of the newly formed company, investment banking fees and other transaction costs related to the spin-off, which are included in discontinued operations.

In accordance with SFAS No. 144 we have classified TELPRI, Verizon Dominicana and our former domestic print and Internet yellow page directories publishing operations as discontinued operations in the consolidated financial statements for all periods presented through the date of the spin-off or divestiture.

The assets and liabilities of TELPRI are disclosed as current assets held for sale and current liabilities related to assets held for sale in the consolidated balance sheet as of December 31, 2006. Additional details related to those assets and liabilities were as follows:

		(dollars in millions)
At December 31,		2006
Current assets	\$	303
Plant, property and equipment, net		1,436
Other non-current assets		853
Total assets	\$	2,592
Current liabilities	\$	181
Long-term debt		575
Other non-current liabilities		1,398
Total liabilities	\$	2,154

Related to the assets and liabilities above was \$241 million included as Accumulated Other Comprehensive Loss in the consolidated balance sheet as of December 31, 2006.

Income from discontinued operations, net of tax, presented in the consolidated statements of income included the following:

		(dollars in millions)		
Year Ended December 31,	2007	2006	2005	
Operating revenues	\$ 306	\$ 5,077	\$ 5,595	
Income before provision for income taxes	\$ 185	\$ 2,041	\$ 2,159	
Provision for income taxes	(43)	(1,282)	(789)	
Income from discontinued operations, net of tax	\$ 142	\$ 759	\$ 1,370	

Extraordinary Item

Compañía Anónima Nacional Teléfonos de Venezuela (CANTV)

In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of Understanding (MOU) with the Republic, which provided that the Republic offer to purchase all of the equity securities of CANTV, including our 28.5% interest, through public tender offers in Venezuela and the United States. Under the terms of the MOU, the prices in the tender offers would be adjusted downward to reflect any dividends declared and paid subsequent to February 12, 2007. During the second quarter of 2007, the tender offers were completed and Verizon received an aggregate amount of approximately \$572 million, which included \$476 million from the tender offers as well as \$96 million of dividends declared and paid subsequent to the MOU. Based upon our investment balance in CANTV, we recorded an extraordinary loss of \$131 million, including taxes of \$38 million.

Other Dispositions

Telephone Access Lines Spin-off

On January 16, 2007, we announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity into a newly formed company, known as Northern New England Spinco Inc. (Spinco), to Verizon's shareowners, and immediately merging it with and into FairPoint. These local exchange and business assets are included in

Verizon's continuing operations. It is anticipated that as long as all conditions are satisfied and assuming completion of the related financing transactions, both the spin-off of Spinco to Verizon shareowners and the merger of Spinco with FairPoint will occur on March 31, 2008. Verizon's Board of Directors established a record date of March 7, 2008, and a closing date of March 31, 2008, for the proposed spin-off of shares of Spinco to Verizon shareowners.

During 2007, we recorded pretax charges of \$84 million (\$80 million after-tax) for costs incurred related to certain network and work center re-arrangements, the isolation and extraction of related business information, and other activities to separate the wireline facilities and operations in Maine, New Hampshire and Vermont from Verizon at the closing of the transaction, as well as professional advisory and legal fees in connection with this transaction.

Upon the closing of the transaction, Verizon shareowners will own approximately 60 percent of the new company, and FairPoint shareowners will own approximately 40 percent. Verizon Communications will not receive any shares in FairPoint as a result of the transaction. In connection with the merger, Verizon shareowners will receive one share of FairPoint stock for approximately every 53 shares of Verizon stock held as of the record date. The proposal relating to the merger was approved by the FairPoint shareowners in August 2007. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon shareowners in lieu of fractional shares.

Based upon the number of shares (as adjusted) and price of FairPoint common stock (NYSE: FRP) on the date of the announcement of the merger, the estimated total value to be received by Verizon and its shareowners in exchange for these operations was approximately \$2,715 million. This consisted of (a) approximately \$1,015 million of FairPoint common stock that was to be received by Verizon shareowners in the merger, and (b) \$1,700 million in value that was to be received by Verizon through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon currently intends to exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt. The actual total value to be received by Verizon and its shareowners will be determined in part based on the number of shares (as adjusted) and price of FairPoint common stock on the date of the closing of the merger. This value is now expected to be less than \$2,715 million because (a) FairPoint expects to issue approximately 54 million shares of common stock in the merger and the price of FairPoint common stock has declined since the announcement of the merger (the closing price of FairPoint common stock on the last business day prior to the announcement of the merger was \$18.54 per share) and (b) in connection with the regulatory approval process, Verizon currently expects to make additional contributions of approximately \$320 million to the entity that will merge with FairPoint.

Verizon Hawaii Inc.

During 2005, we sold our wireline and directory businesses in Hawaii, including Verizon Hawaii Inc. which operated approximately 700,000 switched access lines, as well as the services and assets of Verizon Long Distance, Verizon Online, Verizon Information Services and Verizon Select Services Inc. in Hawaii, to an affiliate of The Carlyle Group for \$1,326 million in cash proceeds. In connection with this sale, we recorded a net pretax gain of \$530 million (\$336 million after-tax).

Note 3

Other Items

Other Tax Matters

During 2005, we recorded tax benefits of \$336 million in connection with the utilization of prior year loss carry forwards. As a result of the capital gain realized in 2005 in connection with the sale of our Hawaii businesses, we recorded a tax benefit of \$242 million related to the capital losses incurred in previous years.

Also during 2005, we recorded a net tax provision of \$206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004, for two of our foreign investments.

Facility and Employee-Related Items

During the fourth quarter of 2007, we recorded a charge of \$772 million (\$477 million after-tax) primarily in connection with workforce reductions of 9,000 employees and related charges, 4,000 of whom were terminated in the fourth quarter of 2007 with the remaining reductions expected to occur throughout 2008 (see Note 15). In addition, we adjusted our actuarial assumptions for severance to align with future expectations.

During 2006, we recorded net pretax severance, pension and benefits charges of \$425 million (\$258 million after-tax). These charges included net pretax pension settlement losses of \$56 million (\$26 million after-tax) related to employees that received lump-sum distributions primarily resulting from our separation plans. These charges were recorded in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination* (SFAS No. 88), which requires that settlement losses be recorded once prescribed payment thresholds have been reached. Also included are pretax charges of \$369 million (\$228 million after-tax) for employee severance and severance-related costs in connection with the involuntary separation of approximately 4,100 employees. In addition, during 2005 we recorded a charge of \$59 million (\$36 million after-tax) associated with employee severance costs and severance-related activities in connection with a voluntary separation program for surplus union-represented employees.

During 2006, we recorded pretax charges of \$184 million (\$118 million after-tax) in connection with the continued relocation of employees and business operations to Verizon Center located in Basking Ridge, New Jersey. During 2005, we recorded a net pretax gain of \$18 million (\$8 million after-tax) in connection with this relocation, including a pretax gain of \$120 million (\$72 million after-tax) related to the sale of a New York City office building, partially offset by a pretax charge of \$102 million (\$64 million after-tax) primarily associated with relocation, employee severance and related activities.

During 2005, we reported a net pretax charge of \$98 million (\$59 million after-tax) related to the restructuring of the Verizon management retirement benefit plans. This pretax charge was recorded in accordance with SFAS No. 88, and SFAS No. 106, *Employers' Accounting for the Postretirement Benefits Other Than Pensions* (SFAS No. 106) and included the unamortized cost of prior pension enhancements of \$430 million, offset partially by a pretax curtailment gain of \$332 million related to retiree medical benefits. In connection with this restructuring, management employees: no longer earn pension benefits or earn service towards the company retiree medical subsidy after June, 2006; received an 18-month enhancement of the value of their pension and retiree medical subsidy; and receive a higher savings plan matching contribution.

Other Items

In 2006, we recorded pretax charges of \$26 million (\$16 million after-tax) resulting from the extinguishment of debt assumed in connection with the completion of the MCI merger (see Note 8).

During 2005, we recorded pretax charges of \$139 million (\$133 million after-tax) including a pretax impairment charge of \$125 million pertaining to aircraft leased to airlines involved in bankruptcy proceedings and a pretax charge of \$14 million (\$8 million after-tax) in connection with the early extinguishment of debt.

Note 4

Marketable Securities and Other Investments

We have investments in marketable securities which are considered "available-for-sale" under SFAS No. 115. These investments have been included in our consolidated balance sheets in Short-Term Investments, Investments in Unconsolidated Businesses and Other Assets.

Under SFAS No. 115, available-for-sale securities are required to be carried at their fair value, with unrealized gains and losses (net of income taxes) that are considered temporary in nature recorded in Accumulated Other Comprehensive Loss. The fair values of our investments in marketable securities are determined based on market quotations. We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other than temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other than temporary, a charge to earnings is recorded in Other Income and (Expense), Net in the consolidated statements of income for all or a portion of the unrealized loss, and a new cost basis in the investment is established. As of December 31, 2007, no impairments were determined to exist.

The following table shows certain summarized information related to our investments in marketable securities:

	(dollars in millions)			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2007				
Short-term investments	\$ 497	\$ 21	\$ -	\$ 518
Investments in unconsolidated businesses (Note 6)	286	42	-	328
Other assets	661	31	-	692
	\$ 1,444	\$ 94	\$ -	\$ 1,538
At December 31, 2006				
Short-term investments	\$ 616	\$ 28	\$ -	\$ 644
Investments in unconsolidated businesses (Note 6)	259	38	(2)	295
Other assets	594	31	-	625
	\$ 1,469	\$ 97	\$ (2)	\$ 1,564

Our short-term investments are primarily bonds and mutual funds.

Certain other investments in securities that we hold are not adjusted to market values because those values are not readily determinable and/or the securities are not marketable. We do, however, adjust the carrying values of these securities in situations where we believe declines in value below cost were other than temporary. The carrying values for investments not adjusted to market value were \$15 million at December 31, 2007 and \$12 million at December 31, 2006.

Note 5

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)	
	2007	2006
Land	\$ 839	\$ 959
Buildings and equipment	19,734	19,207
Network equipment	173,654	163,580
Furniture, office and data processing equipment	11,912	12,789
Work in progress	1,988	2,315
Leasehold improvements	3,612	3,061
Other	2,255	2,198
	213,994	204,109
Less accumulated depreciation	128,700	121,753

Total

\$ 85,294 \$ 82,356

Note 6

Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

At December 31,	Ownership	(dollars in millions)	
		2007 Investment	2006 Investment
Equity Investees			
Vodafone Omnitel	23.1%	\$ 2,313	23.1% \$ 3,624
CANTV	-	-	28.5 230
Other	Various	744	Various 744
Total equity investees		<u>3,057</u>	<u>4,598</u>
Cost Investees	Various	315	Various 270
Total investments in unconsolidated businesses		<u>\$ 3,372</u>	<u>\$ 4,868</u>

Dividends and repatriations of foreign earnings received from these investees amounted to \$2,571 million in 2007, \$42 million in 2006 and \$2,335 million in 2005.

Equity Investees

Vodafone Omnitel

Vodafone Omnitel is the second largest wireless communications company in Italy. At December 31, 2007 and 2006, our investment in Vodafone Omnitel included goodwill of \$1,154 million and \$1,044 million, respectively.

In December 2007, Verizon received a net distribution from Vodafone Omnitel of approximately \$2.1 billion and we anticipate that we may receive an additional distribution from Vodafone Omnitel within the next twelve months. As a result, we recorded \$610 million of foreign and domestic taxes and expenses specifically relating to our share of Vodafone Omnitel's distributable earnings. During 2005, we repatriated approximately \$2.2 billion of Vodafone Omnitel's earnings through the repurchase of issued and outstanding shares of its equity. Vodafone Omnitel's owners, Verizon and Vodafone Group Plc (Vodafone), participated on a pro rata basis; consequently, Verizon's ownership interest after the share repurchase remained at 23.1%.

CANTV

Verizon sold its interest in CANTV in 2007 (see Note 2).

Other Equity Investees

Verizon has limited partnership investments in entities that invest in affordable housing projects, for which Verizon provides funding as a limited partner and receives tax deductions and tax credits based on its partnership interests. At December 31, 2007 and 2006, Verizon had equity investments in these partnerships of \$637 million and \$659 million, respectively. Verizon currently adjusts the carrying value of these investments for any losses incurred by the limited partnerships through earnings.

The remaining investments include wireless partnerships in the U.S. and other smaller domestic and international investments.

Cost Investees

Some of our cost investments are carried at their current market value. Other cost investments are carried at their original cost, except in cases where we have determined that a decline in the estimated market value of an investment is other than temporary as described in Note 4. Our cost investments include a variety of domestic and international investments primarily involved in providing communication services.

Note 7

Minority Interest

Minority interests in equity of subsidiaries were as follows:

At December 31,	(dollars in millions)	
	2007	2006
Minority interests in consolidated subsidiaries:		
Wireless joint venture	\$ 31,782	\$ 27,854
Cellular partnerships and other	506	483
	<u>\$ 32,288</u>	<u>\$ 28,337</u>

Wireless Joint Venture

The wireless joint venture was formed in April 2000 in connection with the combination of the U.S. wireless operations and interests of Verizon and Vodafone. The wireless joint venture operates as Verizon Wireless. Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45%.

Under the terms of an investment agreement, Vodafone had the right to require Verizon Wireless to purchase up to an aggregate of \$20 billion worth of Vodafone's interest in Verizon Wireless at designated times (put windows) at its then fair market value, not to exceed \$10 billion in any one put window. The last of these put windows opened on June 10 and closed on August 9 in 2007. Vodafone did not exercise its right during this period and no longer has any right to require the purchase of any of its interest in Verizon Wireless.

Cellular Partnerships and Other

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price's wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in VZ East which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at \$1,007 million in exchange for Price's limited partnership interest in VZ East. As a result of acquiring Price's limited partnership interest, Verizon recorded goodwill of \$345 million in the third quarter of 2006 attributable to its Domestic Wireless segment.

Note 8

Merger and Acquisitions

Completion of Merger with MCI

On January 6, 2006, after receiving the required state, federal and international regulatory approvals, Verizon completed the acquisition of 100% of the outstanding common stock of MCI, Inc. (MCI) for a combination of Verizon common shares and cash. MCI was a global communications company that provided Internet, data and voice communication services to businesses and government entities throughout the world and consumers in the United States.

The merger was accounted for using the purchase method in accordance with SFAS No. 141, and the aggregate transaction value was \$6,890 million, consisting of \$5,829 million of cash and common stock issued at closing, \$973 million of consideration for the shares acquired from entities controlled by Carlos Slim Helú, net of the portion of the special dividend paid by MCI that was treated as a return of our investment, and closing and other direct merger-related costs. The number of shares issued was based on the "Average Parent Stock Price," as defined in the merger agreement. The consolidated financial statements include the results of MCI's operations from the date of the close of the merger.

Allocation of the cost of the merger

In accordance with SFAS No. 141, the cost of the merger was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the merger, with the amounts exceeding the fair value being recorded as goodwill. The process to identify and record the fair value of assets acquired and liabilities assumed included an analysis of the acquired fixed assets, including real and personal property; various contracts, including leases, contractual commitments, and other business contracts; customer relationships; investments; and contingencies.

The fair values of the assets acquired and liabilities assumed were determined using one or more of three valuation approaches: market, income and cost. The selection of a particular method for a given asset depended on the reliability of available data and the nature of the asset, among other considerations. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized for certain acquired real property and investments. The income approach, which indicates value for a subject asset based on the present value of cash flow projected to be generated by the asset, was used for certain intangible assets such as customer relationships, as well as for favorable/unfavorable contracts. Projected cash flow is discounted at a required rate of return that reflects the relative risk of achieving the cash flow and the time value of money. Projected cash flows for each asset considered multiple factors, including current revenue from existing customers; distinct analysis of expected price, volume, and attrition trends; reasonable contract renewal assumptions from the perspective of a marketplace participant; expected profit margins giving consideration to marketplace synergies; and required returns to contributory assets. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used for the majority of personal property. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the property, less an allowance for loss in value due to depreciation or obsolescence, with specific consideration given to economic obsolescence if indicated.

The following table summarizes the allocation of the cost of the merger to the assets acquired, including cash of \$2,361 million, and liabilities assumed as of the close of the merger.

	(dollars in millions)
Assets acquired	
Current assets	\$ 6,001
Property, plant & equipment	6,453
Intangible assets subject to amortization	
Customer relationships	1,162
Rights of way and other	176
Deferred income taxes and other assets	1,995
Goodwill	5,085
Total assets acquired	\$ 20,872
Liabilities assumed	
Current liabilities	\$ 6,093
Long-term debt	6,169
Deferred income taxes and other non-current liabilities	1,720
Total liabilities assumed	13,982
Purchase price	\$ 6,890

The goodwill resulting from the merger with MCI is included in our Wireline segment, which includes the operations of the former MCI. The customer relationships are being amortized on a straight-line basis over 3-8 years based on whether the relationship is with a consumer or a business customer since this correlates to the pattern in which the economic benefits are expected to be realized.

We recorded certain severance and severance-related costs and contract termination costs in connection with the merger, pursuant to EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. The following table summarizes the activity related to these obligations during 2007:

(dollars in millions)	At December 31, 2006	Payments	At December 31, 2007
Severance costs and contract termination costs	\$ 376	\$ (340)	\$ 36

The remaining contract termination costs at December 31, 2007 are expected to be paid over the remaining contract periods through 2008.

In 2007 and 2006, we recorded pretax charges of \$178 million (\$112 million after-tax) and \$232 million (\$146 million after-tax), respectively, primarily associated with the MCI acquisition that were comprised of advertising and other costs related to re-branding initiatives, facility exit costs and systems integration activities.

Pro Forma Information

The following unaudited pro forma consolidated results of operations assume that the MCI merger was completed as of January 1 for the periods shown below:

Years Ended December 31,	(dollars in millions, except per share amounts)	
	2006	2005
Operating revenues	\$ 88,409	\$ 85,781
Income before discontinued operations and cumulative effect of accounting change	5,480	6,724
Net income	6,197	8,176
Basic earnings per common share:		
Income before discontinued operations and cumulative effect of accounting change	1.88	2.30
Net income	2.13	2.79
Diluted earnings per common share:		
Income before discontinued operations and cumulative effect of accounting change	1.88	2.28
Net income	2.12	2.76

The unaudited pro forma information presents the combined operating results of Verizon and the former MCI, with the results prior to the acquisition date adjusted to include the pro forma impact of: the elimination of transactions between Verizon and the former MCI; the adjustment of amortization of intangible assets and depreciation of fixed assets based on the purchase price allocation; the elimination of merger expenses incurred by the former MCI; the elimination of the loss on the early redemption of MCI's debt; the adjustment of interest expense reflecting the redemption of all of MCI's debt and the replacement of that debt with \$4 billion of new debt issued in February 2006 at Verizon's weighted average borrowing rate; and to reflect the impact of income taxes on the pro forma adjustments utilizing Verizon's statutory tax rate of 40%. The unaudited pro forma results for 2005 include \$82 million for discontinued operations that were sold by MCI during the first quarter of 2005. The unaudited pro forma results for 2005 include approximately \$300 million of net tax benefits resulting from tax reserve adjustments recognized by the

former MCI primarily during the third and fourth quarters of 2005, including audit settlements and other activity.

The unaudited pro forma consolidated basic and diluted earnings per share for 2006 and 2005 are based on the consolidated basic and diluted weighted average shares of Verizon and the former MCI. The historical basic and diluted weighted average shares of the former MCI were converted for the actual number of shares issued upon the closing of the merger.

The unaudited pro forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings, or any related integration costs. Certain cost savings may result from the merger; however, there can be no assurance that these cost savings will be achieved. Cost savings, if achieved, could result from, among other things, the reduction of overhead expenses, including employee levels and the elimination of duplicate facilities and capital expenditures. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the merger occurred as of the beginning of each of the periods presented, nor does the pro forma data intend to be a projection of results that may be obtained in the future.

Rural Cellular Corporation

In late July 2007, Verizon Wireless announced that it had entered into an agreement to acquire Rural Cellular Corporation (Rural Cellular), for \$45 per share in cash (or approximately \$757 million). As a result of the acquisition, Verizon Wireless will assume Rural Cellular's outstanding debt. The total value of the transaction is approximately \$2.7 billion. Rural Cellular has more than 700,000 customers in markets adjacent to Verizon Wireless's existing customer service areas. Rural Cellular's networks are located in the states of Maine, Vermont, New Hampshire, New York, Massachusetts, Alabama, Mississippi, Minnesota, North Dakota, South Dakota, Wisconsin, Kansas, Idaho, Washington, and Oregon. Rural Cellular's shareholders approved the transaction on October 4, 2007. The acquisition, which is subject to regulatory approvals, is expected to close in the first half of 2008.

In a related transaction, on December 3, 2007, Verizon Wireless signed a definitive exchange agreement with AT&T. Under the terms of the agreement, Verizon Wireless will receive cellular operating markets in Madison and Mason, KY, and 10MHz PCS licenses in Las Vegas, NV; Buffalo, NY; Sunbury-Shamokin and Erie, PA; and Youngstown, OH. Verizon Wireless will also receive minority interests held by AT&T in three entities in which Verizon Wireless also holds an interest plus a cash payment. In exchange, Verizon Wireless will transfer to AT&T six cellular operating markets in Burlington, Franklin and the northern portion of Addison, VT; Franklin, NY; and Okanogan and Ferry, WA; and a cellular license for the Kentucky-6 market. The operating markets Verizon Wireless is exchanging are among those it is to acquire from Rural Cellular. The exchange with AT&T is subject to regulatory approvals and is expected to close in the first half of 2008.

Other Acquisitions

In July 2007, Verizon acquired a security-services firm for \$435 million, resulting in goodwill of \$343 million and other intangible assets of \$81 million. This acquisition was made to enhance our managed information security services to large business and government customers worldwide. This acquisition was integrated into the Wireline segment.

On November 29, 2006, we were granted thirteen 20MHz licenses we won in an FCC auction that concluded on September 18, 2006. We paid a total of \$2,809 million for the licenses, which cover a population of nearly 200 million.

Note 9

Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	(dollars in millions)		
	Wireline	Domestic Wireless	Total
Balance at December 31, 2005	\$ 315	\$ –	\$ 315
Acquisitions	5,085	345	5,430
Reclassifications and adjustments	(90)	–	(90)
Balance at December 31, 2006	\$ 5,310	\$ 345	\$ 5,655
Acquisitions	343	–	343
Reclassifications and adjustments	(753)	–	(753)
Balance at December 31, 2007	\$ 4,900	\$ 345	\$ 5,245

Reclassifications and adjustments to goodwill include the impact of adopting FIN 48 (see Note 1) of \$100 million as of January 1, 2007, as well as to reflect revised estimated tax bases of acquired assets and liabilities during 2007 and 2006.

Other Intangible Assets

The following table displays the details of other intangible assets:

	(dollars in millions)			
	At December 31, 2007		At December 31, 2006	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Finite-lived intangible assets:				
Customer lists (3 to 10 years)	\$ 1,307	\$ 459	\$ 1,278	\$ 270
Non-network internal-use software (2 to 7 years)	8,116	4,147	7,777	3,826
Other (1 to 25 years)	215	44	204	23
Total	\$ 9,638	\$ 4,650	\$ 9,259	\$ 4,119
Indefinite-lived intangible assets:				
Wireless licenses	<u>\$ 50,796</u>		<u>\$ 50,959</u>	

Reclassifications and adjustments to wireless licenses include the impact of adopting FIN 48 (see Note 1) of \$535 million as of January 1, 2007, partially offset by acquisitions during 2007.

Amortization expense was \$1,341 million, \$1,423 million, and \$1,444 million for the years ended December 31, 2007, 2006 and 2005, respectively and is estimated to be \$1,324 million in 2008, \$1,116 million in 2009, \$884 million in 2010, \$696 million in 2011 and \$472 million in 2012. Customer lists and relationships of \$3,313 million at Domestic Wireless became fully amortized during 2006.

Note 10

Leasing Arrangements

As Lessor

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities, which comprise the majority of the portfolio along with telecommunications equipment, real estate property, and other equipment. These leases have remaining terms up to 48 years as of December 31, 2007. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with GAAP. All recourse debt is reflected in our consolidated balance sheets. See Note 3 for information on lease impairment charges.

Finance lease receivables, which are included in Prepaid Expenses and Other and Other Assets in our consolidated balance sheets are comprised of the following:

At December 31,	(dollars in millions)					
	2007			2006		
	Leveraged Leases	Direct Finance Leases	Total	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	\$ 2,959	\$ 131	\$ 3,090	\$ 3,311	\$ 128	\$ 3,439
Estimated residual value	1,434	16	1,450	1,637	18	1,655
Unamortized initial direct costs	-	1	1	-	-	-
Unearned income	(1,483)	(25)	(1,508)	(1,895)	(22)	(1,917)
	<u>\$ 2,910</u>	<u>\$ 123</u>	<u>3,033</u>	<u>\$ 3,053</u>	<u>\$ 124</u>	<u>3,177</u>
Allowance for doubtful accounts			(168)			(175)
Finance lease receivables, net			<u>\$ 2,865</u>			<u>\$ 3,002</u>
Current			<u>\$ 36</u>			<u>\$ 40</u>
Noncurrent			<u>\$ 2,829</u>			<u>\$ 2,962</u>

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred Income Taxes, amounted to \$2,307 million at December 31, 2007 and \$2,674 million at December 31, 2006.

The following table is a summary of the components of income from leveraged leases:

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Pretax lease income	\$ 78	\$ 96	\$ 119
Income tax expense/(benefit)	30	57	(25)
Investment tax credits	4	4	4

The future minimum lease payments to be received from noncancelable leases, net of nonrecourse loan payments related to leveraged and direct financing leases for the periods shown at December 31, 2007, are as follows:

Years	(dollars in millions)	
	Capital Leases	Operating Leases
2008	\$ 127	\$ 29
2009	215	23
2010	136	16
2011	110	10
2012	110	9
Thereafter	2,392	16
Total	<u>\$ 3,090</u>	<u>\$ 103</u>

As Lessee

We lease certain facilities and equipment for use in our operations under both capital and operating leases. Total rent expense from continuing operations under operating leases amounted to \$1,712 million in 2007, \$1,608 million in 2006 and \$1,458 million in 2005.

Amortization of capital leases is included in depreciation and amortization expense in the consolidated statements of income. Capital lease amounts included in plant, property and equipment are as follows:

At December 31,	(dollars in millions)	
	2007	2006

Capital leases	\$ 329	\$ 359
Accumulated amortization	(153)	(160)
Total	<u>\$ 176</u>	<u>\$ 199</u>

The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2007, are as follows:

Years	(dollars in millions)	
	Capital Leases	Operating Leases
2008	\$ 75	\$ 1,489
2009	63	1,276
2010	59	1,016
2011	55	756
2012	38	497
Thereafter	132	1,967
Total minimum rental commitments	422	<u>\$ 7,001</u>
Less interest and executory costs	(110)	
Present value of minimum lease payments	312	
Less current installments	(46)	
Long-term obligation at December 31, 2007	<u>\$ 266</u>	

As of December 31, 2007, the total minimum sublease rentals to be received in the future under noncancelable operating and capital subleases were \$50 million and \$22 million, respectively.

Note 11

Debt

Debt Maturing Within One Year

Debt maturing within one year is as follows:

At December 31,	(dollars in millions)	
	2007	2006
Long-term debt maturing within one year	\$ 2,564	\$ 4,139
Commercial paper	390	3,576
Total debt maturing within one year	<u>\$ 2,954</u>	<u>\$ 7,715</u>

The weighted average interest rate for our commercial paper at December 31, 2007 and December 31, 2006 was 4.6% and 5.3%, respectively.

Capital expenditures (primarily acquisition and construction of network assets) are partially financed, pending long-term financing, through bank loans and the issuance of commercial paper payable within 12 months.

At December 31, 2007, we had approximately \$6.2 billion of unused bank lines of credit (including a \$6 billion three-year committed facility that expires in September 2009 and various other facilities totaling approximately \$400 million). Certain of these lines of credit contain requirements for the payment of commitment fees.

Long - Term Debt

Outstanding long-term debt obligations are as follows:

(dollars in millions)

At December 31,	Interest Rates %	Maturities	2007	2006
Notes payable	4.00 – 8.23	2008 – 2037	\$ 14,923	\$ 14,805
Telephone subsidiaries – debentures	4.63 – 7.00	2008 – 2033	10,580	11,703
	7.15 – 7.63	2012 – 2032	850	1,275
	7.85 – 8.75	2010 – 2031	1,679	1,679
Other subsidiaries – debentures and other	6.46 – 8.75	2008 – 2028	2,450	2,977
Employee stock ownership plan loans – NYNEX debentures	9.55	2010	70	92
Capital lease obligations (average rate 6.8% and 8.0%)			312	360
Unamortized discount, net of premium			(97)	(106)
Total long-term debt, including current maturities			30,767	32,785
Less: debt maturing within one year			(2,564)	(4,139)
Total long-term debt			\$ 28,203	\$ 28,646

Notes Payable

In April 2007, Verizon issued \$750 million of 5.50% notes due 2017, \$750 million of 6.25% notes due 2037, and \$500 million of floating rate notes due 2009 resulting in cash proceeds of \$1,977 million, net of discounts and issuance costs.

In March 2007, Verizon issued \$1,000 million of 13-month floating rate exchangeable notes with an original maturity of 2008. These notes are exchangeable periodically at the option of the note holder into similar notes until 2017.

In February 2007, Verizon utilized a \$425 million floating rate vendor financing facility due 2013.

In February 2008, we issued \$4,000 million of fixed rate notes, with varying maturities, that resulted in cash proceeds of \$3,953 million, net of discounts and issuance costs.

Previously, Verizon issued \$1,750 million in principal amount at maturity of floating rate notes due August 15, 2007. On January 8, 2007, we redeemed the remaining \$1,580 million principal of the outstanding floating rate notes at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest through the date of redemption. The total payment on the date of redemption was approximately \$1,593 million. Approximately \$1,600 million of other borrowings were redeemed during 2007.

Telephone and Other Subsidiary Debt

During the fourth quarter of 2007, Verizon redeemed previously guaranteed \$480 million 7.0% debentures, Series B, issued by Verizon New England Inc. due 2042 at par plus accrued and unpaid interest to the redemption dates. During the third quarter of 2007, \$150 million Verizon Pennsylvania Inc. 7.375% notes matured and were repaid. During the second quarter of 2007, \$125 million Verizon New England Inc. 7.65% notes and the \$225 million Verizon South Inc. 6.125% notes matured and were repaid. During the first quarter of 2007, \$150 million GTE Southwest Inc. 6.23% notes and the \$275 million Verizon California Inc. 7.65% notes matured and were repaid. In addition, we redeemed \$500 million of GTE Corporation 7.90% debentures due February 1, 2027 and \$300 million Verizon South Inc. 7.0% debentures, Series F, due 2041 at par plus accrued and unpaid interest to the redemption dates. During the first quarter we recorded pretax charges of \$28 million (\$18 million after-tax) in connection with the early extinguishments of debt.

During the second quarter of 2006, we redeemed/prepaid several debt issuances, including: Verizon North Inc. \$200 million 7.625% Series C debentures due May 15, 2026; Verizon Northwest Inc. \$175 million 7.875% Series B debentures due June 1, 2026; Verizon South Inc. \$250 million 7.5% Series D debentures

due March 15, 2026; Verizon California Inc. \$25 million 9.41% Series W first mortgage bonds due 2014; Verizon California Inc. \$30 million 9.44% Series X first mortgage bonds due 2015; Verizon Northwest Inc. \$3 million 9.67% Series HH first mortgage bonds due 2010 and Contel of the South Inc. \$14 million 8.159% Series GG first mortgage bonds due 2018. The gain/(loss) from these retirements was immaterial.

During the third quarter of 2005, we redeemed Verizon New England Inc. \$250 million 6.875% debentures due October 1, 2023 resulting in a pretax charge of \$10 million (\$6 million after-tax) in connection with the early extinguishment of the debt.

Redemption of Debt Assumed in Merger

On January 17, 2006, Verizon announced offers to purchase two series of MCI senior notes, MCI \$1,983 million aggregate principal amount of 6.688% Senior Notes Due 2009 and MCI \$1,699 million aggregate principal amount of 7.735% Senior Notes Due 2014, at 101% of their par value. Due to the change in control of MCI that occurred in connection with the merger with Verizon on January 6, 2006, Verizon was required to make this offer to noteholders within 30 days of the closing of the merger. Noteholders tendered \$165 million of the 6.688% Senior Notes. Separately, Verizon notified noteholders that MCI was exercising its right to redeem both series of Senior Notes prior to maturity under the optional redemption procedures provided in the indentures. The 6.688% Notes were redeemed on March 1, 2006, and the 7.735% Notes were redeemed on February 16, 2006.

In addition, on January 20, 2006, Verizon announced an offer to repurchase MCI \$1,983 million aggregate principal amount of 5.908% Senior Notes Due 2007 at 101% of their par value. On February 21, 2006, \$1,804 million of these notes were redeemed by Verizon. Verizon satisfied and discharged the indenture governing this series of notes shortly after the close of the offer for those noteholders who did not accept this offer.

We recorded pretax charges of \$26 million (\$16 million after-tax) during the first quarter of 2006 resulting from the extinguishment of the debt assumed in connection with the completion of this merger.

Zero-Coupon Convertible Notes

The previously issued \$5.4 billion zero-coupon convertible notes due 2021, which resulted in gross proceeds of approximately \$3 billion, were redeemable at the option of the holders on May 15th in each of the years 2004, 2006, 2011 and 2016. On May 15, 2004, \$3,292 million of principal amount of the notes (\$1,984 million after unamortized discount) were redeemed. On May 15, 2006, we redeemed the remaining \$1,375 million accreted principal of the remaining outstanding zero-coupon convertible principal. The total payment on the date of redemption was \$1,377 million.

Guarantees

Verizon Global Funding had guaranteed the debt obligations of GTE Corporation (but not the debt of its subsidiary or affiliate companies) that were issued and outstanding prior to July 1, 2003. Verizon assumed this guarantee in connection with the 2006 merger of Verizon Global Funding into Verizon. As of December 31, 2007, \$2,450 million principal amount of these obligations remained outstanding.

Verizon and NYNEX Corporation are the joint and several co-obligors of the 20-Year 9.55% Debentures due 2010 previously issued by NYNEX on March 26, 1990. As of December 31, 2007, \$70 million principal amount of this obligation remained outstanding. NYNEX and GTE no longer issue public debt or file SEC reports.

Debt Covenants

We and our consolidated subsidiaries are in compliance with all of our debt covenants.

Maturities of Long-Term Debt

Maturities of long-term debt outstanding at December 31, 2007 are as follows:

Years	(dollars in million)
2008	\$ 2,564
2009	2,966
2010	2,908
2011	2,671
2012	4,291
Thereafter	15,367

Note 12

Financial Instruments

Derivatives

The ongoing effect of SFAS No. 133 and related amendments and interpretations on our consolidated financial statements will be determined each period 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.

Interest Rate Risk Management

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt, where we principally receive fixed rates and pay variable rates based on LIBOR. 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.

We also enter into interest rate derivatives to limit our exposure to interest rate changes. In accordance with the provisions of SFAS No. 133, changes in fair value of these cash flow hedges due to interest rate fluctuations are recognized in Accumulated Other Comprehensive Loss. Amounts recorded to Other Comprehensive Income related to these interest rate cash flow hedges for the years ended December 31, 2007, 2006 and 2005 were not material.

Net Investment Hedges

During 2007, we entered into foreign currency forward contracts to hedge a portion of our net investment in Vodafone Omnitel. Changes in fair value of these contracts due to Euro exchange rate fluctuations are recognized in Accumulated Other Comprehensive Loss and partially offset the impact of foreign currency changes on the value of our net investment. As of December 31, 2007, Accumulated Other Comprehensive Loss includes unrecognized losses of approximately \$57 million (\$37 million after-tax) related to these hedge contracts, which along with the unrealized foreign currency translation balance on the investment hedged, remain in Accumulated Other Comprehensive Loss until the investment is sold.

During 2005, we entered into zero cost Euro collars to hedge a portion of our net investment in Vodafone Omnitel. During 2005, our positions in the zero cost euro collars were settled. As of December 31, 2007 and 2006, Accumulated Other Comprehensive Loss includes unrecognized gains of \$2 million in each year related to these hedge contracts, which along with the unrealized foreign currency translation balance of the investment hedged, remain in Accumulated Other Comprehensive Loss until the investment is sold.

Other Derivatives

On May 17, 2005, we purchased 43.4 million shares of MCI common stock under a stock purchase agreement that contained a provision for the payment of an additional cash amount determined immediately prior to April 9, 2006 based on the market price of Verizon's common stock. Under SFAS No. 133, this additional cash payment was an embedded derivative which we carried at fair value and was subject to changes in the market price of Verizon stock. Since this derivative did not qualify for hedge accounting under SFAS No. 133, changes in its fair value were recorded in the consolidated statements of income in

Other Income and (Expense), Net. As of December 31, 2006, this embedded derivative expired with no requirement for an additional cash payment to be made under the stock purchase agreement. During 2006 and 2005, we recorded pretax income of \$4 million and \$57 million, respectively, in connection with this embedded derivative.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term and long-term investments, trade receivables, certain notes receivable, including lease receivables, and derivative contracts. Our policy is to deposit our temporary cash investments with major financial institutions. Counterparties to our derivative contracts are also major financial institutions. The financial institutions have all been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor our counterparties' credit ratings. We generally do not give or receive collateral on swap agreements 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 condition.

Fair Values of Financial Instruments

The tables that follow provide additional information about our significant financial instruments:

Financial Instrument	Valuation Method
Cash and cash equivalents and short-term investments	Carrying amounts
Short- and long-term debt (excluding capital leases)	Market quotes for similar terms and maturities or future cash flows discounted at current rates
Cost investments in unconsolidated businesses, derivative assets and liabilities and notes receivable	Future cash flows discounted at current rates, market quotes for similar instruments or other valuation models

At December 31,	(dollars in millions)			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short- and long-term debt	\$ 30,845	\$ 32,380	\$ 36,000	\$ 37,165
Cost investments in unconsolidated businesses	315	315	270	270
Short- and long-term derivative assets	61	61	31	31
Short- and long-term derivative liabilities	57	57	10	10

Note 13

Earnings Per Share and Shareowners' Investment

Earnings Per Share

The following table is a reconciliation of the numerators and denominators used in computing earnings per common share:

Years Ended December 31,	(dollars and shares in millions, except per share amounts)		
	2007	2006	2005
Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change	\$ 5,510	\$ 5,480	\$ 6,027
After-tax minority interest expense related to exchangeable equity interest	-	20	32

After-tax interest expense related to zero-coupon convertible notes	-	11	28
Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change – after assumed conversion of dilutive securities	\$ 5,510	\$ 5,511	\$ 6,087
Weighted-average shares outstanding – basic	2,898	2,912	2,766
Effect of dilutive securities:			
Stock options	4	1	5
Exchangeable equity interest	-	18	29
Zero-coupon convertible notes	-	7	17
Weighted-average shares outstanding – diluted	2,902	2,938	2,817
Earnings Per Common Share from Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change			
Basic	\$ 1.90	\$ 1.88	\$ 2.18
Diluted	\$ 1.90	\$ 1.88	\$ 2.16

Certain outstanding options to purchase shares were not included in the computation of diluted earnings per common share because they were not dilutive, including approximately 170 million weighted-average shares during 2007, 228 million weighted-average shares during 2006 and 250 million shares during 2005.

The zero-coupon convertible notes were retired on May 15, 2006 and the exchangeable equity interest was converted on August 15, 2006 by issuing 29.5 million Verizon shares (see Notes 7 and 11).

Shareowners' Investment

Our certificate of incorporation provides authority for the issuance of up to 250 million shares of Series Preferred Stock, \$.10 par value, in one or more series, with such designations, preferences, rights, qualifications, limitations and restrictions as the Board of Directors may determine.

We are authorized to issue up to 4.25 billion shares of common stock.

On February 7, 2008, the Board of Directors replaced the prior share buy back program with a new program for the repurchase of up to 100 million shares of Verizon common stock through the earlier of February 28, 2011 or when the total number of shares repurchased under the new buy back program aggregates to 100 million.

During 2007, 2006 and 2005, we repurchased approximately 68 million, 50 million and 7.9 million common shares under programs previously authorized by the Board of Directors.

Note 14 Stock-Based Compensation

Refer to Note 1 for a discussion of the adoption of SFAS No. 123(R), which was effective January 1, 2006.

Verizon Communications Long Term Incentive Plan

The Verizon Communications Long Term Incentive Plan (the Plan), permits the granting of nonqualified stock options, incentive stock options, restricted stock, restricted stock units, performance shares, performance share units and other awards. The maximum number of shares for awards is 207 million.

Restricted Stock Units

The Plan provides for grants of restricted stock units (RSUs) that generally vest at the end of the third year after the grant. The RSUs are classified as liability awards because the RSUs will be paid in cash upon vesting. The RSU award liability is measured at its fair value at the end of each reporting period and,

therefore, will fluctuate based on the performance of Verizon's stock. Dividend equivalent units are also paid to participants at the time the RSU award is paid.

The following table summarizes Verizon's Restricted Stock Unit activity:

(shares in thousands)	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding, January 1, 2005	525	\$ 36.75
Granted	6,410	36.06
Cancelled/Forfeited	(66)	36.07
Outstanding, December 31, 2005	6,869	36.12
Granted	9,116	31.88
Cancelled/Forfeited	(392)	35.01
Outstanding, December 31, 2006	15,593	33.67
Granted	6,779	37.59
Payments	(602)	36.75
Cancelled/Forfeited	(197)	34.81
Outstanding, December 31, 2007	<u>21,573</u>	<u>34.80</u>

Performance Share Units

The Plan also provides for grants of performance share units (PSUs) that generally vest at the end of the third year after the grant. The Human Resources Committee of the Board of Directors determines the number of PSUs a participant earns based on Verizon's Total Shareholder Return (TSR), as defined in the Plan, for a three-year performance cycle relative to the total shareholder returns of: the companies in the industry peer group (60% weight); and the companies in the Standard & Poor's (S&P) 500 index (40% weight). All payments are subject to approval by the Human Resources Committee. The PSUs are classified as liability awards because the PSU awards are paid in cash upon vesting. The PSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the price of Verizon's stock as well as Verizon's TSR relative to the peer group's TSR and the S&P 500 TSR. Dividend equivalent units are also paid to participants at the time that the PSU award is determined and paid, and in the same proportion as the PSU award.

The following table summarizes Verizon's Performance Share Unit activity:

(shares in thousands)	Performance Share Units	Weighted-Average Grant-Date Fair Value
Outstanding, January 1, 2005	10,079	\$ 37.50
Granted	9,300	36.13
Cancelled/Forfeited	(288)	36.91
Outstanding, December 31, 2005	19,091	36.84
Granted	14,166	32.05
Payments	(3,607)	38.54
Cancelled/Forfeited	(1,227)	37.25
Outstanding, December 31, 2006	28,423	34.22
Granted	10,371	37.59
Payments	(5,759)	36.75
Cancelled/Forfeited	(900)	36.18
Outstanding, December 31, 2007	<u>32,135</u>	<u>34.80</u>

As of December 31, 2007, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately \$439 million and is expected to be recognized over a weighted-average period of approximately two years.

Verizon Wireless's Long-Term Incentive Plan

The 2000 Verizon Wireless Long-Term Incentive Plan (the Wireless Plan) provides compensation opportunities to eligible employees and other participating affiliates of Verizon Wireless (the Partnership). The Wireless Plan provides rewards that are tied to the long-term performance of the Partnership. Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees. The aggregate number of VARs that may be issued under the Wireless Plan is approximately 343 million.

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan, similar to stock options. Once VARs become vested, employees can exercise their VARs and receive a payment that is equal to the difference between the VAR price on the date of grant and the VAR price on the date of exercise, less applicable taxes. VARs are fully exercisable three years from the date of grant with a maximum term of 10 years. All VARs are granted at a price equal to the estimated fair value of the Partnership, as defined in the Wireless Plan, at the date of the grant.

With the adoption of SFAS No. 123(R), the Partnership began estimating the fair value of VARs granted using a Black-Scholes option valuation model. The following table summarizes the assumptions used in the model during 2007:

	Ranges
Risk-free rate	3.2% - 5.1%
Expected term (in years)	0.9 - 3.4
Expected volatility	18.1% - 23.4%
Expected dividend yield	n/a

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the measurement date. The expected term of the VARs granted was estimated using a combination of the simplified method as prescribed in Staff Accounting Bulletin (SAB) No. 107, "Share Based Payments," (SAB No. 107) historical experience, and management judgment. Expected volatility was based on a blend of the historical and implied volatility of publicly traded peer companies for a period equal to the VARs expected life, ending on the measurement date, and calculated on a monthly basis.

The following table summarizes the Value Appreciation Rights activity:

(shares in thousands)	VARs	Weighted-Average Grant-Date Fair Value
Outstanding rights, January 1, 2005	160,661	\$ 15.63
Granted	10	14.85
Exercised	(47,964)	12.27
Cancelled/Forfeited	(3,784)	15.17
Outstanding rights, December 31, 2005	108,923	17.12
Exercised	(7,448)	13.00
Cancelled/Forfeited	(7,008)	23.25
Outstanding rights, December 31, 2006	94,467	16.99
Exercised	(30,848)	15.07
Cancelled/Forfeited	(3,207)	24.55
Outstanding rights, December 31, 2007	60,412	17.58

As of December 31, 2007, all VARs were fully vested.

Stock-Based Compensation Expense

After-tax compensation expense for stock-based compensation related to RSUs, PSUs, and VARs described above included in net income as reported was \$750 million, \$535 million and \$359 million for 2007, 2006 and 2005, respectively.

Stock Options

The Verizon Long Term Incentive Plan provides for grants of stock options to employees at an option price per share of 100% of the fair market value of Verizon Stock on the date of grant. Each grant has a 10 year life, vesting equally over a three year period, starting at the date of the grant. We have not granted new stock options since 2004.

The following table summarizes Verizon's stock option activity:

(shares in thousands)	Stock Options	Weighted Average Exercise Price
Outstanding, January 1, 2005	280,889	\$ 46.18
Exercised	(1,133)	28.73
Cancelled/Forfeited	(19,996)	49.62
Outstanding, December 31, 2005	259,760	46.01
Exercised	(3,371)	32.12
Cancelled/Forfeited	(27,025)	43.72
Outstanding, December 31, 2006	229,364	46.48
Exercised	(33,079)	38.50
Cancelled/Forfeited	(21,422)	48.26
Options outstanding, December 31, 2007	174,863	47.78
Options exercisable, December 31,		
2005	244,424	46.64
2006	225,067	46.69
2007	174,838	47.78

The following table summarizes information about Verizon's stock options outstanding as of December 31, 2007:

Range of Exercise Prices	Shares (in thousands)	Stock Options Outstanding	
		Weighted-Average Remaining Life	Weighted-Average Exercise Price
\$ 20.00 – 29.99	27	4.7 years	\$ 27.68
30.00 – 39.99	20,671	5.5	36.45
40.00 – 49.99	76,518	2.9	44.06
50.00 – 59.99	77,183	2.1	54.43
60.00 – 69.99	464	1.8	60.74
Total	174,863	2.9	47.78

The total intrinsic value was approximately \$223 million for stock options outstanding as of December 31, 2007. The total intrinsic value for stock options exercised was \$147 million, \$10 million and \$6 million, during 2007, 2006 and 2005, respectively.

The amount of cash received from the exercise of stock options was approximately \$1,274 million, \$101 million and \$34 million for 2007, 2006 and 2005, respectively. The related tax benefits were not material.

The after-tax compensation expense for stock options was not material in 2007, and was \$28 million and \$53 million for 2006 and 2005, respectively.

Note 15

Employee Benefits

We maintain non-contributory defined benefit pension plans for many of our employees. In addition, we maintain postretirement health care and life insurance plans for our retirees and their dependents, which are both contributory and non-contributory and include a limit on the Company's share of cost for certain 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.

Refer to Note 1 for a discussion of the adoption of SFAS No. 158, which was effective December 31, 2006.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for many of our employees are subject to collective bargaining agreements. Modifications in benefits have been bargained from time to time, and we may also periodically amend the benefits in the management plans.

As of June 30, 2006, Verizon management employees no longer earned pension benefits or earned service towards the company retiree medical subsidy. 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 receive an increased company match on their savings plan contributions.

The following tables summarize benefit costs, as well as the benefit obligations, plan assets, funded status and rate assumptions associated with pension and postretirement health care and life insurance benefit plans:

Obligations and Funded Status

At December 31,	(dollars in millions)			
	Pension		Health Care and Life	
	2007	2006	2007	2006
Change in Benefit Obligations				
Beginning of year	\$ 34,159	\$ 35,540	\$ 27,330	\$ 26,783
Service cost	442	581	354	356
Interest cost	1,975	1,995	1,592	1,499
Plan amendments	-	-	-	50
Actuarial (gain) loss, net	123	(282)	(409)	152
Benefits paid	(4,204)	(2,762)	(1,561)	(1,564)
Termination benefits	-	47	-	14
Acquisitions and divestitures, net	-	477	-	40
Settlements	-	(1,437)	-	-
End of year	\$ 32,495	\$ 34,159	\$ 27,306	\$ 27,330
Change in Plan Assets				
Beginning of year	\$ 41,509	\$ 39,227	\$ 4,303	\$ 4,275
Actual return on plan assets	4,591	5,536	352	493
Company contributions	737	568	1,048	1,099
Benefits paid	(4,204)	(2,762)	(1,561)	(1,564)
Settlements	-	(1,437)	-	-
Acquisitions and divestitures, net	26	377	-	-
End of year	\$ 42,659	\$ 41,509	\$ 4,142	\$ 4,303
Funded Status				
End of year	\$ 10,164	\$ 7,350	\$ (23,164)	\$ (23,027)

		(dollars in millions)	
	Pension	Health Care and Life	

At December 31,	2007	2006	2007	2006
Amounts recognized on the balance sheet				
Noncurrent assets	\$ 13,745	\$ 12,058	\$ -	\$ -
Current liabilities	(130)	-	(360)	-
Noncurrent liabilities	(3,451)	(4,708)	(22,804)	(23,027)
Total	\$ 10,164	\$ 7,350	\$ (23,164)	\$ (23,027)
Amounts recognized in				
Accumulated Other Comprehensive Loss (Pre-tax)				
Actuarial loss, net	\$ 13	\$ 1,428	\$ 6,040	\$ 6,799
Prior service cost	932	975	3,636	4,029
Total	\$ 945	\$ 2,403	\$ 9,676	\$ 10,828

Changes in benefit obligations were caused by factors including changes in actuarial assumptions and settlements.

The accumulated benefit obligation for all defined benefit pension plans was \$31,343 million and \$32,724 million at December 31, 2007 and 2006, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets follows:

At December 31,	(dollars in millions)	
	2007	2006
Projected benefit obligation	\$ 11,001	\$ 11,495
Accumulated benefit obligation	10,606	11,072
Fair value of plan assets	8,868	8,288

Net Periodic Cost

The following table displays the details of net periodic pension and other postretirement costs:

Years Ended December 31,	Pension			Health Care and Life		
	2007	2006	2005	2007	2006	2005
Service cost	\$ 442	\$ 581	\$ 675	\$ 354	\$ 356	\$ 358
Interest cost	1,975	1,995	1,959	1,592	1,499	1,467
Expected return on plan assets	(3,175)	(3,173)	(3,231)	(317)	(328)	(349)
Amortization of prior service cost	43	44	42	392	360	290
Actuarial loss, net	98	182	124	316	290	258
Net periodic benefit (income) cost	(617)	(371)	(431)	2,337	2,177	2,024
Termination benefits	-	47	11	-	14	1
Settlement loss	-	56	80	-	-	-
Curtailment (gain) loss and other, net	-	-	436	-	-	(332)
Subtotal	-	103	527	-	14	(331)
Total (income) cost	\$ (617)	\$ (268)	\$ 96	\$ 2,337	\$ 2,191	\$ 1,693

In 2005, as a result of changes in management retiree benefits, we recorded pretax expense of \$430 million for pension curtailments and pretax income of \$332 million for retiree medical curtailments (see Note 3 for additional information).

Termination benefits and settlement and curtailment losses of \$94 million pertaining to the sale of Hawaii operations in 2005 were recorded in the consolidated statements of income in Sales of Businesses, Net.

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2007 are as follows:

At December 31,	(dollars in millions)			
	Pension		Health Care and Life	
	2007	2006	2007	2006
Other changes in plan assets and benefit obligations recognized in other comprehensive income (Pre-tax)				
Actuarial (gain), net	\$ (1,317)	\$ -	\$ (444)	\$ -
Reversal of amortization items:				
Prior service cost	(43)	-	(392)	-
Actuarial loss, net	(98)	-	(316)	-
Total recognized in other comprehensive income	\$ (1,458)	\$ -	\$ (1,152)	\$ -

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost over the next fiscal year are \$39 million and \$54 million, respectively. The estimated net loss and prior service cost for the defined benefit postretirement plans that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost over the next fiscal year are \$268 million and \$397 million, respectively.

Additional Information

As a result of the adoption of SFAS No. 158 in 2006, we no longer record an additional minimum pension liability. In prior years, as a result of changes in interest rates and changes in investment returns, an adjustment to the additional minimum pension liability was required for a number of plans, as indicated below. The adjustment in the liability was recorded as a charge or (credit) to Accumulated Other Comprehensive Loss, net of tax, in shareowners' investment in the consolidated balance sheets. The Additional Minimum Pension Liability at December 31, 2006, was reduced by \$809 million, (\$526 million after-tax) based on the final measurement just prior to the adoption of SFAS No. 158. The remaining \$396 million, (\$262 million after-tax), was reversed as a result of the adoption of SFAS No. 158.

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Increase (decrease) in minimum liability included in other comprehensive income, net of tax	\$ -	\$ (526)	\$ (51)

Assumptions

The weighted-average assumptions used in determining benefit obligations follow:

At December 31,	Pension		Health Care and Life	
	2007	2006	2007	2006
Discount rate	6.50%	6.00%	6.50%	6.00%
Rate of future increases in compensation	4.00	4.00	4.00	4.00

The weighted-average assumptions used in determining net periodic cost follow:

Years Ended December 31,	Pension			Health Care and Life		
	2007	2006	2005	2007	2006	2005
Discount rate	6.00%	5.75%	5.75%	6.00%	5.75%	5.75%
Expected return on plan assets	8.50	8.50	8.50	8.25	8.25	7.75
Rate of compensation increase	4.00	4.00	5.00	4.00	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 follow:

At December 31,	Health Care and Life		
	2007	2006	2005
Health care cost trend rate assumed for next year	10.00%	10.00%	10.00%
Rate to which cost trend rate gradually declines	5.00	5.00	5.00
Year the rate reaches level it is assumed to remain thereafter	2013	2011	2010

A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

One-Percentage-Point	(dollars in millions)	
	Increase	Decrease
Effect on 2007 service and interest cost	\$ 295	\$ (234)
Effect on postretirement benefit obligation as of December 31, 2007	3,038	(2,512)

Plan Assets

Pension Plans

The weighted-average asset allocations for the pension plans by asset category follow:

At December 31,	2007	2006
Asset Category		
Equity securities	59%	63%
Debt securities	18	16
Real estate	6	4
Other	17	17
Total	100%	100%

Equity securities include Verizon common stock of \$127 million and \$95 million at December 31, 2007 and 2006, respectively. Other assets include cash and cash equivalents (primarily held for the payment of benefits), private equity and investments in absolute return strategies.

Health Care and Life Plans

The weighted-average asset allocations for the other postretirement benefit plans by asset category follow:

At December 31,	2007	2006
Asset Category		
Equity securities	74%	72%
Debt securities	21	21
Other	5	7
Total	100%	100%

There was no Verizon common stock held at the end of 2007 and 2006 in the health care and life plans.

This portfolio strategy emphasizes a long-term equity orientation, significant global diversification, the use of both public and private investments and professional financial and operational risk controls. Assets are allocated according to a long-term policy neutral position and held within a relatively narrow and pre-

determined range. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors.

Cash Flows

In 2007, we contributed \$612 million to our qualified pension plans, \$125 million to our nonqualified pension plans and \$1,048 million to our other postretirement benefit plans. We estimate required qualified pension plan contributions for 2008 to be approximately \$350 million. We also anticipate \$130 million in contributions to our non-qualified pension plans and \$1,580 million to our other postretirement benefit plans in 2008.

Estimated Future Benefit Payments

The benefit payments to retirees, which reflect expected future service, are expected to be paid as follows:

		Health Care and Life Prior to Medicare Prescription Drug Subsidy	(dollars in millions) Expected Medicare Prescription Drug Subsidy
	Pension Benefits		
2008	\$ 4,422	\$ 1,925	\$ 88
2009	3,665	2,036	99
2010	2,944	2,131	110
2011	2,921	2,205	120
2012	2,864	2,212	133
2013 – 2017	13,926	11,045	838

Savings Plan and Employee Stock Ownership Plans

We maintain four leveraged employee stock ownership plans (ESOP). Only one plan currently has unallocated shares. We match a certain percentage of eligible employee contributions to the savings plans with shares of our common stock from this ESOP. At December 31, 2007, the number of unallocated and allocated shares of common stock in this ESOP were 4 million and 77 million, respectively. All leveraged ESOP shares are included in earnings per share computations.

Total savings plan costs were \$712 million, \$669 million, and \$499 million in 2007, 2006 and 2005, respectively.

Severance Benefits

The following table provides an analysis of our severance liability recorded in accordance with SFAS No. 112, *Employers' Accounting for Postemployment Benefits* (SFAS No. 112):

Year	Beginning of Year	Charged to Expense	Payments	(dollars in millions) Other	End of Year
2005	\$ 753	\$ 99	\$ (251)	\$ (5)	\$ 596
2006	596	343	(383)	88	644
2007	644	743	(363)	–	1,024

The remaining severance liability is actuarially determined. The 2007 expense includes charges for the involuntary separation of approximately 9,000 employees, including approximately 4,000 during the fourth quarter of 2007 and 5,000 expected during 2008. In addition, the expense includes costs associated with higher assumed attrition beyond 2008. The 2006 expense includes charges for the involuntary separation of 4,100 employees (see Note 3).

Income Taxes

The components of Income Before Provision for Income Taxes, Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change are as follows:

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Domestic	\$ 8,508	\$ 7,000	\$ 7,707
Foreign	984	1,154	741
	<u>\$ 9,492</u>	<u>\$ 8,154</u>	<u>\$ 8,448</u>

The components of the provision for income taxes from continuing operations are as follows:

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Current			
Federal	\$ 2,568	\$ 2,364	\$ 2,772
Foreign	461	141	81
State and local	545	421	661
	<u>3,574</u>	<u>2,926</u>	<u>3,514</u>
Deferred			
Federal	397	(9)	(844)
Foreign	66	(45)	(55)
State and local	(48)	(191)	(187)
	<u>415</u>	<u>(245)</u>	<u>(1,086)</u>
Investment tax credits	(7)	(7)	(7)
Total income tax expense	<u>\$ 3,982</u>	<u>\$ 2,674</u>	<u>\$ 2,421</u>

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

Years Ended December 31,	2007	2006	2005
Statutory federal income tax rate	35.0%	35.0%	35.0%
Distributions from foreign investments	5.9	-	2.0
State and local income tax, net of federal tax benefits	3.4	1.8	3.6
Tax benefits from investment losses	(0.8)	(0.9)	(4.5)
Equity in earnings from unconsolidated businesses	(2.3)	(3.8)	(3.5)
Other, net	0.8	0.7	(3.9)
Effective income tax rate	<u>42.0%</u>	<u>32.8%</u>	<u>28.7%</u>

The effective income tax rate is the provision for income taxes as a percentage of income from continuing operations before the provision for income taxes. The effective income tax rate in 2007 compared to 2006 was higher primarily due to recording \$610 million of foreign and domestic taxes and expenses specifically relating to our share of Vodafone Omnitel's distributable earnings. Verizon received a net distribution from Vodafone Omnitel in December 2007 of approximately \$2.1 billion and anticipates that it may receive an additional distribution from Vodafone Omnitel within the next twelve months. The 2007 rate was also increased due to higher state taxes in 2007 as compared to 2006, as well as greater benefits from foreign operations in 2006 compared to 2007. These increases were partially offset by lower expenses recorded for unrecognized tax benefits in 2007 as compared to 2006.

Our effective income tax rate in 2006 was higher than 2005 primarily as a result of favorable tax settlements and the recognition of capital loss carry forwards in 2005. These increases were partially offset by tax benefits from foreign operations and lower state taxes in 2006 compared to 2005.

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

At December 31,	(dollars in millions)	
	2007	2006
Employee benefits	\$ 7,067	\$ 7,788
Tax loss carry forwards	2,868	2,994
Uncollectible accounts receivable	400	455
Other – assets	422	903
	<u>10,757</u>	<u>12,140</u>
Valuation allowance	(2,671)	(2,600)
Deferred tax assets	<u>8,086</u>	<u>9,540</u>
Former MCI intercompany accounts receivable basis difference	1,977	2,003
Depreciation	7,045	7,617
Leasing activity	2,307	2,674
Wireless joint venture including wireless licenses	11,634	12,177
Other – liabilities	349	2,493
Deferred tax liabilities	<u>23,312</u>	<u>26,964</u>
Net deferred tax liability	<u>\$ 15,226</u>	<u>\$ 17,424</u>

Employee benefits deferred tax assets include \$4,929 million and \$5,590 million at December 31, 2007 and 2006, respectively, recognized in accordance with SFAS No. 158 (see Notes 1 and 15).

At December 31, 2007, undistributed earnings of our foreign subsidiaries indefinitely invested outside of the United States amounted to approximately \$900 million. We have not provided deferred taxes on these earnings because we intend that they will remain indefinitely invested outside of the United States. Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practical.

At December 31, 2007, we had net operating loss carry forwards for income tax purposes of approximately \$3,600 million, expiring through 2026 in various foreign, state and local jurisdictions. The amount of tax loss carry forwards reflected as a deferred tax asset above has been reduced by approximately \$1,017 million due to federal and state tax law limitations on utilization of net operating losses.

During 2007, the valuation allowance increased \$71 million. Under current accounting guidelines, approximately \$2.0 billion of the valuation allowance, if recognized, would be recorded as a reduction of goodwill.

FASB Interpretation No. 48

Effective January 1, 2007, we adopted FIN 48, which prescribes the recognition, measurement and disclosure standards for uncertainties in income tax positions. See Note 1 for a discussion of the impact to Verizon of adopting this new accounting pronouncement.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	(dollars in millions)
Balance at January 1, 2007	\$ 2,958
Additions based on tax positions related to the current year	141
Additions for tax positions of prior years	291
Reductions for tax positions of prior years	(420)
Settlements	(11)
Lapses of statutes of limitations	(76)
Balance at December 31, 2007	<u>\$ 2,883</u>

Included in the total unrecognized tax benefits at December 31, 2007 is \$1,245 million that, if recognized, would favorably affect the effective income tax rate. The remaining unrecognized tax benefits relate to temporary items that would not affect the effective income tax rate and uncertain tax positions resulting from prior acquisitions which, pursuant to current purchase accounting tax rules, would adjust goodwill.

We recognize any interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the year ended December 31, 2007, we recognized approximately \$154 million (after-tax) for the payment of interest and penalties. We had approximately \$598 million (after-tax) and \$444 million (after-tax) for the payment of interest and penalties accrued in the balance sheet at December 31, 2007 and January 1, 2007, respectively.

Verizon or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. The Company is generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2000. The Internal Revenue Service (IRS) is currently examining the Company's U.S. income tax returns for years 2000 through 2003. As a large taxpayer, we are under continual audit by the IRS and other taxing authorities on numerous open tax positions. It is possible that the amount of the liability for unrecognized tax benefits could change by a significant amount during the next twelve month period. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

Note 17

Segment Information

Reportable Segments

On March 30, 2007, we completed the sale of our 52% interest in TELPRI. On February 12, 2007 we entered into an MOU to sell our interest in CANTV. On December 1, 2006, we closed the sale of Verizon Dominicana. Consequently, with these three transactions, we completed the disposition of our International segment. For further information concerning the disposition of the International segment, see Note 2.

On November 17, 2006, we completed the spin-off of our Information Services segment which included our domestic print and Internet yellow pages directories business. For further information concerning the disposition of the Information Services segment, see Note 2.

We now have two reportable segments, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on segment income. Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, lease financing, and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-recurring or unusual nature. These adjustments include transactions that the chief operating decision makers exclude in assessing business unit performance due primarily to their non-recurring and/or non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results, since these items are included in the chief operating decision makers' assessment of unit performance.

Our segments and their principal activities consist of the following:

Segment	Description
Wireline	Wireline communications services include voice, Internet access, broadband video and data, next generation IP network services, network access, long distance and other services. We provide these services to consumers, carriers, businesses and government customers both domestically and internationally in 150 countries.
Domestic Wireless	Domestic Wireless's products and services include wireless voice, data products, and other value-added services and equipment sales across the United States.

The following table provides operating financial information for our two reportable segments:

2007	Wireline	Domestic Wireless	(dollars in millions) Total Segments
External revenues	\$ 49,059	\$ 43,777	\$ 92,836
Intersegment revenues	1,257	105	1,362
Total operating revenues	50,316	43,882	94,198
Cost of services and sales	25,220	13,456	38,676
Selling, general & administrative expense	11,236	13,477	24,713
Depreciation & amortization expense	9,184	5,154	14,338
Total operating expenses	45,640	32,087	77,727
Operating income	4,676	11,795	16,471
Equity in earnings of unconsolidated businesses	—	32	32
Other income and (expense), net	206	(3)	203
Interest expense	(2,032)	(251)	(2,283)
Minority interest	—	(5,053)	(5,053)
Provision for income taxes	(1,344)	(2,726)	(4,070)
Segment income	\$ 1,506	\$ 3,794	\$ 5,300
Assets	\$ 92,264	\$ 83,755	\$ 176,019
Plant, property and equipment, net	58,702	25,971	84,673
Capital expenditures	10,956	6,503	17,459

2006	Wireline	Domestic Wireless	(dollars in millions) Total Segments
External revenues	\$ 49,555	\$ 37,930	\$ 87,485
Intersegment revenues	1,173	113	1,286
Total operating revenues	50,728	38,043	88,771
Cost of services and sales	24,767	11,491	36,258
Selling, general & administrative expense	11,820	12,039	23,859
Depreciation & amortization expense	9,590	4,913	14,503
Total operating expenses	46,177	28,443	74,620
Operating income	4,551	9,600	14,151
Equity in earnings of unconsolidated businesses	—	19	19
Other income and (expense), net	250	4	254
Interest expense	(2,062)	(452)	(2,514)
Minority interest	—	(4,038)	(4,038)
Provision for income taxes	(1,114)	(2,157)	(3,271)
Segment income	\$ 1,625	\$ 2,976	\$ 4,601
Assets	\$ 92,274	\$ 81,989	\$ 174,263
Plant, property and equipment, net	57,031	24,659	81,690
Capital expenditures	10,259	6,618	16,877

2005	Wireline	Domestic Wireless	(dollars in millions) Total Segments
External revenues	\$ 36,628	\$ 32,219	\$ 68,847
Intersegment revenues	988	82	1,070
Total operating revenues	37,616	32,301	69,917
Cost of services and sales	15,813	9,393	25,206
Selling, general & administrative expense	8,210	10,768	18,978
Depreciation & amortization expense	8,801	4,760	13,561
Total operating expenses	32,824	24,921	57,745
Operating income	4,792	7,380	12,172

Equity in earnings of unconsolidated businesses	-	27	27
Other income and (expense), net	79	6	85
Interest expense	(1,701)	(601)	(2,302)
Minority interest	-	(2,995)	(2,995)
Provision for income taxes	(1,264)	(1,598)	(2,862)
Segment income	\$ 1,906	\$ 2,219	\$ 4,125
Assets	\$ 75,188	\$ 76,729	\$ 151,917
Plant, property and equipment, net	49,618	22,790	72,408
Capital expenditures	8,267	6,484	14,751

Reconciliation To Consolidated Financial Information

A reconciliation of the results for the operating segments to the applicable line items in the consolidated financial statements is as follows:

	2007	2006	2005
(dollars in millions)			
Operating Revenues			
Total reportable segments	\$ 94,198	\$ 88,771	\$ 69,917
Impact of Hawaii (2005) and other operations sold (2006)	-	104	180
Corporate, eliminations and other	(729)	(693)	(579)
Consolidated operating revenues – reported	\$ 93,469	\$ 88,182	\$ 69,518

Operating Expenses			
Total reportable segments	\$ 77,727	\$ 74,620	\$ 57,745
Merger integration costs (see Note 8)	178	232	-
Access line spin-off related charges (see Note 2)	84	-	-
Taxes on foreign distributions (see Note 6)	15	-	-
Verizon Center relocation (see Note 3)	-	184	(18)
Severance, pension and benefit charges, net (see Note 3)	772	425	157
Impact of Hawaii (2005) and other operations sold (2006) (see Note 2)	-	89	118
Sales of businesses net (see Note 2)	-	-	(530)
Lease impairment and other items (see Note 3)	-	-	125
Verizon Foundation contribution (see Note 2)	100	-	-
Corporate, eliminations and other	(985)	(741)	(660)
Consolidated operating expenses – reported	\$ 77,891	\$ 74,809	\$ 56,937

	2007	2006	2005
(dollars in millions)			
Net Income			
Segment income – reportable segments	\$ 5,300	\$ 4,601	\$ 4,125
Debt extinguishment costs (see Note 11)	-	(16)	-
Merger integration costs (see Note 8)	(112)	(146)	-
Sales of businesses and investments, net (see Note 2)	5	(541)	336
Extraordinary item (see Note 2)	(131)	-	-
Access line spin-off related charges (see Note 2)	(80)	-	-
Taxes on foreign distributions (see Note 6)	(610)	-	(206)
Cumulative effect of accounting change (see Note 1)	-	(42)	-
Verizon Center relocation, net (see Note 3)	-	(118)	8
Severance, pension and benefit charges (see Note 3)	(477)	(258)	(95)
Domestic print and Internet yellow pages directories business spin-off costs (see Note 2)	-	(101)	-
Lease impairment and other items (see Note 3)	-	-	(133)
Tax benefits (see Note 3)	-	-	336

Income from discontinued operations, net of tax (see Note 2)	72	1,398	1,370
Corporate and other	1,554	1,420	1,656
Consolidated net income – reported	<u>\$ 5,521</u>	<u>\$ 6,197</u>	<u>\$ 7,397</u>

Assets

Total reportable segments	\$ 176,019	\$ 174,263	\$ 151,917
Reconciling items	10,940	14,541	16,213
Consolidated assets	<u>\$ 186,959</u>	<u>\$ 188,804</u>	<u>\$ 168,130</u>

Financial information for Wireline excludes the effects of Hawaii access lines and directory operations sold in 2005, in addition to the sale of non-strategic assets of the Wireline segment sold in the first quarter of 2007.

We generally account for intersegment sales of products and services and asset transfers at current market prices. We are not dependent on any single customer.

Geographic Areas

Our foreign investments are located principally in the Americas and Europe. Domestic and foreign operating revenues are based on the location of customers. Long-lived assets consist of plant, property and equipment (net of accumulated depreciation) and investments in unconsolidated businesses. The table below presents financial information by major geographic area:

Years Ended December 31,	2007	(dollars in millions)	
		2006	2005
Domestic			
Operating revenues	\$ 89,504	\$ 84,731	\$ 69,327
Long-lived assets	85,081	82,277	74,813
International			
Operating revenues	3,965	3,451	191
Long-lived assets	3,585	4,947	2,776

Note 18

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting shareowners' investment that, under GAAP, are excluded from net income. Significant changes in the components of other comprehensive income (loss), net of income tax expense (benefit), are described below.

Foreign Currency Translation

Years Ended December 31,	2007	(dollars in millions)	
		2006	2005
Foreign Currency Translation Adjustments:			
Vodafone Omnitel	\$ 397	\$ 330	\$ (590)
CANTV	412	–	(47)
Verizon Dominicana	–	786	(114)
Other international operations	29	80	(4)
	<u>\$ 838</u>	<u>\$ 1,196</u>	<u>\$ (755)</u>

We sold our interest in CANTV during the second quarter of 2007. We sold our interest in Verizon Dominicana during the fourth quarter of 2006. See Note 2 for information on CANTV and Verizon Dominicana. The foreign currency translation adjustment in 2005 represents unrealized losses from the

decline in the functional currencies of our investments in Vodafone Omnitel, Verizon Dominicana and CANTV.

Unrealized Gains (Losses) on Marketable Securities

The changes in Unrealized Gains (Losses) on Marketable Securities were as follows:

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Unrealized Gains (Losses) on Marketable Securities			
Unrealized gains, net of taxes of \$13, \$30 and \$10	\$ 13	\$ 79	\$ 4
Less reclassification adjustments for gains realized in net income, net of taxes of \$11, \$13 and \$14	(17)	(25)	(25)
Net unrealized gains (losses) on marketable securities	<u>\$ (4)</u>	<u>\$ 54</u>	<u>\$ (21)</u>

Defined Benefit Pension and Postretirement Plans

During 2007, the change in defined benefit pension and postretirement plans of \$1,948 million, net of taxes of \$661 million, represents the change in the funded status of the plans in connection with the annual pension and postretirement valuation in accordance with SFAS No. 158. The funded status was impacted by changes in actuarial assumptions, asset performance and plan experience.

Accumulated Other Comprehensive Loss

The components of Accumulated Other Comprehensive Loss are as follows:

At December 31,	(dollars in millions)	
	2007	2006
Foreign currency translation adjustments	\$ 1,167	\$ 329
Net unrealized losses on hedging	(10)	(11)
Unrealized gains on marketable securities	60	64
Defined benefit pension and postretirement plans	(5,723)	(7,671)
Other	-	(241)
Accumulated Other Comprehensive Loss	<u>\$ (4,506)</u>	<u>\$ (7,530)</u>

The foreign currency translation adjustments at December 31, 2007 were primarily comprised of unrealized gains in the value of our investment in Vodafone Omnitel as a result of the appreciation of the Euro.

Note 19

Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements:

Income Statement Information

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Depreciation expense	\$ 13,036	\$ 13,122	\$ 12,171
Interest cost incurred	2,258	2,811	2,481
Capitalized interest	(429)	(462)	(352)
Advertising expense	2,463	2,271	1,844

Balance Sheet Information

At December 31,	(dollars in millions)	
	2007	2006
Accounts Payable and Accrued Liabilities		
Accounts payable	\$ 4,491	\$ 4,392
Accrued expenses	2,400	2,982
Accrued vacation, salaries and wages	4,828	3,575
Interest payable	473	614
Accrued taxes	2,270	2,757
	\$ 14,462	\$ 14,320
Other Current Liabilities		
Advance billings and customer deposits	\$ 2,476	\$ 2,226
Dividends payable	1,266	1,199
Other	3,583	4,666
	\$ 7,325	\$ 8,091

Cash Flow Information

Years Ended December 31,	(dollars in millions)		
	2007	2006	2005
Cash Paid			
Income taxes, net of amounts refunded	\$ 2,491	\$ 3,299	\$ 4,189
Interest, net of amounts capitalized	1,682	2,103	2,025
Supplemental Investing and Financing Transactions			
Cash acquired in business combinations	17	2,361	—
Assets acquired in business combinations	589	18,511	635
Liabilities assumed in business combinations	154	7,813	35
Debt assumed in business combinations	—	6,169	9
Shares issued to Price to acquire limited partnership interest in VZ East (Note 7)	—	1,007	—

Other, net cash provided by operating activities – continuing operations primarily included the add back of the minority interest's share of Verizon Wireless earnings, net of dividends paid to minority partners, of \$3,953 million in 2007, \$3,232 million in 2006 and \$1,720 million in 2005.

Note 20

Commitments and Contingencies

Several state and federal regulatory proceedings may require our telephone operations to pay penalties or to refund to customers a portion of the revenues collected in the current and prior periods. There are also various legal actions 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 actions, including environmental 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, including the Hicksville matter described below, will have a material effect on our financial condition, but it could have a material effect on our results of operations for a given reporting period.

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s. Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted. A reassessment of costs related to remediation efforts at several other former facilities was also undertaken. In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program. This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon. To the

extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be necessary. Adjustments may also be necessary based upon actual conditions discovered during the remediation at any of the sites requiring remediation.

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses.

Subsequent to the sale of Verizon Information Services Canada in 2004, we continue to provide a guarantee to publish directories, which was issued when the directory business was purchased in 2001 and had a 30-year term (before extensions). The preexisting guarantee continues, without modification, despite the subsequent sale of Verizon Information Services Canada and the spin-off of our domestic print and Internet yellow pages directories business. The possible financial impact of the guarantee, which is not expected to be adverse, cannot be reasonably estimated since a variety of the potential outcomes available under the guarantee result in costs and revenues or benefits that may offset each other. In addition, performance under the guarantee is not likely.

As of December 31, 2007, letters of credit totaling \$225 million were executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

We have several commitments primarily to purchase network services, equipment and software from a variety of suppliers totaling \$844 million. Of this total amount, \$613 million, \$137 million, \$51 million, \$28 million, \$5 million and \$10 million are expected to be purchased in 2008, 2009, 2010, 2011, 2012 and thereafter, respectively.

Note 21

Quarterly Financial Information (Unaudited)

(dollars in millions, except per share amounts)

Quarter Ended	Operating Revenues	Operating Income	Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Change			
			Amount	Per Share- Basic	Per Share- Diluted	Net Income
2007						
March 31	\$ 22,584	\$ 3,796	\$ 1,484	\$.51	\$.51	\$ 1,495
June 30	23,273	4,149	1,683	.58	.58	1,683
September 30	23,772	4,210	1,271	.44	.44	1,271
December 31	23,840	3,423	1,072	.37	.37	1,072
2006						
March 31	\$ 21,231	\$ 3,175	\$ 1,282	\$.44	\$.44	\$ 1,632
June 30	21,886	3,217	1,263	.43	.43	1,611
September 30	22,459	3,537	1,545	.53	.53	1,922
December 31	22,606	3,444	1,390	.48	.48	1,032

- Results of operations for the first quarter of 2007 include after-tax charges of \$9 million for merger integration costs, \$131 million for an extraordinary charge related to the nationalization of CANTV, a \$70 million after-tax gain on the sale of our interest in TELPRI and a \$65 million after tax contribution to the Verizon Foundation.
- Results of operations for the second quarter of 2007 include after-tax charges of \$17 million for merger integration costs.
- Results of operations for the third quarter of 2007 include after-tax charges of \$28 million for merger integration costs, \$44 million related to access line spin-off charges and \$471 million associated with taxes on foreign distributions.
- Results of operations for the fourth quarter of 2007 include after-tax charges of \$58 million for merger integration costs, \$36 million related to access line spin-off charges, \$139 million associated with taxes on foreign distributions, and \$477 million for severance, pension and other charges.

- Results of operations for the first quarter of 2006 include after-tax charges of \$16 million for the early extinguishment of debt related to the MCI merger, \$28 million for costs associated with the relocation to Verizon Center, \$42 million for the impact of accounting for share based payments, and \$35 million for merger integration costs.
- Results of operations for the second quarter of 2006 include after-tax charges of \$48 million for merger integration costs, \$29 million for costs associated with the relocation to Verizon Center and \$186 million for severance, pension and benefits charges.
- Results of operations for the third quarter of 2006 include after-tax charges of \$16 million for merger integration costs, \$31 million for costs associated with the relocation to Verizon Center and \$17 million for severance, pension and benefits charges.
- Results of operations for the fourth quarter of 2006 include after-tax charges of \$47 million for merger integration costs, \$30 million for costs associated with the relocation to Verizon Center, \$55 million for severance, pension and benefits charges, \$541 million for the loss on sale of Verizon Dominicana included in discontinued operations, and \$101 million for costs associated with the spin-off of our directories publishing business.

Income before discontinued operations per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount.

EXHIBIT 21

Verizon Communications Inc. and Subsidiaries Principal Subsidiaries of Registrant at December 31, 2007

<u>Name</u>	<u>Jurisdiction of Organization</u>
Verizon California Inc.	California
Verizon Delaware LLC.	Delaware
Verizon Florida LLC.	Florida
Verizon Maryland Inc.	Maryland
Verizon New England Inc.	New York
Verizon New Jersey Inc.	New Jersey
Verizon New York Inc.	New York
Verizon North Inc.	Wisconsin
Verizon Northwest Inc.	Washington
Verizon Pennsylvania Inc.	Pennsylvania
Verizon South Inc.	Virginia
GTE Southwest Incorporated (d/b/a Verizon Southwest)	Delaware
Verizon Virginia Inc.	Virginia
Verizon Washington, DC Inc.	New York
Verizon West Virginia Inc.	West Virginia
Cellco Partnership (d/b/a Verizon Wireless)	Delaware
Verizon Capital Corp.	Delaware
Verizon Business Global LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Verizon Communications Inc. (Verizon) of our reports dated February 22, 2008, with respect to the consolidated

financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, included in the 2007 Annual Report to Shareowners of Verizon.

Our audits also included the financial statement schedule of Verizon listed in Item 15(a). This schedule is the responsibility of Verizon's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements of Verizon and where applicable, related Prospectuses, of our reports dated February 22, 2008, with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of Verizon included in this Annual Report (Form 10-K) for the year ended December 31, 2007: Form S-8, No. 333-66459; Form S-8, No. 333-66349; Form S-4, No. 333-11573; Form S-8, No. 333-41593; Form S-8, No. 333-42801; Form S-4, No. 333-76171; Form S-8, No. 333-75553; Form S-8, No. 333-76171; Form S-8, No. 333-50146; Form S-8, No. 333-53830; Form S-4, No. 333-82408; Form S-8, No. 333-82690; Form S-3, No. 333-109028-01; Form S-3, No. 333-106750; Form S-8, No. 333-105512; Form S-8, No. 333-105511; Form S-8, No. 333-118904; Form S-8, No. 333-123374; Form S-4, No. 333-124008; Form S-8, No. 333-124008; Form S-4, No. 333-132651; Form S-8, No. 333-134846; Form S-8, No. 333-137475; Form S-3, No. 333-138705; Form S-8, No. 333-142549; and Form S-3, 333-143744.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 22, 2008

EXHIBIT 31.1

I, Ivan G. Seidenberg, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2008

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg
Chairman and Chief Executive Officer
EXHIBIT 31.2

I, Doreen A. Toben, certify that:

- 1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2008

/s/ Doreen A. Toben

Doreen A. Toben
Executive Vice President
and Chief Financial
Officer

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE**

I, Ivan G. Seidenberg, Chairman and Chief Executive Officer of Verizon Communications Inc. (the "Company"), certify that:

- (1) the report of the Company on Form 10-K for the annual period ending December 31, 2007 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: February 26, 2008

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE**

I, Doreen A. Toben, Executive Vice President and Chief Financial Officer of Verizon Communications Inc. (the "Company"), certify that:

- (1) the report of the Company on Form 10-K for the annual period ending December 31, 2007 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: February 26, 2008

/s/ Doreen A. Toben

Doreen A. Toben
Executive Vice President
and Chief Financial
Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Cable Franchise Agreement

by and between

The City of New York

and

Verizon New York Inc.

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

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VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into by and between the City of New York, a validly organized and existing political subdivision of the State of New York (the "City") and Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon" or the "Franchisee").

WHEREAS, the City is a "franchising authority" in accordance with Title VI of the Communications Act, (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended; and

WHEREAS, the Franchisee is in the process of upgrading its existing Telecommunications Services (as hereinafter defined) and Information Services (as hereinafter defined) network through the installation of the FTTP Network (as hereinafter defined) in the Franchise Area (as hereinafter defined) which transmits Non-Cable Services pursuant to authority determined by Franchisee to have been granted by Section 27 of the New York Transportation Corporations Law, as amended, and Title II of the Communications Act, which Non-Cable Services are not subject to the Cable Law (as hereinafter defined) or Title VI of the Communications Act; and

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way (as hereinafter defined) within the City, and Franchisee desires to use portions of the FTTP Network to provide Cable Services (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, no cable franchisee has ever agreed to provide Cable Service throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, the City wishes to grant Franchisee a nonexclusive franchise to operate a Cable System (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, pursuant to Section 363(a) of the New York City Charter (the "City Charter"), franchises are to be awarded by the City in accordance with the provisions of authorizing resolutions adopted by the City Council of the City (the "City Council"); and

WHEREAS, the City Council adopted Resolution No. 538 on September 27, 2006 (the "Resolution") which authorizes, until September 27, 2011, the Department of Information Technology and Telecommunications ("DoITT") to grant nonexclusive franchises for the provision of cable television services; and

WHEREAS, the delivery of Cable Services is in the City's interest, and the availability of such competitive service to all households in the City on a timely basis pursuant to the terms of this Agreement will significantly benefit the City; and

WHEREAS, the City, pursuant to the terms of the Cable Act (as hereinafter defined), has identified the City's future cable-related community needs and interests and, pursuant to the City

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

Charter, has issued a solicitation for cable television franchises (the "Solicitation") to which the Franchisee responded; and

WHEREAS, in response to the Solicitation, the Franchisee offered to operate and maintain a Cable System and provide Cable Services (as hereinafter defined) and to perform certain additional undertakings; and

WHEREAS, the Franchisee and the City completed arm's-length negotiations regarding the terms and conditions pursuant to which the City intends to grant to the Franchisee, and the Franchisee intends to accept from the City, a franchise (the "Franchise") described generally in Section 4.1 hereof and more specifically as described by the complete terms of this Agreement; and

WHEREAS, the City has, with respect to the proposed grant of the Franchise, complied with the New York State Environmental Quality Act ("SEQRA") (Section 8-0101 et seq. of the New York State Environmental Conservation Law), the SEQRA regulations set forth at Part 617 of Title 6 of the New York Code of Rules and Regulations, and the City Environmental Quality Review process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and

WHEREAS, the Department of City Planning determined pursuant to Section 363(c) of the City Charter that the grant of this Franchise would not have land use impacts or implications and therefore is not subject to the Uniform Land Use Review Procedure ("ULURP") set forth in Section 197-c of the City Charter;

WHEREAS, the Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

WHEREAS, pursuant to Section 371 of the City Charter, the Franchise and Concession Review Committee (the "FCRC") held a public hearing on the proposed Franchise terms of this Agreement memorializing the terms and conditions of the proposed Franchise; and

WHEREAS, said hearing before the FCRC was held within 30 days of the date that DoITT filed the proposed Franchise with the FCRC; and

WHEREAS, a notice of said hearing and a summary of the terms and conditions of the proposed Franchise were properly published in the City Record; and

WHEREAS, at least 15 days, excluding Sundays and legal holidays, elapsed between publication of said hearing notice and summary in the City Record and the commencement of such hearing before the FCRC; and

WHEREAS, before the FCRC hearing, the requirements regarding publication of notice of such hearing as set forth in Section 371 of the City Charter were met; and

WHEREAS, the FCRC has approved the grant to the Franchisee of the Franchise and the terms of this Agreement as described herein; and

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

WHEREAS, pursuant to Section 595.1 of Title 9 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive; and

WHEREAS, the City and the Franchisee have determined that this Agreement complies with the franchise standards set forth in the Resolution, Section 363 of the City Charter, Section 626 of the Cable Act as amended, Section 221 of the Public Service Law, the regulations of the Public Service Commission, and all other applicable laws and regulations; and

WHEREAS, the City, following said public hearing, determined that this Franchise granting the Franchisee a nonexclusive franchise complies with the franchise standards set forth in the Cable Act, the Resolution, the aforementioned Public Service Law, the regulations of the NY PSC (including any necessary waivers that the parties may seek and obtain) and all other applicable laws and regulations; and

WHEREAS, the City and Franchisee 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 foregoing clauses, which clauses are hereby made a part of this Agreement, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

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

1.2. *Application:* Application of Verizon New York Inc. for a Cable Television Franchise in the City of New York, filed on or about April 7, 2008.

1.3. *Agreement:* This Agreement, together with the Appendices attached hereto and all amendments or modifications hereof.

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

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1.5. *Borough President*: Each President of one of the five boroughs within the City of New York, any Borough President's designee, or any successor thereto.

1.6. *Cable Act*: The Cable Communications Policy Act of 1984 (codified at 47 U.S.C. §§ 521-573).

1.7. *Cable Law*: The Cable Act, Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, to the extent authorized under and consistent with federal law.

1.8. *Cable Service or Cable Services*: Shall be defined herein as it is defined under 47 U.S.C. § 522(6), as amended.

1.9. *Cable System or System*: Shall be defined herein as it is defined under 47 U.S.C. § 522(7), as amended.

1.10. *Channel*: Shall be defined herein as it is defined under 47 U.S.C. § 522(4), as amended.

1.11. *Channel Position*: Shall mean the position on a television receiver, tuner, converter or similar device which is selected to receive a specific Channel.

1.12. *Communications Act*: The Communications Act of 1934, as amended, including, without limitation, the Cable Act.

1.13. *Closing*: Shall be defined as provided in Section 2.1 hereof.

1.14. *Commissioner*: Shall mean the Commissioner of DoITT, the Commissioner's designee or any successor thereto.

1.15. *Community Access Organization ("CAO")*: Shall mean, with respect to any particular borough of the City, the nonprofit corporation that has been designated in connection with that borough pursuant to the agreements substantially in the form set forth in Appendix C to this Agreement.

1.16. *Controlling Person*: A Person with the ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Franchisee's affairs.

1.17. *Corporation Counsel*: The Corporation Counsel of the City, the Corporation Counsel's designee, or any successor thereto.

1.18. *DoITT*: The Department of Information Technology and Telecommunications, or any successor thereto.

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

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1.20. *FCRC*: Shall mean the Franchise and Concession Review Committee of the City of New York.

1.21. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances and disputes, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, incidences of terrorism, acts of vandalism, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Franchisee 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 Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.22. *Franchise Area*: The incorporated area (entire existing territorial limits) of the City, and such additional areas as may be annexed or acquired.

1.23. *Franchisee*: Verizon New York Inc. and its lawful and permitted successors, assigns and transferees (including for which consent of the City is required under Article 13 hereof).

1.24. *FTTP Network*: The Franchisee's fiber-to-the-premise telecommunications network in the Franchise Area as described in the Application.

1.25. *FTTP Network Created*: All transport connections and equipment in the FTTP Network have been established and are operational to the fiber distribution terminal serving the residence requesting fiber-enabled services (whether Cable Service or Non-Cable Services). Additionally, for MDUs, Franchisee has obtained building access and prepositioned its facilities in the MDU which are necessary for serving residences within the MDU requesting fiber-enabled services (whether Cable Service or Non-Cable Services).

1.26. *Government/Educational Access Channel*: An Access Channel which the Franchisee shall make available for the sole noncommercial use of the City or for noncommercial use by local public schools and public school districts in the Franchise Area and other not-for-profit educational institutions chartered or licensed by the New York State Department of Education or Board of Regents in the Franchise Area as specified by the City, as provided in Article 8 and Appendix B to this Agreement.

1.27. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee (or any Affiliate) from the operation of the Cable System to provide Cable Service in the Franchise Area, as follows:

1.27.1. Gross Revenue includes, without limitation: all Subscriber revenues earned or accrued net of bad debts including revenue for: (i) Basic Service; (ii) all fees charged to any Subscribers for any and all Cable Service provided by Franchisee over the Cable System in the Franchise Area, including, without limitation, Cable Service related program guides, the installation, disconnection or reconnection of Cable Service; revenues from late or delinquent charge fees; Cable Service related or repair calls; the provision of converters, remote controls,

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additional outlets and/or other Cable Service related Subscriber premises equipment, whether by lease or fee; (iii) video on demand and pay-per-view; (iv) revenues from the sale or lease of channel(s) or channel capacity; (v) compensation received by Franchisee that is derived from the operation of the Cable System to provide Cable Service with respect to commissions that are paid to Franchisee or an Affiliate providing Cable Service under this Franchise as compensation for promotion or exhibition of any products or services on the Cable System, such as a "home shopping" or similar channel, subject to the exceptions below; and (vi) charges described to Subscribers as attributable to Franchise Fees (as hereinafter defined) and PEG Grants. Gross Revenue shall also include all advertising revenue which is received directly or indirectly by the Franchisee, any Affiliate from or in connection with the distribution of any Service over the System (and including, without limitation, compensation for use of studio or other facilities and equipment associated with production or distribution of any programming or advertising to be distributed as part of a Cable Service). The allocation shall be based on the number of Subscribers in the Franchise Area divided by the total number of Subscribers in relation to the relevant local, regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue.

1.27.2. Except as provided above, Gross Revenue shall not include: revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System; bad debts written off by Franchisee in the normal course of its business and in accordance with generally accepted accounting principles (provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected); refunds, rebates or discounts made to Subscribers or other third parties; any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law; any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, provided, however, that any portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System paid to Franchisee or an Affiliate for the sale of such merchandise shall be included in Gross Revenue; the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable Franchise Fees from purchaser's customer; the sale of Cable Services to customers, which are exempt, as required or allowed by the City including, without limitation, the provision of Cable Services to public institutions as required or permitted herein; any tax of general applicability imposed upon Franchisee or upon Subscribers by the LFA, a state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity; taxes imposed on Subscribers by law, which the Franchisee is obligated to collect; any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise (provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue); sales of capital assets or sales of surplus equipment; program launch fees, i.e., reimbursement by programmers to Franchisee of marketing costs incurred by Franchisee for the introduction of new programming; directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

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1.27.3. Gross Revenues derived from Cable Services provided over the Cable System in the Franchise Area that are provided to Subscribers as part of a bundle of services that include Non-Cable Services shall be treated in accordance with Section 10.5 hereof.

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

1.29. *Landlord*: The term "landlord" shall mean and include the owner or owners of the freehold of the premises or lesser estate therein, a mortgagee or vendee in possession, assignee of rents, receiver, executor, trustee, lessee, agent, or any other person, firm or corporation, directly or indirectly in control of a dwelling, or any designee of the foregoing enumerated Persons formally authorized to approve physical alterations, improvements or modifications to such dwelling including the installation of Franchisee's facilities.

1.30. *Leading Technology*: The highest level of performance and capability (including, but not limited to, with respect to plant or other equipment; transmission capacity to subscribers' premises; channel offerings; video-on-demand services; construction techniques; consumer service; facilities, equipment, systems and operations; and performance standards), that has been commonly accepted, developed and commercially deployed in the wireline cable television industry and is economically reasonable and technically feasible.

1.31. *Local Franchise Authority ("LFA" or the "City")*: The City of New York, New York, or the lawful successor, transferee, or assignee thereof.

1.32. *Multiple Dwellings ("MDUs")*: Shall have the meaning set forth therefore in NY CLS Mult D § 4(7).

1.33. *Non-Cable Services*: Any service that does not constitute Cable Service pursuant to law including, but not limited to, Information Services and Telecommunications Services.

1.34. *Non-Residential Subscriber*: A Subscriber that is not a Resident.

1.35. *Non-Standard Installation*: Any installation which does not constitute a Standard Installation as defined in Section 1.45 hereof.

1.36. *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.

1.37. *NY PSC*: The New York Public Service Commission.

1.38. *PEG*: Public, Educational, and Governmental.

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

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1.40. *Public Access Channel:* An Access Channel which the Franchisee shall make available to a CAO, at no charge, as provided in Article 8 and Appendices B and C to this Agreement.

1.41. *Public Rights-of-Way:* The surface of, and the space above and below, any and all streets, avenues, highways, boulevards, concourses, driveways, bridges, tunnels, parks, parkways, waterways, docks, bulkheads, wharves, piers, public grounds and public places or waters within and belonging to the City and any other property within the City, to the extent to which there exist public easements or public rights of way. Public Rights-of-Way do not include the electromagnetic spectrum above the surface of a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.42. *Resident:* An occupant who: (i) resides in a dwelling which has or is entitled to receive from the City a residential certificate of occupancy, including, without limitation, a private dwelling, class A multiple dwelling, or an interim multiple dwelling; or (ii) has continuously resided in the same building as a permanent resident and who takes occupancy pursuant to a lease (or other similar arrangement) of at least six (6) months duration. For purposes of this Agreement, the terms "private dwelling," "class A multiple dwelling," and "interim multiple dwelling" shall have the same meaning as they have or may have in NY CLS Mult D, as such law may from time to time be amended.

1.43. *Residential Subscriber:* A Subscriber that is a Resident.

1.44. *Service Area:* All portions of the Franchise Area with a video service office ("VSO") that is open for sales and Cable Service is being offered.

1.45. *Standard Installation:* A residence requesting Cable Service is Video Network Created as of the date of the request for service.

1.46. *Subscriber:* A Person who lawfully receives Cable Service over the Cable System.

1.47. *Telecommunication Services:* Shall be defined herein as it is defined under 47 U.S.C. § 153(46), as amended.

1.48. *Title VI:* Title VI of the Communications Act, Cable Communications, as amended.

1.49. *Video Network Created:* Video transport connections and equipment have been established and are operational to the fiber distribution terminal serving the residence requesting Cable Service. Additionally, for MDUs, Verizon has obtained building access and prepositioned its video facilities in the MDU which are necessary for serving requesting residences within the MDU.

1.50. *Video Programming:* Shall be defined herein as it is defined under 47 U.S.C. § 522(20), as amended.

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1.51. *Video Service Office or VSO:* A wire center that has been upgraded by Franchisee to be video-capable and which thereby may be opened for sales for the provision of Cable Service by Franchisee.

1.52. *Wholly Owned Affiliate:* Any entity of which 100% of the ownership interest is ultimately held by Verizon Communications, Inc.

2. CLOSING; CLOSING CONDITIONS

2.1. *Closing:* This Agreement shall be executed and the obligations herein shall commence on the closing of this Agreement (herein referred to as the "Closing"). The Closing shall be the first day on which all of the following conditions have been met and this Agreement has been fully executed and delivered:

2.2. *FCRC Resolution:* The FCRC shall have adopted a resolution approving this Franchise;

2.3. *Certified Copies of Resolutions:* The Franchisee shall have furnished the City with a certified copy of the resolution(s) duly adopted by the Board of Directors or other authorized representative of the Franchisee, approving the execution, delivery and performance of this Agreement and approving the execution, delivery and performance of all other documents, certificates, and other instruments required to be furnished to the City by and pursuant to the terms of this Agreement;

2.4. *Opinion of Franchisee's Counsel:* The City shall have received an opinion dated as of the date of the Closing from outside counsel to the Franchisee in form and substance reasonably satisfactory to the Commissioner and the Corporation Counsel;

2.5. *Representations and Warranties:* The Franchisee shall have provided the City with a certificate of an officer of the Franchisee certifying that the representations and warranties made by the Franchisee in this Agreement are true and correct as of the Closing;

2.6. *Government Approvals:* The Franchisee shall have provided the City with evidence of approval of the transactions contemplated by this Agreement from any necessary governmental authorities, and all notice periods and waiting periods required by law to pass in connection with such transactions shall have passed, except the certificate of confirmation to be issued or renewed by the PSC pursuant to Section 591.4 of the PSC regulations and issuance of an FCC CUID;

2.7. *Performance Bond:* The Franchisee shall have furnished to the City the Performance Bond, pursuant to Article 15 hereof;

2.8. *Security Fund/Letter of Credit:* The Franchisee shall have deposited with the DoITT the Security Fund/Letter of Credit, pursuant to Article 15 hereof;

2.9. *Liability Insurance Policy:* The Franchisee shall have secured its liability insurance policy pursuant to Article 12 hereof;

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2.10. *Guaranty:* The Franchisee shall have secured and delivered to the Commissioner and the Comptroller a guaranty executed by the Guarantor in the form set forth at Appendix H to this Agreement, which guaranty shall have been authorized, executed and delivered by the Guarantor;

2.11. *W-9 Form:* The Franchisee shall have submitted an IRS W-9 form certifying the Franchisee's tax ID number;

2.12. *VENDEX:* The Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

2.13. *Other Documents:* The Franchisee shall have delivered such other documents as may be reasonably requested by the City.

2.14. *Waiver:* To the extent permitted by law, any of the above Closing conditions may be waived by the Commissioner, provided such waiver shall not be a waiver of any substantive requirement of this Agreement as set forth hereinafter.

3. EFFECTIVE DATE AND TERM:

3.1. *Effective Date & Term:* This Agreement and the Franchise granted herein shall become effective on the date that the NY PSC issues a certificate of confirmation for this Franchise (the "Effective Date"), following the Closing; provided that implementation of this Agreement shall be subject to the applicable registration provisions of City Charter sections 375 and 328. The term (the "Term") of this Agreement and the Franchise granted herein shall be twelve (12) years from the Effective Date, or until June 30, 2020, whichever is later, unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the City in writing of the same, which notification shall become a part of this Franchise.

3.2. *Termination:* The termination of this Agreement and the Franchise granted hereunder shall occur upon the earliest to occur of: (i) the end of the Term; or (ii) the earlier termination of the Franchise and this Agreement as provided for in this Agreement. The Franchise shall be considered revoked and terminated automatically upon any termination of this Agreement as provided hereunder.

3.3. *Renewal on Expiration:* Subject to 47 U.S.C. § 546, the City reserves the right at the end of the Term to grant, or grant on new terms and conditions, or not grant, renewal of the Franchise without any presumption in favor of a renewal of the Franchise.

4. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

4.1. *Grant of Authority:* The City hereby grants the Franchisee the right to provide Cable Service within the Franchise Area until the end of the Term, subject to the terms and conditions of this Agreement. The parties acknowledge that this Agreement is not in and of itself a sufficient source for the right of the Franchisee to occupy the Public Rights-of-Way for the provision of any service and is intended to grant such right only in accompaniment with a separate authority to occupy the affected Public Rights-of-Way. The parties further

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acknowledge (a) that this Agreement does not include all of the terms and conditions which the City would require for such occupancy, (b) that the Franchisee claims that it has preexisting authority to occupy any or all of the Public Rights-of-Way with the facilities that are being installed to provide Cable Services under this Agreement, (c) that the City disputes such claim, and (d) that such dispute is the subject of the Pending Litigation (as defined in Section 18.14 hereof). The parties further acknowledge that if the Pending Litigation results in a final determination (after all opportunities to appeal have been either pursued or expired) that with respect to any of the Public Rights-of-Way the Franchisee does not have authority preexisting this Agreement to occupy such Public Rights-of-Way, then the Franchisee's right to occupy such Public Rights-of-Way with such facilities, including for the provision of Cable Services, shall be conditional on the Franchisee's reaching agreement with the City on the terms and conditions of such occupancy, and that absent such agreement, this Agreement and the Franchise granted hereunder shall terminate immediately on written notice from the City.

4.2. *The FTTP Network:* Consistent with Section 18.14 and 18.15 hereof, upon delivery of Cable Service, by subjecting Franchisee's mixed-use facilities to the NY PSC's minimum franchise standards and the City's police power, the City has not been granted broad new authority over the construction, placement and operation of Franchisee's mixed-use facilities.

4.3. *Grant Not Exclusive:* The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises 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 itself, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under law or this Franchise to provide Cable Service.

4.4. *Franchise Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as may be amended, including but not limited to the Communications Act. Further, the parties to this Franchise agree that this Franchise is consistent with applicable federal and state law and the parties agree to be bound by the terms hereof.

4.5. *No Waiver:* The failure of either the City or Franchisee on one or more occasions to exercise a right under this Franchise, the Cable Law or other applicable state or federal law, or to require compliance or performance under this Franchise, shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance of this Agreement, nor shall it excuse the other (neither the City nor the Franchisee) from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

4.6. *Construction of Agreement:*

4.6.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

4.6.2. Nothing herein shall be construed to limit the scope or applicability of 47 U.S.C. § 545, as amended.

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4.6.3. Should any change to state law, rules or regulations have the lawful effect of materially altering the terms and conditions of this Agreement, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on either party of the material alteration. Any modification to this Franchise shall be in writing and shall be subject to Section 222 of the New York Public Service Law and Title 16, Chapter VIII, Part 892, Subpart 892-1, Section 892-1.4 of the Official Compilation of Codes, Rules and Regulations of the State of New York requiring application to the NY PSC and approval of any modification. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

4.7. *Police Powers:* Nothing in this Franchise shall be construed to prohibit the City's reasonable, necessary and lawful exercise of the City's police powers, including, without limitation, in addition to the implementation and enforcement of the provisions of this Agreement and existing applicable laws and regulations, the enactment, adoption, implementation and enforcement of such additional laws and regulations as the City may deem necessary in the exercise of its police power, including any lawful right to compel relocation of Cable System facilities in the Public Rights-of-Way in the event of sewer and water line work, road-widenings and other adjustments to the Public Rights-of-Way, and the provisions of New York City Administrative Code § 6-115.1 (the "MacBride Principles"); provided, however, that such laws and regulations are reasonable and not materially in conflict with the privileges granted in this Franchise and consistent with all federal and state laws, regulations and orders.

4.8. *Restoration and Inspection of Municipal Property:* In order to avoid interference with the City's ability to deliver public services, any municipal property damaged or destroyed shall be promptly repaired or replaced by the Franchisee and restored to pre-existing condition.

4.9. *Restoration of Subscriber Premises:* The Franchisee shall ensure that each Subscriber's premises are restored to at least their pre-existing condition if damaged by the Franchisee's employees or agents in any respect in connection with the installation, repair, provision or disconnection of Cable Service.

5. DEPLOYMENT; PROVISION OF CABLE SERVICE

5.1. *Initial Deployment:* Subject to the exceptions and checkpoint extensions set forth in this Article, the FTTP Network will pass all households served by Franchisee's wire centers within the Franchise Area in accordance with the table attached hereto as Appendix F, with final completion no later than June 30, 2014. For purposes of this Agreement including Appendix F, "pass" or "passage" of a household shall mean MDU's whether or not network created and single family units whether or not a drop is installed.

5.1.1. *Exceptions:* The FTTP Network deployment schedule set forth in Appendix F shall be subject to the following exceptions: (A) for periods of Force Majeure; (B) for periods of delay beyond the normal permitting or approval time period, or due to issuance of a stop work order issued by the City, where such stop work order is not caused by action on the part of Franchisee; and (C) for periods of delay resulting from Franchisee's inability to obtain authority to access private rights-of-way.

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5.1.2. *Checkpoint Extensions:* Within thirty (30) days of each of the dates set forth below (each, a “Checkpoint”), the Franchisee shall conduct an evaluation of its “video penetration rate” (as hereinafter defined) in the Franchise Area and, in the event such evaluation determines that Franchisee has not achieved the applicable video penetration rate at each such Checkpoint, the Franchisee shall be afforded an extension of its deployment and service availability obligations pursuant to Sections 5.1, 5.2 and 5.3 hereof, in accordance with the following:

5.1.2.1. *First Checkpoint:* If, by June 30, 2010, Franchisee has achieved a video penetration rate in Franchise Area which is less than fifteen percent (15%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.2. *Second Checkpoint:* If, by June 30, 2011, Franchisee has achieved a cumulative video penetration rate in Franchise Area which is less than twenty percent (20%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.3. *Third Checkpoint:* If, by June 30, 2012, Franchisee has achieved a cumulative video penetration rate in New York City which is less than twenty-five percent (25%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.4. For purposes of this Agreement, the term “video penetration rate” shall mean:

FiOS TV billable lines in service
(FTTP passed single family units whether or not a drop is installed
+ residential units within FTTP network created MDU's)
in VSOs that are open for sales (OFS).

5.1.3. In the event Franchisee seeks to exercise its right to an extension of its deployment and service availability obligations at any Checkpoint pursuant to this Section 5.1, Franchisee shall, within sixty (60) days from the applicable Checkpoint, provide the City with written documentation, in a format to be reasonably determined by Franchisee, justifying the basis for Franchisee's exercise of such extension. Such written documentation shall be treated as confidential and proprietary consistent with Section 11.1 hereof, and shall include, the number of residential units within FTTP Network Created MDUs and FTTP passed single family units (hereinafter, “SFUs,”) along with other elements of the formula set forth in Section 5.1.2.4 of this Agreement, as may be reasonably necessary to satisfy the objectives of this Section 5.1.3.

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5.1.4. Consistent with the schedule set forth in Appendix F, nothing herein shall be construed to limit Franchisee's discretion with respect to the order of geographic areas to be wired, provided, however, that at each Checkpoint described above, the estimated median household income of all homes passed shall not be greater than the average household income of all households in New York City (based on the calculations set forth in the 2000 census data).

5.2. *VSO Conversions:* Subject to periods of Force Majeure and the checkpoint extensions set forth at subsection 5.1.2 above, not later than June 30, 2014, Franchisee shall have completed the upgrade of all of Franchisee's wire centers located within or serving the Franchise Area such that all of Franchisee's wire centers within or serving the Franchise Area constitute video-capable VSOs open for sales.

5.3. *Service Availability:*

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units, at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

5.4.1. *Installations of Cable Service – Standard Installations:* Franchisee shall perform all Standard Installations of Cable Service within seven (7) business days after any such request is received by the Franchisee, unless a later date is agreed to with the requesting potential residential Subscriber.

5.4.1.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Standard Installation of Cable Service within seven (7) business days of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), the Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for Franchisee's inability to perform the requested Standard Installation within seven (7) business days or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); and (ii) the date by which Franchisee anticipates performing such Standard Installation. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Standard Installation request subsequent to the later of: (i) the date which is seven (7) business days from the date which is seven (7) business days following a potential Subscriber's initial request for Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

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5.4.1.2. All Standard Installations will be in accordance with FCC requirements governing appropriate grounding and connection of equipment to ensure reception of Cable Service.

5.4.1.3. Consistent with the requirements of Appendix A the Franchisee will offer Subscribers “appointment window” alternatives for arrival to perform all Standard Installations.

5.4.2. *Installations of Cable Service – Non-Standard Installations:* Franchisee shall perform all Non-Standard Installations of Cable Service within six (6) months after any such request is received by the Franchisee, unless either a later date is agreed to with the requesting potential residential Subscriber or Franchisee advises the requesting potential residential Subscriber of the current unavailability of Cable Service at the location as set forth in Subsection 5.4.2.1.

5.4.2.1. If the Franchisee is unable to fulfill a potential residential Subscriber’s request for Non-Standard Installation of Cable Service within six (6) months of Franchisee’s receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for the current unavailability of Cable Service at the requesting location; and (ii) a good faith estimate of the date by which Franchisee believes that Cable Service may be available at the location. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Non-Standard Installation request subsequent to the later of: (i) the date which is six (6) months from the date which is six (6) months following a potential Subscriber’s initial request for Non-Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.5. *Exceptions:* Franchisee’s Cable Service availability obligation as set forth in Section 5.4 shall be subject to the following exceptions: (A) where the FTTP Network has not been deployed or a VSO is not yet opened for sales; (B) for periods of Force Majeure; and (C) periods of delay caused by Franchisee’s inability, after good faith efforts, to obtain valid legal authority to access any MDU in the Franchise Area for the purpose of providing Cable Service to units within such MDU on other than commercially unreasonable terms and conditions with respect to each such MDU.

5.5.1. *Commercial Unreasonability:* The phrase “commercially unreasonable terms and conditions” means any one or more of the following circumstances:

5.5.1.1. The landlord is imposing buildout, installation and/or maintenance requirements to serve the MDU that require a financial investment which results in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee’s weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$;

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5.5.1.2. The landlord is requiring removal or other remediation of hazardous materials;

5.5.1.3. The landlord, despite the legal requirements of Public Service Law Section 228, is demanding payment above the compensation contemplated by Section 228; and

5.5.1.4. A bulk sales, exclusive marketing or other arrangement is in effect in the MDU that reduces Franchisee's reasonably anticipated penetration rate resulting in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$.

5.5.2. *Access:* The phrase "Franchisee's inability, after good faith efforts, to obtain valid legal authority" as used herein shall be understood in the context, where applicable, of the legal obligations of landlords under Section 228 of the New York State Public Service Law ("Section 228"), or any successor provision of like effect, and therefore in instances in which the Franchisee believes that a landlord is in violation of Section 228, Franchisee is obligated to provide such landlord with notice of Section 228 and the legal obligations imposed upon such landlord pursuant thereto and pursue remedies available thereunder as appropriate in Franchisee's judgment, acting reasonably.

5.5.2.1. *Additional Procedures:* Beginning July 1, 2012, in each case in which the Franchisee needs to obtain access to the property in response to a request for Cable Service where the FTTP Network has been deployed and the VSO is opened for sales, Franchisee shall undertake (and document in written form) the following steps within the following time periods:

5.5.2.1.1. Send promptly (but in no event later than thirty (30) days after receipt of a request for Cable Service) to the property owner or managing agent notice of its intent to wire for Cable Service;

5.5.2.1.2. Attempt to negotiate a survey date and writing method with the property owner or agent;

5.5.2.1.3. If not yet successful in obtaining access, send a second (2nd) notice of intent to wire including specific reference to Franchisee's access rights, and attempt to wire;

5.5.2.1.4. If the property owner or agent prevents wiring, request assistance from the Commissioner and/or the PSC; and

5.5.2.1.5. If access is not provided within one hundred and eighty (180) days of the first notice to the property owner or agent of intention to wire, file a petition pursuant to 16 NYCRR § 898.4 seeking an order for entry to the property.

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5.5.2.2. The Commissioner may waive, or extend the dates for complying with, the requirements of this Section 5.5.2 upon a showing of good cause by the Franchisee.

5.6. *Periodic Reevaluation:* In the event that Franchisee delays service availability to any MDU in the Franchise Area pursuant to the terms of Section 5.5, Franchisee agrees that it will conduct periodic reevaluations of each such MDU to determine whether circumstances have changed in a manner that would enable Franchisee to obtain valid legal authority to access such MDU on commercially reasonable terms and conditions.

5.7. *Technology and Education Fund/Municipal Facilities Service Grant:* In lieu of, and in satisfaction for, the Franchisee's obligation to provide free service outlets and free Cable Service to public buildings, and in order to further the City's objective of funding technological and educational needs throughout the City, the Franchisee hereby agrees to pay to the City the aggregate sum of Four Million Dollars (\$4,000,000)(the "Technology, Educational & Municipal Facilities Grant") payable in accordance with the following schedule: (i) the first (1st) Technology, Educational & Municipal Facilities Grant payment in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) shall be payable on the date which is thirty (30) days from the Effective Date hereof; (ii) the second (2nd) Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the fourth (4th) anniversary of the Effective Date hereof; and (iii) the third (3rd), and final, Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the seventh (7th) anniversary of the Effective Date hereof.

5.7.1. The Technology, Educational & Municipal Facilities Grant will be used by the City to support the provision of technology services to City government locations and/or City government-related locations in each of the five boroughs of the City where technology services are made or to be made available to the community, such as (for example) New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities. Decisions as to the specific facilities to be supported by said Technology, Educational & Municipal Facilities Grant within each borough shall be made by the City in consultation with the Borough President of the applicable borough. Franchisee shall exercise no discretion as to the allocation or distribution of funds from the Technology, Educational & Municipal Facilities Grant in any manner whatsoever.

6. SYSTEM FACILITIES

6.1. *Quality of Materials and Work:* Franchisee shall construct and maintain its System using materials of good and durable quality, and in a manner that limits disruption to public use of City streets, and all work involved in the construction, installation, maintenance and repair of the Cable System shall be performed in a safe, thorough and reliable manner, and in a manner which protects the City's property from damage.

6.2. *System Characteristics:* During the Term hereof, Franchisee's Cable System as described in Appendix J, shall meet or exceed the following requirements:

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6.2.1. The System shall initially be designed and operated with a digital carrier passband between 50 and 860 MHz and shall provide for a minimum channel capacity of not less than 77 channels on the Effective Date.

6.2.2. 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.

6.2.3. The Cable System must conform to all applicable FCC technical performance standards, as amended from time to time, and any other future applicable technical performance standards, and shall substantially conform in all material respects to applicable sections of the following standards and regulations to the extent such standards and regulations remain in effect and are consistent with accepted industry procedures:

6.2.3.1. Cable Law;

6.2.3.2. Occupational Safety and Health Administration (OSHA) Safety and Health Standards;

6.2.3.3. National Electrical Code;

6.2.3.4. National Electrical Safety Code (NESC).

6.3. Cable System Tests and Inspections:

6.3.1. The Franchisee shall perform all tests necessary to demonstrate compliance with the requirements of the Franchise, and to ensure that the Cable System components are operating as required; provided, however, that Franchisee's testing obligations under this Article 6 shall be limited solely to those tests which are designed for, and applicable to, a fiber optic network transmitting optical spectrum. All tests shall be conducted in accordance with federal rules and any applicable United States National Cable Television Association's Recommended Practices for measurement and testing. In the event that the FCC's technical performance standards are repealed or are no longer applicable to the Cable System, such standards shall remain in force and effect until the Commissioner, or a designee thereof, and the Franchisee agree to new standards.

6.3.2. The Franchisee shall conduct tests as follows:

6.3.2.1. Proof of Performance tests on the Cable System at least once every six (6) months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with DoITT, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines;

6.3.2.2. Special Proof of Performance tests, as limited by the City, of the Cable System or a segment thereof when Subscriber complaints indicate tests are warranted;

6.3.2.3. Tests shall be supervised by a senior engineer of the Franchisee, who shall sign all records of tests provided to the City;

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6.3.2.4. The City shall have the right to designate a City employee (or a third party consultant operating on the City's behalf, provided that such third party consultant executes, in advance, a nondisclosure agreement in a form reasonably acceptable to Franchisee) to visually inspect Franchisee's Cable System in order to verify compliance with Section 6.1 hereof and witness and/or review all required Proof of Performance Tests. The Franchisee shall provide the City with at least two (2) business days' notice of, and opportunity to observe, any such Proof of Performance Tests performed on the Cable System;

6.3.2.5. The Franchisee shall retain written reports of the results of any tests required by the FCC, and such reports shall be submitted to the City upon the City's request. The City shall have the same rights the FCC has to inspect the Franchisee's performance test data;

6.3.2.6. If any test indicates that any part or component of the Cable System fails to meet applicable requirements, the Franchisee, without requirement of additional notice or request from the City, shall take corrective action, retest the locations and advise the City of the action taken and results achieved, and supply the City with a copy of the results within thirty days from the date corrective action was completed; and

6.3.2.7. The Commissioner may, for good cause shown, waive or limit the system test and inspection provisions in this Section 6.3.

6.4. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area, and, to the extent necessary to effectuate the objectives of Article 8 hereof, with agreed upon CAO facilities. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall attempt to 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 Franchisee and the existing cable operator(s) shall negotiate the interconnection agreement on reasonable terms and conditions. If, despite Franchisee's reasonable efforts, Franchisee is unable to successfully negotiate interconnection of its Cable System with the existing cable operator(s), the City shall make all best efforts to facilitate such negotiations between Franchisee and such other cable operator(s).

6.5. *Emergency Alert System:* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and the State of New York, including the NY PSC's rules and regulations and the current New York EAS Plan, in order that emergency messages may be distributed over the System.

6.6. *Program Services:* Franchisee shall strive to offer over the Cable System a diversity of video programming services, including, without limitation, a broad category of programming that includes locally-based, not-for-profit, and minority-managed public interest educational programming; provided however that nothing contained in this Agreement shall be

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interpreted as a requirement for provision of specific video programming services (except the requirement for provision of PEG Access Channels).

7. LEADING TECHNOLOGY

7.1. *Leading Technology:* The parties hereto acknowledge and agree that the FTTP Network, and the Cable Services provided thereby, as described in Appendix J, will when built constitute a "Leading Technology" that includes more extensive fiber facilities, in lieu of coaxial cable facilities, than is currently, or ever has been, provided by any other Cable Service provider within the City as of the Effective Date.

7.1.1. The Franchisee will, at the City's request (but not before the first anniversary of the Effective Date of the Franchise Agreement and not more often than once in any thirty-six (36) month period), prepare and submit to the City a report (in a mutually agreeable format) setting forth the Franchisee's review and assessment of the current state of cable technology and its current plans, if any, to enhance its Cable System (provided however, that this reporting requirement will be in abeyance to the extent that a substantial competing franchisee delivering service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the City is then using a system in the City that fails to provide at least comparable capacity, reliability and feature richness to Franchisee's system).

7.1.2. Upon the submission of each report as described in the preceding Section 7.1.1 the City may undertake an evaluation of such report, with an opportunity for Franchisee to comment on any City evaluation, and Franchisee will subsequently commence good faith discussions with the City, and implement agreements resulting from such good faith discussions, regarding enhancements, if any, to be made to the Cable System to maintain its leading technology status (provided however, that the requirement pursuant to this Section 7.1.2. will be in abeyance to the extent that a substantial competing franchisee delivering Cable Service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the Franchise Area is then using a system in the Franchise Area that fails to provide at least comparable capacity, reliability and feature richness to the FTTP Network).

8. PEG SERVICES

8.1. PEG Set Aside:

8.1.1. In order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date (or, with respect to any Governmental/Educational Access Channels, such later date as may be agreed upon by the City and Franchisee in the event Franchisee reasonably requests an extension in order to complete necessary work), provide on the Basic Service Tier use of twenty-five (25) access channels in total, as set forth immediately below in Section 8.1.1.1 (each, an "Access Channel"):

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8.1.1.1. *Public Access Channel:*. Four (4) Public Access Channels for each Borough (i.e. four (4) Public Access Channels for Manhattan, four (4) Public Access Channels for Staten Island, four (4) Public Access Channels for Brooklyn, four (4) Public Access Channels for the Bronx, four (4) Public Access Channels for Queens).

8.1.1.2. *Government/Educational Access Channels:* Five (5) Governmental/Educational Access Channels, one of which is designated by the City for Educational Access Channel programming, which are cablecast City-wide.

8.1.2. In addition to providing the Access Channels described in Section 8.1.1 above, the Franchisee shall provide the City with the following additional Access Channels on the Basic Service Tier, subject to the conditions set forth below:

8.1.2.1. No sooner than January 1, 2009, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels); and (ii) one (1) additional Governmental/ Educational Access Channel which shall be cablecast City-wide.

8.1.2.2. No sooner than January 1, 2012, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) one (1) additional Public Access Channel for each Borough (for a total of five (5) additional Public Access Channels); and (ii) two (2) additional Governmental/Educational Access Channels which shall be cablecast City-wide.

8.1.2.3. No sooner than the date which is the sixth (6th) Anniversary of the Effective Date hereof, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels).

8.1.2.4. No single additional Access Channel or additional Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee unless all existing Access Channels are providing original, non-text, non-duplicative programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months.

8.1.3. The City hereby authorizes Franchisee to transmit all Access Channel programming within and without City jurisdictional boundaries. In the event that one or more Public or Governmental/Educational Access Channels are not being utilized by the City or the CAO's, the provisions of 16 NYCRR 895.4 (c)(12) shall be applicable.

8.1.4. Within ten (10) days after the Effective Date of this Agreement, the City shall notify Franchisee of the programming to be carried on each of the Public or Governmental/Educational Access Channels set aside by Franchisee as listed in Appendix B. Thereafter, Franchisee shall assign the Public or Governmental/Educational Access Channel programming on such Public or Governmental/Educational Access Channels on its channel line-up as set forth in such notice, to the extent such Access Channel assignments do not interfere

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with any pre-existing channels assignments or contractual obligations. Franchisee shall not be required to make Borough-specific Public or Governmental/Educational channels available to Subscribers until one or more VSOs in the specific borough are open for sales.

8.1.5. The Franchisee shall carry the programming on each of the respective Public or Governmental/Educational Access Channels as indicated in Appendix B. In the future, the Franchisee shall assign the Public or Governmental/Educational Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of the Franchisee's respective channel lineup. The Franchisee shall not arbitrarily or capriciously change such channel assignments, and the Franchisee shall minimize the number of such changes; provided, however, that the Franchisee may change such channel assignments as it deems appropriate so long as (i) the Franchisee gives the appropriate CAO(s) or the Governmental/Educational/Access Channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) the Franchisee provides, free of charge, public announcements of such changes that shall include (A) to the extent Franchisee has advertising availability, advertising such Public or Governmental/Educational Access Channels changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Franchisee does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Franchisee shall then provide the advertising contemplated under this Section 8.1.5), and (B) providing notice of such changes in at least two monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event the Franchisee provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

8.1.6. *Governmental/Educational Interconnection:* The City shall designate in writing to the Franchisee up to one (1) physical site for each Governmental/Educational Access Channel provided pursuant to Section 8.1 hereof (for a total of up to eight (8) sites) within the Franchise Area for the purpose of interconnection of Governmental/Educational Access Channel facilities with the Cable System (each, a "GE Access Interconnection Site").

8.1.6.1. Upon one hundred eighty (180) days written notice from the City (or such later date as may be agreed upon by the City and the Franchisee) and subject to the successful completion of all required site preparation work by the City and provision of access to Franchisee for equipment, installation and provisioning, Franchisee shall, without charge to the City, provide upstream Governmental/Educational Access Channel transmission connections between its video channel aggregation point and each of the GE Access Interconnection Sites in order to permit the signals to be correctly routed from the GE Access Interconnection Site for the distribution to Subscribers.

8.1.6.2. The City shall provide to Franchisee at the GE Access Interconnection Sites a suitable video signal and a suitable audio signal for each Governmental/Educational Access Channel. Franchisee, upon receipt of the suitable video signal, shall provide, install and maintain in good working order the equipment necessary for

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transmitting the Governmental/Educational Access Channel signal to the channel aggregation site for further processing for distribution to Subscribers. Franchisee's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Franchisee, of suitable required space, environmental conditions, electrical power supply, access, pathway, and facilities and such cooperation of the City as is reasonably necessary for Franchisee to fulfill such obligations; provided, however, that neither Franchisee nor the required site work contemplated hereunder shall impose any unreasonable material burdens on the City.

8.1.6.3. Such upstream transmission provided by Franchisee shall comply with applicable FCC standards governing the transport and distribution of Governmental/Educational Access Channel signals to Subscribers. If Franchisee makes changes to the Cable System that require improvements to Governmental/Educational Access Channel facilities to continue to be used as they were intended under the terms of this Agreement, then Franchisee shall, without charge to the City, make such changes in either the equipment and facilities referred to in this Subsection 8.1.6 or in the Franchisee's video channel aggregation point and distribution equipment and facilities in order to permit the continuation of such intended use.

8.1.7. *Community Access Organizations:* The respective Borough Presidents have each designated an independent, not-for-profit, nonmembership corporation, organized pursuant to the New York Not-for-Profit Corporation Law, to serve as the Community Access Organization for the applicable Borough, under whose jurisdiction the Public Access Channels shall be placed for purposes of Article 8 of this Agreement. The CAO's shall undertake such activities and shall adopt such rules and regulations as are required, and may adopt rules and regulations not inconsistent with this Agreement, the CAO Agreements (as hereinafter defined) attached as Appendix C to this Agreement, the Certificate of Incorporation of the CAO's, the By-Laws of the CAO's, the rules and regulations of the Public Service Commission, and applicable law. The CAO's shall each maintain tax-exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended.

8.1.8. *Use of Public Access Channels.* The Public Access Channels for each Borough shall be under the jurisdiction of the CAO for such Borough. Such Public Access Channels shall be used for the purpose of distributing noncommercial services by the public, any other charitable, nonprofit purpose or other similar purpose, including, without limitation, the generation of revenues by activities reasonably related to such uses and purposes, or any other purpose agreed to between the Franchisee and the CAO.

8.1.8.1. *Public Access Interconnection:* The Franchisee shall effectuate the interconnection of any Public Access Channel facilities with the Cable System for purposes of transmitting the Public Access Channels contemplated in this Article 8 in accordance with the terms of the CAO Agreements (as hereinafter defined).

8.1.9. *No Editorial Control by Franchisee:* The Franchisee shall not exercise editorial control over programming or distribution of services over any Access Channel used by any Person(s), so long as such Access Channel is being used for the purposes authorized herein

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and except where the Franchisee is utilizing any such Access Channel pursuant to the fallow time provisions of the Cable Law.

8.1.10. *PEG Channel Quality:* Each Public and Governmental/Educational Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Franchisee's lowest tier of service, provided, however, that Franchisee shall have no responsibility to improve upon or modify the quality of any Public or Governmental/Educational Access Channels content provided to Franchisee by any Public or Governmental/Educational Access Channel programmer.

8.2. *Governmental and Educational Access Grant:* Franchisee shall provide a grant to the City in the amount of Ten Million Dollars (\$10,000,000) in twelve (12) equal annual installments of Eight Hundred Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$833,333.33) over the Franchise Term to be used in support of the production of local Governmental/Educational Access programming (the "Annual GE Grant"). Each annual installment of the Annual GE Grant shall be payable to the City by the Franchisee not later than the date which is sixty (60) days from each anniversary of the Effective Date during the Term hereof (except for the first installment of the Annual GE Grant, which shall be payable not later than the date which is sixty (60) days of the Effective Date). Such grant shall be used solely by the City for Educational Governmental Access, capital costs. Upon request by Franchisee, the City shall provide Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 8.2.

8.3. *Community Access Grant:* Franchisee shall pay to the CAO's certain funding (collectively, the "CAO Grants") pursuant to the terms of certain Community Access Organization Grant and Use Agreements by and between the respective CAO's in the City and the Franchisee (collectively the "CAO Agreements"), substantially in the form attached hereto as Appendix C. The Franchisee and the City acknowledge and agree that:

8.3.1. the amount of the CAO Grants and the terms and conditions of the CAO Agreements were negotiated solely between the Franchisee and the respective CAO's and the City was not a party to any such negotiations;

8.3.2. the CAO Grants, or any portion thereof, shall not constitute a deduction against Franchise Fees payable to the City by Franchisee pursuant to this Agreement; and

8.3.3. consistent with applicable federal and state law, the City shall not exercise any editorial control over any programming carried on any Access Channels set aside for any CAO's pursuant to this Agreement or the CAO Agreements.

8.4. *Franchisee PEG Liability Immunity:* In accordance with 47 U.S.C. §558, the Franchisee shall not incur any liability arising from or in connection with any Access Channels.

8.5. *Recovery of Costs:* To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the grants referenced in this Article 8 and Section 5.7 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, Franchisee may

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externalize, line-item, or otherwise pass-through interconnection and any franchise-related costs to Subscribers.

9. INET

Requirements for an Institutional Network are set forth in Appendix D.

10. FRANCHISE FEES

10.1. *Payment to City:* Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue (the "Franchise Fee"). In accordance with Title VI, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. In the event that said payments are not received by the LFA within forty-five (45) days following the end of the applicable calendar quarter, following at least thirty (30) days written notice from the LFA that the Franchise Fee has not been paid, Franchisee shall pay interest on such overdue Franchise Fee amount at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the LFA retroactive to the first day that such Franchise Fee payment was due. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

10.2. *Acceptance of Payment:* No acceptance of any such payment shall be construed as an accord that the payment is the correct amount, nor shall such acceptance of payment be construed as a release of any claim the City may have for further or additional sums payable under this Agreement. Nothing herein shall be construed in such a way to affect a waiver by either party of applicable statutes of limitation with respect to Franchise Fee payments.

10.3. *Supporting Information:* Along with each quarterly Franchise Fee payment, the Franchisee shall submit to DoITT, or such other entity as the Commissioner may designate, with a copy to the Comptroller, a report in a form reasonably acceptable to the Commissioner (a form of such report that is currently in acceptable form is attached hereto as Appendix K) showing the basis for the computation for such quarterly Franchise Fee payment.

10.4. *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due. Franchisee shall maintain the records necessary to confirm the accurate payment of Franchise Fees during this period and during any pendency of litigation.

10.5. *Bundled Services:* If Cable Services subject to the Franchise Fee required under this Article 10 are provided to Subscribers in conjunction with Non-Cable Services, and the total cost of the bundle reflects a discount from the aggregate retail prices of the services contained therein, the Franchise Fee shall be applied to the retail price of the Cable Services in the bundle reduced by no more than a proportionate share of the overall discount.

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10.5.1. By way of illustrative example of the formula described in the foregoing Section 10.5, if Cable Service A is sold separately at a price of \$40 a month, Non-Cable Service B is sold separately at a price of \$40 a month and Non-Cable Service C is sold separately at a price of \$40 a month, but the three services when purchased together are sold for \$100 a month, the amount of the \$100 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$33.33 per month. As a second example, if Cable Service A is sold separately at a price of \$50 a month, Non-Cable Service B is sold separately at a price of \$63 a month, Non-Cable Service C is sold separately at a price of \$74 a month, but the three services when purchased together are sold for \$150 a month, the amount of the \$150 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$40.11 per month.

10.6. *626 Offset:* The Franchise Fee as defined herein shall not constitute a set off against the special franchise tax as provided for in N.Y. Real Property Tax Law Section 626; provided, however, that the LFA agrees that it shall impose the same special franchise tax offset waiver restriction upon all other existing and new providers of Cable Service or cable service (as such term may be defined by other providers) in the Franchise Area expressed in writing in the franchise agreement, or the renewal of any existing franchise agreement of each respective cable provider. The operation of this subparagraph shall be strictly limited to Franchise Fees lawfully imposed upon Cable Service, and shall not be construed to affect the Franchisee's rights under any provision of state or federal law regarding the provision of services other than Cable Service.

11. REPORTS AND RECORDS

11.1. *Open Books and Records:* Upon reasonable written notice to the Franchisee and consistent with Section 11.1.1 below, the City shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise, including, but not limited to, the calculation of Franchise Fees in accordance with Section 10.5 hereof. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the City. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years. Any records to be inspected by the City pursuant to this Article 11 shall be made available by Franchisee to the City in a mutually agreeable format and location, including, at the City's request, at a designated office of the Franchisee in the City. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee 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 Service Area. For purposes of this Section, "proprietary or confidential" information includes, but is not limited to: information related to the Cable System design; trade secrets; Subscriber lists; marketing plans; financial information unrelated to the calculation of Franchise Fees; or other information that is reasonably determined by the Franchisee to be competitively sensitive. Any information disclosed to the City that the Franchisee reasonably identifies as confidential or competitively sensitive (including, without limitation, financial

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information related to the calculation of Franchise Fees) shall be treated by the City as confidential under Section 87(2) (d) of the New York Public Officers Law and the City shall disclose such information only to employees, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. If the City receives a request under FOIL or similar law for the disclosure of information that Franchisee has designated as confidential, competitively sensitive, a trade secret or proprietary, the City shall notify Franchisee of such request. If the City determines in good faith that public disclosure of the requested information is required under FOIL or pursuant to a court order, the City shall so notify Franchisee and before making disclosure shall give Franchisee a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551. Nothing in this Article 11 is intended to be inconsistent with the authority of the Comptroller under Section 93(b) of the New York City Charter to perform audits.

11.1.1. Franchisee's Response to Records Requests: In the event the City provides the Franchisee with a written request to inspect or review Franchisee's books and records pursuant to Section 11.1 above, Franchisee shall, within fifteen (15) days of Franchisee's receipt of such written request, provide the City with access to any information Franchisee is reasonably able to collect in response to such request and shall, within thirty (30) days from receipt of such request make available to the City all pertinent information in response to such request, consistent with the terms of Section 11.1 above; provided however, that to the extent there is additional information which Franchisee is unable to reasonably collect in such thirty (30) day period, Franchisee shall provide the City with a written notice setting forth the nature of such additional information and the date on which Franchisee shall provide access to such additional information.

11.2. Annual and Quarterly Reports: Subject to the confidentiality requirements of Section 11.1 above, the Franchisee shall submit a written report to the Commissioner no later than forty-five (45) days after the end of each calendar year or calendar quarter, as the case may be, during the Term of this Franchise (except where otherwise expressly indicated herein), which report shall be in a form reasonably satisfactory to the Commissioner, that shall include the information described in Sections 11.2.1 through 11.2.4; provided, however, that unless otherwise expressly described below, Franchisee's reporting obligations pursuant to this Section 11.2 shall not commence until six (6) months after Cable Service is made available by Franchisee on a commercial basis directly to multiple Subscribers in the Franchise Area.

11.2.1. After July 1, 2012, Franchisee shall provide the City with an annual report regarding the MDUs for which Franchisee is using the "Additional Procedures" contained in section 5.5.2.1 of this Franchise and the status of such procedures.

11.2.2. A quarterly report showing the total number of Significant Outages (as defined in Appendix A of this Franchise) which occurred during the quarter, and with respect to each such Significant Outage, the time it occurred, its cause and duration and the households.

11.2.3. In addition to the reports to be provided as expressly set forth in this Article 11, the Franchisee shall also provide the reports described in Section 10.3 and Appendix

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A (including but not limited to Sections 2.5.3, 3.4.3, 6.5.3 and 7.5.3) and Exhibit 2 to Appendix A of this Franchise.

11.2.4. Franchisee shall provide at each Checkpoint date as listed in section 5.1.2 of this Franchise, a report (based on the calculations set forth in the 2000 census data) showing the estimated median household income of all homes passed and the average household income of all households in New York City.

11.3. *Records Required:* Franchisee shall at all times maintain:

11.3.1. Records of all written complaints for a period of six (6) years after receipt by Franchisee. The term "complaint" as used herein refers to complaints about any aspect of the Cable System or Franchisee's cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

11.3.2. Records of outages for a period of six (6) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

11.3.3. Records of service calls for repair and maintenance for a period of six (6) years after resolution by Franchisee, 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;

11.3.4. Records of installation/reconnection and requests for service extension for a period of six (6) years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended;

11.3.5. Commencing on February 15, 2009, in order to track compliance with the benchmarks established in Appendix F, records showing the number of MDUs and SFUs passed by the FTTP Network in each Borough during the preceding year, and the cumulative number of MDUs and SFUs passed by the FTTP Network in each Borough since Franchisee commenced construction of the FTTP Network;

11.3.6. Commencing on February 15, 2009, records showing which wire centers servicing the Franchise Area have been upgraded so as to make them video capable VSOs open for sales consistent with Section 5.2 of this Franchise. Such records shall also show which wire center upgrades, if any, have been delayed due to the exceptions contained in the opening clause of Section 5.2 of this Franchise;

11.3.7. Commencing on February 15, 2009, records of MDUs and SFUs that were Video Network Created during the preceding year and the total number of MDUs and SFUs in each Borough throughout the City that have been Video Network Created throughout the City. Such records shall show the number of MDUs and SFUs by Borough that could not be Video Network Created due to an exception contained in Section 5.5 of this Franchise which became effective during the year, and the cumulative number of MDUs and SFUs in each Borough that are not Video Network Created due to the exceptions contained in Section 5.5 of this Franchise;

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11.3.8. Franchisee shall maintain records documenting the applicability of the Section 5.5.1 exceptions; and make such records available for inspection by the Commissioner or the Commissioner's designee at a designated Franchisee office location;

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

11.3.10. Franchisee shall maintain accurate maps and improvement plans which show the location, size and a general description of all facilities installed in the public ways and any power supply sources, including voltages and connections. Maps shall be based on post-construction inspection to verify location;

11.3.11. Notwithstanding the requirements of Section 11.1 of this Agreement, upon written notice, the Commissioner may request additional information pursuant to this Franchise as may be reasonably necessary for the performance of any of the Commissioner's duties or any other City official's duty as it pertains to this Franchise. Franchisee's response to such request may be provided to the Commissioner in oral or written form, at Franchisee's sole discretion.

11.4. *Service Availability Meeting:* Not later than eight (8) months from each calendar year, upon ten (10) days written notice from the Commissioner, a representative of the Franchisee will hold a meeting with the Commissioner or designated representatives thereof to discuss information on the status of Franchisee's deployment of Cable Services in the City and Franchisee's compliance with the requirements of Article 5 of this Franchise (the "Annual Service Availability Meeting"). If, as a result of any Annual Service Availability Meeting, the Commissioner or designated representative thereof reasonably determines that an additional meeting regarding the topics addressed in the Annual Service Availability Meeting is required, the parties shall hold one (1) additional meeting per calendar year to further discuss such topics. Any information provided to the City by Franchisee in connection with any Annual Service Availability Meeting or additional meeting pursuant to this Section 11.4 shall be treated by the City as confidential and proprietary consistent with Section 11.1 hereof.

11.5. *System-Wide Statistics:* Any valid reporting requirement in the Franchise may be satisfied with system-wide statistics, except those related to Franchise Fees and consumer complaints, or if expressly described otherwise in this Franchise.

11.6. *File for Public Inspection:* Throughout the term of this Agreement, the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated by Franchisee, as required by Appendix A to this Agreement.

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12. INSURANCE AND INDEMNIFICATION

12.1. *Insurance Generally; Types of Insurance:* The Franchisee shall continuously maintain one or more liability insurance policies meeting the requirements of this Section 12 throughout the Term (with the minimum limits and special conditions specified). Such insurance shall be issued by companies that meet the standards of Section 12.2(a) hereof and shall be primary (and non-contributing) to any insurance or self-insurance maintained by the City. The Franchisee has, as a condition of the Closing, provided proof of insurance pursuant to Section 12.3 hereof documenting compliance with the insurance requirements of this Section 12 as of the Closing.

(a) The Franchisee shall provide a Commercial General Liability Insurance policy covering the Franchisee as Named Insured and the City as an Additional Insured. Coverage for the City as Additional Insured shall specifically include the City's officials, employees and agents, and shall be at least as broad as Insurance Services Office ("ISO") Form CG 2010 (11/85 ed.) This policy shall protect the City and the Franchisee from claims for property damage and/or bodily injury, including death, which may arise from the performance of, or failure to perform, the Franchisee's obligations under this Agreement and the activities and operations conducted in connection with the provision of Cable Service under this Agreement. Coverage under this policy shall be at least as broad as that provided by ISO Form CG 0001 (1/96 ed.), must be "occurrence" based rather than "claims-made", and shall include, without limitation, the following types of coverage: Premises Operations, Products and Completed Operations, Contractual Liability (including the tort liability of another assumed in a contract), Broad Form Property Damage, Medical Payments, Independent Contractors, Personal Injury (Contractual Exclusion deleted), Cross Liability, Explosion, Collapse and Underground Property, and Incidental Malpractice. If such insurance contains an aggregate limit, it shall apply separately to the operations and activities undertaken pursuant to the Franchise. The Commercial General Liability Insurance policy described herein shall be maintained at all times with limits no less than Five Million Dollars (\$5,000,000) combined single limit per occurrence and Ten Million Dollars (\$10,000,000) aggregate.

(b) The Commercial General Liability Insurance policy referred to in the preceding subsection (a) shall contain each of the following endorsements:

(i) The City of New York together with its officials, employees and agents is an Additional Insured with coverage as broad as ISO Forms CG 2010 (11/85 ed.) and CG 0001 (1/96 ed.); and

(ii) The Duties in the Event of Occurrence, Claim or Suit condition of the policy is amended per the following: if and insofar as knowledge of an "occurrence", "claim", or "suit" is relevant to the City of New York as Additional Insured under this policy, such knowledge by an agent, servant, official, or employee of the City of New York will not be considered knowledge on the part of the City of New York of the "occurrence", "claim", or "suit" unless the following position shall have received notice thereof from such agent, servant, official, or employee: Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department; and

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(iii) Any notice, demand or other writing by or on behalf of the Named Insured to the Insurance Company shall also be deemed to be a notice, demand, or other writing on behalf of the City as Additional Insured. Any response by the Insurance Company to such notice, demand or other writing shall be addressed to Named Insured and to the City at the following addresses: Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, N.Y. 10007; and Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department, 100 Church Street, New York, NY 10007 (or replacement addresses of which the City notifies the Franchisee); and

(c) The Franchisee shall provide Workers Compensation Insurance and Disability Benefits Insurance in accordance with the Laws of the State of New York (with minimum limits as required by New York State law without regard to jurisdiction) on behalf of all employees undertaking activities or providing services pursuant to this Agreement.

(d) The Franchisee shall provide, and ensure that each subcontractor (if any) provides, Employers' Liability Insurance affording compensation due to bodily injury by accident or disease sustained by any employee arising out of and in the course of his/her employment under this Agreement. The Employers' Liability Insurance policy described herein shall be maintained at all times with limits no less than \$1 million per accident/disease/policy limit.

(e) The Franchisee shall provide a Comprehensive Business Automobile Liability policy for liability arising out of any automobile including owned, non-owned, leased and hired automobiles to be used in connection with undertaking activities or providing services pursuant to this Agreement. The Automobile Liability Insurance policy described herein shall be maintained at all times with limits no less than Two Million Dollars (\$2,000,000) combined single limit each accident. If automobiles are used for transporting hazardous materials, the Franchisee shall provide pollution liability broadened coverage for covered autos (endorsement CA 99 48) as well as proof of MCS 90.

(f) All insurers shall waive their rights of subrogation against the City, its officials, employees and agents.

(g) The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on indemnity in this Agreement given as a matter of law.

12.2. General Requirements for Insurance Policies:

(a) All required insurance policies shall be maintained with companies that are authorized or permitted to conduct business in the State of New York and have an A.M. Best rating of at least A- VII or a Standard and Poor's rating of at least AA, unless prior written approval is obtained from the Mayor's Office of Operations (or successor entity thereto).

(b) The Franchisee shall be solely responsible for the payment of all premiums for all required policies and all deductibles and self-insured retentions to which such

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policies are subject, whether or not the City is an insured under the policy. Any self-insured retention must be reasonable and is subject to approval by the City.

(c) Except for insurance required pursuant to Sections 12.1(c) and 12.1(d) herein, all policies shall contain a provision stating that the insurer or its authorized representative(s) shall use reasonable efforts to provide thirty (30) days prior written notice of intent to non-renew, cancellation or material adverse change to the City, except that ten (10) day notice for nonpayment of premium shall apply. Such notice shall be sent to the City pursuant to Section 18.6 hereof, and to the City's Comptroller ("the Comptroller"), attn: Office of Contract Administration, Municipal Building, Room 1005, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee).

(d) On or before the date of cancellation, termination or material adverse change affecting the City of any policies with respect to notices described in the preceding subsection (c) of this section 12.2., the Franchisee shall obtain and furnish to the City, with a copy to the Comptroller, replacement insurance binders demonstrating that replacement insurance fully compliant with this Section 12 has been obtained.

12.3. *Proof of Insurance:*

(a) The Franchisee has delivered to the City, as a condition of the Closing, for each policy required under this Agreement, a Certificate or Certificates of Insurance evidencing the effectiveness of all insurance required under this Agreement. All Certificates of Insurance shall be in a form reasonably acceptable to the City and shall certify the issuance and effectiveness of the types of insurance required herein, each with the specified minimum limits and conditions.

(b) A Certificate or Certificates of Insurance confirming renewals of, or changes to, insurance policies required hereunder shall be submitted to the City within ten (10) days of the expiration or renewal date of coverage of policies required under this Agreement. Such Certificates of Insurance shall comply with the requirements of the preceding subsection (a).

(c) The Franchisee shall be obligated to provide the City with a copy of any policy required by this Section 12 upon the demand for such policy by the Commissioner or the New York City Law Department; provided, however, that any policies or other related information provided by Franchisee (or Franchisee's designee, including, but limited to, an Affiliate or Franchisee's insurer) to the City pursuant to this subsection 12.4(c) shall be treated by the City as confidential and proprietary consistent with the provisions of Section 11.1 of this Franchise.

12.4. *Operations of the Franchisee:*

(a) Acceptance by the City of a certificate hereunder does not excuse the Franchisee from securing a policy consistent with all provisions of this Section 12 or of any liability arising from its failure to do so.

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(b) The Franchisee shall be responsible for providing continuous insurance coverage in the manner, form, and limits required by this Agreement and shall be authorized to provide service pursuant to this Agreement and the Franchise only during the effective period of all required coverage.

(c) In the event of any loss, damage, injury or accident arising under this Agreement, the Franchisee (once the Franchisee's Risk Management Claims Group becomes aware of any of the foregoing circumstances) shall promptly notify in writing the commercial general liability insurance carrier, and, where applicable, the worker's compensation and/or other insurance carrier, of any loss, damage, injury, or accident, and any claim or suit arising under this Agreement from the operations of the Franchisee or its subcontractors, promptly, but not later than 20 days after Franchisee's Risk Management Claims Group becomes aware of such event. The Franchisee's notice to the commercial general liability insurance carrier must expressly specify that "this notice is being given on behalf of the City of New York as Additional Insured as well as the Franchisee as Named Insured." The Franchisee's notice to the insurance carrier shall contain the following information: the name of the Franchisee, the number of the applicable policy, the date of the occurrence, the location (street address and borough) of the occurrence, and, to the extent known to the Franchisee, the identity of the persons or things injured, damaged or lost. Additionally:

(i) At the time notice is provided to the insurance carrier(s), the Franchisee shall provide copies of such notice to the Comptroller and the Commissioner. Notice to the Comptroller shall be sent to the Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee). Notice to the Commissioner shall be sent to the address set forth in Section 18.6 hereof; and

(ii) If the Franchisee fails to provide any of the foregoing notices in a timely and complete manner, the Franchisee shall indemnify the City for all losses, judgments, settlements and expenses, including reasonable attorneys' fees, arising from an insurer's disclaimer of coverage citing late notice by or on behalf of the City.

12.5. *Insurance Notices, Filings, Submissions:* Wherever reference is made in this Section 12 to documents to be sent to the Commissioner (e.g., notices, filings, or submissions), such documents shall be sent to the address set forth in Section 18.6 hereof.

12.6. *Disposal of Hazardous Materials:* If pursuant to this Agreement the Franchisee is involved in the disposal of hazardous materials, the Franchisee shall dispose of such materials only at sites where the disposal site operator maintains Pollution Legal Liability Insurance in the amount of at least Two Million Dollars (\$2,000,000) for losses arising from such disposal site.

12.7. *Other Remedies:* Insurance coverage in the minimum amounts provided for herein shall not relieve the Franchisee or subcontractors of any liability under this Agreement, nor shall it preclude the City from exercising any rights or taking such other actions as are available to it under any other provisions of this Agreement or applicable law.

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12.8. *Franchisee Indemnification Obligations:* The Franchisee shall indemnify, defend and hold the City, its officers, agents and employees (the "Indemnitees") harmless from any and all liabilities, suits, damages, claims and expenses (including, without limitation, reasonable attorneys' fees and disbursements) ("Damages") that may be imposed upon or asserted against any of the Indemnitees arising out of the Franchisee's performance of, or its failure to perform, its obligations under this Agreement and/or its provision of services hereunder, provided, however, that the foregoing liability and indemnity obligation of the Franchisee pursuant to this Section 12.8 shall not apply to any Damages to the extent arising out of any willful misconduct or gross negligence of an Indemnitee. Insofar as the facts and law relating to any Damages would preclude the City from being completely indemnified by the Franchisee, the City shall be partially indemnified by the Franchisee to the fullest extent provided by law, except to the extent such Damages arise out of any willful misconduct or gross negligence of any Indemnitee. This indemnification is independent of the Franchisee's obligations to obtain insurance as provided under this agreement.

12.9. *Defense of Claim, Etc:* If any claim, action or proceeding is made or brought against any of the Indemnitees by reason of any event to which reference is made in Section 12.8 herein, then upon demand by the City, the Franchisee shall either resist, defend or satisfy such claim, action or proceeding in such Indemnitee's name, by the attorneys for or approved by the Franchisee's insurance carrier (if the defense of such claim, action or proceeding is provided by the insurance carrier) or by the Franchisee's attorneys. The foregoing notwithstanding, in the event an Indemnitee believes additional representation is needed, such Indemnitee may engage its own attorneys to assist such Indemnitee's defense of such claim, action or proceeding, as the case may be, at its sole cost and expense. The Franchisee shall not settle any claim with respect to which the Franchisee is required to indemnify the Indemnitees pursuant to Section 12.8 without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

12.10. *No Claims Against Officers, Employees, or Agents:* Franchisee agrees not to make any claim against any officer or employee of the City or officer or employee of an agent of the City, in their individual capacity, for, or on account of, anything done or omitted in connection with this Agreement, to the extent that such officer or employee of the City or officer or employee of an agent of the City was acting within the lawful course and scope of his employment or agency. Nothing contained in this Agreement shall be construed to hold the City liable for any lost profits, or any consequential damages incurred by Franchisee or any Person acting or claiming by, through or under Franchisee.

12.11. *Limitation on Indemnification:* As between the City and the Franchisee, the indemnifications obligations of the Franchisee pursuant to Section 12.8 above shall not apply to any Damages arising out of the distribution of programming over the Governmental/Educational Access Channels, the Institutional Network available to and used by the City, and/or the Public Access Channels, to the extent that such claim does not arise out of an act or failure to act by the Franchisee.

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12.12. *No Applicability to Pending Litigation:* Franchisee's indemnification obligations pursuant to this Article shall have no applicability to the litigation referenced and defined in Section 18.14.

13. TRANSFER OF FRANCHISE

13.1. *City Approval Required:* Subject to the provisions of this Article, the Franchisee shall apply to the City for approval of any transaction in which any change is proposed with respect to ten percent (10%) or more for voting interests or twenty-five percent (25%) or more for non-voting interests of the ownership of the Franchisee, the Cable System, the Cable System assets, or the Franchise by submitting FCC Form 394 or such other form as the FCC may prescribe for that purpose; provided however that the foregoing, requirements of this Section 13.1 shall not be applicable with respect to transfers of any ownership interests contemplated hereunder which are effectuated as a result of any transactions involving the exchange of publicly traded shares. The application shall be made at least one hundred twenty (120) calendar days prior to the contemplated effective date of the transaction. Such application shall contain complete information on the proposed transaction, including details of the legal, financial, technical, and other qualifications of the transferee. At a minimum, the following information must be included in the application:

13.1.1. all information and forms required under federal law;

13.1.2. any shareholder reports or filings with the Securities and Exchange Commission that pertain to the transaction;

13.1.3. a report detailing any changes in ownership of voting or non-voting interests of over five percent;

13.1.4. other information necessary to provide a complete and accurate understanding of the financial position of the Cable System before and after the proposed transaction;

13.1.5. complete information regarding any potential impact of the transaction on Subscriber rates and service; and

13.1.6. any contracts that relate to the proposed transaction as it affects the City and, upon request by the City, all documents and information that are related or referred to therein and which are necessary to understand the proposed transaction; provided, however, that if the Franchisee believes that the requested information is confidential and proprietary, then the Franchisee must provide the following documentation to the City: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) a statement that the documents are available at the Franchisee's designated offices for inspection by the City.

13.2. *City Action on Transfer:* To the extent not prohibited by federal law, the City may: (i) grant; (ii) grant subject to conditions directly related to concerns relevant to the transactions; (iii) deny any such transactions; or (iv) not take action, in which case the

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transactions shall be deemed granted, unless the requesting party and the LFA expressly agree in writing to an extension, pursuant to Section 617 of the Communications Act, 47 U.S.C. § 537.

13.3. *Waiver of Transfer Application Requirements:* To the extent consistent with federal law, the City may waive in writing any requirement that information be submitted as part of the transfer application, without thereby waiving any rights the City may have to request such information after the application is filed.

13.4. *Subsequent Approvals:* The City's approval of a transaction described in this Article in one instance shall not render unnecessary approval of any subsequent transaction.

13.5. *Approval Does Not Constitute Waiver:* Approval by the City of a transfer described in this Article shall not constitute a waiver or release of any of the rights of the City under this Agreement, whether arising before or after the date of the transfer.

13.6. *No Consent Required For Transfers Securing Indebtedness:* The Franchisee shall not be required to file an application or obtain the consent or approval of the City for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness. However, the Franchisee will notify the City within ten (10) days if at any time there is a mortgage or security interest granted on substantially all of the assets of the Cable System. The submission of the Franchisee's audited financial statements prepared for the Franchisee's bondholders shall constitute such notice.

13.7. *No Consent Required For Any Affiliate Transfers:* The Franchisee shall not be required to pay any fee or file an application or obtain the consent or approval of the City for any transfer of an ownership or other interest in Franchisee, the Cable System, or the Cable System assets to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee. However, the Franchisee will notify the City within thirty (30) days if at any time a transfer covered by this subsection occurs.

14. RENEWAL OF FRANCHISE

14.1. *Governing Law:* The City and Franchisee agree that any proceedings undertaken by the City that relate to renewal or possible renewal of this Franchise shall be subject to, and shall not be inconsistent with, the Cable Law, including without limitation 47 U.S.C. § 546, as such may be amended from time to time.

14.2. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Franchisee and the City agree that at any time during the Term, while affording the public appropriate notice and opportunity to comment consistent with New York State law and the City Charter, the City and Franchisee may, each acting in its discretion, agree to undertake and finalize, pursuant to 47 U.S.C. §546(h), informal negotiations regarding renewal of the Franchise granted hereunder and, if agreement is reached on the terms and conditions of such a renewal the

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City may grant such a renewal, consistent with the applicable procedures and requirements of New York State law and the City Charter.

14.3. *Non-Renewal/Termination:* In the event that the City (i) does not grant a renewal of the Franchise at the scheduled expiration date of the Term; or (ii) this Agreement is terminated for any other lawful reason prior to the scheduled expiration of the Term, then the Term of the Franchise shall expire and all rights of the Franchisee under the Franchise shall cease, provided however that nothing in this Section shall be inconsistent with the terms of Section 18.21, provisions of this Agreement expressly providing for the survival of certain provisions after such termination or expiration, or the provisions of subsection 14.3.1 below.

14.3.1. If the Franchisee continues to provide Cable Service after the termination or expiration of the Term of the Franchise, and the Franchise has not been renewed, then the Franchisee shall be bound by all of the Franchisee's obligations under this Franchise for the period of such continuing provision of Cable Service.

14.4. *Consistent Terms:* Franchisee and the City consider the terms set forth in this Article 14 to be consistent with the express provisions of 47 U.S.C. § 546 and the Cable Law.

15. DEFAULT AND REMEDIES

15.1. *Defaults.* In the event of any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Agreement (each such breach, default, failure or other noncompliance being referred to herein as a "Default"), which Default is not cured within the specific cure period provided for in this Agreement (or if no specific cure period is provided for in this Agreement then within the cure period described in Section 15.3 below), then the City may:

15.1.1. cause a withdrawal from the cash Security Fund, pursuant to the provisions of Section 15.11 herein;

15.1.2. make a demand upon the Performance Bond pursuant to the provisions of Section 15.9 herein;

15.1.3. draw down on the Letter of Credit pursuant to the provisions of Section 15.10 herein;

15.1.4. pursue any rights the City may have under the Guaranty;

15.1.5. seek and/or pursue money damages from the Franchisee as compensation for such Default;

15.1.6. seek to restrain by injunction the continuation of the Default; and/or

15.1.7. pursue any other remedy permitted by law, or in equity, or as set forth in this Agreement, provided however the City shall only have the right to terminate this Agreement upon the occurrence of a Revocation Default (defined hereinafter).

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15.2. *Notice of Default:* If at any time the City believes that Franchisee has committed any Default, the City shall notify the Franchisee's designated franchise service manager, and the Franchisee representatives identified in Section 18.6 hereof, of such alleged Default. If, thereafter, the City determines that Franchisee is not in Default, the City shall promptly provide the Franchisee with written notice of such determination. However, if the City determines that such notice has failed to result in a resolution of the matter, the City shall then notify Franchisee in writing of the alleged Default and identifying the specific provision of the Franchise on which the alleged Default is based (for purposes of this Article, the "Notice of Default").

15.3. *Franchisee's Right to Cure or Respond:* Except as set forth in Section 15.3.1 below, Franchisee shall have thirty (30) days from receipt of the Notice of Default to: (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default. Upon cure of any alleged Default, the City shall provide written confirmation that such cure has, to the knowledge of the Commissioner or designated representative thereof, been effected.

15.3.1. With respect to the following Franchise obligations, Franchisee shall have ten (10) days from the receipt of Notice of Default to (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default: (a) payment of Franchise Fees, Annual GE Grants, or Technology, Educational & Municipal Facility Grants; and (b) maintenance of Security pursuant to Sections 15.9, 15.10 and 15.11.

15.4. *Extended Time to Complete Cure:* Notwithstanding anything in the preceding to the contrary, no Default shall exist if a breach or default is curable, and a cure period is provided therefor in this Article 15 or otherwise, but work to be performed, acts to be done, or conditions to be removed to effect such cure cannot, by their nature, reasonably be performed, done or removed within the cure period provided, so long as the Franchisee shall have commenced curing the same within the specified cure period and shall diligently and continuously prosecute the same promptly to completion.

15.5. *Miscellaneous Matters Regarding Default, Cure and Remedies:* The rights and remedies described in Section 15.1 hereof shall not be exclusive, but each and every right and remedy specifically provided or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed appropriate by the City, except as provided herein. The exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy, nor shall any delay or omission in taking any action or exercising any remedies with respect to any Default be construed to be a waiver of or acquiescence to any Default. The exercise of any such right or remedy by the City shall not release the Franchisee from its obligations or any liability under this Agreement, provided that nothing in this Section 15.5 or in this Agreement is intended to authorize or shall result in double recovery of damages by the City.

15.6. *Revocation Defaults; Definition of Revocation Default:* A Revocation Default shall mean any of the following occurrences or events:

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15.6.1. any failure by the Franchisee to maintain in effect the cash Security Fund described in Section 15.11 hereof and/or the Letter of Credit described in Section 15.10 hereof in accordance with the provisions of said sections, which failure continues for ten (10) business days after notice;

15.6.2. any failure by the Franchisee to maintain in effect the Performance Bond described in Section 15.9 hereof in accordance with the provisions of said section, which failure continues for ten (10) business days after notice;

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee's compliance with its obligations under this Agreement);

15.6.4. if the Franchisee fails to maintain insurance coverage or otherwise materially breaches Article 12 hereof and such failure continues for ten (10) business days after notice from the City to the Franchisee;

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

15.6.7. if there is any transfer of the Franchise other than in accordance with Article 13;

15.6.8. the conviction, guilty plea or plea of nolo contendere of the Franchisee, any Controlling Person, any director or officer of the Franchisee, or any employee or agent of the Franchisee or of any Controlling Person acting under the express direction or with the actual consent of any of the foregoing, of any offense, including, without limitation, bribery or fraud, arising out of or in connection with this Agreement, the award of the franchise granted pursuant to this Agreement, provided that such shall constitute a Revocation Default with respect to any of the foregoing with respect to a malfeasant director, officer, employee or agent of the Franchisee or of any Controlling Person only if the Franchisee or the applicable Controlling Person refuses to disassociate itself from, or terminate the employment of, said director, officer, employee or agent;

15.6.9. the conviction or guilty plea of any City officer, employee, or agent of the offense of bribery or fraud with respect to this Agreement which arises out of any act of the Franchisee of any Controlling Person, or of any agent or employee thereof acting under the express direction or actual consent of the foregoing;

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15.6.10. any abandonment of service in default of the obligations described in Section 15.13 hereof; and

15.6.11. any persistent and repeated pattern of material Defaults, even if individual Defaults constructing such a persistent and repeated pattern are subsequently cured after their occurrence or remediated by recourse to security provided to the City under Sections 15.9 through 15.11 hereof or by other means; provided, however, that this provision shall not apply to alleged Defaults subject to good faith disputes.

15.7. *Remedies of the City for Revocation Defaults:* In the event of a Revocation Default, the City may (in addition to any other remedy which the City may have under Section 15.1 hereof) at its option, give to the Franchisee a written notice ("Notice of Revocation"), in accordance with Section 15.8 hereof, stating that this Agreement and the Franchise granted hereunder shall be revoked on the date specified in such notice (which date shall not be less than ninety (90) days from the giving of the notice), and this Agreement and the Franchise granted hereunder shall terminate on the date set forth in such notice as if such date were the date provided in this Agreement for the scheduled expiration of this Agreement and the franchise granted herein. Notwithstanding the preceding however, during the period between the Notice of Revocation provided pursuant to this Section 15.7 and thirty days prior to the date of revocation set forth in such notice, the Franchisee may submit to the City any material it wishes to document that no Revocation Default has occurred or that revocation as a remedy for such Revocation Default would not be in the best interests of the City. If the City after reviewing such material determines that a Revocation Default has not occurred, or determines in its discretion that termination as a remedy for such Revocation Default would not be in the best interests of the City, then the City shall notify the Franchisee of its withdrawal of the Notice of Revocation which notice shall thereby no longer be effective.

15.8. *Revocation:* In the event the City has not received a satisfactory response from Franchisee to the Notice of Revocation, it may then seek revocation of the Franchise at a hearing. The City shall cause to be served upon the Franchisee, at least thirty (30) business days prior to such hearing, a written notice specifying the time and place of such hearing which shall not be earlier than as provided for in Section 15.7 and stating its intent to revoke the Franchise.

15.8.1. At the designated hearing, Franchisee 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 City, 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.

15.8.2. Following the hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the City in writing and thereafter the City shall determine (i) whether an event of Revocation Default has occurred under this Franchise; (ii) whether such event of Revocation Default is excusable; and (iii) whether such event of Revocation Default has been cured or will be cured by the Franchisee. The City shall also determine whether it will revoke the Franchise based on the information presented, or, where

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applicable, grant additional time to the Franchisee to effect any cure. If the City determines that it will revoke the Franchise, the City shall promptly provide Franchisee with a written determination setting forth the City's reasoning for such revocation. Franchisee may appeal such written determination of the City to an appropriate court, which shall have the power to review the decision of the City de novo. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the written determination of the City.

15.9. Performance Bond:

15.9.1. Establishment: The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement, a performance bond, for the benefit of the City, on the form attached hereto as Appendix E and from an institution satisfactory to the City, in an amount as provided in Section 15.9.2 below (the "Performance Bond"). The "City of New York acting by and through the Department of Information Technology and Telecommunications" shall serve as the sole obligee under the Performance Bond. The attorney-in-fact who signs the Performance Bond must file with the bond a certified copy of his/her power of attorney to sign the bond. The Performance Bond shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement.

15.9.2. Amount and Term: The initial amount of the Performance Bond shall be Fifty Million Dollars (\$50,000,000), which amount may at Franchisee's option be periodically reduced pursuant to the following schedule if at the scheduled reduction date Franchisee has timely completed its deployment obligations under Appendix F hereof. The Performance Bond provided hereunder shall provide that it shall remain in effect during the term of this Agreement and for one year thereafter unless within such one year period DoITT notifies the Franchisee that the Performance Bond shall remain in full force and effect because of the pendency of any litigation or the assertion of any claim which has not been brought to final judgment and for which the Performance Bond provides security.

15.9.2.1. Reduction Schedule: The required amount of the Performance Bond shall be reduced in accordance with the following schedule as of December 31 of the year indicated so long as Franchisee has attained the "NYC Total" percentage of households passed required as of that date as set forth in Appendix F, except that the date for reduction in calendar year 2014 shall be June 30 of that year, subject to the same requirement. If Franchisee does not attain the "NYC Total" percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the "NYC Total" percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)
2009: Thirty Million Dollars (\$30,000,000)
2010: Twenty-Five Million Dollars (\$25,000,000)
2011: Fifteen Million Dollars (\$15,000,000)
2012: Ten Million Dollars (\$10,000,000)

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2013: Five Million Dollars (\$5,000,000)

2014: One Million Dollars (\$1,000,000)

15.9.3. *Claim Against the Performance Bond:* The City may make a claim against the Performance Bond in such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations referenced in Section 15.9.2 (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such claim may be permitted by a final judgment of a court of competent jurisdiction. The City may not seek recourse against the Performance Bond for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Performance Bond, recourse to the Letter of Credit, or withdrawal from the cash Security Fund.

15.10. *Letter of Credit:*

15.10.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement and for one year thereafter, a letter of credit, for the benefit of the City, in a form and issued by a bank satisfactory to the City, in an amount as provided in Section 15.10.2 below (the "Letter of Credit"). The Letter of Credit shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement. The "City of New York acting by and through the Department of Information technology and Telecommunications" shall be named as the beneficiary. The original Letter of Credit shall be deposited with the City. The Letter of Credit shall contain the following endorsement:

"It is hereby understood and agreed that this letter of credit may not be canceled or not renewed by the issuer/surety until at least ninety (90) days after receipt by the New York City Department of Information Technology and Telecommunications of a written notice stating such intention to cancel or not to renew."

15.10.2. *Amount:* The Letter of Credit shall be in the amount of Twenty Million Dollars (\$20,000,000).

15.10.3. *Drawdown Against the Letter of Credit:*

15.10.3.1. The City may draw down against the Letter of Credit such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations under this Agreement not otherwise met in accordance with this Agreement (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such drawdown may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Letter of Credit for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Letter of Credit, recourse to the Performance Bond, or withdrawal from the cash Security Fund.

15.10.3.2. In addition to its right to draw down on the Letter of Credit for any of the reasons set forth in 15.10.3.1 hereof, the City may draw down in full on the Letter of Credit at any time such Letter of Credit has less than thirty (30) days to run before it is

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scheduled to expire and no replacement or renewal Letter of Credit has been given in its place. In the event of a drawdown for such reason, the City will hold the proceeds as cash security (paying to itself any interest earned) in lieu of a Letter of Credit (with the City having the right to make withdrawals for the same purposes as drawdowns are permitted on the Letter of Credit) until a replacement Letter of Credit is put in place, at which time such drawdown proceeds will be returned to the Franchisee less any proper withdrawals and any reasonable transaction expenses. In the event of a drawdown on the Letter of Credit as contemplated by this Section 15.10.3.2, and until such time as a replacement Letter of Credit is obtained in accordance herewith, the replenishment obligations of the Franchisee with respect to the moneys held by the City following such drawdown as cash security shall correspond to the replenishment obligations (and rights) of the Franchisee applicable to the cash Security Fund under Section 15.11.

15.10.3.3. Within two business days after any drawdown against the Letter of Credit, the City shall notify Franchisee of the date and amount thereof.

15.10.4. *Replenishment:* Until the expiration of one year after the Term, within 30 days after receipt of notice (the "Replenishment Period") from the City that at least One Hundred Thousand Dollars (\$100,000) (cumulatively or in a single instance) has been drawn down against the Letter of Credit, Franchisee shall obtain a replacement or additional Letter of Credit such that the total amount available under the letter(s) of credit obtained shall be restored to the amount required in Section 15.10.2.

15.11. *Cash Security Fund:*

15.11.1. *Establishment and Amount:* Franchisee shall deposit with DoITT as a condition to the Closing a certified check, bank check or wire transfer, payable to the "City of New York," in the amount of One Million Dollars (\$1,000,000), to be held by the City as security (together with the other elements of security provided for under this Agreement) for performance of Franchisee's obligations under this Agreement (the "Security Fund").

15.11.2. *Withdrawals From or Claims Under the Security Fund:* The City may make withdrawals from the Security Fund of such amounts as are necessary to satisfy (to the degree possible) Franchisee's obligations under this Agreement that are not otherwise satisfied (and to reimburse the City for costs, losses or damages incurred as the result of Franchisee's failure(s) to satisfy its obligations), to the extent that such withdrawal may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Security Fund for any costs, losses or damages for which the City has previously been compensated through a withdrawal from the Security Fund, recourse to the Performance Bond provided for in this Agreement or drawdown against the Letter of Credit provided for in this Agreement. Within two business days after any withdrawal from the Security Fund, the City shall notify the Franchisee of the date and amount thereof.

15.11.3. *Replenishment:* Until the expiration of one year after the end of the Term, within 30 days after receipt of notice (the "Replenishment Period") from the City that any amount has been withdrawn from the Security Fund as provided in Section 15.11.2, the Franchisee shall restore to the Security Fund the amount thus withdrawn.

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15.11.4. *Return of Security Fund:* Within thirty (30) days of the end of the Term, the City shall pay over to the Franchisee any amounts remaining in the Security Fund.

15.12. *Not a Limit on Liability:* Neither the Franchisee's obligations under this Agreement nor Franchisee's liability for non-performance of any such obligations are limited in nature or amount by the acceptance or availability of the Performance Bond provided pursuant to Section 15.9, the Letter of Credit provided pursuant to Section 15.10 or the cash Security fund provided by Section 15.11.

15.13. *Abandonment of Service:* Franchisee shall not abandon provision of any Cable Service or portion thereof in the City without the City's prior written consent as provided in the Cable Law.

16. CUSTOMER PROTECTION STANDARDS

16.1. *Generally:* Franchisee shall comply with the consumer protection standards set forth in Parts 890 and 896 of the NY PSC rules and regulations and the provisions of Appendix A hereto.

16.2. *Privacy Protection:* The Franchisee shall comply with the provisions of 47 U.S.C. § 551 and any other applicable law, including any local standards to the extent not inconsistent with the terms of this Franchise established in accordance with applicable law, with respect to the protection of the privacy of Subscribers.

16.3. *Parental Control:* Franchisee shall make available to any Subscriber, if not already incorporated in standard equipment that is offered to all Subscribers, a device that offers as an option the ability to limit access to programming to Persons who provide a personal identification number or other means provided by the Franchisee only to a Subscriber, or other similar means of allowing parents to control children's access to programming in the Subscriber household. Provided, however, that it is not the intention of the parties that this Agreement be construed as placing any responsibility or liability on the Franchisee for the exercise of or failure to exercise such parental controls as are offered and Franchisee shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls as are offered.

16.4. *Information to City:* The Franchisee shall provide subscriber information requested by the City for the purpose of enforcement of this Franchise, to the extent the provision of such information does not violate applicable law (including, without limitation, 47 U.S.C. § 551).

17. EMPLOYMENT AND PURCHASING

17.1. *Right to Bargain Collectively:* The Franchisee shall recognize the right of its employees to bargain collectively through representatives of their own choosing in accordance with applicable law. The Franchisee shall recognize and deal with the representatives duly designated or selected by the majority of its employees for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or any other terms, conditions, or

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privileges of employment as required by law. The Franchisee shall not dominate, interfere with, participate in the management or control of, or give financial support to any union or association of its employees.

17.2. *No Discrimination:* The Franchisee shall not: (i) refuse to hire, train, or employ; (ii) bar or discharge from employment; or (iii) discriminate against any individual in compensation, hours of employment, or any other term, condition, or privilege of employment, including, without limitation, promotion, upgrading, demotion, downgrading, transfer, layoff, and termination, on the basis of race, creed, color, national origin, sex, age, handicap, marital status, affectional preference or sexual orientation in accordance with applicable law. The Franchisee agrees to comply in all respects with all applicable federal, state and local employment discrimination laws and requirements during the term of this Agreement.

17.3. *Local Employment Plan:* Within thirty (30) days of the Effective Date hereof, the Franchisee shall, at its own cost and expense, develop, maintain and implement and disclose to the City (subject to appropriate and lawful confidentiality restrictions), a plan, consistent with Franchisee's collective bargaining agreements, for the recruitment, education, training, and employment of residents of the City for the opportunities to be created by the deployment and provision of service contemplated in this Agreement.

17.4. *City Vendors:* To the extent feasible and consistent with applicable law, and with due regard to price and quality considerations, the Franchisee shall utilize vendors located in the City in connection with the deployment and provision of service contemplated by this Agreement.

17.5. *Local Law Requirements:* The Franchisee agrees to comply in all respects with the provisions of the Mayor's Executive Order No. 50 (April 25, 1980) (codified at Title 10 Sections 1-14 of the Rules of the City of New York) and City Administrative Code 6-108.1 (1984) and all rules and regulations promulgated thereunder (collectively, the "EEO Requirements"), as such EEO Requirements may be amended, modified or succeeded throughout the Term of this Agreement. Notwithstanding the fact that the EEO Requirements do not apply on their face to Franchisee in its capacity as a franchisee, the Franchisee shall comply in all respects with the provisions of such EEO Requirements and successor and replacement laws, orders and regulations adopted following the date of this Agreement. As required by said Executive Order No. 50, the provisions of Sections 50.30 and 50.31 of the Final Rule implementing said Order are incorporated herein by this reference.

18. MISCELLANEOUS PROVISIONS

18.1. *Competition:* The parties agree that this Agreement, when compared to the terms of the City's cable television franchise agreements in existence as of the Closing, contains economic and regulatory burdens which, when taken as a whole, are not greater or lesser than those placed upon other cable operators operating within the Franchise Area.

18.2. *Actions of Parties:* Any action to be taken by the City and/or the Commissioner pursuant to this Agreement shall be taken in accordance with the applicable provisions of the City Charter, as said Charter may be amended or modified throughout the Term of this

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Agreement. 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, unless expressly agreed otherwise herein.

18.3. *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.

18.4. *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 City.

18.5. *Force Majeure:* Subject to the procedures set forth in the last sentence of this Section 18.5, the Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Franchisee's capability to perform, Franchisee shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. The Franchisee shall notify the Commissioner in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

18.6. *Notices:* Every notice, order, petition, document, or other direction or communication to be served upon the City or the Franchisee shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses (unless expressly stated otherwise in this Agreement):

If to the Franchisee, to:

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Verizon New York Inc.
Maura Breen, Senior Vice President & General Manager – New York Region
140 West Street
31st Floor
New York, NY 10007

with a copy to:

Jack White, Senior Vice President and General Counsel
Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

With a copy to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

If to the City, to:

Department of Information Technology and Telecommunications
75 Park Place, Ninth Floor
New York, NY 10007
Attention: Commissioner

with a copy to:

New York City Law Department
100 Church Street, Sixth Floor
New York, NY 10007
Attention: Chief, Economic Development Division

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

18.7. *Additional Representations and Warranties:* In addition to the representations, warranties, and covenants of the Franchisee to the City set forth elsewhere herein, the Franchisee represents and warrants to the City and covenants and agrees that, as of the Closing:

18.7.1. *Organization, Standing and Power:* The Franchisee is a corporation duly organized and validly existing under the laws of the State of New York and is duly authorized to

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do business in the State of New York and in the City. The Franchisee has all requisite power and authority to execute, deliver and perform this Agreement and all other agreements entered into or delivered in connection with or as contemplated hereby. Certified copies of the Franchisee's constituent documents, as amended to date, will be provided to the Commissioner upon request.

18.7.2. Authorization: The execution, delivery and performance of this Agreement and all other agreements entered into in connection with the transactions contemplated hereby have been duly, legally and validly authorized by all necessary action on the part of the Franchisee. This Agreement and all other agreements entered into in connection with the transaction contemplated hereby have been duly executed and delivered by the Franchisee and constitute (or upon execution and delivery will constitute) the valid and binding obligations of the Franchisee.

18.7.3. Compliance with Law: The Franchisee is in compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the provision of the services contemplated herein and has obtained or will obtain prior to the provision of service to the public all government licenses, permits, and authorizations necessary for the provision of the service, except approval by the NY PSC.

18.7.4. Ownership Interests: Franchisee is a wholly owned subsidiary of NYNEX Corporation, which itself is a wholly owned subsidiary of Verizon Communications, Inc.

18.7.5. Compliance with City Contracts: The Franchisee has not received notice from the City of any default or noncompliance with any existing written contract or other written agreement with the City, unless such default or noncompliance has subsequently been cured or otherwise resolved to the City's satisfaction or such notice has been withdrawn by the City or otherwise determined by the City or a court of competent jurisdiction to have been issued in error.

18.8. Compliance with Laws; Licenses and Permits: With respect to its activities pursuant to this Agreement, the Franchisee shall comply with: (i) all applicable laws, rules, regulations, orders, writs, decrees and judgments (including, but not limited to, those of the PSC and the FCC) and any other federal, state agency or authority of competent jurisdiction; and (ii) all local laws and all rules, regulations, orders, of the City and of DoITT consistent with this Agreement. The Franchisee shall have the sole responsibility for obtaining all permits, licenses and other forms of approval or authorization necessary to construct, operate, maintain, upgrade, replace or repair the System, or any part thereof.

18.9. Entire Agreement: This Agreement and the Exhibits and Appendices hereto constitute the entire agreement between Franchisee and the City and they supersede all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof.

18.10. Amendments and Modifications: Amendments and/or modifications to this Franchise shall not be effective unless mutually agreed to in writing by the parties and shall be subject to the approval of the NY PSC, pursuant to the Cable Law.

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

18.11. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the articles, sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement. Terms such as "hereby," "herein," "hereof," "hereinafter," "hereunder," and "hereto" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. The term "may" is permissive; the terms "shall" and "will" are mandatory, not merely directive. All references to any gender shall be deemed to include all others, as the context may require. Terms used in the plural include the singular, and vice versa, unless the context otherwise requires.

18.12. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by, or a final order of any state or federal regulatory authority having competent 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 the Franchise, subject to the obligations of the parties as applicable under Section 18.4 above.

18.13. *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.

18.14. *Pending Litigation:* Nothing in this Franchise shall be construed to prejudice or affect any position taken by either the City or Franchisee in the litigation now pending in the Supreme Court, County of New York, captioned The City of New York v. Verizon New York Inc., Index No. 402961/03 (the "Pending Litigation").

18.15. *FTTP Network Status:* In the event of a lawful termination or non-renewal of the Franchise, the legal status of the FTTP Network in the rights-of-way will revert to whatever status it has as a system providing only services that do not include Cable Service, as such status may be ultimately determined by the final outcome of the litigation referred to in Section 18.14 above. In implementation of the intent of the preceding sentence, if and so long as the Franchisee shall have separate lawful authority to maintain facilities providing services of the type being carried over the FTTP Network in the City's Public Rights-of-Way, the Franchisee shall not be required to remove or relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Service.

18.16. *NY PSC Approval:* This Franchise is subject to confirmation by the NY PSC. Franchisee shall file a petition for confirmation with the NY PSC within sixty (60) days after the date hereof. Franchisee shall also file any necessary notices with the FCC.

18.17. *Rates and Charges:* The rates and charges for Cable Service provided pursuant to this Franchise shall be subject to regulation in accordance with federal law, and in no event shall Franchisee be subject to rate regulation, except to the extent Franchisee is no longer subject to

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Effective Competition (as that term is defined by federal law) or such rate regulation is authorized to be imposed as a result of a change in federal law.

18.18. *Publishing Information:* Except as otherwise permitted in this Franchise, the City hereby requests that Franchisee omit publishing information specified in 47 C.F.R. § 76.952 from Subscriber bills.

18.19. *No Third Party Beneficiaries:* This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

18.20. *City Official:* The Commissioner is the City official that is responsible for the continuing administration of this Agreement.

18.21. *Holdover.* To the extent required or permitted by PSC regulations, in the event the Franchisee continues to provide Cable Service within the Franchise Area after the term of this Agreement, the Franchisee shall continue to comply with all applicable provisions of this Agreement, including, without limitation, all compensation and other payment provisions of this Agreement, throughout the period of such continued operation, provided that any such continued operation shall in no way be construed as a renewal or other extension of this Agreement or the Franchise granted pursuant to this Agreement.

18.22. *Investigations Clause:* Franchisee shall comply with the City's standard "Investigations Clause" to be included in City contracts and agreements pursuant to Section 4(b) of Mayoral Executive Order 16 of 1978, as set forth in Appendix I hereto, and in the event of any failure as described therein shall be subject to the penalties set forth therein.

18.23. *Interpretation:* This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party because that party drafted, or caused that party's legal representative to draft, any of its provisions.

18.24. *Voluntary Execution:* The parties acknowledge that each has read this Agreement, that each fully understands its rights, privileges and duties under this Agreement, and that each enters into this Agreement freely and voluntarily. Each party further acknowledges that it has had the opportunity to consult with counsel of its own choosing in the negotiation or and agreement to the provisions of this Agreement.

18.25. *Execution in Counterparts:* This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute a single agreement.

[The remainder of this page is intentionally blank.]

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

AGREED TO THIS _____ DAY OF _____, 2008.

The City of New York:

By: _____
Deputy Mayor

By: _____
Paul Cosgrave, Commissioner

Approved as to form and certified as to legal authority:

Acting Corporation Counsel

Attest:

By: _____
City Clerk [City Seal]

Verizon New York Inc.

By: _____
Maura C. Breen, Senior Vice President &
General Manager - NY/CT Region, Verizon Telecom

Approved as to form:

John, Raposa, Vice President & Deputy General Counsel –
Verizon Telecom

VERIZON/NEW YORK CITY FRANCHISE AGREEMENT

APPENDICES

Appendix A: Customer Protection Standards

Appendix B: PEG Channels

Appendix C: Form Community Access Organization Agreement

Appendix D: Institutional Network

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Appendix F: FTTP Upgrade Schedule

Appendix G: Franchise Area

Appendix H: Form of Guarantee

Appendix I: Investigations Clause

Appendix J: System Architecture

Appendix K: Form of Franchise Fee Report

APPENDIX A
CONSUMER PROTECTION STANDARDS

APPENDIX A

CONSUMER PROTECTION STANDARDS
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Section 1
SOLICITATION OF SUBSCRIPTIONS

1.1 **Uniforms/Identification Cards.** Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 **Name Badges.** Each Franchisee employee, contractor, or subcontractor, who routinely comes into contact with the public at the Subscriber's premises during the hours of employment shall wear a badge during such hours of employment which indicates his or her name and identification number and employment/relationship with the Franchisee.

1.3 **Subscription Information.**

1.3.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

(v) the procedure for the resolution of billing disputes;

(vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;

(vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;

(viii) the required time periods for installation requests, consistent with these consumer protection standards; and

(ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.3.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.3.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.4 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2

INSTALLATION

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time). ;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices, practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically

on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer "appointment window" time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee's work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer "appointment windows," but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber's premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner's satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have)

failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the thirtieth (30th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including,

but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3

SERVICE CENTERS

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall establish and maintain at least one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent

of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response

upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

- (i) each telephone call shall be answered within at least thirty (30) seconds;
- (ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;
- (iii) callers shall not be kept on hold for longer than thirty (30) seconds;
- (iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;
- (v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and
- (vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not

constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may "pass through" to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the

outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Verizon.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a

Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5

EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or

the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an "Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels

provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber's television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, "loss of picture or sound" shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a "Significant Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber's television receiver or the Subscriber, and that affects one hundred (100) or more Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a "Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a "Significant Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber's premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee's customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber's premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee's control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee's failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain, access to a Subscriber's premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the

Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the thirtieth (30th) day following the end of each calendar quarter. Upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

Section 7

SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Center's to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "payment center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the "comments" section of the Franchisee's records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

Section 8

NOTICE

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 **Scheduling Appointments.** The Franchisee shall provide Subscribers with “appointment window” time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber’s premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide “appointment window” time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber’s premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 **Grounds.** As a result of the Franchisee’s failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber’s premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber’s claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber’s premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber’s claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 **Procedures for Contacting Subscribers.** Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 **Receipts.** In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 **Governing Federal and State Law.** In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12
FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 **Material Requirements.** Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 **Reporting.** The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Exhibit 1 to Appendix A

DESIGNATION AND LOCATION OF SERVICE CENTERS

SERVICE CENTER

[To be filled in by Verizon]

Exhibit 2 to Appendix A

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All "calls" other than those which receive busy signals, made to the Franchisee's sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee's business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative ("CSR") (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

"Wait Time" is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee's phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all "service" lines are busy, even if "billing" lines are available, unless the Franchisee's system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) "calling hours." "Calling hours" are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner's request.)

APPENDIX B

PEG CHANNELS

Date	Number of Channels	
Effective Date	4 P each Borough, 5 City-wide E/G	25 channels
January 1, 2009	Additional 2 P each Borough, Additional 1 City-wide E/G	11 channels
January 1, 2012	Additional 1 P each Borough, Additional 2 City-wide E/G	7 channels
6 years after Effective Date	Additional 2 P each Borough	10 channels
		53 channels total

APPENDIX C
COMMUNITY ACCESS ORGANIZATION (“CAO”)
GRANT AND USE AGREEMENT
BY AND BETWEEN
VERIZON NEW YORK INC.
AND
[CAO]

CAO GRANT AND USE AGREEMENT

THIS AGREEMENT (the "Agreement") made on this [] day of [], 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York ("Verizon"), with a place of business at 140 West Street, New York, New York 10007 and [CAO], a New York not-for-profit corporation (the "CAO") designated by the Borough President of [borough name] (the "Borough President"), with a place of business at [address].

WHEREAS, the City of New York (the "City"), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise ("Franchise Agreement") to operate a Cable System (the "System") throughout the entire territorial boundaries of the City ("Service Area"), which among other boroughs includes the Borough of [borough name] (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of [borough name]; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels ("Public Access Channels"), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in [borough name]; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I - DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of [borough name], and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II - GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of DOLLAR (\$____) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 - Year 2: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 - Year 3: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 - Year 4: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 - Year 5: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a "Cash Grant") payable as follows:

DOLLARS (\$____) shall be due and payable within ninety (90) days of the Effective Date;

DOLLARS (\$____) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

DOLLARS (\$____) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

DOLLARS (\$_____) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon's obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set

forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of [_____]. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III -OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies, in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV -PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's

respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at (_____) ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty days (180) of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a "Public Access Channel Origination Site") and the Public Access Channel Interconnection Site to

enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Origination Site, as designated on Exhibit 1. Upon one hundred eighty days (180) days written notice from the CAO to Verizon that a Public Access Channel Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V -MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give

Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of the Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

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5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

[CAO NAME]

ATTEST:

BY: _____
[Signatory]

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
[Signatory]

Exhibit 1

[To be determined]

APPENDIX D

FRANCHISE FIBER RIGHT OF USE

Pursuant to the terms of Article 9 of the Franchise, and in consideration for the rights and benefits provided to the Franchisee under the Franchise, the Franchisee shall provide to the City the exclusive right to use of certain fiber optic strands as more fully described in Exhibit 1 to this Appendix D. For purposes of this Appendix D, capitalized terms used herein but not otherwise defined below shall have the meanings ascribed to such terms in the Franchise.

Section 1 DEFINITIONS

1.1 “Connection Points” shall mean the locations at which the City Equipment may be connected to the Franchise Fibers as described on Exhibit 1 to this Appendix D.

1.2 “Franchise Fibers” are identified in Exhibit 1 to this Appendix D as the span locations of the fiber optic strands to be granted to the City hereunder.

1.3 The “City Equipment” shall mean any optronic, electronic, optical, or power equipment, and any other facilities, material or equipment owned, possessed or utilized by the City in connection with the use of the Franchise Fibers, including all innerducts (and other conduit tubing) and fiber optic cable in any telecommunications network owned by the City and connecting to any of the Franchise Fibers.

1.4 “Governmental Authority” shall mean any federal, state, regional, county, city, municipal, local, territorial, or tribal government, whether foreign or domestic, or any department, agency, bureau or other administrative or regulatory body obtaining authority from any of the foregoing, including without limitation, courts, public utilities and other authorities.

1.5 “Underlying Rights” shall mean all deeds, leases, easements, rights-of-way agreements, licenses, franchises, permits, grants and other rights, titles and interests that are necessary for the construction, installation, maintenance, operation, use or repair of the Franchise Fibers and Verizon’s supporting facilities, as applicable.

1.6 “Underlying Rights Requirements” shall mean the requirements, terms, conditions, obligations, liabilities, restrictions, and/or limitations on the City’s right to use and operate the Franchise Fibers and to access, install, repair, maintain and replace the City Equipment as set forth in the Right of Use granted by Article 9 of the Franchise and this Appendix D, in the Underlying Rights, in all applicable government codes, ordinances, laws, rules, permits, approvals and regulations, and all safety, operational and other rules and regulations imposed in connection with any of the foregoing or otherwise.

1.7 “Verizon Network” shall mean all of the physical facilities constructed, maintained and/or operated by the Franchisee or its Affiliates in the City

which are utilized by Franchisee or its Affiliates for the provision of services, including, without limitation, Telecommunications Services, Information Services, or Cable Services.

Section 2 **GRANT OF RIGHTS**

2.1 *Right of Use of Franchise Fibers:* On the terms and subject to the conditions set forth herein, and consistent with the priority list set forth in Exhibit 1 to this Appendix D, Franchisee grants to the City during the Term of the Franchise an exclusive right of use of the Franchise Fibers (the "Right of Use") solely for the City's noncommercial use.

2.2 *Franchisee's Title:* Franchisee shall retain undivided, absolute legal title and ownership in the Franchise Fibers and the City's rights pursuant to this Appendix D and Article 9 of the Franchise shall be limited solely to the Right of Use described herein during the Term of the Franchise.

2.3 *Limitation on City's Rights:* Nothing herein shall be construed to confer upon the City any right to maintain, modify or alter the Franchise Fibers or Verizon's supporting facilities, or the right of physical access to the Franchise Fibers or Verizon's supporting facilities, or the right to encumber or use Verizon's supporting facilities or any part thereof.

Section 3 **TERM**

3.1 *Term:* Subject to the terms of the Franchise, Section 3.2 hereof, and the priority list set forth on Exhibit 1 to this Appendix D, the City's Right of Use shall commence on the Effective Date of the Franchise and shall terminate in accordance with Section 3.2 of this Appendix D.

3.2 *Termination:* Upon the earlier of: (i) the expiration of the Term of the Franchise in accordance with Section 3.2 of the Franchise or (ii) the earlier termination of the Franchise pursuant to the terms of the Franchise, the City's Right of Use shall immediately terminate, and all rights of the City to use the Franchise Fibers, or any parts thereof, shall cease upon written notice to the City from the Franchisee of such termination (the "Termination Notice"). Upon receipt by the City of the Termination Notice, the City shall immediately cease all use of the Franchise Fibers and at the City's sole cost and expense remove any and all City Equipment connected with the Franchise Fibers or the Verizon's supporting facilities.

Section 4 **USE OF THE FRANCHISE FIBERS**

4.1 *Compliance with Underlying Rights:* The City represents, covenants and warrants that it will use the Franchise Fibers granted hereunder in compliance with and subject to the Underlying Rights Requirements and all other applicable codes,

ordinances, laws, rules and regulations of any Governmental Authority having jurisdiction over such Franchise Fibers.

4.2 *Permitted Use:* Subject to the provisions of the Right of Use granted by Article 9 of the Franchise and this **Appendix D**, the City may use the Franchise Fibers for the noncommercial purposes of the City and for no other purpose. The City acknowledges and agrees nothing herein shall be construed to confer upon the City any rights to use any fibers or other equipment or facilities, other than the Franchise Fibers, included or incorporated in the Verizon's supporting facilities or any portion of the Verizon Network except as expressly set forth in the Franchise.

Section 5 UNDERLYING RIGHTS

5.1 *Franchisee Underlying Rights:* Subject to the terms and provisions of this **Appendix D**, Franchisee agrees to obtain and maintain during the Term all Underlying Rights necessary for its construction, installation, maintenance and repair of the Franchise Fibers. The Right of Use granted hereunder is subject to the terms of the Underlying Rights, and is subject to the terms under which the Underlying Rights are owned or held by the grantor or grantors of the Underlying Rights, including covenants, conditions, restrictions, easements, reversionary and other interests, bonds, mortgages and indentures, and other matters, whether or not of record, and to the rights of tenants and licensees in possession. The Right of Use granted hereunder is further subject and subordinate to the prior right of the grantor or grantors of the Underlying Rights to use the right of way for other activities, including railroad operations, telecommunications uses, pipeline operations or any other purposes, and to the prior right of Franchisee to use its rights granted under the Underlying Rights. The rights granted to the City herein, if any, are made expressly subject to each and every limitation, restriction, condition or reservation in or affecting the Underlying Rights. Nothing herein shall be construed to be a representation, warranty or covenant of Franchisee's right, title or interest with respect to any of the Underlying Rights or with respect to the City's right to benefit from any of the Underlying Rights.

Section 6 ACCESS TO CONNECTION POINTS

6.1 *Connection:* The Franchisee shall provide the City with access to the Franchise Fibers at the Connection Points designated in **Exhibit 1** to this **Appendix D**. All terminations at Connection Points will be performed by the Franchisee in accordance with Franchisee's applicable specifications and operating procedures. The cost of such terminations at all Connection Points shall be the sole responsibility of the Franchisee.

6.2 *Access to Connection Points:* The City shall provide the Franchisee with all necessary legal, technical and physical access to all Connection Points as necessary to effectuate the objectives and obligations of this **Appendix D**.

6.3 *No Access by the City:* The City will not be entitled to any physical access to the Franchise Fibers or Verizon's supporting facilities.

6.4 *Franchisee Control:* Franchisee shall control all activities concerning access to the Verizon Network, including the Franchise Fibers and Verizon's supporting facilities.

6.5 *No Maintenance or Repair by Franchisee:* Any maintenance or repair work required respecting the Franchise Fibers required by the City for any reason, including, without limitation, splicing of the Franchise Fibers or the installation of handholes or other physical access points shall be undertaken only by Franchisee at the City's request. All such work shall be performed for such charges and on such terms and conditions as are agreed to by the Parties in writing.

6.6 *Remediation/Removal of Hazardous Materials:* To the extent the installation of any Franchise Fibers at any Connection Points requires the removal or remediation of hazardous materials, such removal or remediation shall be the sole responsibility of the City and the Franchisee shall have no obligation to perform such installation until all appropriate removal and remediation of hazardous materials has been completed by the City to the reasonable satisfaction of the Franchisee.

Section 7 OPERATIONS

7.1 *No Interference by the City:* The City shall not interfere with, or adversely affect the use by any other Person of the Verizon Network and/or any electronic or optronic equipment used by such Person in connection therewith.

7.2 *No Interference by Franchisee:* Franchisee shall not interfere with, or materially or adversely affect (or permit another Person under the direct control of Franchisee to materially interfere with, or materially or adversely affect) the City's use of the Franchise Fibers and/or the City Equipment. Franchisee further agrees that it shall use best efforts to avoid interfering with, or materially or adversely affecting, any fiber facilities, directly connected to points of entry to City buildings, owned or operated by any other entity providing similar fiber facilities to the City as Franchisee has agreed to provide pursuant to this Appendix D (the "Third Party Facilities"); provided however, that the parties hereto agree that Franchisee shall rely solely on information provided by the City and thus presumed accurate regarding the location and nature of any such Third Party Facilities and that the Franchisee shall not incur any liability pursuant to this Section 7.2 which arises due to the City's failure to provide Franchisee with accurate information with respect to the location or nature of such Third Party Facilities.

7.3 *No Obligation to Supply Electronics:* The City acknowledges and agrees that Franchisee is not supplying, nor is Franchisee obligated to supply to the City, any of the City Equipment, optronics or electronics or optical or electrical equipment, electrical power, any related facilities, or any space for the placement thereof (except as expressly

agreed by the Parties pursuant to another agreement or agreements executed by the Parties), all of which are the sole responsibility of the City.

7.4 Compliance with Applicable Authority: The City represents, warrants and covenants that it will use and operate the Franchise Fibers and use, operate, maintain, repair and replace the City Equipment consistent with and subject to the terms of the Franchise, the Underlying Rights Requirements and all applicable codes, ordinances, laws, rules and regulations.

7.5 Process for Response to Complaints: Franchisee shall respond to City complaints and/or requests in accordance with the practices described on Exhibit 2 hereto.

Section 8 RELOCATION, REPLACEMENT AND CONDEMNATION OF CUSTOMER FIBERS

8.1 Relocation Request: If Franchisee receives notice of any request, intent or plan by any third Person ("Relocation Request"), including, but not limited to, any Governmental Authority, to relocate or require the relocation of any segment of Verizon's supporting facilities affecting the Franchise Fibers, Franchisee shall notify the City of such Relocation Request and shall keep the City advised of the status of any such proceedings and negotiations related thereto. If relocation is required as a result of any such Relocation Request, Franchisee shall, to the extent possible, give the City at least sixty (60) days' prior written notice of any such required relocation ("Relocation Notice") including an estimate of the cost of such relocation. Franchisee shall have the right to relocate the Franchise Fibers and to the extent Franchisee is not reimbursed for the costs of such relocation by a third party or Governmental Authority, the City shall pay any costs associated with the relocation of the Franchise Fibers.

8.2 Replacement: In the event all or any part of the Franchise Fibers shall require replacement during the Term, such replacement shall be made as soon as reasonably practicable at Franchisee's sole cost and expense; provided, however, that if the replacement of the Franchise Fibers is required as a result of the negligence or willful misconduct of the City, then Franchisee shall replace the Franchise Fibers and the City shall pay all costs associated therewith.

8.3 Condemnation: In the event any portion of Verizon's supporting facilities affecting the Franchise Fibers, and/or the Underlying Rights, become the subject of a condemnation proceeding which is not dismissed within one hundred eighty (180) days of the date of filing of such proceeding and which could reasonably be expected to result in a taking by any Governmental Authority or other party cloaked with the power of eminent domain for public purpose or use, both Parties shall be entitled, to the extent permitted under applicable law, to participate in any condemnation proceedings to seek to obtain compensation by separate awards for the economic value of their respective interests in the portion of Verizon's supporting facilities and/or the Franchise Fibers

subject to such condemnation. Franchisee shall notify the City as soon as practicable of receipt of any notice of any condemnation proceeding filed against Verizon's supporting facilities, the Franchise Fibers or the Underlying Rights.

Section 9 CONFIDENTIALITY

9.1 *Proprietary and Confidential Information:* The City agrees that it shall treat any information provided to the City by Verizon pursuant this Appendix D as "proprietary and confidential" in accordance with the provisions of Section 11.1 of the Franchise.

Section 10 INDEMNIFICATION

10.1 *Indemnification.* Franchisee hereby agrees to indemnify, defend, protect and hold harmless the City, and its employees, officers, directors and agents (the "City Indemnified Persons"), from and against, and assumes liability for all suits, actions, damages, claims, losses, fines, judgments, costs and expenses (including reasonable attorneys', accountants' and experts' fees and disbursements) of any character ("Claims"): (a) suffered or incurred by the City Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property which in whole or in part arise on account of the negligent acts or omissions, of Franchisee in the construction of the Franchise Fibers and/or in the performance or non-performance of its repair and maintenance obligations or exercise of its rights under this Right of Use, including any material violation by Franchisee of any Governmental Authority; or (b) under the workers compensation laws asserted by any employee of Franchisee or its agents, contractors, customers or any other Person providing goods or services for or on behalf of any of the foregoing in connection with this Right of Use suffered or incurred by the City Indemnified Persons or any of them. Franchisee's indemnification obligations hereunder shall not be applicable to any Claims to the extent caused by, arising out of or in connection with the negligence, intentional acts or omissions or misconduct of the City Indemnified Persons or any of them.

10.2 The City hereby agrees to indemnify, defend, protect and hold harmless Franchisee and its Affiliates, and their employees, officers, directors and agents (the "Franchisee Indemnified Persons"), from and against, and assumes liability for all Claims (as defined in Section 10.1, above): (a) suffered or incurred by the Franchisee Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property (including, without limitation, the Verizon Network) which in whole or in part arise as a result of the negligent acts or omissions, of the City in the performance or non-performance of its obligations or exercise of its rights under this Right of Use, including any violation by the City of any Underlying Right Requirements or any Governmental Authority; (b) under the workers compensation laws asserted by any employee of the City, or its agents, contractors, customers or any other Person providing goods or services to any of the foregoing in connection with this Right of Use, and suffered or incurred by the Franchisee

Indemnified Persons or any of them; (c) suffered or incurred by the Franchisee Indemnified Persons or any of them and arising out of or resulting from the City's: (i) use or operation of the Franchise Fibers, or the ownership, use, operation, installation, repair, maintenance or replacement of the City Equipment (if any); (ii) the conduct of the City's business, including, without limitation, the provision of any services or the content of any video, voice or data carried through the Franchise Fibers; or (iii) the violation of any Underlying Rights Requirements applicable to the City; or (d) suffered or incurred by Franchisee Indemnified Persons or any of them and arising out of, caused by, related to or based upon a contractual or other relationship between such claiming Party and the City as it relates to the Franchise Fibers, the City Equipment, the Underlying Rights Requirements or this Right of Use, including any claim for interruption of service or in respect of service quality. The City's indemnification obligations hereunder shall not be applicable to any claims to the extent caused by the negligence, intentional acts or omissions or misconduct of Franchisee Indemnified Persons or any of them.

10.3 Either Party seeking indemnification hereunder ("Indemnatee") shall promptly notify the City or Franchisee, as appropriate, of the nature and amount of such claim and the method and means proposed by the Indemnatee for defending or satisfying such claim. The Parties shall consult and cooperate with each other respecting the defense and satisfaction of such claim, including the selection of and direction to legal counsel. Neither Party shall pay or settle any such claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed.

10.4 Subject to Section 10.5, below, nothing contained herein shall operate as a limitation on the right of either Party to bring an action for damages against any third Person, including indirect, special or consequential damages, based on any acts or omissions of such third Person as such acts or omissions may affect the construction, operation or use of the Franchise Fibers or the Verizon Network, except as may be limited by Underlying Rights Requirements; provided, however, that each Party hereto shall assign such rights or claims, execute such documents and do whatever else may be reasonably necessary to enable the other Party to pursue any such action against such third Person.

10.5 Notwithstanding the foregoing provisions of this Section 10, to the extent Franchisee is required under the terms and provisions of any Underlying Rights to indemnify the grantor or provider thereof from and against any and all claims, demands, suits, judgments, liabilities, losses or expenses arising out of or related to such Underlying Rights, regardless of the cause and regardless of whether such claims, demands, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, actions or inaction of such grantor or provider and its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right, the City hereby releases such grantor or provider from the same, regardless of whether such claims, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, willful misconduct or other action or inaction, of such

grantor or provider or its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right.

Section 11 ASSIGNMENT

11.1 *Assignment:* The City shall not have the right to assign any rights to use of the Franchise Fibers without the written consent of Franchisee, which consent may be withheld in its absolute discretion.

11.2 *Binding On Permitted Assigns:* Subject to the provisions of this Section, this Right of Use and each of the Parties' respective rights and obligations hereunder, shall be binding upon and shall inure to the benefit of the Parties hereto and each of their respective permitted successors and assigns.

EXHIBIT 1 TO APPENDIX D
FRANCHISE FIBER ROUTES AND SPANS

This Exhibit is filed under separate cover as it contains information that is proprietary and confidential and is exempt from disclosure pursuant to New York Public Officer's Law 87(2)(c),(d), (f) & (i).

EXHIBIT 2 TO APPENDIX D

A. Lines and Circuit Trouble/Outages:

1. For any line or circuit trouble/outage, DoITT may call in a trouble ticket to Verizon Business services at the following number: 1-800 444-1111.
2. Lines and circuits shall be identified pursuant to the designations set forth in Exhibit 1

B. Ticket Escalation

1. Trouble tickets initiated pursuant to Section A.1. above which require escalation or unique review by Franchisee, shall be addressed by the Verizon Business Service Management Team, which will make all the necessary calls and keep the customer updated as to the status of such trouble ticket in accordance with the following management review order:

1st level – Service Manager

2nd level – Manager, Service Management

3rd level – Director, Customer Service, NorthEast

2. Verizon Business is also the interface for DoITT on issues which require internal intervention with other departments (i.e. billing, provisioning, construction, engineering, maintenance, etc.).

APPENDIX E
FORM OF SECURITY

EXHIBIT E-1
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 Fifty Million Dollars (\$50,000,000), 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 Franchise 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 a potential 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; provided, however, that to the extent the Oblige provides the Principal with any written notice of such potential default prior to such 30-day period, the Oblige shall provide the Surety with a copy of such written notice simultaneous with transmission of same to the Principal.

2. In the event of default by the Principal, Oblige shall deliver to Surety a valid court order demonstrating a final judgment not subject to appeal or further judicial relief, together with a written statement of the details of the default resulting in such judgment within thirty (30) days after the entry of such judgment, such notice to be delivered by certified mail to address of said Surety as stated herein.

3. 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 Oblige 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 Oblige. Such termination or cancellation shall not affect any liability incurred or accrued under this bond prior to the effective date of such cancellation.

4. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its

obligations under said Agreement, shall constitute a loss to the Obligee recoverable under this bond.

5. No claim, action, suit or proceeding shall be instituted against this bond unless same be brought or instituted and process served within one year after termination or cancellation of this bond.

6. No right of action shall accrue on this bond for the use of any person, corporation or entity other than the Obligee named herein or the heirs, executors, administrators or successors of the Obligee.

7. The aggregate liability of the surety is limited to the penal sum stated herein regardless of the number of years this bond remains in force or the amount or number of claims brought against this bond.

8. This bond is and shall be construed to be strictly one of suretyship only. If any conflict or inconsistency exists between the Surety's obligations as described in this bond and as may be described in any underlying agreement, permit, document or contract to which this bond is related, then the terms of this bond shall supersede and prevail in all respects.

IN WITNESS WHEREOF, the above bounded Principal and Surety have
hereunto signed and sealed this bond effective this _____ day of _____, 2008.

Principal

Surety

By: _____

By: _____

Attorney-in-Fact

EXHIBIT E-2

FORM OF LETTER OF CREDIT

This is an EXAMPLE of a letter of credit. In no way does this guarantee that the JPMorgan Chase Letter of Credit will read exactly as stated below:

Dated

OUR L/C NO.: XXXX-123456

APPLICANT REF. NO.: VZ12

TO:

CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBD STREET

NEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC.

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

ATTN:

EXECUTIVE VICE PRESIDENT

AND

GENERAL MANAGER

WE HAVE ESTABLISHED OUR IRREVOCABLE STANDBY LETTER OF CREDIT
IN YOUR FAVOR AS DETAILED HEREIN SUBJECT TO 600

DOCUMENTARY CREDIT NUMBER: XXXX-123456

DATE OF ISSUE: JUNE XX, 2008

BENEFICIARY: CITY OF NEW YORK, NY
ATTN: CITY CLERK OFFICE
TBDNEW YORK, NY XXXXX

APPLICANT: VERIZON COMMUNICATIONS INC
O/B/O VERIZON NEW YORK INC.
140 WEST STREET
NEW YORK, NY 10007

DATE AND PLACE OF EXPIRY: JUNE XX, 2009

AT OUR COUNTER
DOCUMENTARY CREDIT AMOUNT: USD \$20,000,000.00
AVAILABLE WITH: JPMORGAN CHASE BANK, N.A.
BY PAYMENT

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL 12 MONTH PERIODS FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST 60 DAYS PRIOR TO THE CURRENT EXPIRY DATE WE SEND NOTICE IN WRITING TO THE CITY OF NEW YORK VIA SWIFT, TELEX, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT NOT TO AUTOMATICALLY EXTEND THIS LETTER OF CREDIT FOR ANY ADDITIONAL PERIOD. HOWEVER IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND THE FINAL EXPIRY DATE OF JUNE XX, 2009. UPON SUCH NOTICE TO THE CITY OF NEW YORK, THE CITY OF NEW YORK MAY DRAW ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN-APPLICABLE EXPIRY DATE, BY YOUR SWIFT OR PRESENTATION OF YOUR DRAFT AND DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING EXACTLY AS FOLLOWS:

THE AMOUNT OF THIS DRAWING USD UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NUMBER XXX REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM JPMORGAN CHASE BANK, N.A. OF THEIR DECISION NOT TO AUTOMATICALLY EXTEND LETTER OF CREDIT NUMBER TPTS-XXX AND THE UNDERLYING OBLIGATION REMAINS OUTSTANDING.

IN THE EVENT THIS LETTER OF CREDIT IS SUBSEQUENTLY AMENDED BY US TO EITHER:

I) RESCIND A NOTICE OF NON-EXTENSION AND TO EXTEND THE EXPIRY DATE HEREOF TO A FUTURE DATE, OR

II) EXTEND THE EXPIRY DATE TO A DATE THAT IS AFTER THE STATED FINAL EXPIRY DATE HEREOF, SUCH EXTENSION SHALL BE FOR THAT SINGLE PERIOD ONLY AND THIS LETTER OF CREDIT WILL NOT BE SUBJECT TO ANY FUTURE AUTOMATIC EXTENSIONS UNLESS AN AUTOMATIC EXTENSION PROVISION IS EXPRESSLY INCORPORATED INTO SUCH AMENDMENT.

ADDITIONAL DETAILS:

THIS LETTER OF CREDIT IS AVAILABLE WITH JPMORGAN CHASE BANK, N.A., AGAINST PRESENTATION OF YOUR DRAFT AT SIGHT MENTIONING THEREON DRAWN ON JPMORGAN CHASE BANK, N.A., LETTER OF CREDIT NUMBER XXX WHEN ACCOMPANIED BY THE DOCUMENTS INDICATED HEREIN.

BENEFICIARY'S DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF ITS OFFICIALS READING AS FOLLOWS:

“THE AMOUNT OF THIS DRAWING LIMITED TO THE AMOUNT REFLECTED ON THE ACCOMPANYING COURT ORDER USD....., UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NO. XXXX-123456 REPRESENTS FUNDS DUE THE CITY OF NEW YORK, NY AS:” THE APPLICANT, VERIZON NEW YORK INC., FAILED TO PERFORM UNDER MATERIAL PROVISIONS OF AGREEMENT (DATED) BETWEEN CITY OF NEW YORK, NY AND VERIZON NEW YORK INC. UNDER A COURT ORDER DEMONSTRATING A FINAL JUDGMENT IN FAVOR OF THE CITY OF NEW YORK NOT SUBJECT TO APPEAL OR FURTHER JUDICIAL RELIEF’.

ALL CORRESPONDENCE AND ANY DRAWINGS HEREUNDER ARE TO BE DIRECTED TO JPMORGAN CHASE BANK, N.A., C/O JPMORGAN TREASURY SERVICES, STANDBY LETTER OF CREDIT DEPT. 4TH FL. 10420 HIGHLAND MANOR DRIVE, TAMPA, FLORIDA 33610.

CUSTOMER INQUIRY NUMBER IS 1-800-634-1969 CHOOSE OPTION 1. E-MAIL ADDRESS IS: GTS.CLIENT.SERVICES@JPMCHASE.COM. PLEASE HAVE OUR REFERENCE NUMBER AVAILABLE WHEN YOU CONTACT US.

WE HEREBY AGREE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

THE NUMBER AND THE DATE OF OUR CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFTS REQUIRED.

AUTHORIZED SIGNATURE

APPENDIX F

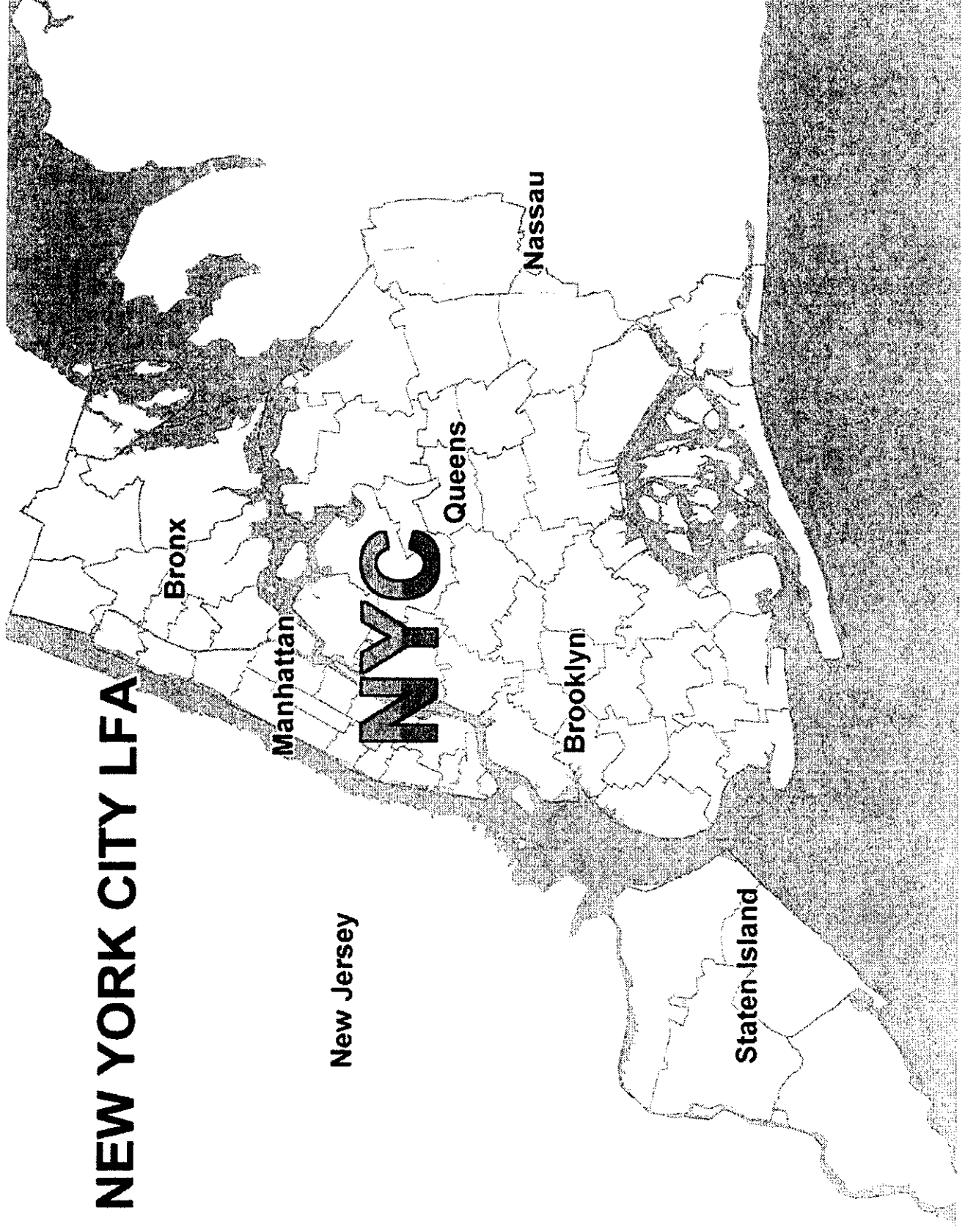
FTTP UPGRADE SCHEDULE

All dates in this schedule refer to December 31 of the year indicated, except for the year 2014, which refers to June 30.

Cumulative Frms Passed (K) - % Complete								
Boro	Type	2008	2009	2010	2011	2012	2013	2014
Manhattan	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	57%	62%	66%	73%	82%	91%	100%
	Total	57%	62%	67%	73%	82%	91%	100%
Bronx	SFU	30%	46%	59%	69%	84%	96%	100%
	MDU	6%	23%	39%	58%	75%	92%	100%
	Total	13%	29%	45%	61%	77%	93%	100%
Queens	SFU	23%	39%	55%	69%	82%	95%	100%
	MDU	7%	21%	37%	54%	72%	93%	100%
	Total	15%	30%	46%	61%	77%	94%	100%
Staten Island	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	100%	100%	100%	100%	100%	100%	100%
	Total	98%	100%	100%	100%	100%	100%	100%
Brooklyn	SFU	17%	33%	47%	63%	77%	92%	100%
	MDU	8%	27%	42%	57%	76%	93%	100%
	Total	12%	30%	45%	60%	76%	93%	100%
NYC	SFU	32%	46%	59%	71%	83%	95%	100%
	MDU	27%	40%	51%	63%	78%	92%	100%
	Total	29%	42%	54%	66%	79%	93%	100%

APPENDIX G
FRANCHISE AREA
[See Attached Map]

NEW YORK CITY LFA



APPENDIX H

FORM OF GUARANTY

In consideration of the award of the Cable Franchise Agreement by and between the City of New York and Verizon New York Inc., dated _____ 2008, we, Verizon Communications Inc., hereby unconditionally and irrevocably agree to provide all the financial resources necessary for the satisfactory performance of the obligations of the Franchisee under the Cable Franchise Agreement and also to be legally liable for performance of the obligations of the Franchisee in case of default or revocation of the Cable Franchise Agreement.

Signature

Corporate Seal

Type or Print Name

Title & Official Name of Guarantor

Date

APPENDIX I

INVESTIGATION CLAUSE

12.1. The parties to this Agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or inquiry.

12.1 (a) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision or public authority thereof, or the Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York; or

(b) If any person refuses to testify for a reason other than the assertion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of, or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City.

12.2 (a) The commission or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.

(b) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending the final determination pursuant to Section 12.3 below without the City incurring any penalty or damages for delay or otherwise.

12.3 The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(a) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a

member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(b) The cancellation or termination of any and all such existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this Agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

12.5 The Commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (a) and (b) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (c) and (d) below in addition to any other information which may be relevant and appropriate:

(a) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(b) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(c) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(d) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under 12.3 above, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in 12.2 (a) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

12.6 (a) The term "license" or "permit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.

(b) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.

(c) The term “entity” as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City, or otherwise transacts business with the City.

(d) The term “member” as used herein shall be defined as any person associated with another person or entity as a partner, director, officer, principal or employee.

APPENDIX J

SYSTEM ARCHITECTURE

FTTP System Architecture

End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

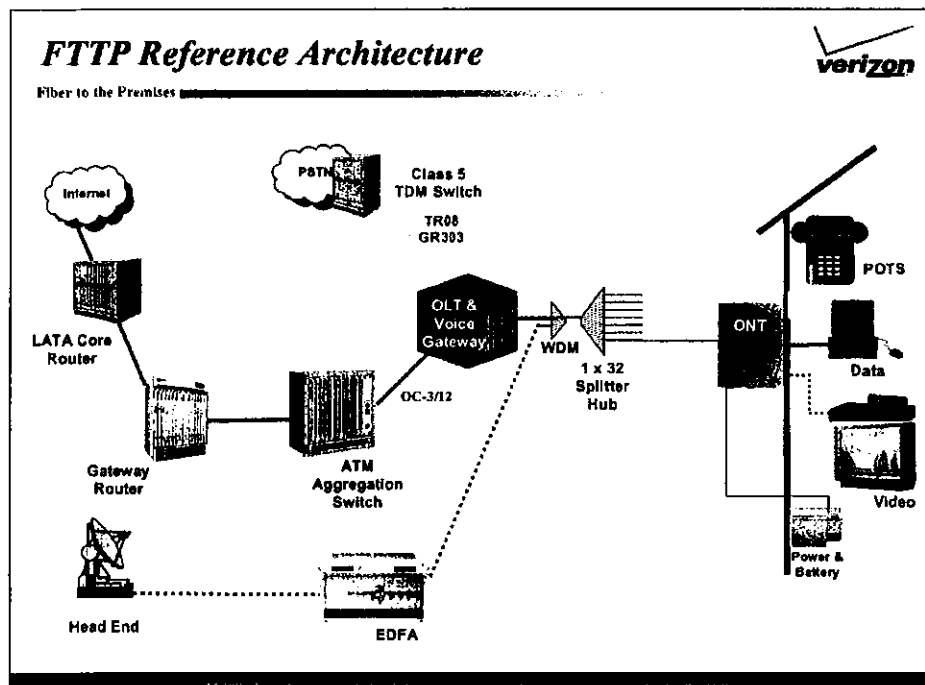


Figure 2-FTTP Full Build and Overlay Architectures

At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET and/or ROADM services. In each market where Verizon seeks to offer service, the broadcast cable television traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast cable television coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Cable television traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the cable television at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical cable television signal is de-multiplexed and converted to an electrical signal, which meets cable television industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the cable television platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

Super Headend (SHE)

A “super” headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of cable television sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET and/or ROADM, and transported via a SONET and/or ROADM transport facilities to a local point-of-presence (POP) for wide area (national) transport.

Wide Area Transport

In support of the cable television service, Verizon will use SONET and/or ROADM network facilities in the POPs serving target cable markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the cable television traffic.

In most cases, it is expected that the cable television traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the cable traffic reaches a POP located in a target market, it will be forwarded to a SONET and/or ROADM interface connected to metro/local SONET and/or ROADM facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target market. If more than one VHO is required, the metro SONET and/or ROADM ring(s) would be deployed to cover multiple sites.

Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Cable television Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via a SONET interface from the SONET POP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO.

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical cable television signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast cable television traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

Metro Area Transport

The optical cable television signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

Video Serving Office (VSO) & Passive Optical Network (PON)

The VSO is a location within the central office containing FTTP equipment. If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Cable television into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical cable television signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the cable signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the cable wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and cable television electrical signal, which meets cable television industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready televisions and to STBs for digital subscribers.

APPENDIX K
FORM OF FRANCHISE FEE REPORT

Franchise Fee Schedule/Report X3 Quarter 2008

City of New York

Verizon - JBA

New York

Franchise Fee Rate: \$.00%

	September	October	November	December	Quarter Total
Monthly Recurring Cable Service Charges (e.g. Basic, Enhanced Basic, Premium and Equipment Rental)					
Usage Based Charges (e.g. PayPer View, Installation)					

Advertising	
Home Stopping	
Late Payment	
Other Misc. (Leased Access & Other Misc.)	

Franchise Fee Billed	
PEG Fee Billed	
Less:	
Bad Debt	
Total Receipts Subject to Franchise Fee Calculation	
Franchise Fee Due	

Verizon is hereby requesting that this information be treated by the Franchise Authority as confidential business information.

The calculations set forth herein were conducted in accordance with the applicable provisions of the Cable Franchise Agreement by and between Verizon New York Inc. and the City of New York and Verizon's applicable internal financial policies and are true and accurate to the best of my knowledge.

Signature:

Manager, Verizon Settlement Administration

VERIZON NEW YORK INC.

SUMMARY ADDRESSING THOSE ITEMS ENUMERATED IN SECTIONS 5(f) and 6(b)(2) OF THE SOLICITATION

<p><i>Deployment and Service Availability (Section 5(a)):</i> Any response must include a year by year schedule showing the percentage of households passed that the proposer proposes to achieve in each borough of the City up to and including the year by which it proposes to achieve 100% of households passed.</p>	<p>As more fully described in Article 5 and Appendix F of the proposed Franchise Agreement, Verizon has proposed to offer cable television service to all households in the City, subject to certain exceptions described in the proposed Franchise Agreement. Verizon shall deploy its FTTP Network throughout the City in accordance with the schedule set forth in Appendix F, with fiber deployment to be completed by June 30, 2014. Verizon's deployment schedule establishes the percentage of homes to be passed with fiber in each borough for each year of the schedule and shall be subject to exceptions and extensions based on delays beyond Verizon's control and three checkpoint reviews.</p> <p>As more fully described in Section 5.2 of the proposed Franchise Agreement, Verizon shall complete the upgrade (video enable) of all 66 Verizon wire centers throughout the City no later than June 30 2014, subject to exceptions and checkpoint reviews.</p>
<p><i>Franchise Compensation (Section 5(b)):</i> Any response must include a proposal for franchise compensation that will require payment to the City of 5% of the franchisee's gross revenues (as that term will be defined in the franchise agreement) generated from its provision of cable television services, in addition to and not in lieu of other obligations to the City as may be described in the franchise.</p>	<p>As more fully described in Section 10.1 of the proposed Franchise Agreement, Verizon shall pay to the City, on a quarterly basis, five percent (5%) of Verizon's Gross Revenue derived from Verizon's provision of cable service in the City, as defined in Section 1.27 of the proposed Franchise Agreement.</p>
<p><i>Carriage of Pubic Educational and Governmental Programming (Section 5(c)):</i> Any response must require the franchisee to carry in each borough of the City, beginning no later than six (6) months after such franchise becomes effective, the public, educational, and governmental ("PEG") programming currently being cablecast (as of the issuance of the Solicitation) on existing franchised cable television systems in such borough.</p> <p>In addition, any response shall include a proposal for additional capacity for PEG programming that would allow for expansion of PEG programming beyond that currently (as of the issuance of the Solicitation) being cablecast.</p>	<p>As more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall initially provide to the City five (5) channels designated for Government/Education Access programming and twenty (20) channels (4 per borough) designated for Public Access programming.</p> <p>Additionally, as more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall provide to the City up to twenty eight (28) additional PEG channels over the term of the agreement, subject to the satisfaction of certain conditions set forth in the agreement.</p>

<i>Length of Franchise Term (Section 5(d)):</i> Any response shall include a proposal for a franchise term length not to exceed fifteen (15) years.	As more fully described in Section 3.1 of the proposed Franchise Agreement, Verizon proposes a term of the later of twelve (12) years or June 30, 2020.
<i>Consumer Protection Provisions (Section 5(e)):</i> Any response shall include a set of consumer protection provisions regarding franchisee's interaction with its subscribers.	As more fully set forth in Appendix A to the proposed Franchise Agreement, Verizon has proposed extensive consumer protection provisions.
<i>Authorizing Resolution Section H(1):</i> No franchise shall have a term that exceeds fifteen (15) years.	As more fully described in Section 3.1 of the proposed Franchise Agreement, Verizon proposes a term of the later of twelve (12) years or June 30, 2020.
<i>Authorizing Resolution Section H(2):</i> The compensation paid to the City shall be adequate and may include monetary compensation, the provision of facilities and/or services to the City, or both.	<p>As more fully described in Section 10.1 of the proposed Franchise Agreement, Verizon shall pay to the City, on a quarterly basis, five percent (5%) of Verizon's Gross Revenue derived from Verizon's provision of cable service in the City, as defined in Section 1.27 of the proposed Franchise Agreement.</p> <p>As more fully described in Section 5.7 of the proposed Franchise Agreement, Verizon shall pay to the City a Technology & Municipal Facilities Grant in the aggregate amount of \$4,000,000.</p> <p>As more fully described in Section 8.2 of the proposed Franchise Agreement, Verizon shall pay to the City a Governmental and Educational Access grant in the aggregate amount of \$10,000,000.</p> <p>As more fully described in Section 8.3 and Appendix C to the proposed Franchise Agreement, Verizon shall make Cash Grants and per subscriber per-month payments to the City's five Community Access Organizations in support of the City's public access programming.</p> <p>As more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall initially provide to the City five (5) channels designated for Governmental/Educational Access programming and twenty (20) channels (4 per borough) designated for Public Access programming.</p> <p>Additionally, as more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall provide to the City up to twenty eight (28) additional PEG channels over the term of the agreement, subject to the satisfaction of certain conditions set forth in the agreement.</p> <p>As more fully described in Appendix D, Verizon shall provide an institutional network to the City.</p>

<p>Authorizing Resolution Section H(3): The franchise may be terminated or cancelled in the event of the franchisee's failure to comply with the material terms and conditions of the franchise.</p>	<p>Article 15 of the proposed Franchise Agreement addresses defaults and remedies, including defaults which would permit the City to revoke the franchise.</p>
<p>Authorizing Resolution Section H(4): The franchisee shall be required to provide security to ensure performance of the franchisee's obligations under the agreement.</p>	<p>As more fully set forth in Article 12 of the proposed Franchise Agreement, Verizon will be required to continuously maintain various insurance policies throughout the term of the franchise.</p> <p>As more fully set for in Article 15 and Appendix E to the proposed Franchise Agreement, Verizon will be required to provide security to the City in the form of (a) a \$50 million performance bond, subject to an annual reduction schedule, (b) a \$20 million letter of credit, and (c) a \$1 million cash security fund.</p> <p>As required by Section 2.10 and Appendix H to the proposed Franchise Agreement, Verizon Communications Inc. shall guarantee the performance of the franchisee's obligations in the event of default or revocation.</p>
<p>Authorizing Resolution Section H(5): There shall be remedies to protect the City's interest in the event of the franchisee's failure to comply with the terms and conditions of the franchise agreement.</p>	<p>Article 15 of the proposed Franchise Agreement addresses defaults and remedies, including defaults which would permit the City to revoke the franchise.</p> <p>As more fully set forth in Article 15 and Appendix E to the proposed Franchise Agreement, Verizon will be required to provide security to the City in the form of (a) a \$50 million performance bond, subject to an annual reduction schedule, (b) a \$20 million letter of credit, and (c) a \$1 million cash security fund.</p> <p>As required by Section 2.10 and Appendix H to the proposed Franchise Agreement, Verizon Communications Inc. shall guarantee the performance of the franchisee's obligations in the event of default or revocation.</p>
<p>Authorizing Resolution Section H(6): There shall be adequate insurance and indemnification requirements to protect the interests of the public and the City.</p>	<p>Article 12 of the proposed Franchise Agreement addresses insurance and indemnification.</p>
<p>Authorizing Resolution Section H(7): All franchisees shall be required to maintain complete and accurate books of account and records sufficient to assure franchisee's compliance with the franchise agreement, which books of account and records shall be made available on demand to the City for inspection.</p>	<p>Article 11 of the proposed Franchise Agreement addresses Reports and Records.</p> <p>Appendix A to the proposed Franchise Agreement addresses the provision of certain reports with respect to customer service standards.</p> <p>Section 18.22 and Appendix I to the proposed Franchise Agreement requires Verizon to comply with the City's standard</p>

	"Investigations Clause."
Authorizing Resolution Section H(8): There shall be provisions to ensure quality workmanship and construction methods with respect to those facilities constructed, installed, used, operated and/or maintained pursuant to the franchise and located in inalienable property.	<p>Article 6 of the proposed Franchise Agreement addresses System Facilities.</p> <p>Section 4.7 of the proposed Franchise Agreement addresses the City's police power with respect to the public rights-of-way. Section 4.8 of the proposed Franchise Agreement addresses the restoration and inspection of municipal property.</p>
Authorizing Resolution Section H(9): There shall be provisions containing the agreements required pursuant to paragraph 6 of subdivision (h) of Section 363 of the Charter relating to collective bargaining and other matters.	Article 17 of the proposed Franchise Agreement addresses employment and purchasing.
Authorizing Resolution Section H(10): There shall be provisions requiring the franchisee to comply with applicable City laws and regulations related to, but not limited to, employment and investigations.	<p>Section 4.7 of the proposed Franchise Agreement addresses the City's police powers.</p> <p>Section 18.22 and Appendix I to the proposed Franchise Agreement requires Verizon to comply with the City's standard "Investigations Clause."</p> <p>Article 17 of the proposed Franchise Agreement addresses employment.</p>
Authorizing Resolution Section H(11): There shall be provisions to ensure adequate oversight by the City of franchisee's performance of its franchise obligations.	<p>Article 11 of the proposed Franchise Agreement addresses Reports and Records.</p> <p>Article 15 of the proposed Franchise Agreement addresses defaults and remedies.</p> <p>Article 16 and Appendix A to the proposed Franchise Agreement addresses the provision of certain reports with respect to customer service standards and subscriber information.</p> <p>Section 18.22 and Appendix I to the proposed Franchise Agreement requires Verizon to comply with the City's standard "Investigations Clause."</p>
Authorizing Resolution Section H(12): There shall be provisions requiring consent of the City prior to an assignment or other transfer of, or change in control of, the franchise.	Article 13 of the proposed Franchise Agreement addresses transfers.
Authorizing Resolution Section H(13): There shall be provisions regarding the City rights to inspect facilities constructed, installed, used, operated and/or maintained pursuant to the franchise and located in inalienable property, and regarding City rights to direct relocation	<p>Section 4.7 of the proposed Franchise Agreement addresses the City's police power with respect to the public rights-of-way.</p> <p>Article 6 of the proposed Franchise Agreement addresses</p>

of such facilities.	System Facilities.
Authorizing Resolution Section H(14): All franchisees shall have been subject, prior to commencement of the franchise term, to review under the City's VENDEX system.	Section 2.12 of the proposed Franchise Agreement requires compliance with VENDEX requirements.
Authorizing Resolution Section H(15): All franchises shall include provisions incorporating the MacBride Principles.	Section 4.7 of the proposed Franchise Agreement addresses compliance with the MacBride Principles.
Authorizing Resolution Section H(16): There shall be provisions preserving the right of the City to perform public works or public improvements in and around those areas subject to the franchise.	Section 4.7 of the proposed Franchise Agreement addresses the City's police power with respect to the public rights-of-way.
Authorizing Resolution Section H(17): There shall be provisions requiring the franchisee to protect the property of the City from damage, and the delivery of public services from interruption, resulting from construction, installation, use, operation, maintenance, and/or removal of franchisee's facilities in the inalienable property.	Article 6 of the proposed Franchise Agreement addresses System Facilities. Section 4.7 of the proposed Franchise Agreement addresses the City's police power with respect to the public rights-of-way. Section 4.8 of the proposed Franchise Agreement addresses the restoration and inspection of municipal property.
Authorizing Resolution Section H(18): There shall be provisions designed to minimize the extent to which the public use of the streets of the City are disrupted in connection with the construction, installation, use, operation, maintenance and/or removal of franchisee's facilities in the inalienable property.	Article 6 of the proposed Franchise Agreement addresses System Facilities. Section 4.7 of the proposed Franchise Agreement addresses the City's police power with respect to the public rights-of-way. Section 4.8 of the proposed Franchise Agreement addresses the restoration and inspection of municipal property.
Authorizing Resolution Section H(19): No franchise granted shall contain economic or regulatory burdens on the franchisee which when taken as a whole are greater or lesser than those burdens placed upon another cable television franchise operating in the same area.	The proposed Franchise Agreement, <i>in toto</i> .
Authorizing Resolution Section H(20): All franchises shall be subject to comparable obligations and requirements provided that where the imposition of such obligations and requirements would be duplicative, then alternative but comparable obligations or requirements shall be imposed.	The proposed Franchise Agreement, <i>in toto</i> . Additionally, as more fully described in Section 5.7 of the proposed Franchise Agreement, Verizon shall pay to the City a Technology & Municipal Facilities Grant in the aggregate amount of \$4,000,000.
Authorizing Resolution Section H(21): There shall be provisions requiring capacity and support for public, educational and governmental access.	As more fully described in Section 8.2 of the proposed Franchise Agreement, Verizon shall pay to the City a Governmental and Educational Access grant in the aggregate

amount of \$10,000,000.

As more fully described in Section 8.3 and Appendix C to the proposed Franchise Agreement, Verizon shall make Cash Grants and per subscriber per month payments to the City's five Community Access Organizations in support of the City's public access programming.

As more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall initially provide to the City five (5) channels designated for Governmental/Educational Access programming and twenty (20) channels (4 per borough) designated for Public Access programming.

Additionally, as more fully described in Section 8.1 of the proposed Franchise Agreement, Verizon shall provide to the City up to twenty eight (28) additional PEG channels over the term of the agreement, subject to the satisfaction of certain conditions set forth in the agreement.

Verizon New York Inc. – Solicitation Attachment #1

Doing Business Data Form

This Attachment #1 to the Solicitation contains information that is proprietary and confidential and is exempt from disclosure pursuant to New York Public Officer's Law 87(2)(c)&(d).

As directed by Section 4(c)(iii) of the Solicitation, this Attachment #1 is included in a separate, sealed inner envelope.

Verizon New York Inc. – Solicitation Attachment #2

Verizon Affirmation

ATTACHMENT #2: FORM OF AFFIRMATION

AFFIRMATION

The undersigned proposer or bidder affirms and declares that said proposer or bidder is not in arrears to the City of New York upon debt, contract or taxes and is not a defaulter, as surety or otherwise, upon obligation to the City of New York, and has not been declared not responsible, or disqualified, by any agency of the City of New York, nor is there any proceeding pending relating to the responsibility or qualification of the proposer or bidder to receive public contracts except

Full name of Proposer or Bidder Verizon New York Inc.

Address 140 West Street

City New York State NY Zip Code 10007

CHECK ONE BOX AND INCLUDE APPROPRIATE NUMBER:

☐ A - Individual or Sole Proprietorship*
SOCIAL SECURITY NUMBER - - - - -

☐ B - Partnership, Joint Venture or Other Unincorporated organization
Employer Identification Number - - - - -

☒ C - Corporation
Employer Identification Number 13-5275510 - - -

BY:

Signature *Thomas C. Breen*

Title Senior Vice President/General Manager

Miguel A. Rosa

MIGUEL A. ROSA
Notary Public, State of New York
No. 43-4771951, Qualified in Kings County
Certificate Filed in New York County
Commission Expires Nov. 30, 2012

If a corporation place seal here

FORM APPROVED
Attorney *[Signature]*
Date 4/15/08

Must be signed by an officer or duly authorized representative. Please Affix notary on next page.

*Under the Federal Privacy Act the furnishing of Social Security Numbers by bidders on City contracts is voluntary. Failure to provide a Social Security Number will not result in a bidder's disqualification. Social Security Numbers will be used to identify bidders, proposers or vendors to ensure their compliance with laws, to assist the City in enforcement of laws as well as to provide the City a means of identifying of businesses which seek City contracts.

Verizon New York Inc. – Solicitation Attachment #3

Acknowledgement of Release Date and Addendum

ATTACHMENT #3: ACKNOWLEDGMENT OF
RELEASE DATE AND ADDENDUM

ACKNOWLEDGMENT OF
RELEASE DATE AND ADDENDUM

PROPOSER'S NAME: Verizon New York Inc.

SOLICITATION RELEASE DATE: April 11, 2008

NUMBER OF ADDENDA RECEIVED: 0

ISSUE DATE(S) OF ADDENDA: _____

Tab 2

Verizon FiOS TV and New York City: An Unprecedented Commitment to More than 3 Million Customers

The cable franchise agreement between Verizon and the City of New York, finalized after more than a year of good faith discussions, is a one-of-a-kind contract designed to meet the unique needs of America's largest city. Highlights of the agreement include:

Unprecedented Coverage

Verizon will make FiOS TV available to more than 3 million households. Many homes in all five boroughs can receive FiOS Internet and voice service today.

Unprecedented Speed

Verizon is prepared to make FiOS TV available to hundreds of thousands of New York residents later this year, after confirmation of the franchise agreement by the New York State Public Service Commission.

Unprecedented Reach

When the project is completed, Verizon will offer FiOS TV to consumers in all communities, delivering on our promise to New York City to deliver the benefits of cable TV choice and competition to all New Yorkers.

Unprecedented Commitment

The customer service provisions in the proposed franchise are strong. In addition, Verizon ultimately will deliver more than 50 channels to support public, educational, and governmental access (PEG) programming in New York.

The cable franchise agreement is good for New York City and good for New Yorkers! The Franchise and Concession Review Committee, our City Comptroller and New York City leaders should say "Yes" to cable TV choice and competition – and "Yes" to FiOS TV.





Verizon FiOS TV

tv | entertainment | music | games | sports

www.verizon.com/ny



Elevate your entertainment experience with Verizon FiOS TV.

More Value

FiOS TV is all about simple packages and competitive prices. FiOS TV Premier delivers an unmatched lineup with more than 200 channels of television and music entertainment. It's an even better value when bundled with our FiOS Internet Service.

A Superior Network

Our 100% fiber-optic network delivers an all digital experience with better picture and sound quality, more choices and more control. The FiOS network has far more capacity than cable's and is less vulnerable to weather outages and electrical interference - advantages that add up to a vast new dimension of bandwidth, speed and power.

On Demand

With FiOS TV, you have instant access to a library of the latest titles; blockbuster movies, kids' shows, sporting events and much more, all at a touch of a button. And, Verizon will add 1,000 high definition titles to its on demand library in 2008.

More HDTV

In 2008, Verizon's fiber-optic network will accommodate up to 150 high-definition channels.

More Control

Parental Controls allow you to block access to shows either by channel, rating or category. You can also selectively block Pay Per View and On Demand purchases, and choose to show or hide programs from the TV Listings. And these easy to use features come at no additional charge to FiOS TV Premier customers.

Interactive Media Guide, Home Media DVR, and FiOS TV Widgets

FiOS TV's powerful interactive media guide gives you integrated control of TV, movies, information and personal media like photos and music. Our Home Media DVR lets you record your favorites, pause live TV, and watch instant replays. Our Multi-Room DVR enables you to watch separate recorded shows from any room in the house, and Media Manager lets you easily access photos and music from your personal computer to play them on your entertainment center. FiOS TV Widgets gives you local weather and traffic on your TV screen at the touch of a button, without interrupting what you're watching.

Global Reach

FiOS TV's multicultural lineup is unmatched in the industry. Whether you choose our Spanish language tier, La Conexión, or any of the popular international premium channels, you stay connected to the world.

Competition Works!

Municipal and state leaders agree: state laws and local municipal agreements that promote cable TV competition helps grow communities and give residents what they demand -- a long-awaited choice for cable TV services:

"Competition is good for the customers in Braintree."

*Selectman Charles B. Ryan
Braintree, MA Board of Selectmen
Boston Globe, Oct. 18, 2007*

"No. 1, they'll have a choice. With that choice comes the ability for a customer to leave one company and go to another, which in the public marketplace has a way of militating to benefit customer service."

*Assistant City Attorney Paul Lee
Wilsonville, Oregon
The Oregonian, Sept. 6, 2007*



Verizon FiOS TV: Leading the home entertainment revolution.

Why stroll through a video store when you can scroll through one?

Scroll through a library of approximately 10,000 movies and shows per month that are waiting for you to watch. Use your remote and your Interactive Media Guide to browse, then make your selection - it's that easy. Need to pause to get more popcorn? Fast forward to skip the scary part or rewind to see it again? No problem! You can do it all from your remote any time you want, day or night.

Free On Demand	Choose from a selection of free programming -- sports, home & leisure, music, pop culture and more -- from our FiOS TV library. Channels include Disney, Discovery, ESPN, Home & Garden, MTV and many others.
Movies On Demand	Find the blockbuster movies and your old favorites at the press of a button for a fraction of the cost of a movie ticket.
HD On Demand	Throughout 2008, Verizon will introduce a series of HD on-demand titles, which will increase to more than 1,000 by the end of the year.
Premium On Demand	When you subscribe to HBO, Cinemax or the Movie Package, you automatically have access to original programming and shows, and the hottest movie releases - anytime you want.
Pay Per View	Get a front row seat (your couch) to the most anticipated sporting events, concerts, movies and much more in entertainment with our Pay Per View listings.

You got the killer high def TV. Now get more killer high def channels to go with it.

Brilliant picture. Room-shaking sound. Abundance of HD choices. The stunning capacity of fiber optic cable delivers more of the high def programming you love, with spectacular picture, hyper-real color, and amazing clear sound. Watch your favorite sports, movies, and TV shows come alive on your screen.

FiOS TV with HDTV programming offers:

- Images up to 5x sharper than regular TV
- Unparalleled picture/sound quality and a wide-screen format
- An expansive and growing list of HDTV channels
- Easy installation from the FiOS TV HD Set Top Box
- Dolby 5.1 digital surround FiOS.

Competition Works!

"Choice means quality. Choice means competition."

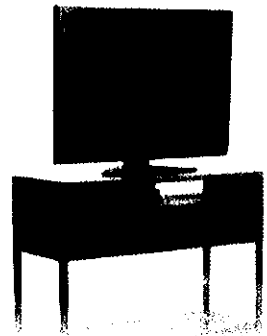
*Indiana State Senator Tom Wyss
Ft. Wayne News Sentinel
July 18, 2007*

"We've been trying to get any competition we could, and Verizon was the first to step up to the plate."

*Township Manager Tim Rogers
Shaler Township, PA
The Pittsburgh Tribune Review
July 18, 2007*

"This is great news for Yonkers residents who now have more choices for their subscription television service. Choice is not something that has traditionally been offered to subscribers in the cable and satellite industry, which is why I'm excited about this opportunity to broaden our marketplace."

*Mayor Phil Amicone
Yonkers, NY
City of Yonkers News Release
July 12, 2007*



Realize the full potential of your TV with Verizon FiOS TV.

One DVR. Endless Entertainment.

Enjoy home entertainment on a whole new scale. The Verizon FiOS Home Media DVR handles everything you do with an ordinary DVR, like record your favorites, pause live TV and watch instant replays. Then it changes the game forever with two groundbreaking new features: Multi-room DVR and Media Manager. More freedom, more flexibility, more fun, all from one box.

Multi-Room DVR Put an end to your family's tug-of-war. With Home Media DVR, you can watch separate recorded shows on up to three TVs at the same time. You also can pause a recorded show in one room and pick it up in another.

Media Manager Lets customers bring memories vividly to life on your TV, and program the perfect soundtrack. Media Manager empowers your DVR to create photo slideshows and music playlists on your PC, and then play them back on the best entertainment system in the house – FiOS TV.

Verizon continues to bring the finest, state-of-the-art network to hundreds of thousands of consumers from Massachusetts to California. Here's how the most powerful fiber optic network in America is getting even better in 2008.

More High-Definition Channels

Verizon is creating enough network capacity to accommodate up to 150 HD channels this year. That means more sports, multicultural, and other programming from now to next December.

More High-Def Shows and Movies On Demand

FiOS TV customers will see an increase to more than 1,000 HD on demand titles in 2008 – this in addition to the 10,000 selections already in the FiOS TV library.

More Flexibility

Verizon is taking your remote to the next level with its new Interactive Media Guide, first introduced last July. The new guide lets your FiOS TV remote organize content from broadcast TV, our video-on-demand library, and your Home Media DVR, enabling you to find and enjoy digital photos and music with a few clicks of the remote.

More Speed

Verizon has redefined "fast" with the introduction of a new, symmetrical FiOS internet service that allows customers to download and upload content at 20 Mbps in some parts of the country.

More Innovation

Verizon is harnessing the best technology in the world so our customers have access to even more advanced home and business applications in the future. We successfully completed the industry's first field test of 100 gigabits per second transmission using plug-and-play equipment on a live network route between Tampa and Miami.

Competition Works!

"I'm happy that Verizon will enter the community and continue to add to the township's technology infrastructure while bringing new competition to the region."

*Mayor Bernie Platt
Cherry Hill, New Jersey
Camden NJ Courier Post
Feb. 13, 2007*

"We think competition is good. The more, the better."

*City Manager Alan Kapanicas
Beaumont, California
The Orange County Register
February 8, 2006*

"Ever since I've been on the council, it's been something constituents have talked about. We've never had anybody with the financial backing that Verizon has to be able to come in and do the job."

*Baltimore County Councilman
Joseph Bartenfelder
Baltimore Sun
February 6, 2007*



PAY PER VIEW

- 701 Events
- 702-707 ESPN-NCAA Sports/ GamePlay/Full Court

HD

HD BROADCAST

- 801 CW — WPX HD
- 802 CBS — WCBS HD
- 803 PBS — WNET HD
- 804 NBC — WNBC HD
- 805 FOX — WNYW HD
- 807 ABC — WABC HD
- 809 MyNetwork HD
- 825 TNT HD
- 826 ESPN HD
- 827 ESPN 2 HD
- 828 NFL Network HD
- 830 YES HD
- 831 SportsNet New York HD
- 833 HD Net
- 834 HD Net Movies
- 835 Universal HD
- 836 HD Theatre
- 837 Wealth TV HD
- 838 National Geographic Channel HD
- 839 MTV HD
- 840 Food Network HD
- 841 HGTV HD
- 842 A&E HD
- 843 Lifetime Movie Network HD
- 845 Discovery HD

HD PREMIUM

- 851 HBO HD
- 852 Cinemax HD
- 853 Showtime HD
- 854 TNT HD
- 855 Starz HD

LOCAL PLUS

- 860 NBC Weather Plus
- 864 WABC 4.4
- 866 WRNN-Rise
- 867 ABC — WABC 2
- 868 ABC — WABC 3
- 870 WLW 21
- 871 WLW Create
- 872 13 Kids
- 873 WLW World
- 874 13 VME
- 891 Qubo
- 892 ION Life
- 894 Worship Network

VIDEO ON DEMAND**

900 FIOS ON DEMAND

ALL FREE

- Home & Leisure
- Info & Education
- Kids
- Marketplace
- Music
- News
- People & Culture
- Pop Culture
- Sports
- Women

Movies

- International Films
- Library
- Movie Trailers
- New Releases
- En Español

Subscriptions

- Cinemax
- HBO
- Showtime
- Starz
- Sundance
- The Movie Channel
- Playboy
- Karaoke Channel
- WWE 24-7

Events

- Sports
- Uncensored
- En Español
- Adult
- FIOS TV Help

LOCAL PUBLIC/EDUCATION/GOVERNMENT ***

ARDSLEY/GREENBURGH/IRVINGTON/TARRYTOWN

- 32 Government (Gov.) Access Channel 1
- 33 Ed. Access Channel 1
- 34 Public Access Channel 1
- 35 Gov. Access Channel 2
- 36 Ed. Access Channel 2

DOBBS FERRY

- 46 Gov. Access Channel
- 47 Educational (Ed.) Access Channel

EASTCHESTER

- 24 Eastchester Ed. Access
- 40 Eastchester Town Gov. Access 1

ELMSFORD

- 30 Public Access

FLORAL PARK (VILLAGE)

- 28 Four Village Studio Gov. Access (4VS)

LYNBROOK

- 32 Lynbrook Education
- 33 Lynbrook Gov.
- 34 Lynbrook Gov. 2

New York Channel Lineup

EFFECTIVE FEBRUARY 2008

FIOS TV LOCAL

- 2 CBS — WGBS-TV 2
- 4 NBC — WNBC-TV 4
- 5 FOX — WNYW-TV 5
- 6 WNNM-TV 48
- 7 ABC — WABC-TV 7
- 8 Superstation — WGN-TV
- 9 MyNetworkTV 9
- 10 WLW-TV 55
- 11 CW — WPDV-TV 11
- 12 Telemundo — WNUJ-TV 47
- 13 PBS — WNET-TV 13
- 14 WWHV-TV 50
- 17 Telemundo — WFTV-TV 67
- 18 WABC-TV 63
- 21 PBS — WLW-TV 21
- 23 PBS — WUNJ-TV 50
- 24 Local Programming
- 25 NYC-TV
- 26-28 Local Programming
- 29 WPMI-TV 66
- 30 Local Programming
- 31 ION-TV 81
- 32-36 Local Programming
- 37 Public Access
- 38 Public Access
- 39-40 Local Programming
- 41 Univision — WFTV-TV 41
- 42-47 Local Programming
- 48 TV Guide
- 49 Weathercast Local

FIOS TV PREMIER

- 50 USA Network
- 51 TNT
- 52 TBS
- 53 FX
- 54 Spike TV
- 60 ESPN
- 61 ESPN Classic Sports
- 62 ESPN News
- 63 ESPN
- 64 ESPN 2
- 66 YES
- 67 SportsNet NY
- 68 MSG
- 69 Fox Sports Net NY
- 71 Speed Channel
- 72 NFL Network
- 75 VERSUS
- 76 Fox Soccer Channel

NEWS

- 80 OWN
- 81 CNN Headline News
- 82 Fox News
- 83 CNBC
- 85 Bloomberg TV
- 86 CNN International
- 87 CNBC World
- 88 ABC News Now
- 89 CSPAN
- 90 CSPAN2
- 91 CSPAN3
- 92 BBC World
- 94 Fox Business Network
- 95 The Weather Channel

INFORMATION

- 100 Discovery Channel
- 101 National Geographic Channel
- 102 Science Channel
- 103 Investigation Discovery
- 104 Pentagon Channel
- 105 Military Channel
- 106 Military History Channel
- 107 History Channel International
- 108 History Channel
- 109 Bio Channel
- 110 Animal Planet
- 111 TV 480
- 115 TLC (The Learning Channel)

WOMEN

- 120 Lifetime
- 121 Lifetime Movie Network
- 122 Lifetime Real Women
- 123 SoapNet
- 124 Oxygen
- 125 Women's Entertainment

SHOPPING

- 130 QVC
- 131 J&N
- 132 Jewelry
- 137 ShopNBC

HOME & LEISURE

- 140 SYR
- 141 Discovery Health
- 143 RITV
- 144 Food Network
- 145 HGTV Home & Garden Television
- 146 Fine Living
- 147 DIY (Do It Yourself)
- 148 Discovery Home
- 149 Health TV
- 150 Travel Channel

POP CULTURE

- 160 So-So Channel
- 161 A&E
- 162 Crime & Investigation Network
- 163 truTV
- 164 GSN
- 165 Bravo
- 166 Slurth
- 167 Logo
- 168 Ovation
- 169 BBC America
- 170 Comedy Central
- 171 G4
- 176 E! Entertainment Television
- 177 Fox Reality
- 178 Fuel
- 179 ABC Family

MUSIC

- 180 MTV
- 181 MTV2
- 182 MTV U
- 183 MTV Jams
- 184 MTV Hits
- 185 MVE (International Music Feed)
- 186 FUSE
- 187 VH1
- 188 VH1 Classic
- 189 VH1 Soul
- 190 BET Jazz
- 191 CMT
- 192 CMT Pure Country
- 193 Great American Country
- 194 Gospel Music Channel
- 195 BET Gospel
- 199 Soundtrack Channel

MOVIES

- 200 Turner Classic Movies
- 201 AMC
- 202 Fox Movie Channel

FAMILY

- 210 Hallmark Channel (East)
- 212 Family Net
- 213 American Life TV
- 214 TV Land

CHILDREN

- 220 Disney
- 221 Toon Disney
- 222 Nickelodeon
- 223 NickTo
- 224 NickToons
- 225 G4S
- 226 Noggin
- 227 Cartoon Network (ESP)
- 228 Boomerang (ESP)
- 229 Discovery Kids
- 230 Varsity
- 231 FUNimation
- 232 PBS Kids Sprout

PAY PER VIEW

- LOCAL PLUS
- VOD
- LOCAL PUBLIC/EDUCATION/GOVERNMENT

Verizon FiOS TV is frequently changing its channel offerings. To view our latest published channel lineup, please visit www.verizonfiostv.com/tv.

Verizon FiOS

- FIOS TV LOCAL
- ARTS & ENTERTAINMENT
- SPORTS
- NEWS & INFORMATION
- LIFESTYLE



FIOS TV PREMIER (continued)

PEOPLE & CULTURE

240	BET
241	TV One
243	MTV Tr3s
244	Galavisión
245	Mun2
246	STV
247	AZN Television
248	Bridges TV
249	Hits
RELIGION	
260	EWTN
261	INSP
262	Life
263	Church
264	JCTV
265	BYU
266	Three Angels
267	The World Network
268	Daystar
269	Smile of a Child
270	Trinity Broadcasting Network
271	Telecare TV

300	Fox College Sports — Atlantic
301	Fox College Sports — Central
302	Fox College Sports — Pacific
303	Tennis Channel
305	Golf Channel
307	Outdoor Channel
308	The Sportsman Channel
311	Fox Sports en Español
313	GoTV
315	TVG (Horse Racing)
316	Horse Racing TV
317	World Fishing Network
318	Mav TV
319	Blackbelt TV
321	MSG 2
322	Fox Sports Net NY 2

MOVIES**

340	Starz
341	Starz West
342	Starz Edge
343	Starz Edge West
344	Starz in Black
345	Starz Kids & Family
346	Starz Cinema
347	Starz Comedy
348	Encore
349	Encore West
350	Encore Love
351	Encore Love West
352	Encore Westerns
353	Encore Westerns West
354	Encore Mystery
355	Encore Mystery West
356	Encore Drama
357	Encore Drama West
358	Encore Action
359	Encore Action West
360	Encore WAM!
361	Showtime
362	Showtime West
363	Showtime Showcase
364	Showtime Showcase West
365	Showtime Too
366	Showtime Too West
367	Showtime Beyond
368	Showtime Beyond West
369	Showtime Extreme
370	Showtime Extreme West
371	Showtime Women
372	Showtime Women West
373	Showtime Next
374	Showtime Next West
375	Showtime Family Zone
376	Showtime Family Zone West
377	The Movie Channel
378	The Movie Channel West
379	The Movie Channel Xtra
380	The Movie Channel Xtra West
381	Flix
382	Flix West
384	Sundance
385	Independent Film Channel***

PREMIUMS**

HBO	
400	HBO
401	HBO West
402	HBO 2
403	HBO 2 West
404	HBO Signature
405	HBO Signature West
406	HBO Family
407	HBO Family West
408	HBO Comedy
409	HBO Comedy West
410	HBO Zone
412	HBO Zone West
413	HBO Latino
414	HBO Latino West

CINEMAX

415	Cinemax
416	Cinemax West
417	More Max
418	More Max West
419	Action Max
420	Action Max West
421	Thriller Max
422	Thriller Max West
423	Women's Max
424	At Max
425	Five Star Max
426	OuterMax

OTHER PREMIUMS

430	Playboy TV
431	Playboy TV en Español
435	here!

SPANISH LANGUAGE**

EN ESPAÑOL

440	Galavisión
442	ESPN Deportes
443	Fox Sports en Español
444	GoTV
446	CNN en Español
447	Canal SUR
448	TVE Internacional
449	HfN
452	History Español
453	Discovery en Español
456	Infinito
457	MTV Tr3s
459	Telehit
462	De Película
463	De Película Clásico
464	Cine Latino
465	Cine Mexicano
468	La Familia
469	TV Chile
470	TV Colombia
472	Sorprea
473	Toon Disney Español
474	Boomerang (ESP)*
475	Discovery Familia
477	TBN Enlace
478	EWTN Español

INTERNATIONAL PREMIUMS**

480	SBTN (Vietnamese)
481	CCTV-4 (Mandarin Chinese)
482	CTI — Zhong Tian Channel (Chinese)
483	TV Japan
484	MBC (Korean)
485	The Filipino Channel
486	TV Asia
487	ART (Arabic)
488	RAI (Italian)
489	TV 5 (French)
490	TVP Polonia (Polish)
491	Rang A Rang (Farsi)
492	RTN Russian
493	Channel 1 Russian

LA CONEXIÓN

ENTERTAINMENT

500	USA Network
501	TNT
502	TBS
503	Galavisión
504	FX
505	Spike TV
508	ESPN Deportes
511	YES
512	SportsNet NY
513	Fox Sports en Español
514	Fox Soccer Channel
515	MSG
516	GoTV
517	Fox Sports Net NY

MUSIC CHOICE

518	CNN en Español
519	CNN
520	CNN Headline News
521	Fox News
522	CNBC
524	C-SPAN
525	Canal SUR
526	HfN
529	TVE Internacional
530	History Español
531	Discovery Channel
532	Discovery en Español
534	Animal Planet
535	TLC (The Learning Channel)

WOMEN

537	Lifetime
538	Lifetime Movie Network

SHOPPING

540	QVC
541	HSN
543	Shop NBC

HOME & LEISURE

545	Discovery Health
549	Infinito
550	Food Network
551	HQTV (Home & Garden Television)
552	Travel Channel

POP CULTURE

555	E! Entertainment Television
556	A&E
557	SiTV
558	Mun2
559	Comedy Central
560	Sci-Fi Channel

MUSIC

562	MTV Tr3s
563	MTV2
564	Telehit
566	CMT

MOVIES

569	De Película
570	De Película Clásico
571	Cine Mexicano
572	Cine Latino

FAMILY

574	ABC Family
575	La Familia
576	TV Chile
577	TV Colombia
578	TV Land

CHILDREN

580	Nickelodeon
581	Disney en Español
582	Toon Disney Español
583	Boomerang (ESP)*
584	Cartoon Network (ESP)*
585	Sorprea
586	Discovery Familia

RELIGION

588	TBN Enlace
589	EWTN Español

URGE RADIO

647	Cunch
648	MTV2
649	Blues Part 2
650	Cover 2 Cover
651	CMT Radio
652	Classic Country
653	Wide Open Country
654	Voice Box
655	Vinyl
656	Dope
657	Hip-hop/ics
658	Celebration
659	Unforgettable
660	Manteca
661	TRL
662	Pegao
663	I Love the 80s
664	I Love the 90s
665	I Love the 70s
666	Neon
667	Reunion
668	Rocks
669	Axis
670	Opera Babylon
671	Dream Sequence
672	Crescendo
673	Bluegrass Radio
674	Plush
675	Zen
676	Discotech
677	Ukrasound
678	Praise
679	Smoke
680	Oasis
681	Swing
682	Radio Alterna
683	MTV2 Headbangers Ball
684	Blast
685	Gold
686	MTV Tr3s
687	NuGroove
688	Soul City
689	VH1 Soul
690	Cinema
691	Jazzup Broadway
692	Easy Listening
693	Ragga
694	Comedy

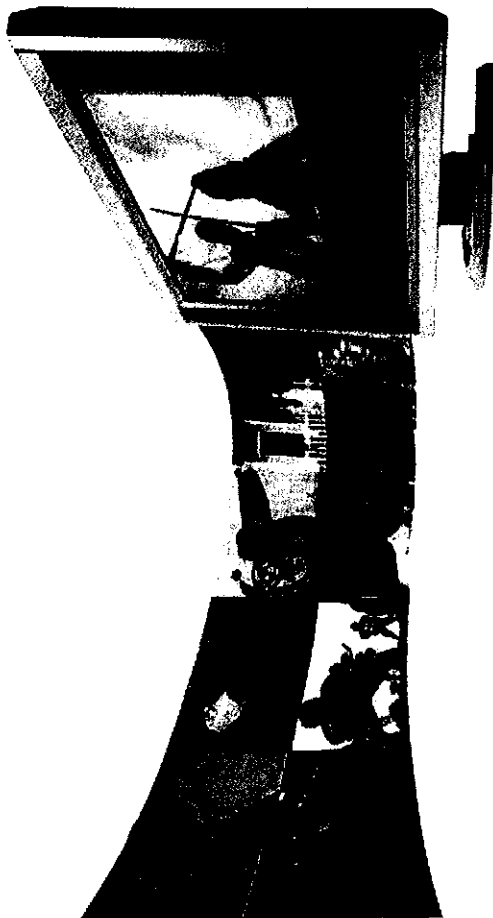
*A Spanish-language Secondary Audio Program (SAP) is available for selection.
 **Subscription to corresponding premium channels and packages required.
 ***HBO or Cinemax subscription includes Independent Film Channel.
 Programming services offered within each package are subject to change, and not all programming services will be available at all times. Blackout restrictions also apply.

1. In all-digital service areas, FIOS TV Local requires a Digital Adapter or Set Top Box and Router for access. Listed monthly price does not include Digital Adapter or Set Top Box fees.
2. If service is cancelled within the first 12 months, Router must be returned or \$99.99 equipment fee applies.
3. In order to be eligible for Movies or Sports, FIOS TV Premier or La Conexión is required. The Spanish Language package cannot be combined with La Conexión. 30-day minimum billing period required for all Packages.
4. 30-day minimum billing period required for all Premiums.
5. A service repair visit charge is assessed when a technician visit is required for general service education, to repair problems related to in-home wiring, or to connect or reconnect the service to customer-owned equipment. A service visit charge is not assessed when a technician visit is required to install or retrieve a Set Top Box or when the repair or maintenance is related to the service itself or Verizon-owned equipment.

Service/program availability varies by location and the number of channels within each package is an approximation. Pricing applies to residential use only within the United States and is subject to change. Taxes, franchise fees and other terms apply. FIOS TV customers purchasing Verizon voice service receive both services over fiber. Non-IP voice service comes with up to 8 hours battery backup.

FiOS®

Rates & Packages



It's the Network

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Verizon FiOS

tv | Internet | phone



CCF70038-TVER-01/08

Here's everything you need to create your perfect Verizon FIOS® TV package. First, choose your service. Then, add to it from our selection of digital packages and premium channels below.

Refer to the Channel Lineup for a complete listing of the channels included in each package.

Service	Number of Channels	Monthly Price
FIOS TV Local ¹	15–35	\$12.99
Digital Service (Requires Set Top Box [STB] and Router ²)		
FIOS TV Premier	228 + FIOS TV Local	\$47.99
La Conexión	162 + FIOS TV Local	\$37.99

Now, add more channels for just a few dollars more.

Packages ³ (Requires STB)	Number of Channels	Monthly Price
Sports	13	\$7.99
Movies	45	\$14.99
Spanish Language	25	\$11.99

Premiums ⁴ (Requires STB)	Number of Channels	Monthly Price
HBO ⁵	14	\$15.99
Cinemax ⁶	12	\$15.99
Playboy TV ⁷ /Playboy TV en Español	2	\$16.99
here!	1	\$7.99

International Premiums ⁴ (Requires STB)	Number of Channels	Monthly Price
International Premium Channels	14	Individually Priced

Video On Demand (VOD) and Pay Per View (PPV) (Requires STB)	Price
On Demand Movies	
New Releases & Library	Varies
On Demand Adult	Varies

On Demand Subscriptions	Price
WWE 24/7	\$9.99/mo.
Karaoke	\$7.99/mo.
PPV Events	Varies
PPV Sports	Varies
ESPN GamePlan — NCAA Football	Varies
ESPN FullCourt — NCAA Basketball	Varies

Set Top Box (STB)	Monthly Price
Cable Card	\$3.99
Digital Adapter	\$3.99
Standard Definition (SD)	\$5.99
High Definition (Includes HD channels)	\$9.99
Standard Definition Digital Video Recorder	\$12.99
High Definition Digital Video Recorder (includes HD channels)	\$15.99
SD Home Media DVR (features Multiroom DVR & Media Manager)	\$17.99
HD Home Media DVR (features Multiroom DVR & Media Manager)	\$19.99

Initial Installation	One-Time Charges
Existing Outlet Hookup (up to 3)	No Charge
Additional Outlet/Set Top Box Hookup (per existing outlet)	\$19.99
New Outlet Install/Existing Outlet Rewire (per outlet)	\$54.99
Outlet Relocation (per outlet)	\$54.99
FIOS TV Activation Fee with FIOS TV/Internet/Voice Bundle	Free
FIOS TV Activation Fee with FIOS Internet	\$19.99
FIOS TV Activation Fee without FIOS Internet	\$29.99

Subsequent Installations/Charges	One-Time Charges
New Outlet Installation/Outlet Relocation (per outlet)	\$54.99
Set Top Box Installation/Retrieval (one new/relocated outlet included, if required)	\$79.99
Set Top Box Addition (Self-Install)	Free
Set Top Box Return with equipment drop-off at Verizon authorized locations/UPS location with prepaid mailer	Free
Service Repair Visit Charge ⁸	\$79.99

Other Services and Charges	One-Time Charges
Seasonal Service Suspension (charged at initiation, 1–6 months) ⁹	\$24.99
Replacement Remote	\$6.99 + Shipping & Handling
Unreturned/Damaged — Cable Card	\$100.00
Unreturned/Damaged STB — Digital Adapter	\$175.00
Unreturned/Damaged STB — Standard Definition	\$240.00
Unreturned/Damaged STB — High Definition	\$350.00
Unreturned/Damaged STB — SD Digital Video Recorder (DVR)	\$475.00
Unreturned/Damaged STB — HD Digital Video Recorder (DVR)	\$550.00

Tab 3

From: Pinkard, Brendon [mailto:BPinkard@wileyrein.com]
Sent: Wednesday, April 23, 2008 2:04 PM
To: lfinkel@comptroller.nyc.gov
Cc: msimpson@cityhall.nyc.gov; Azare, Monica; Raposa, John F.; Dunne, Thomas A.; Lasota, Marie C.; ptrane@verizon.net; O'Connell, Cronan Quinn; Ahlbaum, Mitchel; Regal, Bruce; Grippo, Vincent
Subject: Revised Verizon-NYC Appendix A with Bill of Rights Revisions

Lew,

Following up on our discussion of yesterday, attached please find a revised Appendix A (Customer Service) of the proposed Verizon-NYC franchise incorporating the terms we discussed. Please let us know if you have any questions or comments.

Best regards,

Brendon Pinkard



Brendon M. Pinkard
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*APPENDICES TO VERIZON-NEW YORK CITY CABLE FRANCHISE AGREEMENT
EXEMPT FROM DISCLOSURE PURSUANT TO N.Y. PUB. OFF. LAW §§87(2)(c) & (d)
STRICTLY CONFIDENTIAL - FOR DISCUSSION PURPOSES ONLY
4.23.08*

APPENDIX A

CONSUMER PROTECTION STANDARDS

APPENDIX A
CONSUMER PROTECTION STANDARDS
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Section 1 **SOLICITATION OF SUBSCRIPTIONS**

1.1 **Uniforms/Identification Cards.** Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 **Name Badges.** Each Franchisee employee, contractor, or subcontractor, who routinely comes into contact with the public at the Subscriber's premises during the hours of employment shall wear a badge during such hours of employment which indicates his or her name and identification number and employment/relationship with the Franchisee.

1.3 **Subscription Information.**

1.3.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology

enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

(v) the procedure for the resolution of billing disputes;

(vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;

(vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;

(viii) the required time periods for installation requests, consistent with these consumer protection standards; and

(ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.3.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.3.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.4 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2 **INSTALLATION**

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time). ;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices,

practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer “appointment window” time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee’s work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer “appointment windows,” but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber’s premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner's satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have) failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the thirtieth (30th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3

SERVICE CENTERS

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain ~~at least~~ one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays

and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the

Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

- (i) each telephone call shall be answered within at least thirty (30) seconds;
- (ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;
- (iii) callers shall not be kept on hold for longer than thirty (30) seconds;
- (iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;
- (v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and

(vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for

example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may “pass through” to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber

requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Verizon.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5
EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an “Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber’s television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, “loss of picture or sound” shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a “Significant Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber’s television receiver or the Subscriber, and that affects one hundred (100) or more

Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a “Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a “Significant Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber’s premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee’s customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber’s premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber’s premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee’s control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee’s failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain access to a Subscriber’s premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the thirtieth (30th) day following the end of each calendar quarter. Upon request of the Commissioner, the

Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7

SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Center's to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "payment center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the “comments” section of the Franchisee’s records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee’s obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

(i) the total number of complaints received by Franchisee in each Borough;

(ii) the nature and current status of all complaints received by Franchisee in each Borough, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories a may be tracked in Verizon’s internal customer service system; and

(iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough.

Section 8 **NOTICE**

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 Scheduling Appointments. The Franchisee shall provide Subscribers with "appointment window" time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber's premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide "appointment window" time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this

Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 **Grounds.** As a result of the Franchisee's failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber's claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber's claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant

Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 Procedures for Contacting Subscribers. Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not

apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12
FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 Reporting. The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13
ANNUAL CABLE CONSUMER REPORT CARD

13.1 Annual Cable Consumer Report Card Requirements. The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.

Exhibit 1 to Appendix A

DESIGNATION AND LOCATION OF SERVICE CENTERS

SERVICE CENTER

[To be filled in by Verizon]

Exhibit 2 to Appendix A

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All “calls” other than those which receive busy signals, made to the Franchisee’s sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee’s business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative (“CSR”) (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

“Wait Time” is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee’s phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all “service” lines are busy, even if “billing” lines are available, unless the Franchisee’s system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not

include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) "calling hours." "Calling hours" are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner's request.)

Exhibit 3 to Appendix A

ANNUAL CABLE CONSUMER REPORT CARD

Subject to the terms of Section 13.1 hereof, within forty-five (45) days from the end of each calendar year, Franchisee shall post on its website, and provide to the leasing or sales office of each MDU with which Franchisee has executed a marketing agreement for Cable Service, an Annual Cable Consumer Report Card setting forth the following information on a City-wide basis:

(1) Customer service performance information, including:

(a) Percentage of calls answered by voice response units ("VRU");

(b) Percentage of calls abandoned by VRU; and

(c) Percentage of busy calls by VRU.

(2) Subscriber rights and remedies, including but not limited to contact information related to Subscriber complaints and customer service within Verizon, as well as contact information for DoITT for Subscriber issues; Subscriber credit policy, privacy notice, and billing and payment information.

(3) Price of services information.

(4) Content/channel changes and improvement information.

(5) Significant Outage information, including:

(a) Summary of categories of Significant Outages that occurred by VSO, in the Franchise Area during the preceding calendar year;

(b) Percentage of each category of Significant Outage that occurred by VSO in the Franchise Area during the preceding calendar year; and

(c) Remedies performed Franchisee for each category of Significant Outage during the preceding calendar year.

Tab 4

-----Original Message-----

From: Pinkard, Brendon <BPinkard@wileyrein.com>

To: Regal, Bruce; Marie C. Lasota (E-mail) <marie.c.lasota@verizon.com>; Brendon Pinkard (E-mail) <BPinkard@wileyrein.com>

CC: Mitchel Ahlbaum (E-mail) <mahlbaum@doitt.nyc.gov>; Vincent Grippo (E-mail) <vgrippo@doitt.nyc.gov>; Tanessa Cabe (E-mail) <tcabe@doitt.nyc.gov>

Sent: Sun Apr 27 19:03:53 2008

Subject: RE: Fios NYC Agreement/Typo Corrections, etc.

Thank you for the comments. We will incorporate them and re-circulate tomorrow. Would you like a redline and clean version?

-----Original Message-----

From: Regal, Bruce <bregal@law.nyc.gov>

Sent: Sunday, April 27, 2008 6:56 PM

To: Marie C. Lasota (E-mail) <marie.c.lasota@verizon.com>; Brendon Pinkard (E-mail) <BPinkard@wileyrein.com>

Cc: Mitchel Ahlbaum (E-mail) <mahlbaum@doitt.nyc.gov>; Vincent Grippo (E-mail) <vgrippo@doitt.nyc.gov>; Tanessa Cabe (E-mail) <tcabe@doitt.nyc.gov>

Subject: Fios NYC Agreement/Typo Corrections, etc.

Here are a few typos, etc. we've noticed in the franchise agreement as submitted in Verizon's response to the solicitation. If you can input these corrections by close of business tomorrow we can include them in the version of the document to be distributed to the FCRC, and made available to the public, Tuesday morning:

Section 1.2 includes a reference to filing on or about April 7. That can now be corrected to the actual date.

Section 1.45: The word "that" needs to be added before the words "is Video Network Created".

Section 2.8 refers to "the DoITT". This should probably read "the City" instead.

Section 5.1.2.1: Add "the" before "Franchise Area".

Section 5.1.2.2: Add "the" before "Franchise Area".

Section 5.1.2.3: Replace "New York City" with "the Franchise Area".

Section 5.2: I think the comma after "June 30, 2014" is grammatically incorrect and should be deleted.

Appendix A, Section 2.5.3 (v): I think the "s" at the end of "Standard Installations" should be deleted for consistency with the preceding clauses.

Appendix A, Section 4.4.5: "Verizon" should be "Franchisee"

Appendix A Section 6.3: Delete comma between "obtain" and "access"

Appendix A Section 6.4: Delete the extraneous "t" between "not" and "prohibited"

Appendix A Section 7.1: In the 5th line, delete the apostrophe in "Payment Center's", and in the second to last line, "payment centers" should have initial caps.

Appendix A Section 11.5: Insert a comma between "legislature" and "the FCC".

Appendix A Exhibit 2, on page A-27 in "4. Average Wait Time": "they receive service form" should be "they receive service from"

Also, I keep reading Appendix A Sections 1.1 and 1.2 over and over, and can't figure out what 1.2 adds that isn't already in 1.1. If anybody can identify any difference, that's fine, but otherwise maybe we should take out the current language of 1.2 and instead move part of the language of 1.1 into 1.2. I'm not suggesting anything substantive here, just trying to avoid people scratching their heads in perplexity when they read the very first two sections of Appendix A And maybe I'm just missing an existing distinction between 1.1 and 1.2.

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Tab 5

From: Pinkard, Brendon

Sent: Monday, April 28, 2008 1:24 PM

To: 'lfinkel@comptroller.nyc.gov'

Cc: 'Ahlbaum, Mitchel'; 'Regal, Bruce'; Grippo, Vincent; John Raposa; 'marie.c.lasota@verizon.com'; 'thomas.a.dunne@verizon.com'; ptrane@verizon.net

Subject: Verizon-NYC Franchise - Further Revised Appendix A

Lew,

Attached please find a further revised Appendix A to the proposed Verizon-NYC franchise agreement reflecting your comments from last Friday. Please note that the latest revisions are denoted by yellow highlighting.

Best regards,

Brendon Pinkard



Brendon M. Pinkard
Attorney At Law
Wiley Rein LLP

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*APPENDICES TO VERIZON-NEW YORK CITY CABLE FRANCHISE AGREEMENT
EXEMPT FROM DISCLOSURE PURSUANT TO N.Y. PUB. OFF. LAW §§87(2)(c) & (d)
STRICTLY CONFIDENTIAL - FOR DISCUSSION PURPOSES ONLY
4.23.08*

APPENDIX A

CONSUMER PROTECTION STANDARDS

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CONSUMER PROTECTION STANDARDS
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Section 1

SOLICITATION OF SUBSCRIPTIONS

1.1 Uniforms/Identification Cards. Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 Name Badges. Each Franchisee employee, contractor, or subcontractor, who routinely comes into contact with the public at the Subscriber's premises during the hours of employment shall wear a badge during such hours of employment which indicates his or her name and identification number and employment/relationship with the Franchisee.

1.3 Subscription Information.

1.3.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology

enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

(v) the procedure for the resolution of billing disputes;

(vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;

(vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;

(viii) the required time periods for installation requests, consistent with these consumer protection standards; and

(ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.3.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.3.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.4 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2 **INSTALLATION**

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time). ;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices,

practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer “appointment window” time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee’s work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer “appointment windows,” but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise , unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber’s premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner's satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have) failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the thirtieth (30th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3

SERVICE CENTERS

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain ~~at least~~ one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough. All such Service Centers will be conveniently located near mass transit.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays

and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the

Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

- (i) each telephone call shall be answered within at least thirty (30) seconds;
- (ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;
- (iii) callers shall not be kept on hold for longer than thirty (30) seconds;
- (iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;
- (v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and

(vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for

example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may “pass through” to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber

requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Verizon.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5
EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an “Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber’s television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, “loss of picture or sound” shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a “Significant Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber’s television receiver or the Subscriber, and that affects one hundred (100) or more

Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a “Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a “Significant Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber’s premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee’s customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber’s premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber’s premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee’s control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee’s failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain access to a Subscriber’s premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the thirtieth (30th) day following the end of each calendar quarter. Upon request of the Commissioner, the

Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has determined that there has been an excessive number identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7

SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Center's to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "payment center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the “comments” section of the Franchisee’s records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee’s obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

(i) the total number of complaints received by Franchisee in each Borough;

(ii) the nature and current status of all complaints received by Franchisee in each Borough, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories as may be tracked in Verizon’s internal customer service system; and

(iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough.

Section 8 **NOTICE**

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 Scheduling Appointments. The Franchisee shall provide Subscribers with "appointment window" time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber's premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide "appointment window" time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this

Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 **Grounds.** As a result of the Franchisee's failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber's claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber's claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant

Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 Procedures for Contacting Subscribers. Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not

apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12

FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 Reporting. The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13

ANNUAL CABLE CONSUMER REPORT CARD

13.1 Annual Cable Consumer Report Card Requirements. The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.

Exhibit 1 to Appendix A

DESIGNATION AND LOCATION OF SERVICE CENTERS

SERVICE CENTER

[To be filled in by Verizon]

Exhibit 2 to Appendix A

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All “calls” other than those which receive busy signals, made to the Franchisee’s sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee’s business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative (“CSR”) (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

“Wait Time” is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee’s phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all “service” lines are busy, even if “billing” lines are available, unless the Franchisee’s system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not

include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) "calling hours." "Calling hours" are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner's request.)

Exhibit 3 to Appendix A

ANNUAL CABLE CONSUMER REPORT CARD

Subject to the terms of Section 13.1 hereof, within forty-five (45) days from the end of each calendar year, Franchisee shall post on its website, and provide to the leasing or sales office of each MDU with which Franchisee has executed a marketing agreement for Cable Service, an Annual Cable Consumer Report Card setting forth the following information on a City-wide basis:

(1) Customer service performance information, including:

(a) Percentage of calls answered by voice response units ("VRU");

(b) Percentage of calls abandoned by VRU; and

(c) Percentage of busy calls by VRU.

(2) Subscriber rights and remedies, including but not limited to contact information related to Subscriber complaints and customer service within Verizon, as well as contact information for DoITT for Subscriber issues; Subscriber credit policy, privacy notice, and billing and payment information.

(3) Price of services information.

(4) Content/channel changes and improvement information.

(5) Significant Outage information, including:

(a) Summary of categories of Significant Outages that occurred by VSO, in the Franchise Area during the preceding calendar year;

(b) Percentage of each category of Significant Outage that occurred by VSO in the Franchise Area during the preceding calendar year; and

(c) Remedies performed Franchisee for each category of Significant Outage during the preceding calendar year.

Tab 6

From: Pinkard, Brendon [mailto:BPinkard@wileyrein.com]
Sent: Monday, April 28, 2008 4:29 PM
To: Ahlbaum, Mitchel; Regal, Bruce; Grippo, Vincent
Cc: Raposa, John F.; Lasota, Marie C.; ptrane@verizon.net; Lasota, Marie C.; Dunne, Thomas A.
Subject: Revised Verizon-NYC Franchise Documents

All,

Attached please find a further revised version of the franchise and appendices in both clean and blackline format. Please let us know if you have any questions or concerns.

Thanks,

Brendon



Brendon M. Pinkard
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Cable Franchise Agreement

by and between

The City of New York

and

Verizon New York Inc.

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VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

THIS AGREEMENT (the “Agreement”) is entered into by and between the City of New York, a validly organized and existing political subdivision of the State of New York (the “City”) and Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York (“Verizon” or the “Franchisee”).

WHEREAS, the City is a “franchising authority” in accordance with Title VI of the Communications Act, (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended; and

WHEREAS, the Franchisee is in the process of upgrading its existing Telecommunications Services (as hereinafter defined) and Information Services (as hereinafter defined) network through the installation of the FTTP Network (as hereinafter defined) in the Franchise Area (as hereinafter defined) which transmits Non-Cable Services pursuant to authority determined by Franchisee to have been granted by Section 27 of the New York Transportation Corporations Law, as amended, and Title II of the Communications Act, which Non-Cable Services are not subject to the Cable Law (as hereinafter defined) or Title VI of the Communications Act; and

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way (as hereinafter defined) within the City, and Franchisee desires to use portions of the FTTP Network to provide Cable Services (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, no cable franchisee has ever agreed to provide Cable Service throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, the City wishes to grant Franchisee a nonexclusive franchise to operate a Cable System (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, pursuant to Section 363(a) of the New York City Charter (the “City Charter”), franchises are to be awarded by the City in accordance with the provisions of authorizing resolutions adopted by the City Council of the City (the “City Council”); and

WHEREAS, the City Council adopted Resolution No. 538 on September 27, 2006 (the “Resolution”) which authorizes, until September 27, 2011, the Department of Information Technology and Telecommunications (“DoITT”) to grant nonexclusive franchises for the provision of cable television services; and

WHEREAS, the delivery of Cable Services is in the City’s interest, and the availability of such competitive service to all households in the City on a timely basis pursuant to the terms of this Agreement will significantly benefit the City; and

WHEREAS, the City, pursuant to the terms of the Cable Act (as hereinafter defined), has identified the City’s future cable-related community needs and interests and, pursuant to the City

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

Charter, has issued a solicitation for cable television franchises (the “Solicitation”) to which the Franchisee responded; and

WHEREAS, in response to the Solicitation, the Franchisee offered to operate and maintain a Cable System and provide Cable Services (as hereinafter defined) and to perform certain additional undertakings; and

WHEREAS, the Franchisee and the City completed arm’s-length negotiations regarding the terms and conditions pursuant to which the City intends to grant to the Franchisee, and the Franchisee intends to accept from the City, a franchise (the “Franchise”) described generally in Section 4.1 hereof and more specifically as described by the complete terms of this Agreement; and

WHEREAS, the City has, with respect to the proposed grant of the Franchise, complied with the New York State Environmental Quality Act (“SEQRA”) (Section 8-0101 et seq. of the New York State Environmental Conservation Law), the SEQRA regulations set forth at Part 617 of Title 6 of the New York Code of Rules and Regulations, and the City Environmental Quality Review process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and

WHEREAS, the Department of City Planning determined pursuant to Section 363(c) of the City Charter that the grant of this Franchise would not have land use impacts or implications and therefore is not subject to the Uniform Land Use Review Procedure (“ULURP”) set forth in Section 197-c of the City Charter;

WHEREAS, the Franchisee has completed all required submissions under the City’s VENDEX process, and the City’s review thereof has been completed; and

WHEREAS, pursuant to Section 371 of the City Charter, the Franchise and Concession Review Committee (the “FCRC”) held a public hearing on the proposed Franchise terms of this Agreement memorializing the terms and conditions of the proposed Franchise; and

WHEREAS, said hearing before the FCRC was held within 30 days of the date that DoITT filed the proposed Franchise with the FCRC; and

WHEREAS, a notice of said hearing and a summary of the terms and conditions of the proposed Franchise were properly published in the City Record; and

WHEREAS, at least 15 days, excluding Sundays and legal holidays, elapsed between publication of said hearing notice and summary in the City Record and the commencement of such hearing before the FCRC; and

WHEREAS, before the FCRC hearing, the requirements regarding publication of notice of such hearing as set forth in Section 371 of the City Charter were met; and

WHEREAS, the FCRC has approved the grant to the Franchisee of the Franchise and the terms of this Agreement as described herein; and

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

WHEREAS, pursuant to Section 595.1 of Title 9 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive; and

WHEREAS, the City and the Franchisee have determined that this Agreement complies with the franchise standards set forth in the Resolution, Section 363 of the City Charter, Section 626 of the Cable Act as amended, Section 221 of the Public Service Law, the regulations of the Public Service Commission, and all other applicable laws and regulations; and

WHEREAS, the City, following said public hearing, determined that this Franchise granting the Franchisee a nonexclusive franchise complies with the franchise standards set forth in the Cable Act, the Resolution, the aforementioned Public Service Law, the regulations of the NY PSC (including any necessary waivers that the parties may seek and obtain) and all other applicable laws and regulations; and

WHEREAS, the City and Franchisee 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 foregoing clauses, which clauses are hereby made a part of this Agreement, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

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

1.2. *Application:* Application of Verizon New York Inc. for a Cable Television Franchise in the City of New York, filed on April 15, 2008.

1.3. *Agreement:* This Agreement, together with the Appendices attached hereto and all amendments or modifications hereof.

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

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

1.5. *Borough President*: Each President of one of the five boroughs within the City of New York, any Borough President's designee, or any successor thereto.

1.6. *Cable Act*: The Cable Communications Policy Act of 1984 (codified at 47 U.S.C. §§ 521-573).

1.7. *Cable Law*: The Cable Act, Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, to the extent authorized under and consistent with federal law.

1.8. *Cable Service or Cable Services*: Shall be defined herein as it is defined under 47 U.S.C. § 522(6), as amended.

1.9. *Cable System or System*: Shall be defined herein as it is defined under 47 U.S.C. § 522(7), as amended.

1.10. *Channel*: Shall be defined herein as it is defined under 47 U.S.C. § 522(4), as amended.

1.11. *Channel Position*: Shall mean the position on a television receiver, tuner, converter or similar device which is selected to receive a specific Channel.

1.12. *Communications Act*: The Communications Act of 1934, as amended, including, without limitation, the Cable Act.

1.13. *Closing*: Shall be defined as provided in Section 2.1 hereof.

1.14. *Commissioner*: Shall mean the Commissioner of DoITT, the Commissioner's designee or any successor thereto.

1.15. *Community Access Organization ("CAO")*: Shall mean, with respect to any particular borough of the City, the nonprofit corporation that has been designated in connection with that borough pursuant to the agreements substantially in the form set forth in Appendix C to this Agreement.

1.16. *Controlling Person*: A Person with the ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Franchisee's affairs.

1.17. *Corporation Counsel*: The Corporation Counsel of the City, the Corporation Counsel's designee, or any successor thereto.

1.18. *DoITT*: The Department of Information Technology and Telecommunications, or any successor thereto.

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

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

1.20. *FCRC*: Shall mean the Franchise and Concession Review Committee of the City of New York.

1.21. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances and disputes, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, incidences of terrorism, acts of vandalism, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Franchisee 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 Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.22. *Franchise Area*: The incorporated area (entire existing territorial limits) of the City, and such additional areas as may be annexed or acquired.

1.23. *Franchisee*: Verizon New York Inc. and its lawful and permitted successors, assigns and transferees (including for which consent of the City is required under Article 13 hereof).

1.24. *FTTP Network*: The Franchisee's fiber-to-the-premise telecommunications network in the Franchise Area as described in the Application.

1.25. *FTTP Network Created*: All transport connections and equipment in the FTTP Network have been established and are operational to the fiber distribution terminal serving the residence requesting fiber-enabled services (whether Cable Service or Non-Cable Services). Additionally, for MDUs, Franchisee has obtained building access and prepositioned its facilities in the MDU which are necessary for serving residences within the MDU requesting fiber-enabled services (whether Cable Service or Non-Cable Services).

1.26. *Government/Educational Access Channel*: An Access Channel which the Franchisee shall make available for the sole noncommercial use of the City or for noncommercial use by local public schools and public school districts in the Franchise Area and other not-for-profit educational institutions chartered or licensed by the New York State Department of Education or Board of Regents in the Franchise Area as specified by the City, as provided in Article 8 and Appendix B to this Agreement.

1.27. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee (or any Affiliate) from the operation of the Cable System to provide Cable Service in the Franchise Area, as follows:

1.27.1. Gross Revenue includes, without limitation: all Subscriber revenues earned or accrued net of bad debts including revenue for: (i) Basic Service; (ii) all fees charged to any Subscribers for any and all Cable Service provided by Franchisee over the Cable System in the Franchise Area, including, without limitation, Cable Service related program guides, the installation, disconnection or reconnection of Cable Service; revenues from late or delinquent charge fees; Cable Service related or repair calls; the provision of converters, remote controls,

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

additional outlets and/or other Cable Service related Subscriber premises equipment, whether by lease or fee; (iii) video on demand and pay-per-view; (iv) revenues from the sale or lease of channel(s) or channel capacity; (v) compensation received by Franchisee that is derived from the operation of the Cable System to provide Cable Service with respect to commissions that are paid to Franchisee or an Affiliate providing Cable Service under this Franchise as compensation for promotion or exhibition of any products or services on the Cable System, such as a “home shopping” or similar channel, subject to the exceptions below; and (vi) charges described to Subscribers as attributable to Franchise Fees (as hereinafter defined) and PEG Grants. Gross Revenue shall also include all advertising revenue which is received directly or indirectly by the Franchisee, any Affiliate from or in connection with the distribution of any Service over the System (and including, without limitation, compensation for use of studio or other facilities and equipment associated with production or distribution of any programming or advertising to be distributed as part of a Cable Service). The allocation shall be based on the number of Subscribers in the Franchise Area divided by the total number of Subscribers in relation to the relevant local, regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue.

1.27.2. Except as provided above, Gross Revenue shall not include: revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System; bad debts written off by Franchisee in the normal course of its business and in accordance with generally accepted accounting principles (provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected); refunds, rebates or discounts made to Subscribers or other third parties; any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law; any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, provided, however, that any portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System paid to Franchisee or an Affiliate for the sale of such merchandise shall be included in Gross Revenue; the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable Franchise Fees from purchaser’s customer; the sale of Cable Services to customers, which are exempt, as required or allowed by the City including, without limitation, the provision of Cable Services to public institutions as required or permitted herein; any tax of general applicability imposed upon Franchisee or upon Subscribers by the LFA, a state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity; taxes imposed on Subscribers by law, which the Franchisee is obligated to collect; any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise (provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue); sales of capital assets or sales of surplus equipment; program launch fees, i.e., reimbursement by programmers to Franchisee of marketing costs incurred by Franchisee for the introduction of new programming; directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

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1.27.3. Gross Revenues derived from Cable Services provided over the Cable System in the Franchise Area that are provided to Subscribers as part of a bundle of services that include Non-Cable Services shall be treated in accordance with Section 10.5 hereof.

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

1.29. *Landlord*: The term "landlord" shall mean and include the owner or owners of the freehold of the premises or lesser estate therein, a mortgagee or vendee in possession, assignee of rents, receiver, executor, trustee, lessee, agent, or any other person, firm or corporation, directly or indirectly in control of a dwelling, or any designee of the foregoing enumerated Persons formally authorized to approve physical alterations, improvements or modifications to such dwelling including the installation of Franchisee's facilities.

1.30. *Leading Technology*: The highest level of performance and capability (including, but not limited to, with respect to plant or other equipment; transmission capacity to subscribers' premises; channel offerings; video-on-demand services; construction techniques; consumer service; facilities, equipment, systems and operations; and performance standards), that has been commonly accepted, developed and commercially deployed in the wireline cable television industry and is economically reasonable and technically feasible.

1.31. *Local Franchise Authority ("LFA" or the "City")*: The City of New York, New York, or the lawful successor, transferee, or assignee thereof.

1.32. *Multiple Dwellings ("MDUs")*: Shall have the meaning set forth therefore in NY CLS Mult D § 4(7).

1.33. *Non-Cable Services*: Any service that does not constitute Cable Service pursuant to law including, but not limited to, Information Services and Telecommunications Services.

1.34. *Non-Residential Subscriber*: A Subscriber that is not a Resident.

1.35. *Non-Standard Installation*: Any installation which does not constitute a Standard Installation as defined in Section 1.45 hereof.

1.36. *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.

1.37. *NY PSC*: The New York Public Service Commission.

1.38. *PEG*: Public, Educational, and Governmental.

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

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1.40. *Public Access Channel:* An Access Channel which the Franchisee shall make available to a CAO, at no charge, as provided in Article 8 and Appendices B and C to this Agreement.

1.41. *Public Rights-of-Way:* The surface of, and the space above and below, any and all streets, avenues, highways, boulevards, concourses, driveways, bridges, tunnels, parks, parkways, waterways, docks, bulkheads, wharves, piers, public grounds and public places or waters within and belonging to the City and any other property within the City, to the extent to which there exist public easements or public rights of way. Public Rights-of-Way do not include the electromagnetic spectrum above the surface of a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.42. *Resident:* An occupant who: (i) resides in a dwelling which has or is entitled to receive from the City a residential certificate of occupancy, including, without limitation, a private dwelling, class A multiple dwelling, or an interim multiple dwelling; or (ii) has continuously resided in the same building as a permanent resident and who takes occupancy pursuant to a lease (or other similar arrangement) of at least six (6) months duration. For purposes of this Agreement, the terms “private dwelling,” “class A multiple dwelling,” and “interim multiple dwelling” shall have the same meaning as they have or may have in NY CLS Mult D, as such law may from time to time be amended.

1.43. *Residential Subscriber:* A Subscriber that is a Resident.

1.44. *Service Area:* All portions of the Franchise Area with a video service office (“VSO”) that is open for sales and Cable Service is being offered.

1.45. *Standard Installation:* A residence requesting Cable Service that is Video Network Created as of the date of the request for service.

1.46. *Subscriber:* A Person who lawfully receives Cable Service over the Cable System.

1.47. *Telecommunication Services:* Shall be defined herein as it is defined under 47 U.S.C. § 153(46), as amended.

1.48. *Title VI:* Title VI of the Communications Act, Cable Communications, as amended.

1.49. *Video Network Created:* Video transport connections and equipment have been established and are operational to the fiber distribution terminal serving the residence requesting Cable Service. Additionally, for MDUs, Verizon has obtained building access and prepositioned its video facilities in the MDU which are necessary for serving requesting residences within the MDU.

1.50. *Video Programming:* Shall be defined herein as it is defined under 47 U.S.C. § 522(20), as amended.

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1.51. *Video Service Office or VSO:* A wire center that has been upgraded by Franchisee to be video-capable and which thereby may be opened for sales for the provision of Cable Service by Franchisee.

1.52. *Wholly Owned Affiliate:* Any entity of which 100% of the ownership interest is ultimately held by Verizon Communications, Inc.

2. CLOSING; CLOSING CONDITIONS

2.1. *Closing:* This Agreement shall be executed and the obligations herein shall commence on the closing of this Agreement (herein referred to as the “Closing”). The Closing shall be the first day on which all of the following conditions have been met and this Agreement has been fully executed and delivered:

2.2. *FCRC Resolution:* The FCRC shall have adopted a resolution approving this Franchise;

2.3. *Certified Copies of Resolutions:* The Franchisee shall have furnished the City with a certified copy of the resolution(s) duly adopted by the Board of Directors or other authorized representative of the Franchisee, approving the execution, delivery and performance of this Agreement and approving the execution, delivery and performance of all other documents, certificates, and other instruments required to be furnished to the City by and pursuant to the terms of this Agreement;

2.4. *Opinion of Franchisee’s Counsel:* The City shall have received an opinion dated as of the date of the Closing from outside counsel to the Franchisee in form and substance reasonably satisfactory to the Commissioner and the Corporation Counsel;

2.5. *Representations and Warranties:* The Franchisee shall have provided the City with a certificate of an officer of the Franchisee certifying that the representations and warranties made by the Franchisee in this Agreement are true and correct as of the Closing;

2.6. *Government Approvals:* The Franchisee shall have provided the City with evidence of approval of the transactions contemplated by this Agreement from any necessary governmental authorities, and all notice periods and waiting periods required by law to pass in connection with such transactions shall have passed, except the certificate of confirmation to be issued or renewed by the PSC pursuant to Section 591.4 of the PSC regulations and issuance of an FCC CUID;

2.7. *Performance Bond:* The Franchisee shall have furnished to the City the Performance Bond, pursuant to Article 15 hereof;

2.8. *Security Fund/Letter of Credit:* The Franchisee shall have deposited with the City the Security Fund/Letter of Credit, pursuant to Article 15 hereof;

2.9. *Liability Insurance Policy:* The Franchisee shall have secured its liability insurance policy pursuant to Article 12 hereof;

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2.10. *Guaranty*: The Franchisee shall have secured and delivered to the Commissioner and the Comptroller a guaranty executed by the Guarantor in the form set forth at Appendix H to this Agreement, which guaranty shall have been authorized, executed and delivered by the Guarantor;

2.11. *W-9 Form*: The Franchisee shall have submitted an IRS W-9 form certifying the Franchisee's tax ID number;

2.12. *VENDEX*: The Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

2.13. *Other Documents*: The Franchisee shall have delivered such other documents as may be reasonably requested by the City.

2.14. *Waiver*: To the extent permitted by law, any of the above Closing conditions may be waived by the Commissioner, provided such waiver shall not be a waiver of any substantive requirement of this Agreement as set forth hereinafter.

3. EFFECTIVE DATE AND TERM:

3.1. *Effective Date & Term*: This Agreement and the Franchise granted herein shall become effective on the date that the NY PSC issues a certificate of confirmation for this Franchise (the "Effective Date"), following the Closing; provided that implementation of this Agreement shall be subject to the applicable registration provisions of City Charter sections 375 and 328. The term (the "Term") of this Agreement and the Franchise granted herein shall be twelve (12) years from the Effective Date, or until June 30, 2020, whichever is later, unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the City in writing of the same, which notification shall become a part of this Franchise.

3.2. *Termination*: The termination of this Agreement and the Franchise granted hereunder shall occur upon the earliest to occur of: (i) the end of the Term; or (ii) the earlier termination of the Franchise and this Agreement as provided for in this Agreement. The Franchise shall be considered revoked and terminated automatically upon any termination of this Agreement as provided hereunder.

3.3. *Renewal on Expiration*: Subject to 47 U.S.C. § 546, the City reserves the right at the end of the Term to grant, or grant on new terms and conditions, or not grant, renewal of the Franchise without any presumption in favor of a renewal of the Franchise.

4. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

4.1. *Grant of Authority*: The City hereby grants the Franchisee the right to provide Cable Service within the Franchise Area until the end of the Term, subject to the terms and conditions of this Agreement. The parties acknowledge that this Agreement is not in and of itself a sufficient source for the right of the Franchisee to occupy the Public Rights-of-Way for the provision of any service and is intended to grant such right only in accompaniment with a separate authority to occupy the affected Public Rights-of-Way. The parties further

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acknowledge (a) that this Agreement does not include all of the terms and conditions which the City would require for such occupancy, (b) that the Franchisee claims that it has preexisting authority to occupy any or all of the Public Rights-of-Way with the facilities that are being installed to provide Cable Services under this Agreement, (c) that the City disputes such claim, and (d) that such dispute is the subject of the Pending Litigation (as defined in Section 18.14 hereof). The parties further acknowledge that if the Pending Litigation results in a final determination (after all opportunities to appeal have been either pursued or expired) that with respect to any of the Public Rights-of-Way the Franchisee does not have authority preexisting this Agreement to occupy such Public Rights-of-Way, then the Franchisee's right to occupy such Public Rights-of-Way with such facilities, including for the provision of Cable Services, shall be conditional on the Franchisee's reaching agreement with the City on the terms and conditions of such occupancy, and that absent such agreement, this Agreement and the Franchise granted hereunder shall terminate immediately on written notice from the City.

4.2. *The FTTP Network:* Consistent with Section 18.14 and 18.15 hereof, upon delivery of Cable Service, by subjecting Franchisee's mixed-use facilities to the NY PSC's minimum franchise standards and the City's police power, the City has not been granted broad new authority over the construction, placement and operation of Franchisee's mixed-use facilities.

4.3. *Grant Not Exclusive:* The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises 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 itself, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under law or this Franchise to provide Cable Service.

4.4. *Franchise Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as may be amended, including but not limited to the Communications Act. Further, the parties to this Franchise agree that this Franchise is consistent with applicable federal and state law and the parties agree to be bound by the terms hereof.

4.5. *No Waiver:* The failure of either the City or Franchisee on one or more occasions to exercise a right under this Franchise, the Cable Law or other applicable state or federal law, or to require compliance or performance under this Franchise, shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance of this Agreement, nor shall it excuse the other (neither the City nor the Franchisee) from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

4.6. *Construction of Agreement:*

4.6.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

4.6.2. Nothing herein shall be construed to limit the scope or applicability of 47 U.S.C. § 545, as amended.

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4.6.3. Should any change to state law, rules or regulations have the lawful effect of materially altering the terms and conditions of this Agreement, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on either party of the material alteration. Any modification to this Franchise shall be in writing and shall be subject to Section 222 of the New York Public Service Law and Title 16, Chapter VIII, Part 892, Subpart 892-1, Section 892-1.4 of the Official Compilation of Codes, Rules and Regulations of the State of New York requiring application to the NY PSC and approval of any modification. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

4.7. *Police Powers:* Nothing in this Franchise shall be construed to prohibit the City's reasonable, necessary and lawful exercise of the City's police powers, including, without limitation, in addition to the implementation and enforcement of the provisions of this Agreement and existing applicable laws and regulations, the enactment, adoption, implementation and enforcement of such additional laws and regulations as the City may deem necessary in the exercise of its police power, including any lawful right to compel relocation of Cable System facilities in the Public Rights-of-Way in the event of sewer and water line work, road-widenings and other adjustments to the Public Rights-of-Way, and the provisions of New York City Administrative Code § 6-115.1 (the "MacBride Principles"); provided, however, that such laws and regulations are reasonable and not materially in conflict with the privileges granted in this Franchise and consistent with all federal and state laws, regulations and orders.

4.8. *Restoration and Inspection of Municipal Property:* In order to avoid interference with the City's ability to deliver public services, any municipal property damaged or destroyed shall be promptly repaired or replaced by the Franchisee and restored to pre-existing condition.

4.9. *Restoration of Subscriber Premises:* The Franchisee shall ensure that each Subscriber's premises are restored to at least their pre-existing condition if damaged by the Franchisee's employees or agents in any respect in connection with the installation, repair, provision or disconnection of Cable Service.

5. DEPLOYMENT; PROVISION OF CABLE SERVICE

5.1. *Initial Deployment:* Subject to the exceptions and checkpoint extensions set forth in this Article, the FTTP Network will pass all households served by Franchisee's wire centers within the Franchise Area in accordance with the table attached hereto as Appendix F, with final completion no later than June 30, 2014. For purposes of this Agreement including Appendix F, "pass" or "passage" of a household shall mean MDU's whether or not network created and single family units whether or not a drop is installed.

5.1.1. *Exceptions:* The FTTP Network deployment schedule set forth in Appendix F shall be subject to the following exceptions: (A) for periods of Force Majeure; (B) for periods of delay beyond the normal permitting or approval time period, or due to issuance of a stop work order issued by the City, where such stop work order is not caused by action on the part of Franchisee; and (C) for periods of delay resulting from Franchisee's inability to obtain authority to access private rights-of-way.

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5.1.2. *Checkpoint Extensions:* Within thirty (30) days of each of the dates set forth below (each, a “Checkpoint”), the Franchisee shall conduct an evaluation of its “video penetration rate” (as hereinafter defined) in the Franchise Area and, in the event such evaluation determines that Franchisee has not achieved the applicable video penetration rate at each such Checkpoint, the Franchisee shall be afforded an extension of its deployment and service availability obligations pursuant to Sections 5.1, 5.2 and 5.3 hereof, in accordance with the following:

5.1.2.1. *First Checkpoint:* If, by June 30, 2010, Franchisee has achieved a video penetration rate in the Franchise Area which is less than fifteen percent (15%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.2. *Second Checkpoint:* If, by June 30, 2011, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty percent (20%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.3. *Third Checkpoint:* If, by June 30, 2012, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty-five percent (25%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.4. For purposes of this Agreement, the term “video penetration rate” shall mean:

FiOS TV billable lines in service
(FTTP passed single family units whether or not a drop is installed
+ residential units within FTTP network created MDU's)
in VSOs that are open for sales (OFS).

5.1.3. In the event Franchisee seeks to exercise its right to an extension of its deployment and service availability obligations at any Checkpoint pursuant to this Section 5.1, Franchisee shall, within sixty (60) days from the applicable Checkpoint, provide the City with written documentation, in a format to be reasonably determined by Franchisee, justifying the basis for Franchisee's exercise of such extension. Such written documentation shall be treated as confidential and proprietary consistent with Section 11.1 hereof, and shall include, the number of residential units within FTTP Network Created MDUs and FTTP passed single family units (hereinafter, “SFUs,”) along with other elements of the formula set forth in Section 5.1.2.4 of this Agreement, as may be reasonably necessary to satisfy the objectives of this Section 5.1.3.

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5.1.4. Consistent with the schedule set forth in Appendix F, nothing herein shall be construed to limit Franchisee's discretion with respect to the order of geographic areas to be wired, provided, however, that at each Checkpoint described above, the estimated median household income of all homes passed shall not be greater than the average household income of all households in New York City (based on the calculations set forth in the 2000 census data).

5.2. *VSO Conversions:* Subject to periods of Force Majeure and the checkpoint extensions set forth at subsection 5.1.2 above, not later than June 30, 2014 Franchisee shall have completed the upgrade of all of Franchisee's wire centers located within or serving the Franchise Area such that all of Franchisee's wire centers within or serving the Franchise Area constitute video-capable VSOs open for sales.

5.3. Service Availability:

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units, at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

5.4.1. *Installations of Cable Service – Standard Installations:* Franchisee shall perform all Standard Installations of Cable Service within seven (7) business days after any such request is received by the Franchisee, unless a later date is agreed to with the requesting potential residential Subscriber.

5.4.1.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Standard Installation of Cable Service within seven (7) business days of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), the Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for Franchisee's inability to perform the requested Standard Installation within seven (7) business days or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); and (ii) the date by which Franchisee anticipates performing such Standard Installation. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Standard Installation request subsequent to the later of: (i) the date which is seven (7) business days from the date which is seven (7) business days following a potential Subscriber's initial request for Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

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5.4.1.2. All Standard Installations will be in accordance with FCC requirements governing appropriate grounding and connection of equipment to ensure reception of Cable Service.

5.4.1.3. Consistent with the requirements of Appendix A the Franchisee will offer Subscribers “appointment window” alternatives for arrival to perform all Standard Installations.

5.4.2. *Installations of Cable Service – Non-Standard Installations:* Franchisee shall perform all Non-Standard Installations of Cable Service within six (6) months after any such request is received by the Franchisee, unless either a later date is agreed to with the requesting potential residential Subscriber or Franchisee advises the requesting potential residential Subscriber of the current unavailability of Cable Service at the location as set forth in Subsection 5.4.2.1.

5.4.2.1. If the Franchisee is unable to fulfill a potential residential Subscriber’s request for Non-Standard Installation of Cable Service within six (6) months of Franchisee’s receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for the current unavailability of Cable Service at the requesting location; and (ii) a good faith estimate of the date by which Franchisee believes that Cable Service may be available at the location. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Non-Standard Installation request subsequent to the later of: (i) the date which is six (6) months from the date which is six (6) months following a potential Subscriber’s initial request for Non-Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.5. *Exceptions:* Franchisee’s Cable Service availability obligation as set forth in Section 5.4 shall be subject to the following exceptions: (A) where the FTTP Network has not been deployed or a VSO is not yet opened for sales; (B) for periods of Force Majeure; and (C) periods of delay caused by Franchisee’s inability, after good faith efforts, to obtain valid legal authority to access any MDU in the Franchise Area for the purpose of providing Cable Service to units within such MDU on other than commercially unreasonable terms and conditions with respect to each such MDU.

5.5.1. *Commercial Unreasonability:* The phrase “commercially unreasonable terms and conditions” means any one or more of the following circumstances:

5.5.1.1. The landlord is imposing buildout, installation and/or maintenance requirements to serve the MDU that require a financial investment which results in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee’s weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$;

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5.5.1.2. The landlord is requiring removal or other remediation of hazardous materials;

5.5.1.3. The landlord, despite the legal requirements of Public Service Law Section 228, is demanding payment above the compensation contemplated by Section 228; and

5.5.1.4. A bulk sales, exclusive marketing or other arrangement is in effect in the MDU that reduces Franchisee's reasonably anticipated penetration rate resulting in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$.

5.5.2. *Access:* The phrase "Franchisee's inability, after good faith efforts, to obtain valid legal authority" as used herein shall be understood in the context, where applicable, of the legal obligations of landlords under Section 228 of the New York State Public Service Law ("Section 228"), or any successor provision of like effect, and therefore in instances in which the Franchisee believes that a landlord is in violation of Section 228, Franchisee is obligated to provide such landlord with notice of Section 228 and the legal obligations imposed upon such landlord pursuant thereto and pursue remedies available thereunder as appropriate in Franchisee's judgment, acting reasonably.

5.5.2.1. *Additional Procedures:* Beginning July 1, 2012, in each case in which the Franchisee needs to obtain access to the property in response to a request for Cable Service where the FTTP Network has been deployed and the VSO is opened for sales, Franchisee shall undertake (and document in written form) the following steps within the following time periods:

5.5.2.1.1. Send promptly (but in no event later than thirty (30) days after receipt of a request for Cable Service) to the property owner or managing agent notice of its intent to wire for Cable Service;

5.5.2.1.2. Attempt to negotiate a survey date and writing method with the property owner or agent;

5.5.2.1.3. If not yet successful in obtaining access, send a second (2nd) notice of intent to wire including specific reference to Franchisee's access rights, and attempt to wire;

5.5.2.1.4. If the property owner or agent prevents wiring, request assistance from the Commissioner and/or the PSC; and

5.5.2.1.5. If access is not provided within one hundred and eighty (180) days of the first notice to the property owner or agent of intention to wire, file a petition pursuant to 16 NYCRR § 898.4 seeking an order for entry to the property.

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5.5.2.2. The Commissioner may waive, or extend the dates for complying with, the requirements of this Section 5.5.2 upon a showing of good cause by the Franchisee.

5.6. *Periodic Reevaluation:* In the event that Franchisee delays service availability to any MDU in the Franchise Area pursuant to the terms of Section 5.5, Franchisee agrees that it will conduct periodic reevaluations of each such MDU to determine whether circumstances have changed in a manner that would enable Franchisee to obtain valid legal authority to access such MDU on commercially reasonable terms and conditions.

5.7. *Technology and Education Fund/Municipal Facilities Service Grant:* In lieu of, and in satisfaction for, the Franchisee's obligation to provide free service outlets and free Cable Service to public buildings, and in order to further the City's objective of funding technological and educational needs throughout the City, the Franchisee hereby agrees to pay to the City the aggregate sum of Four Million Dollars (\$4,000,000)(the "Technology, Educational & Municipal Facilities Grant") payable in accordance with the following schedule: (i) the first (1st) Technology, Educational & Municipal Facilities Grant payment in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) shall be payable on the date which is thirty (30) days from the Effective Date hereof; (ii) the second (2nd) Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the fourth (4th) anniversary of the Effective Date hereof; and (iii) the third (3rd), and final, Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the seventh (7th) anniversary of the Effective Date hereof.

5.7.1. The Technology, Educational & Municipal Facilities Grant will be used by the City to support the provision of technology services to City government locations and/or City government-related locations in each of the five boroughs of the City where technology services are made or to be made available to the community, such as (for example) New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities. Decisions as to the specific facilities to be supported by said Technology, Educational & Municipal Facilities Grant within each borough shall be made by the City in consultation with the Borough President of the applicable borough. Franchisee shall exercise no discretion as to the allocation or distribution of funds from the Technology, Educational & Municipal Facilities Grant in any manner whatsoever.

6. SYSTEM FACILITIES

6.1. *Quality of Materials and Work:* Franchisee shall construct and maintain its System using materials of good and durable quality, and in a manner that limits disruption to public use of City streets, and all work involved in the construction, installation, maintenance and repair of the Cable System shall be performed in a safe, thorough and reliable manner, and in a manner which protects the City's property from damage.

6.2. *System Characteristics:* During the Term hereof, Franchisee's Cable System as described in Appendix J, shall meet or exceed the following requirements:

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6.2.1. The System shall initially be designed and operated with a digital carrier passband between 50 and 860 MHz and shall provide for a minimum channel capacity of not less than 77 channels on the Effective Date.

6.2.2. 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.

6.2.3. The Cable System must conform to all applicable FCC technical performance standards, as amended from time to time, and any other future applicable technical performance standards, and shall substantially conform in all material respects to applicable sections of the following standards and regulations to the extent such standards and regulations remain in effect and are consistent with accepted industry procedures:

6.2.3.1. Cable Law;

6.2.3.2. Occupational Safety and Health Administration (OSHA) Safety and Health Standards;

6.2.3.3. National Electrical Code;

6.2.3.4. National Electrical Safety Code (NESC).

6.3. Cable System Tests and Inspections:

6.3.1. The Franchisee shall perform all tests necessary to demonstrate compliance with the requirements of the Franchise, and to ensure that the Cable System components are operating as required; provided, however, that Franchisee's testing obligations under this Article 6 shall be limited solely to those tests which are designed for, and applicable to, a fiber optic network transmitting optical spectrum. All tests shall be conducted in accordance with federal rules and any applicable United States National Cable Television Association's Recommended Practices for measurement and testing. In the event that the FCC's technical performance standards are repealed or are no longer applicable to the Cable System, such standards shall remain in force and effect until the Commissioner, or a designee thereof, and the Franchisee agree to new standards.

6.3.2. The Franchisee shall conduct tests as follows:

6.3.2.1. Proof of Performance tests on the Cable System at least once every six (6) months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with DoITT, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines;

6.3.2.2. Special Proof of Performance tests, as limited by the City, of the Cable System or a segment thereof when Subscriber complaints indicate tests are warranted;

6.3.2.3. Tests shall be supervised by a senior engineer of the Franchisee, who shall sign all records of tests provided to the City;

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6.3.2.4. The City shall have the right to designate a City employee (or a third party consultant operating on the City's behalf, provided that such third party consultant executes, in advance, a nondisclosure agreement in a form reasonably acceptable to Franchisee) to visually inspect Franchisee's Cable System in order to verify compliance with Section 6.1 hereof and witness and/or review all required Proof of Performance Tests. The Franchisee shall provide the City with at least two (2) business days' notice of, and opportunity to observe, any such Proof of Performance Tests performed on the Cable System;

6.3.2.5. The Franchisee shall retain written reports of the results of any tests required by the FCC, and such reports shall be submitted to the City upon the City's request. The City shall have the same rights the FCC has to inspect the Franchisee's performance test data;

6.3.2.6. If any test indicates that any part or component of the Cable System fails to meet applicable requirements, the Franchisee, without requirement of additional notice or request from the City, shall take corrective action, retest the locations and advise the City of the action taken and results achieved, and supply the City with a copy of the results within thirty days from the date corrective action was completed; and

6.3.2.7. The Commissioner may, for good cause shown, waive or limit the system test and inspection provisions in this Section 6.3.

6.4. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area, and, to the extent necessary to effectuate the objectives of Article 8 hereof, with agreed upon CAO facilities. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall attempt to 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 Franchisee and the existing cable operator(s) shall negotiate the interconnection agreement on reasonable terms and conditions. If, despite Franchisee's reasonable efforts, Franchisee is unable to successfully negotiate interconnection of its Cable System with the existing cable operator(s), the City shall make all best efforts to facilitate such negotiations between Franchisee and such other cable operator(s).

6.5. *Emergency Alert System:* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and the State of New York, including the NY PSC's rules and regulations and the current New York EAS Plan, in order that emergency messages may be distributed over the System.

6.6. *Program Services:* Franchisee shall strive to offer over the Cable System a diversity of video programming services, including, without limitation, a broad category of programming that includes locally-based, not-for-profit, and minority-managed public interest educational programming; provided however that nothing contained in this Agreement shall be

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interpreted as a requirement for provision of specific video programming services (except the requirement for provision of PEG Access Channels).

7. LEADING TECHNOLOGY

7.1. *Leading Technology:* The parties hereto acknowledge and agree that the FTTP Network, and the Cable Services provided thereby, as described in Appendix J, will when built constitute a “Leading Technology” that includes more extensive fiber facilities, in lieu of coaxial cable facilities, than is currently, or ever has been, provided by any other Cable Service provider within the City as of the Effective Date.

7.1.1. The Franchisee will, at the City’s request (but not before the first anniversary of the Effective Date of the Franchise Agreement and not more often than once in any thirty-six (36) month period), prepare and submit to the City a report (in a mutually agreeable format) setting forth the Franchisee’s review and assessment of the current state of cable technology and its current plans, if any, to enhance its Cable System (provided however, that this reporting requirement will be in abeyance to the extent that a substantial competing franchisee delivering service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the City is then using a system in the City that fails to provide at least comparable capacity, reliability and feature richness to Franchisee’s system).

7.1.2. Upon the submission of each report as described in the preceding Section 7.1.1 the City may undertake an evaluation of such report, with an opportunity for Franchisee to comment on any City evaluation, and Franchisee will subsequently commence good faith discussions with the City, and implement agreements resulting from such good faith discussions, regarding enhancements, if any, to be made to the Cable System to maintain its leading technology status (provided however, that the requirement pursuant to this Section 7.1.2. will be in abeyance to the extent that a substantial competing franchisee delivering Cable Service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the Franchise Area is then using a system in the Franchise Area that fails to provide at least comparable capacity, reliability and feature richness to the FTTP Network).

8. PEG SERVICES

8.1. PEG Set Aside:

8.1.1. In order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date (or, with respect to any Governmental/Educational Access Channels, such later date as may be agreed upon by the City and Franchisee in the event Franchisee reasonably requests an extension in order to complete necessary work), provide on the Basic Service Tier use of twenty-five (25) access channels in total, as set forth immediately below in Section 8.1.1.1 (each, an “Access Channel”):

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8.1.1.1. *Public Access Channel*:. Four (4) Public Access Channels for each Borough (i.e. four (4) Public Access Channels for Manhattan, four (4) Public Access Channels for Staten Island, four (4) Public Access Channels for Brooklyn, four (4) Public Access Channels for the Bronx, four (4) Public Access Channels for Queens).

8.1.1.2. *Government/Educational Access Channels*: Five (5) Governmental/Educational Access Channels, one of which is designated by the City for Educational Access Channel programming, which are cablecast City-wide.

8.1.2. In addition to providing the Access Channels described in Section 8.1.1 above, the Franchisee shall provide the City with the following additional Access Channels on the Basic Service Tier, subject to the conditions set forth below:

8.1.2.1. No sooner than January 1, 2009, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels); and (ii) one (1) additional Governmental/ Educational Access Channel which shall be cablecast City-wide.

8.1.2.2. No sooner than January 1, 2012, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) one (1) additional Public Access Channel for each Borough (for a total of five (5) additional Public Access Channels); and (ii) two (2) additional Governmental/Educational Access Channels which shall be cablecast City-wide.

8.1.2.3. No sooner than the date which is the sixth (6th) Anniversary of the Effective Date hereof, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels).

8.1.2.4. No single additional Access Channel or additional Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee unless all existing Access Channels are providing original, non-text, non-duplicative programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months.

8.1.3. The City hereby authorizes Franchisee to transmit all Access Channel programming within and without City jurisdictional boundaries. In the event that one or more Public or Governmental/Educational Access Channels are not being utilized by the City or the CAO's, the provisions of 16 NYCRR 895.4 (c)(12) shall be applicable.

8.1.4. Within ten (10) days after the Effective Date of this Agreement, the City shall notify Franchisee of the programming to be carried on each of the Public or Governmental/Educational Access Channels set aside by Franchisee as listed in Appendix B. Thereafter, Franchisee shall assign the Public or Governmental/Educational Access Channel programming on such Public or Governmental/Educational Access Channels on its channel line-up as set forth in such notice, to the extent such Access Channel assignments do not interfere

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with any pre-existing channels assignments or contractual obligations. Franchisee shall not be required to make Borough-specific Public or Governmental/Educational channels available to Subscribers until one or more VSOs in the specific borough are open for sales.

8.1.5. The Franchisee shall carry the programming on each of the respective Public or Governmental/Educational Access Channels as indicated in Appendix B. In the future, the Franchisee shall assign the Public or Governmental/Educational Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of the Franchisee's respective channel lineup. The Franchisee shall not arbitrarily or capriciously change such channel assignments, and the Franchisee shall minimize the number of such changes; provided, however, that the Franchisee may change such channel assignments as it deems appropriate so long as (i) the Franchisee gives the appropriate CAO(s) or the Governmental/Educational/Access Channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) the Franchisee provides, free of charge, public announcements of such changes that shall include (A) to the extent Franchisee has advertising availability, advertising such Public or Governmental/Educational Access Channels changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Franchisee does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Franchisee shall then provide the advertising contemplated under this Section 8.1.5), and (B) providing notice of such changes in at least two monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event the Franchisee provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

8.1.6. *Governmental/Educational Interconnection:* The City shall designate in writing to the Franchisee up to one (1) physical site for each Governmental/Educational Access Channel provided pursuant to Section 8.1 hereof (for a total of up to eight (8) sites) within the Franchise Area for the purpose of interconnection of Governmental/Educational Access Channel facilities with the Cable System (each, a "GE Access Interconnection Site").

8.1.6.1. Upon one hundred eighty (180) days written notice from the City (or such later date as may be agreed upon by the City and the Franchisee) and subject to the successful completion of all required site preparation work by the City and provision of access to Franchisee for equipment, installation and provisioning, Franchisee shall, without charge to the City, provide upstream Governmental/Educational Access Channel transmission connections between its video channel aggregation point and each of the GE Access Interconnection Sites in order to permit the signals to be correctly routed from the GE Access Interconnection Site for the distribution to Subscribers.

8.1.6.2. The City shall provide to Franchisee at the GE Access Interconnection Sites a suitable video signal and a suitable audio signal for each Governmental/Educational Access Channel. Franchisee, upon receipt of the suitable video signal, shall provide, install and maintain in good working order the equipment necessary for

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transmitting the Governmental/Educational Access Channel signal to the channel aggregation site for further processing for distribution to Subscribers. Franchisee's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Franchisee, of suitable required space, environmental conditions, electrical power supply, access, pathway, and facilities and such cooperation of the City as is reasonably necessary for Franchisee to fulfill such obligations; provided, however, that neither Franchisee nor the required site work contemplated hereunder shall impose any unreasonable material burdens on the City.

8.1.6.3. Such upstream transmission provided by Franchisee shall comply with applicable FCC standards governing the transport and distribution of Governmental/Educational Access Channel signals to Subscribers. If Franchisee makes changes to the Cable System that require improvements to Governmental/Educational Access Channel facilities to continue to be used as they were intended under the terms of this Agreement, then Franchisee shall, without charge to the City, make such changes in either the equipment and facilities referred to in this Subsection 8.1.6 or in the Franchisee's video channel aggregation point and distribution equipment and facilities in order to permit the continuation of such intended use.

8.1.7. *Community Access Organizations:* The respective Borough Presidents have each designated an independent, not-for-profit, nonmembership corporation, organized pursuant to the New York Not-for-Profit Corporation Law, to serve as the Community Access Organization for the applicable Borough, under whose jurisdiction the Public Access Channels shall be placed for purposes of Article 8 of this Agreement. The CAO's shall undertake such activities and shall adopt such rules and regulations as are required, and may adopt rules and regulations not inconsistent with this Agreement, the CAO Agreements (as hereinafter defined) attached as Appendix C to this Agreement, the Certificate of Incorporation of the CAO's, the By-Laws of the CAO's, the rules and regulations of the Public Service Commission, and applicable law. The CAO's shall each maintain tax-exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended.

8.1.8. *Use of Public Access Channels.* The Public Access Channels for each Borough shall be under the jurisdiction of the CAO for such Borough. Such Public Access Channels shall be used for the purpose of distributing noncommercial services by the public, any other charitable, nonprofit purpose or other similar purpose, including, without limitation, the generation of revenues by activities reasonably related to such uses and purposes, or any other purpose agreed to between the Franchisee and the CAO.

8.1.8.1. *Public Access Interconnection:* The Franchisee shall effectuate the interconnection of any Public Access Channel facilities with the Cable System for purposes of transmitting the Public Access Channels contemplated in this Article 8 in accordance with the terms of the CAO Agreements (as hereinafter defined).

8.1.9. *No Editorial Control by Franchisee:* The Franchisee shall not exercise editorial control over programming or distribution of services over any Access Channel used by any Person(s), so long as such Access Channel is being used for the purposes authorized herein

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and except where the Franchisee is utilizing any such Access Channel pursuant to the fallow time provisions of the Cable Law.

8.1.10. *PEG Channel Quality:* Each Public and Governmental/Educational Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Franchisee's lowest tier of service, provided, however, that Franchisee shall have no responsibility to improve upon or modify the quality of any Public or Governmental/Educational Access Channels content provided to Franchisee by any Public or Governmental/Educational Access Channel programmer.

8.2. *Governmental and Educational Access Grant:* Franchisee shall provide a grant to the City in the amount of Ten Million Dollars (\$10,000,000) in twelve (12) equal annual installments of Eight Hundred Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$833,333.33) over the Franchise Term to be used in support of the production of local Governmental/Educational Access programming (the "Annual GE Grant"). Each annual installment of the Annual GE Grant shall be payable to the City by the Franchisee not later than the date which is sixty (60) days from each anniversary of the Effective Date during the Term hereof (except for the first installment of the Annual GE Grant, which shall be payable not later than the date which is sixty (60) days of the Effective Date). Such grant shall be used solely by the City for Educational Governmental Access, capital costs. Upon request by Franchisee, the City shall provide Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 8.2.

8.3. *Community Access Grant:* Franchisee shall pay to the CAO's certain funding (collectively, the "CAO Grants") pursuant to the terms of certain Community Access Organization Grant and Use Agreements by and between the respective CAO's in the City and the Franchisee (collectively the "CAO Agreements"), substantially in the form attached hereto as Appendix C. The Franchisee and the City acknowledge and agree that:

8.3.1. the amount of the CAO Grants and the terms and conditions of the CAO Agreements were negotiated solely between the Franchisee and the respective CAO's and the City was not a party to any such negotiations;

8.3.2. the CAO Grants, or any portion thereof, shall not constitute a deduction against Franchise Fees payable to the City by Franchisee pursuant to this Agreement; and

8.3.3. consistent with applicable federal and state law, the City shall not exercise any editorial control over any programming carried on any Access Channels set aside for any CAO's pursuant to this Agreement or the CAO Agreements.

8.4. *Franchisee PEG Liability Immunity:* In accordance with 47 U.S.C. §558, the Franchisee shall not incur any liability arising from or in connection with any Access Channels.

8.5. *Recovery of Costs:* To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the grants referenced in this Article 8 and Section 5.7 from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may

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externalize, line-item, or otherwise pass-through interconnection and any franchise-related costs to Subscribers.

9. INET

Requirements for an Institutional Network are set forth in Appendix D.

10. FRANCHISE FEES

10.1. *Payment to City:* Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue (the “Franchise Fee”). In accordance with Title VI, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. In the event that said payments are not received by the LFA within forty-five (45) days following the end of the applicable calendar quarter, following at least thirty (30) days written notice from the LFA that the Franchise Fee has not been paid, Franchisee shall pay interest on such overdue Franchise Fee amount at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the LFA retroactive to the first day that such Franchise Fee payment was due. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

10.2. *Acceptance of Payment:* No acceptance of any such payment shall be construed as an accord that the payment is the correct amount, nor shall such acceptance of payment be construed as a release of any claim the City may have for further or additional sums payable under this Agreement. Nothing herein shall be construed in such a way to affect a waiver by either party of applicable statutes of limitation with respect to Franchise Fee payments.

10.3. *Supporting Information:* Along with each quarterly Franchise Fee payment, the Franchisee shall submit to DoITT, or such other entity as the Commissioner may designate, with a copy to the Comptroller, a report in a form reasonably acceptable to the Commissioner (a form of such report that is currently in acceptable form is attached hereto as Appendix K) showing the basis for the computation for such quarterly Franchise Fee payment.

10.4. *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due. Franchisee shall maintain the records necessary to confirm the accurate payment of Franchise Fees during this period and during any pendency of litigation.

10.5. *Bundled Services:* If Cable Services subject to the Franchise Fee required under this Article 10 are provided to Subscribers in conjunction with Non-Cable Services, and the total cost of the bundle reflects a discount from the aggregate retail prices of the services contained therein, the Franchise Fee shall be applied to the retail price of the Cable Services in the bundle reduced by no more than a proportionate share of the overall discount.

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10.5.1. By way of illustrative example of the formula described in the foregoing Section 10.5, if Cable Service A is sold separately at a price of \$40 a month, Non-Cable Service B is sold separately at a price of \$40 a month and Non-Cable Service C is sold separately at a price of \$40 a month, but the three services when purchased together are sold for \$100 a month, the amount of the \$100 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$33.33 per month. As a second example, if Cable Service A is sold separately at a price of \$50 a month, Non-Cable Service B is sold separately at a price of \$63 a month, Non-Cable Service C is sold separately at a price of \$74 a month, but the three services when purchased together are sold for \$150 a month, the amount of the \$150 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$40.11 per month.

10.6. *626 Offset:* The Franchise Fee as defined herein shall not constitute a set off against the special franchise tax as provided for in N.Y. Real Property Tax Law Section 626; provided, however, that the LFA agrees that it shall impose the same special franchise tax offset waiver restriction upon all other existing and new providers of Cable Service or cable service (as such term may be defined by other providers) in the Franchise Area expressed in writing in the franchise agreement, or the renewal of any existing franchise agreement of each respective cable provider. The operation of this subparagraph shall be strictly limited to Franchise Fees lawfully imposed upon Cable Service, and shall not be construed to affect the Franchisee's rights under any provision of state or federal law regarding the provision of services other than Cable Service.

11. REPORTS AND RECORDS

11.1. *Open Books and Records:* Upon reasonable written notice to the Franchisee and consistent with Section 11.1.1 below, the City shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise, including, but not limited to, the calculation of Franchise Fees in accordance with Section 10.5 hereof. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the City. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years. Any records to be inspected by the City pursuant to this Article 11 shall be made available by Franchisee to the City in a mutually agreeable format and location, including, at the City's request, at a designated office of the Franchisee in the City. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee 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 Service Area. For purposes of this Section, "proprietary or confidential" information includes, but is not limited to: information related to the Cable System design; trade secrets; Subscriber lists; marketing plans; financial information unrelated to the calculation of Franchise Fees; or other information that is reasonably determined by the Franchisee to be competitively sensitive. Any information disclosed to the City that the Franchisee reasonably identifies as confidential or competitively sensitive (including, without limitation, financial

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information related to the calculation of Franchise Fees) shall be treated by the City as confidential under Section 87(2) (d) of the New York Public Officers Law and the City shall disclose such information only to employees, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. If the City receives a request under FOIL or similar law for the disclosure of information that Franchisee has designated as confidential, competitively sensitive, a trade secret or proprietary, the City shall notify Franchisee of such request. If the City determines in good faith that public disclosure of the requested information is required under FOIL or pursuant to a court order, the City shall so notify Franchisee and before making disclosure shall give Franchisee a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551. Nothing in this Article 11 is intended to be inconsistent with the authority of the Comptroller under Section 93(b) of the New York City Charter to perform audits.

11.1.1. *Franchisee's Response to Records Requests:* In the event the City provides the Franchisee with a written request to inspect or review Franchisee's books and records pursuant to Section 11.1 above, Franchisee shall, within fifteen (15) days of Franchisee's receipt of such written request, provide the City with access to any information Franchisee is reasonably able to collect in response to such request and shall, within thirty (30) days from receipt of such request make available to the City all pertinent information in response to such request, consistent with the terms of Section 11.1 above; provided however, that to the extent there is additional information which Franchisee is unable to reasonably collect in such thirty (30) day period, Franchisee shall provide the City with a written notice setting forth the nature of such additional information and the date on which Franchisee shall provide access to such additional information.

11.2. *Annual and Quarterly Reports:* Subject to the confidentiality requirements of Section 11.1 above, the Franchisee shall submit a written report to the Commissioner no later than forty-five (45) days after the end of each calendar year or calendar quarter, as the case may be, during the Term of this Franchise (except where otherwise expressly indicated herein), which report shall be in a form reasonably satisfactory to the Commissioner, that shall include the information described in Sections 11.2.1 through 11.2.4; provided, however, that unless otherwise expressly described below, Franchisee's reporting obligations pursuant to this Section 11.2 shall not commence until six (6) months after Cable Service is made available by Franchisee on a commercial basis directly to multiple Subscribers in the Franchise Area.

11.2.1. After July 1, 2012, Franchisee shall provide the City with an annual report regarding the MDUs for which Franchisee is using the "Additional Procedures" contained in section 5.5.2.1 of this Franchise and the status of such procedures.

11.2.2. A quarterly report showing the total number of Significant Outages (as defined in Appendix A of this Franchise) which occurred during the quarter, and with respect to each such Significant Outage, the time it occurred, its cause and duration and the households.

11.2.3. In addition to the reports to be provided as expressly set forth in this Article 11, the Franchisee shall also provide the reports described in Section 10.3 and Appendix

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A (including but not limited to Sections 2.5.3, 3.4.3, 6.5.3 and 7.5.3) and Exhibit 2 to Appendix A of this Franchise.

11.2.4. Franchisee shall provide at each Checkpoint date as listed in section 5.1.2 of this Franchise, a report (based on the calculations set forth in the 2000 census data) showing the estimated median household income of all homes passed and the average household income of all households in New York City.

11.3. *Records Required:* Franchisee shall at all times maintain:

11.3.1. Records of all written complaints for a period of six (6) years after receipt by Franchisee. The term “complaint” as used herein refers to complaints about any aspect of the Cable System or Franchisee’s cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

11.3.2. Records of outages for a period of six (6) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

11.3.3. Records of service calls for repair and maintenance for a period of six (6) years after resolution by Franchisee, 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;

11.3.4. Records of installation/reconnection and requests for service extension for a period of six (6) years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended;

11.3.5. Commencing on February 15, 2009, in order to track compliance with the benchmarks established in Appendix F, records showing the number of MDUs and SFUs passed by the FTTP Network in each Borough during the preceding year, and the cumulative number of MDUs and SFUs passed by the FTTP Network in each Borough since Franchisee commenced construction of the FTTP Network;

11.3.6. Commencing on February 15, 2009, records showing which wire centers servicing the Franchise Area have been upgraded so as to make them video capable VSOs open for sales consistent with Section 5.2 of this Franchise. Such records shall also show which wire center upgrades, if any, have been delayed due to the exceptions contained in the opening clause of Section 5.2 of this Franchise;

11.3.7. Commencing on February 15, 2009, records of MDUs and SFUs that were Video Network Created during the preceding year and the total number of MDUs and SFUs in each Borough throughout the City that have been Video Network Created throughout the City. Such records shall show the number of MDUs and SFUs by Borough that could not be Video Network Created due to an exception contained in Section 5.5 of this Franchise which became effective during the year, and the cumulative number of MDUs and SFUs in each Borough that are not Video Network Created due to the exceptions contained in Section 5.5 of this Franchise;

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11.3.8. Franchisee shall maintain records documenting the applicability of the Section 5.5.1 exceptions; and make such records available for inspection by the Commissioner or the Commissioner's designee at a designated Franchisee office location;

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

11.3.10. Franchisee shall maintain accurate maps and improvement plans which show the location, size and a general description of all facilities installed in the public ways and any power supply sources, including voltages and connections. Maps shall be based on post-construction inspection to verify location;

11.3.11. Notwithstanding the requirements of Section 11.1 of this Agreement, upon written notice, the Commissioner may request additional information pursuant to this Franchise as may be reasonably necessary for the performance of any of the Commissioner's duties or any other City official's duty as it pertains to this Franchise. Franchisee's response to such request may be provided to the Commissioner in oral or written form, at Franchisee's sole discretion.

11.4. *Service Availability Meeting:* Not later than eight (8) months from each calendar year, upon ten (10) days written notice from the Commissioner, a representative of the Franchisee will hold a meeting with the Commissioner or designated representatives thereof to discuss information on the status of Franchisee's deployment of Cable Services in the City and Franchisee's compliance with the requirements of Article 5 of this Franchise (the "Annual Service Availability Meeting"). If, as a result of any Annual Service Availability Meeting, the Commissioner or designated representative thereof reasonably determines that an additional meeting regarding the topics addressed in the Annual Service Availability Meeting is required, the parties shall hold one (1) additional meeting per calendar year to further discuss such topics. Any information provided to the City by Franchisee in connection with any Annual Service Availability Meeting or additional meeting pursuant to this Section 11.4 shall be treated by the City as confidential and proprietary consistent with Section 11.1 hereof.

11.5. *System-Wide Statistics:* Any valid reporting requirement in the Franchise may be satisfied with system-wide statistics, except those related to Franchise Fees and consumer complaints, or if expressly described otherwise in this Franchise.

11.6. *File for Public Inspection:* Throughout the term of this Agreement, the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated by Franchisee, as required by Appendix A to this Agreement.

12. INSURANCE AND INDEMNIFICATION

12.1. *Insurance Generally; Types of Insurance:* The Franchisee shall continuously maintain one or more liability insurance policies meeting the requirements of this Section 12 throughout the Term (with the minimum limits and special conditions specified). Such insurance shall be issued by companies that meet the standards of Section 12.2(a) hereof and shall be primary (and non-contributing) to any insurance or self-insurance maintained by the City. The Franchisee has, as a condition of the Closing, provided proof of insurance pursuant to Section 12.3 hereof documenting compliance with the insurance requirements of this Section 12 as of the Closing.

(a) The Franchisee shall provide a Commercial General Liability Insurance policy covering the Franchisee as Named Insured and the City as an Additional Insured. Coverage for the City as Additional Insured shall specifically include the City's officials, employees and agents, and shall be at least as broad as Insurance Services Office ("ISO") Form CG 2010 (11/85 ed.) This policy shall protect the City and the Franchisee from claims for property damage and/or bodily injury, including death, which may arise from the performance of, or failure to perform, the Franchisee's obligations under this Agreement and the activities and operations conducted in connection with the provision of Cable Service under this Agreement. Coverage under this policy shall be at least as broad as that provided by ISO Form CG 0001 (1/96 ed.), must be "occurrence" based rather than "claims-made", and shall include, without limitation, the following types of coverage: Premises Operations, Products and Completed Operations, Contractual Liability (including the tort liability of another assumed in a contract), Broad Form Property Damage, Medical Payments, Independent Contractors, Personal Injury (Contractual Exclusion deleted), Cross Liability, Explosion, Collapse and Underground Property, and Incidental Malpractice. If such insurance contains an aggregate limit, it shall apply separately to the operations and activities undertaken pursuant to the Franchise. The Commercial General Liability Insurance policy described herein shall be maintained at all times with limits no less than Five Million Dollars (\$5,000,000) combined single limit per occurrence and Ten Million Dollars (\$10,000,000) aggregate.

(b) The Commercial General Liability Insurance policy referred to in the preceding subsection (a) shall contain each of the following endorsements:

(i) The City of New York together with its officials, employees and agents is an Additional Insured with coverage as broad as ISO Forms CG 2010 (11/85 ed.) and CG 0001 (1/96 ed.); and

(ii) The Duties in the Event of Occurrence, Claim or Suit condition of the policy is amended per the following: if and insofar as knowledge of an "occurrence", "claim", or "suit" is relevant to the City of New York as Additional Insured under this policy, such knowledge by an agent, servant, official, or employee of the City of New York will not be considered knowledge on the part of the City of New York of the "occurrence", "claim", or "suit" unless the following position shall have received notice thereof from such agent, servant, official, or employee: Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department; and

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(iii) Any notice, demand or other writing by or on behalf of the Named Insured to the Insurance Company shall also be deemed to be a notice, demand, or other writing on behalf of the City as Additional Insured. Any response by the Insurance Company to such notice, demand or other writing shall be addressed to Named Insured and to the City at the following addresses: Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, N.Y. 10007; and Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department, 100 Church Street, New York, NY 10007 (or replacement addresses of which the City notifies the Franchisee); and

(c) The Franchisee shall provide Workers Compensation Insurance and Disability Benefits Insurance in accordance with the Laws of the State of New York (with minimum limits as required by New York State law without regard to jurisdiction) on behalf of all employees undertaking activities or providing services pursuant to this Agreement.

(d) The Franchisee shall provide, and ensure that each subcontractor (if any) provides, Employers' Liability Insurance affording compensation due to bodily injury by accident or disease sustained by any employee arising out of and in the course of his/her employment under this Agreement. The Employers' Liability Insurance policy described herein shall be maintained at all times with limits no less than \$1 million per accident/disease/policy limit.

(e) The Franchisee shall provide a Comprehensive Business Automobile Liability policy for liability arising out of any automobile including owned, non-owned, leased and hired automobiles to be used in connection with undertaking activities or providing services pursuant to this Agreement. The Automobile Liability Insurance policy described herein shall be maintained at all times with limits no less than Two Million Dollars (\$2,000,000) combined single limit each accident. If automobiles are used for transporting hazardous materials, the Franchisee shall provide pollution liability broadened coverage for covered autos (endorsement CA 99 48) as well as proof of MCS 90.

(f) All insurers shall waive their rights of subrogation against the City, its officials, employees and agents.

(g) The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on indemnity in this Agreement given as a matter of law.

12.2. General Requirements for Insurance Policies:

(a) All required insurance policies shall be maintained with companies that are authorized or permitted to conduct business in the State of New York and have an A.M. Best rating of at least A- VII or a Standard and Poor's rating of at least AA, unless prior written approval is obtained from the Mayor's Office of Operations (or successor entity thereto).

(b) The Franchisee shall be solely responsible for the payment of all premiums for all required policies and all deductibles and self-insured retentions to which such

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policies are subject, whether or not the City is an insured under the policy. Any self-insured retention must be reasonable and is subject to approval by the City.

(c) Except for insurance required pursuant to Sections 12.1(c) and 12.1(d) herein, all policies shall contain a provision stating that the insurer or its authorized representative(s) shall use reasonable efforts to provide thirty (30) days prior written notice of intent to non-renew, cancellation or material adverse change to the City, except that ten (10) day notice for nonpayment of premium shall apply. Such notice shall be sent to the City pursuant to Section 18.6 hereof, and to the City's Comptroller ("the Comptroller"), attn: Office of Contract Administration, Municipal Building, Room 1005, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee).

(d) On or before the date of cancellation, termination or material adverse change affecting the City of any policies with respect to notices described in the preceding subsection (c) of this section 12.2., the Franchisee shall obtain and furnish to the City, with a copy to the Comptroller, replacement insurance binders demonstrating that replacement insurance fully compliant with this Section 12 has been obtained.

12.3. Proof of Insurance:

(a) The Franchisee has delivered to the City, as a condition of the Closing, for each policy required under this Agreement, a Certificate or Certificates of Insurance evidencing the effectiveness of all insurance required under this Agreement. All Certificates of Insurance shall be in a form reasonably acceptable to the City and shall certify the issuance and effectiveness of the types of insurance required herein, each with the specified minimum limits and conditions.

(b) A Certificate or Certificates of Insurance confirming renewals of, or changes to, insurance policies required hereunder shall be submitted to the City within ten (10) days of the expiration or renewal date of coverage of policies required under this Agreement. Such Certificates of Insurance shall comply with the requirements of the preceding subsection (a).

(c) The Franchisee shall be obligated to provide the City with a copy of any policy required by this Section 12 upon the demand for such policy by the Commissioner or the New York City Law Department; provided, however, that any policies or other related information provided by Franchisee (or Franchisee's designee, including, but limited to, an Affiliate or Franchisee's insurer) to the City pursuant to this subsection 12.4(c) shall be treated by the City as confidential and proprietary consistent with the provisions of Section 11.1 of this Franchise.

12.4. Operations of the Franchisee:

(a) Acceptance by the City of a certificate hereunder does not excuse the Franchisee from securing a policy consistent with all provisions of this Section 12 or of any liability arising from its failure to do so.

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(b) The Franchisee shall be responsible for providing continuous insurance coverage in the manner, form, and limits required by this Agreement and shall be authorized to provide service pursuant to this Agreement and the Franchise only during the effective period of all required coverage.

(c) In the event of any loss, damage, injury or accident arising under this Agreement, the Franchisee (once the Franchisee's Risk Management Claims Group becomes aware of any of the foregoing circumstances) shall promptly notify in writing the commercial general liability insurance carrier, and, where applicable, the worker's compensation and/or other insurance carrier, of any loss, damage, injury, or accident, and any claim or suit arising under this Agreement from the operations of the Franchisee or its subcontractors, promptly, but not later than 20 days after Franchisee's Risk Management Claims Group becomes aware of such event. The Franchisee's notice to the commercial general liability insurance carrier must expressly specify that "this notice is being given on behalf of the City of New York as Additional Insured as well as the Franchisee as Named Insured." The Franchisee's notice to the insurance carrier shall contain the following information: the name of the Franchisee, the number of the applicable policy, the date of the occurrence, the location (street address and borough) of the occurrence, and, to the extent known to the Franchisee, the identity of the persons or things injured, damaged or lost. Additionally:

(i) At the time notice is provided to the insurance carrier(s), the Franchisee shall provide copies of such notice to the Comptroller and the Commissioner. Notice to the Comptroller shall be sent to the Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee). Notice to the Commissioner shall be sent to the address set forth in Section 18.6 hereof; and

(ii) If the Franchisee fails to provide any of the foregoing notices in a timely and complete manner, the Franchisee shall indemnify the City for all losses, judgments, settlements and expenses, including reasonable attorneys' fees, arising from an insurer's disclaimer of coverage citing late notice by or on behalf of the City.

12.5. *Insurance Notices, Filings, Submissions:* Wherever reference is made in this Section 12 to documents to be sent to the Commissioner (e.g., notices, filings, or submissions), such documents shall be sent to the address set forth in Section 18.6 hereof.

12.6. *Disposal of Hazardous Materials:* If pursuant to this Agreement the Franchisee is involved in the disposal of hazardous materials, the Franchisee shall dispose of such materials only at sites where the disposal site operator maintains Pollution Legal Liability Insurance in the amount of at least Two Million Dollars (\$2,000,000) for losses arising from such disposal site.

12.7. *Other Remedies:* Insurance coverage in the minimum amounts provided for herein shall not relieve the Franchisee or subcontractors of any liability under this Agreement, nor shall it preclude the City from exercising any rights or taking such other actions as are available to it under any other provisions of this Agreement or applicable law.

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12.8. *Franchisee Indemnification Obligations:* The Franchisee shall indemnify, defend and hold the City, its officers, agents and employees (the “Indemnitees”) harmless from any and all liabilities, suits, damages, claims and expenses (including, without limitation, reasonable attorneys’ fees and disbursements) (“Damages”) that may be imposed upon or asserted against any of the Indemnitees arising out of the Franchisee’s performance of, or its failure to perform, its obligations under this Agreement and/or its provision of services hereunder, provided, however, that the foregoing liability and indemnity obligation of the Franchisee pursuant to this Section 12.8 shall not apply to any Damages to the extent arising out of any willful misconduct or gross negligence of an Indemnitee. Insofar as the facts and law relating to any Damages would preclude the City from being completely indemnified by the Franchisee, the City shall be partially indemnified by the Franchisee to the fullest extent provided by law, except to the extent such Damages arise out of any willful misconduct or gross negligence of any Indemnitee. This indemnification is independent of the Franchisee’s obligations to obtain insurance as provided under this agreement.

12.9. *Defense of Claim, Etc:* If any claim, action or proceeding is made or brought against any of the Indemnitees by reason of any event to which reference is made in Section 12.8 herein, then upon demand by the City, the Franchisee shall either resist, defend or satisfy such claim, action or proceeding in such Indemnitee’s name, by the attorneys for or approved by the Franchisee’s insurance carrier (if the defense of such claim, action or proceeding is provided by the insurance carrier) or by the Franchisee’s attorneys. The foregoing notwithstanding, in the event an Indemnitee believes additional representation is needed, such Indemnitee may engage its own attorneys to assist such Indemnitee’s defense of such claim, action or proceeding, as the case may be, at its sole cost and expense. The Franchisee shall not settle any claim with respect to which the Franchisee is required to indemnify the Indemnitees pursuant to Section 12.8 without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

12.10. *No Claims Against Officers, Employees, or Agents:* Franchisee agrees not to make any claim against any officer or employee of the City or officer or employee of an agent of the City, in their individual capacity, for, or on account of, anything done or omitted in connection with this Agreement, to the extent that such officer or employee of the City or officer or employee of an agent of the City was acting within the lawful course and scope of his employment or agency. Nothing contained in this Agreement shall be construed to hold the City liable for any lost profits, or any consequential damages incurred by Franchisee or any Person acting or claiming by, through or under Franchisee.

12.11. *Limitation on Indemnification:* As between the City and the Franchisee, the indemnifications obligations of the Franchisee pursuant to Section 12.8 above shall not apply to any Damages arising out of the distribution of programming over the Governmental/Educational Access Channels, the Institutional Network available to and used by the City, and/or the Public Access Channels, to the extent that such claim does not arise out of an act or failure to act by the Franchisee.

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12.12. *No Applicability to Pending Litigation:* Franchisee's indemnification obligations pursuant to this Article shall have no applicability to the litigation referenced and defined in Section 18.14.

13. TRANSFER OF FRANCHISE

13.1. *City Approval Required:* Subject to the provisions of this Article, the Franchisee shall apply to the City for approval of any transaction in which any change is proposed with respect to ten percent (10%) or more for voting interests or twenty-five percent (25%) or more for non-voting interests of the ownership of the Franchisee, the Cable System, the Cable System assets, or the Franchise by submitting FCC Form 394 or such other form as the FCC may prescribe for that purpose; provided however that the foregoing, requirements of this Section 13.1 shall not be applicable with respect to transfers of any ownership interests contemplated hereunder which are effectuated as a result of any transactions involving the exchange of publicly traded shares. The application shall be made at least one hundred twenty (120) calendar days prior to the contemplated effective date of the transaction. Such application shall contain complete information on the proposed transaction, including details of the legal, financial, technical, and other qualifications of the transferee. At a minimum, the following information must be included in the application:

13.1.1. all information and forms required under federal law;

13.1.2. any shareholder reports or filings with the Securities and Exchange Commission that pertain to the transaction;

13.1.3. a report detailing any changes in ownership of voting or non-voting interests of over five percent;

13.1.4. other information necessary to provide a complete and accurate understanding of the financial position of the Cable System before and after the proposed transaction;

13.1.5. complete information regarding any potential impact of the transaction on Subscriber rates and service; and

13.1.6. any contracts that relate to the proposed transaction as it affects the City and, upon request by the City, all documents and information that are related or referred to therein and which are necessary to understand the proposed transaction; provided, however, that if the Franchisee believes that the requested information is confidential and proprietary, then the Franchisee must provide the following documentation to the City: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) a statement that the documents are available at the Franchisee's designated offices for inspection by the City.

13.2. *City Action on Transfer:* To the extent not prohibited by federal law, the City may: (i) grant; (ii) grant subject to conditions directly related to concerns relevant to the transactions; (iii) deny any such transactions; or (iv) not take action, in which case the

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transactions shall be deemed granted, unless the requesting party and the LFA expressly agree in writing to an extension, pursuant to Section 617 of the Communications Act, 47 U.S.C. § 537.

13.3. *Waiver of Transfer Application Requirements:* To the extent consistent with federal law, the City may waive in writing any requirement that information be submitted as part of the transfer application, without thereby waiving any rights the City may have to request such information after the application is filed.

13.4. *Subsequent Approvals:* The City's approval of a transaction described in this Article in one instance shall not render unnecessary approval of any subsequent transaction.

13.5. *Approval Does Not Constitute Waiver:* Approval by the City of a transfer described in this Article shall not constitute a waiver or release of any of the rights of the City under this Agreement, whether arising before or after the date of the transfer.

13.6. *No Consent Required For Transfers Securing Indebtedness:* The Franchisee shall not be required to file an application or obtain the consent or approval of the City for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness. However, the Franchisee will notify the City within ten (10) days if at any time there is a mortgage or security interest granted on substantially all of the assets of the Cable System. The submission of the Franchisee's audited financial statements prepared for the Franchisee's bondholders shall constitute such notice.

13.7. *No Consent Required For Any Affiliate Transfers:* The Franchisee shall not be required to pay any fee or file an application or obtain the consent or approval of the City for any transfer of an ownership or other interest in Franchisee, the Cable System, or the Cable System assets to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee. However, the Franchisee will notify the City within thirty (30) days if at any time a transfer covered by this subsection occurs.

14. RENEWAL OF FRANCHISE

14.1. *Governing Law:* The City and Franchisee agree that any proceedings undertaken by the City that relate to renewal or possible renewal of this Franchise shall be subject to, and shall not be inconsistent with, the Cable Law, including without limitation 47 U.S.C. § 546, as such may be amended from time to time.

14.2. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Franchisee and the City agree that at any time during the Term, while affording the public appropriate notice and opportunity to comment consistent with New York State law and the City Charter, the City and Franchisee may, each acting in its discretion, agree to undertake and finalize, pursuant to 47 U.S.C. §546(h), informal negotiations regarding renewal of the Franchise granted hereunder and, if agreement is reached on the terms and conditions of such a renewal the

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City may grant such a renewal, consistent with the applicable procedures and requirements of New York State law and the City Charter.

14.3. *Non-Renewal/Termination:* In the event that the City (i) does not grant a renewal of the Franchise at the scheduled expiration date of the Term; or (ii) this Agreement is terminated for any other lawful reason prior to the scheduled expiration of the Term, then the Term of the Franchise shall expire and all rights of the Franchisee under the Franchise shall cease, provided however that nothing in this Section shall be inconsistent with the terms of Section 18.21, provisions of this Agreement expressly providing for the survival of certain provisions after such termination or expiration, or the provisions of subsection 14.3.1 below.

14.3.1. If the Franchisee continues to provide Cable Service after the termination or expiration of the Term of the Franchise, and the Franchise has not been renewed, then the Franchisee shall be bound by all of the Franchisee's obligations under this Franchise for the period of such continuing provision of Cable Service.

14.4. *Consistent Terms:* Franchisee and the City consider the terms set forth in this Article 14 to be consistent with the express provisions of 47 U.S.C. § 546 and the Cable Law.

15. DEFAULT AND REMEDIES

15.1. *Defaults.* In the event of any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Agreement (each such breach, default, failure or other noncompliance being referred to herein as a "Default"), which Default is not cured within the specific cure period provided for in this Agreement (or if no specific cure period is provided for in this Agreement then within the cure period described in Section 15.3 below), then the City may:

15.1.1. cause a withdrawal from the cash Security Fund, pursuant to the provisions of Section 15.11 herein;

15.1.2. make a demand upon the Performance Bond pursuant to the provisions of Section 15.9 herein;

15.1.3. draw down on the Letter of Credit pursuant to the provisions of Section 15.10 herein;

15.1.4. pursue any rights the City may have under the Guaranty;

15.1.5. seek and/or pursue money damages from the Franchisee as compensation for such Default;

15.1.6. seek to restrain by injunction the continuation of the Default; and/or

15.1.7. pursue any other remedy permitted by law, or in equity, or as set forth in this Agreement, provided however the City shall only have the right to terminate this Agreement upon the occurrence of a Revocation Default (defined hereinafter).

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15.2. *Notice of Default:* If at any time the City believes that Franchisee has committed any Default, the City shall notify the Franchisee's designated franchise service manager, and the Franchisee representatives identified in Section 18.6 hereof, of such alleged Default. If, thereafter, the City determines that Franchisee is not in Default, the City shall promptly provide the Franchisee with written notice of such determination. However, if the City determines that such notice has failed to result in a resolution of the matter, the City shall then notify Franchisee in writing of the alleged Default and identifying the specific provision of the Franchise on which the alleged Default is based (for purposes of this Article, the "Notice of Default").

15.3. *Franchisee's Right to Cure or Respond:* Except as set forth in Section 15.3.1 below, Franchisee shall have thirty (30) days from receipt of the Notice of Default to: (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default. Upon cure of any alleged Default, the City shall provide written confirmation that such cure has, to the knowledge of the Commissioner or designated representative thereof, been effected.

15.3.1. With respect to the following Franchise obligations, Franchisee shall have ten (10) days from the receipt of Notice of Default to (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default: (a) payment of Franchise Fees, Annual GE Grants, or Technology, Educational & Municipal Facility Grants; and (b) maintenance of Security pursuant to Sections 15.9, 15.10 and 15.11.

15.4. *Extended Time to Complete Cure:* Notwithstanding anything in the preceding to the contrary, no Default shall exist if a breach or default is curable, and a cure period is provided therefor in this Article 15 or otherwise, but work to be performed, acts to be done, or conditions to be removed to effect such cure cannot, by their nature, reasonably be performed, done or removed within the cure period provided, so long as the Franchisee shall have commenced curing the same within the specified cure period and shall diligently and continuously prosecute the same promptly to completion.

15.5. *Miscellaneous Matters Regarding Default, Cure and Remedies:* The rights and remedies described in Section 15.1 hereof shall not be exclusive, but each and every right and remedy specifically provided or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed appropriate by the City, except as provided herein. The exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy, nor shall any delay or omission in taking any action or exercising any remedies with respect to any Default be construed to be a waiver of or acquiescence to any Default. The exercise of any such right or remedy by the City shall not release the Franchisee from its obligations or any liability under this Agreement, provided that nothing in this Section 15.5 or in this Agreement is intended to authorize or shall result in double recovery of damages by the City.

15.6. *Revocation Defaults; Definition of Revocation Default:* A Revocation Default shall mean any of the following occurrences or events:

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15.6.1. any failure by the Franchisee to maintain in effect the cash Security Fund described in Section 15.11 hereof and/or the Letter of Credit described in Section 15.10 hereof in accordance with the provisions of said sections, which failure continues for ten (10) business days after notice;

15.6.2. any failure by the Franchisee to maintain in effect the Performance Bond described in Section 15.9 hereof in accordance with the provisions of said section, which failure continues for ten (10) business days after notice;

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee's compliance with its obligations under this Agreement);

15.6.4. if the Franchisee fails to maintain insurance coverage or otherwise materially breaches Article 12 hereof and such failure continues for ten (10) business days after notice from the City to the Franchisee;

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

15.6.7. if there is any transfer of the Franchise other than in accordance with Article 13;

15.6.8. the conviction, guilty plea or plea of nolo contendere of the Franchisee, any Controlling Person, any director or officer of the Franchisee, or any employee or agent of the Franchisee or of any Controlling Person acting under the express direction or with the actual consent of any of the foregoing, of any offense, including, without limitation, bribery or fraud, arising out of or in connection with this Agreement, the award of the franchise granted pursuant to this Agreement, provided that such shall constitute a Revocation Default with respect to any of the foregoing with respect to a malfeasant director, officer, employee or agent of the Franchisee or of any Controlling Person only if the Franchisee or the applicable Controlling Person refuses to disassociate itself from, or terminate the employment of, said director, officer, employee or agent;

15.6.9. the conviction or guilty plea of any City officer, employee, or agent of the offense of bribery or fraud with respect to this Agreement which arises out of any act of the Franchisee of any Controlling Person, or of any agent or employee thereof acting under the express direction or actual consent of the foregoing;

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15.6.10. any abandonment of service in default of the obligations described in Section 15.13 hereof; and

15.6.11. any persistent and repeated pattern of material Defaults, even if individual Defaults constructing such a persistent and repeated pattern are subsequently cured after their occurrence or remediated by recourse to security provided to the City under Sections 15.9 through 15.11 hereof or by other means; provided, however, that this provision shall not apply to alleged Defaults subject to good faith disputes.

15.7. *Remedies of the City for Revocation Defaults:* In the event of a Revocation Default, the City may (in addition to any other remedy which the City may have under Section 15.1 hereof) at its option, give to the Franchisee a written notice (“Notice of Revocation”), in accordance with Section 15.8 hereof, stating that this Agreement and the Franchise granted hereunder shall be revoked on the date specified in such notice (which date shall not be less than ninety (90) days from the giving of the notice), and this Agreement and the Franchise granted hereunder shall terminate on the date set forth in such notice as if such date were the date provided in this Agreement for the scheduled expiration of this Agreement and the franchise granted herein. Notwithstanding the preceding however, during the period between the Notice of Revocation provided pursuant to this Section 15.7 and thirty days prior to the date of revocation set forth in such notice, the Franchisee may submit to the City any material it wishes to document that no Revocation Default has occurred or that revocation as a remedy for such Revocation Default would not be in the best interests of the City. If the City after reviewing such material determines that a Revocation Default has not occurred, or determines in its discretion that termination as a remedy for such Revocation Default would not be in the best interests of the City, then the City shall notify the Franchisee of its withdrawal of the Notice of Revocation which notice shall thereby no longer be effective.

15.8. *Revocation:* In the event the City has not received a satisfactory response from Franchisee to the Notice of Revocation, it may then seek revocation of the Franchise at a hearing. The City shall cause to be served upon the Franchisee, at least thirty (30) business days prior to such hearing, a written notice specifying the time and place of such hearing which shall not be earlier than as provided for in Section 15.7 and stating its intent to revoke the Franchise.

15.8.1. At the designated hearing, Franchisee 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 City, 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.

15.8.2. Following the hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the City in writing and thereafter the City shall determine (i) whether an event of Revocation Default has occurred under this Franchise; (ii) whether such event of Revocation Default is excusable; and (iii) whether such event of Revocation Default has been cured or will be cured by the Franchisee. The City shall also determine whether it will revoke the Franchise based on the information presented, or, where

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applicable, grant additional time to the Franchisee to effect any cure. If the City determines that it will revoke the Franchise, the City shall promptly provide Franchisee with a written determination setting forth the City's reasoning for such revocation. Franchisee may appeal such written determination of the City to an appropriate court, which shall have the power to review the decision of the City de novo. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the written determination of the City.

15.9. Performance Bond:

15.9.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement, a performance bond, for the benefit of the City, on the form attached hereto as Appendix E and from an institution satisfactory to the City, in an amount as provided in Section 15.9.2 below (the "Performance Bond"). The "City of New York acting by and through the Department of Information Technology and Telecommunications" shall serve as the sole obligee under the Performance Bond. The attorney-in-fact who signs the Performance Bond must file with the bond a certified copy of his/her power of attorney to sign the bond. The Performance Bond shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement.

15.9.2. *Amount and Term:* The initial amount of the Performance Bond shall be Fifty Million Dollars (\$50,000,000), which amount may at Franchisee's option be periodically reduced pursuant to the following schedule if at the scheduled reduction date Franchisee has timely completed its deployment obligations under Appendix F hereof. The Performance Bond provided hereunder shall provide that it shall remain in effect during the term of this Agreement and for one year thereafter unless within such one year period DoITT notifies the Franchisee that the Performance Bond shall remain in full force and effect because of the pendency of any litigation or the assertion of any claim which has not been brought to final judgment and for which the Performance Bond provides security.

15.9.2.1. *Reduction Schedule:* The required amount of the Performance Bond shall be reduced in accordance with the following schedule as of December 31 of the year indicated so long as Franchisee has attained the "NYC Total" percentage of households passed required as of that date as set forth in Appendix F, except that the date for reduction in calendar year 2014 shall be June 30 of that year, subject to the same requirement. If Franchisee does not attain the "NYC Total" percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the "NYC Total" percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)
2009: Thirty Million Dollars (\$30,000,000)
2010: Twenty-Five Million Dollars (\$25,000,000)
2011: Fifteen Million Dollars (\$15,000,000)
2012: Ten Million Dollars (\$10,000,000)

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2013: Five Million Dollars (\$5,000,000)

2014: One Million Dollars (\$1,000,000)

15.9.3. *Claim Against the Performance Bond:* The City may make a claim against the Performance Bond in such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations referenced in Section 15.9.2 (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such claim may be permitted by a final judgment of a court of competent jurisdiction. The City may not seek recourse against the Performance Bond for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Performance Bond, recourse to the Letter of Credit, or withdrawal from the cash Security Fund.

15.10. Letter of Credit:

15.10.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement and for one year thereafter, a letter of credit, for the benefit of the City, in a form and issued by a bank satisfactory to the City, in an amount as provided in Section 15.10.2 below (the "Letter of Credit"). The Letter of Credit shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement. The "City of New York acting by and through the Department of Information technology and Telecommunications" shall be named as the beneficiary. The original Letter of Credit shall be deposited with the City. The Letter of Credit shall contain the following endorsement:

"It is hereby understood and agreed that this letter of credit may not be canceled or not renewed by the issuer/surety until at least ninety (90) days after receipt by the New York City Department of Information Technology and Telecommunications of a written notice stating such intention to cancel or not to renew."

15.10.2. *Amount:* The Letter of Credit shall be in the amount of Twenty Million Dollars (\$20,000,000).

15.10.3. Drawdown Against the Letter of Credit:

15.10.3.1. The City may draw down against the Letter of Credit such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations under this Agreement not otherwise met in accordance with this Agreement (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such drawdown may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Letter of Credit for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Letter of Credit, recourse to the Performance Bond, or withdrawal from the cash Security Fund.

15.10.3.2. In addition to its right to draw down on the Letter of Credit for any of the reasons set forth in 15.10.3.1 hereof, the City may draw down in full on the Letter of Credit at any time such Letter of Credit has less than thirty (30) days to run before it is

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scheduled to expire and no replacement or renewal Letter of Credit has been given in its place. In the event of a drawdown for such reason, the City will hold the proceeds as cash security (paying to itself any interest earned) in lieu of a Letter of Credit (with the City having the right to make withdrawals for the same purposes as drawdowns are permitted on the Letter of Credit) until a replacement Letter of Credit is put in place, at which time such drawdown proceeds will be returned to the Franchisee less any proper withdrawals and any reasonable transaction expenses. In the event of a drawdown on the Letter of Credit as contemplated by this Section 15.10.3.2, and until such time as a replacement Letter of Credit is obtained in accordance herewith, the replenishment obligations of the Franchisee with respect to the moneys held by the City following such drawdown as cash security shall correspond to the replenishment obligations (and rights) of the Franchisee applicable to the cash Security Fund under Section 15.11.

15.10.3.3. Within two business days after any drawdown against the Letter of Credit, the City shall notify Franchisee of the date and amount thereof.

15.10.4. *Replenishment:* Until the expiration of one year after the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that at least One Hundred Thousand Dollars (\$100,000) (cumulatively or in a single instance) has been drawn down against the Letter of Credit, Franchisee shall obtain a replacement or additional Letter of Credit such that the total amount available under the letter(s) of credit obtained shall be restored to the amount required in Section 15.10.2.

15.11. *Cash Security Fund:*

15.11.1. *Establishment and Amount:* Franchisee shall deposit with DoITT as a condition to the Closing a certified check, bank check or wire transfer, payable to the “City of New York,” in the amount of One Million Dollars (\$1,000,000), to be held by the City as security (together with the other elements of security provided for under this Agreement) for performance of Franchisee’s obligations under this Agreement (the “Security Fund”).

15.11.2. *Withdrawals From or Claims Under the Security Fund:* The City may make withdrawals from the Security Fund of such amounts as are necessary to satisfy (to the degree possible) Franchisee’s obligations under this Agreement that are not otherwise satisfied (and to reimburse the City for costs, losses or damages incurred as the result of Franchisee’s failure(s) to satisfy its obligations), to the extent that such withdrawal may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Security Fund for any costs, losses or damages for which the City has previously been compensated through a withdrawal from the Security Fund, recourse to the Performance Bond provided for in this Agreement or drawdown against the Letter of Credit provided for in this Agreement. Within two business days after any withdrawal from the Security Fund, the City shall notify the Franchisee of the date and amount thereof.

15.11.3. *Replenishment:* Until the expiration of one year after the end of the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that any amount has been withdrawn from the Security Fund as provided in Section 15.11.2, the Franchisee shall restore to the Security Fund the amount thus withdrawn.

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15.11.4. *Return of Security Fund:* Within thirty (30) days of the end of the Term, the City shall pay over to the Franchisee any amounts remaining in the Security Fund.

15.12. *Not a Limit on Liability:* Neither the Franchisee's obligations under this Agreement nor Franchisee's liability for non-performance of any such obligations are limited in nature or amount by the acceptance or availability of the Performance Bond provided pursuant to Section 15.9, the Letter of Credit provided pursuant to Section 15.10 or the cash Security fund provided by Section 15.11.

15.13. *Abandonment of Service:* Franchisee shall not abandon provision of any Cable Service or portion thereof in the City without the City's prior written consent as provided in the Cable Law.

16. CUSTOMER PROTECTION STANDARDS

16.1. *Generally:* Franchisee shall comply with the consumer protection standards set forth in Parts 890 and 896 of the NY PSC rules and regulations and the provisions of Appendix A hereto.

16.2. *Privacy Protection:* The Franchisee shall comply with the provisions of 47 U.S.C. § 551 and any other applicable law, including any local standards to the extent not inconsistent with the terms of this Franchise established in accordance with applicable law, with respect to the protection of the privacy of Subscribers.

16.3. *Parental Control:* Franchisee shall make available to any Subscriber, if not already incorporated in standard equipment that is offered to all Subscribers, a device that offers as an option the ability to limit access to programming to Persons who provide a personal identification number or other means provided by the Franchisee only to a Subscriber, or other similar means of allowing parents to control children's access to programming in the Subscriber household. Provided, however, that it is not the intention of the parties that this Agreement be construed as placing any responsibility or liability on the Franchisee for the exercise of or failure to exercise such parental controls as are offered and Franchisee shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls as are offered.

16.4. *Information to City:* The Franchisee shall provide subscriber information requested by the City for the purpose of enforcement of this Franchise, to the extent the provision of such information does not violate applicable law (including, without limitation, 47 U.S.C. § 551).

17. EMPLOYMENT AND PURCHASING

17.1. *Right to Bargain Collectively:* The Franchisee shall recognize the right of its employees to bargain collectively through representatives of their own choosing in accordance with applicable law. The Franchisee shall recognize and deal with the representatives duly designated or selected by the majority of its employees for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or any other terms, conditions, or

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privileges of employment as required by law. The Franchisee shall not dominate, interfere with, participate in the management or control of, or give financial support to any union or association of its employees.

17.2. *No Discrimination:* The Franchisee shall not: (i) refuse to hire, train, or employ; (ii) bar or discharge from employment; or (iii) discriminate against any individual in compensation, hours of employment, or any other term, condition, or privilege of employment, including, without limitation, promotion, upgrading, demotion, downgrading, transfer, layoff, and termination, on the basis of race, creed, color, national origin, sex, age, handicap, marital status, affectional preference or sexual orientation in accordance with applicable law. The Franchisee agrees to comply in all respects with all applicable federal, state and local employment discrimination laws and requirements during the term of this Agreement.

17.3. *Local Employment Plan:* Within thirty (30) days of the Effective Date hereof, the Franchisee shall, at its own cost and expense, develop, maintain and implement and disclose to the City (subject to appropriate and lawful confidentiality restrictions), a plan, consistent with Franchisee's collective bargaining agreements, for the recruitment, education, training, and employment of residents of the City for the opportunities to be created by the deployment and provision of service contemplated in this Agreement.

17.4. *City Vendors:* To the extent feasible and consistent with applicable law, and with due regard to price and quality considerations, the Franchisee shall utilize vendors located in the City in connection with the deployment and provision of service contemplated by this Agreement.

17.5. *Local Law Requirements:* The Franchisee agrees to comply in all respects with the provisions of the Mayor's Executive Order No. 50 (April 25, 1980) (codified at Title 10 Sections 1-14 of the Rules of the City of New York) and City Administrative Code 6-108.1 (1984) and all rules and regulations promulgated thereunder (collectively, the "EEO Requirements"), as such EEO Requirements may be amended, modified or succeeded throughout the Term of this Agreement. Notwithstanding the fact that the EEO Requirements do not apply on their face to Franchisee in its capacity as a franchisee, the Franchisee shall comply in all respects with the provisions of such EEO Requirements and successor and replacement laws, orders and regulations adopted following the date of this Agreement. As required by said Executive Order No. 50, the provisions of Sections 50.30 and 50.31 of the Final Rule implementing said Order are incorporated herein by this reference.

18. MISCELLANEOUS PROVISIONS

18.1. *Competition:* The parties agree that this Agreement, when compared to the terms of the City's cable television franchise agreements in existence as of the Closing, contains economic and regulatory burdens which, when taken as a whole, are not greater or lesser than those placed upon other cable operators operating within the Franchise Area.

18.2. *Actions of Parties:* Any action to be taken by the City and/or the Commissioner pursuant to this Agreement shall be taken in accordance with the applicable provisions of the City Charter, as said Charter may be amended or modified throughout the Term of this

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Agreement. 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, unless expressly agreed otherwise herein.

18.3. *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.

18.4. *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 City.

18.5. *Force Majeure:* Subject to the procedures set forth in the last sentence of this Section 18.5, the Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Franchisee's capability to perform, Franchisee shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. The Franchisee shall notify the Commissioner in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

18.6. *Notices:* Every notice, order, petition, document, or other direction or communication to be served upon the City or the Franchisee shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses (unless expressly stated otherwise in this Agreement):

If to the Franchisee, to:

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Verizon New York Inc.
Maura Breen, Senior Vice President & General Manager – New York Region
140 West Street
31st Floor
New York, NY 10007

with a copy to:

Jack White, Senior Vice President and General Counsel
Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

With a copy to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

If to the City, to:

Department of Information Technology and Telecommunications
75 Park Place, Ninth Floor
New York, NY 10007
Attention: Commissioner

with a copy to:

New York City Law Department
100 Church Street, Sixth Floor
New York, NY 10007
Attention: Chief, Economic Development Division

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

18.7. *Additional Representations and Warranties*: In addition to the representations, warranties, and covenants of the Franchisee to the City set forth elsewhere herein, the Franchisee represents and warrants to the City and covenants and agrees that, as of the Closing:

18.7.1. *Organization, Standing and Power*: The Franchisee is a corporation duly organized and validly existing under the laws of the State of New York and is duly authorized to

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do business in the State of New York and in the City. The Franchisee has all requisite power and authority to execute, deliver and perform this Agreement and all other agreements entered into or delivered in connection with or as contemplated hereby. Certified copies of the Franchisee's constituent documents, as amended to date, will be provided to the Commissioner upon request.

18.7.2. *Authorization:* The execution, delivery and performance of this Agreement and all other agreements entered into in connection with the transactions contemplated hereby have been duly, legally and validly authorized by all necessary action on the part of the Franchisee. This Agreement and all other agreements entered into in connection with the transaction contemplated hereby have been duly executed and delivered by the Franchisee and constitute (or upon execution and delivery will constitute) the valid and binding obligations of the Franchisee.

18.7.3. *Compliance with Law:* The Franchisee is in compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the provision of the services contemplated herein and has obtained or will obtain prior to the provision of service to the public all government licenses, permits, and authorizations necessary for the provision of the service, except approval by the NY PSC.

18.7.4. *Ownership Interests:* Franchisee is a wholly owned subsidiary of NYNEX Corporation, which itself is a wholly owned subsidiary of Verizon Communications, Inc.

18.7.5. *Compliance with City Contracts:* The Franchisee has not received notice from the City of any default or noncompliance with any existing written contract or other written agreement with the City, unless such default or noncompliance has subsequently been cured or otherwise resolved to the City's satisfaction or such notice has been withdrawn by the City or otherwise determined by the City or a court of competent jurisdiction to have been issued in error.

18.8. *Compliance with Laws; Licenses and Permits:* With respect to its activities pursuant to this Agreement, the Franchisee shall comply with: (i) all applicable laws, rules, regulations, orders, writs, decrees and judgments (including, but not limited to, those of the PSC and the FCC) and any other federal, state agency or authority of competent jurisdiction; and (ii) all local laws and all rules, regulations, orders, of the City and of DoITT consistent with this Agreement. The Franchisee shall have the sole responsibility for obtaining all permits, licenses and other forms of approval or authorization necessary to construct, operate, maintain, upgrade, replace or repair the System, or any part thereof.

18.9. *Entire Agreement:* This Agreement and the Exhibits and Appendices hereto constitute the entire agreement between Franchisee and the City and they supersede all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof.

18.10. *Amendments and Modifications:* Amendments and/or modifications to this Franchise shall not be effective unless mutually agreed to in writing by the parties and shall be subject to the approval of the NY PSC, pursuant to the Cable Law.

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18.11. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the articles, sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement. Terms such as "hereby," "herein," "hereof," "hereinafter," "hereunder," and "hereto" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. The term "may" is permissive; the terms "shall" and "will" are mandatory, not merely directive. All references to any gender shall be deemed to include all others, as the context may require. Terms used in the plural include the singular, and vice versa, unless the context otherwise requires.

18.12. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by, or a final order of any state or federal regulatory authority having competent 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 the Franchise, subject to the obligations of the parties as applicable under Section 18.4 above.

18.13. *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.

18.14. *Pending Litigation:* Nothing in this Franchise shall be construed to prejudice or affect any position taken by either the City or Franchisee in the litigation now pending in the Supreme Court, County of New York, captioned The City of New York v. Verizon New York Inc., Index No. 402961/03 (the "Pending Litigation").

18.15. *FTTP Network Status:* In the event of a lawful termination or non-renewal of the Franchise, the legal status of the FTTP Network in the rights-of-way will revert to whatever status it has as a system providing only services that do not include Cable Service, as such status may be ultimately determined by the final outcome of the litigation referred to in Section 18.14 above. In implementation of the intent of the preceding sentence, if and so long as the Franchisee shall have separate lawful authority to maintain facilities providing services of the type being carried over the FTTP Network in the City's Public Rights-of-Way, the Franchisee shall not be required to remove or relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Service.

18.16. *NY PSC Approval:* This Franchise is subject to confirmation by the NY PSC. Franchisee shall file a petition for confirmation with the NY PSC within sixty (60) days after the date hereof. Franchisee shall also file any necessary notices with the FCC.

18.17. *Rates and Charges:* The rates and charges for Cable Service provided pursuant to this Franchise shall be subject to regulation in accordance with federal law, and in no event shall Franchisee be subject to rate regulation, except to the extent Franchisee is no longer subject to

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Effective Competition (as that term is defined by federal law) or such rate regulation is authorized to be imposed as a result of a change in federal law.

18.18. *Publishing Information:* Except as otherwise permitted in this Franchise, the City hereby requests that Franchisee omit publishing information specified in 47 C.F.R. § 76.952 from Subscriber bills.

18.19. *No Third Party Beneficiaries:* This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

18.20. *City Official:* The Commissioner is the City official that is responsible for the continuing administration of this Agreement.

18.21. *Holdover.* To the extent required or permitted by PSC regulations, in the event the Franchisee continues to provide Cable Service within the Franchise Area after the term of this Agreement, the Franchisee shall continue to comply with all applicable provisions of this Agreement, including, without limitation, all compensation and other payment provisions of this Agreement, throughout the period of such continued operation, provided that any such continued operation shall in no way be construed as a renewal or other extension of this Agreement or the Franchise granted pursuant to this Agreement.

18.22. *Investigations Clause:* Franchisee shall comply with the City's standard "Investigations Clause" to be included in City contracts and agreements pursuant to Section 4(b) of Mayoral Executive Order 16 of 1978, as set forth in Appendix I hereto, and in the event of any failure as described therein shall be subject to the penalties set forth therein.

18.23. *Interpretation:* This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party because that party drafted, or caused that party's legal representative to draft, any of its provisions.

18.24. *Voluntary Execution:* The parties acknowledge that each has read this Agreement, that each fully understands its rights, privileges and duties under this Agreement, and that each enters into this Agreement freely and voluntarily. Each party further acknowledges that it has had the opportunity to consult with counsel of its own choosing in the negotiation or and agreement to the provisions of this Agreement.

18.25. *Execution in Counterparts:* This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute a single agreement.

[The remainder of this page is intentionally blank.]

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AGREED TO THIS ____ DAY OF _____, 2008.

The City of New York:

By: _____
Deputy Mayor

By: _____
Paul Cosgrave, Commissioner

Approved as to form and certified as to legal authority:

Acting Corporation Counsel

Attest:

By: _____
City Clerk [City Seal]

Verizon New York Inc.

By: _____
Maura C. Breen, Senior Vice President &
General Manager - NY/CT Region, Verizon Telecom

Approved as to form:

John Raposa, Vice President & Deputy General Counsel –
Verizon Telecom

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APPENDICES

Appendix A: Customer Protection Standards

Appendix B: PEG Channels

Appendix C: Form Community Access Organization Agreement

Appendix D: Institutional Network

Appendix E: Form of Security

Appendix F: FTTP Upgrade Schedule

Appendix G: Franchise Area

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Appendix I: Investigations Clause

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Appendix K: Form of Franchise Fee Report

APPENDIX A
CONSUMER PROTECTION STANDARDS

APPENDIX A
CONSUMER PROTECTION STANDARDS
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Section 1

SOLICITATION OF SUBSCRIPTIONS

1.1 Uniforms/Identification Cards/Name Badges. Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

1.2 Subscription Information.

1.2.1 At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

- (v) the procedure for the resolution of billing disputes;
- (vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;
- (vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;
- (viii) the required time periods for installation requests, consistent with these consumer protection standards; and
- (ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

1.2.2 Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

1.2.3 The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

1.3 Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2 **INSTALLATION**

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time). ;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices, practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and

uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer “appointment window” time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee’s work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer “appointment windows,” but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber’s premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner’s satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have) failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the forty-fifth (45th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3

SERVICE CENTERS

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough. All such Service Centers will be conveniently located near mass transit.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or

otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours

regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

- (i) each telephone call shall be answered within at least thirty (30) seconds;
- (ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;
- (iii) callers shall not be kept on hold for longer than thirty (30) seconds;
- (iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;
- (v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and
- (vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet

such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may "pass through" to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the

outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by Franchisee.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a

Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5

EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or

the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an "Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels

provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber's television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, "loss of picture or sound" shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a "Significant Outage," which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber's television receiver or the Subscriber, and that affects one hundred (100) or more Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a "Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a "Significant Service Interruption," which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber's premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee's customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber's premises. The Franchisee shall provide on Saturday the same level of service it provides during any weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee's control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee's failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain access to a Subscriber's premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the

Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the forty-fifth (45th) day following the end of each calendar quarter. Upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has determined that there has been an excessive number identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7

SUBSCRIBER COMPLAINTS

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its

employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Centers to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "Payment Center" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the “comments” section of the Franchisee’s records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee’s obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

(i) the total number of complaints received by Franchisee in each Borough;

(ii) the nature and current status of all complaints received by Franchisee in each Borough, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories as may be tracked in Verizon's internal customer service system; and

(iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough.

Section 8 **NOTICE**

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth

in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 Scheduling Appointments. The Franchisee shall provide Subscribers with "appointment window" time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber's premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide "appointment window" time blocks.

Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 Grounds. As a result of the Franchisee's failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber's claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber's claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant

Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 Procedures for Contacting Subscribers. Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the "appointment period"), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if

the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber's or potential Subscriber's premises, as promised, or (b) prior to such arrival, telephone the Subscriber's or potential Subscriber's premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber's or potential Subscriber's premises, the Franchisee is not able to secure access to the premises, the Franchisee's employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber's or potential Subscriber's premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee's arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber's premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers' premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber's premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature, the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12

FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 Reporting. The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13

ANNUAL CABLE CONSUMER REPORT CARD

13.1 Annual Cable Consumer Report Card Requirements. The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.

Exhibit 1 to Appendix A

DESIGNATION AND LOCATION OF SERVICE CENTERS

SERVICE CENTER

[To be filled in by Verizon]

Exhibit 2 to Appendix A

CONSUMER PROTECTION REPORTING REQUIREMENTS

SERVICE REPORTS

Significant Outage Report (Quarterly)

The Franchisee shall provide reports of Significant Outages, Significant Outage Reports, containing the date, time, location, number of homes affected, cause and duration of each outage, and such other information as the Commissioner shall reasonably require. Franchisee shall also include information related to automatic credits provided to Subscribers in relation to Significant Outages reported.

Interconnection Report (Upon Request)

Upon request of the Commissioner, the Franchisee shall submit to the Commissioner a report detailing its compliance with the requirements set forth in Section 8.1.6 of the Agreement.

TELEPHONE REPORT

A report containing the information detailing compliance with the standards required in Section 3.4.1 of Appendix A of the Agreement shall be submitted to the Commissioner in the form contained in the attached exhibit and according to the definitions set forth herein. Such report shall be submitted on a quarterly basis, except that a report regarding Supervisor Callback Within Four Hours shall be supplied upon request. If due to technological, service or other changes the Franchisee believes changes in the form of this report is appropriate, the Franchisee may petition the Commissioner for a change in form, which the Commissioner may grant if in his or her discretion such a change is in the interest of subscribers. To the extent there are references below to voicemail systems or other call response methods that the Company does not utilize, those sections shall not apply.

A. Telephone Reporting Definitions

1. Calls Offered.

All “calls” other than those which receive busy signals, made to the Franchisee’s sales, service, pay-per-view (other than pay-per-view automatic ordering), billing and any other lines for subscribers or potential subscribers (in short, all lines other than the Franchisee’s business office lines and its automated pay-per-view ordering lines), twenty-four (24) hours a day. All calls described in this report may be initiated by a voice response unit rather than a live representative.

2. Calls Handled.

All Calls Offered to the VRU which are not Lost Calls (see below).

3. Lost Calls.

a. Number: All Calls Offered which request, or hold for, a live customer service representative ("CSR") (i.e., calls which neither request an automated response nor leave a taped message, or request an automated response then continue to hold for a CSR) but hang up before a live CSR comes to the phone.

b. Percent: Percentage of Calls Offered which are Lost Calls.

4. Average Wait Time.

"Wait Time" is defined as the number of seconds a caller waits, after the conclusion of recorded or automated phone system instructions and routing, before the earliest of the following occurs: a live CSR comes to the phone, or the caller leaves a recorded message, or the caller hangs up. Average Wait Time is the total Wait Time of all Calls Offered, which remain on the line after the commencement of Wait Time until they receive service from a live CSR, leave a recorded message, or hang up, divided by the number of such calls. Calls Offered which hang up prior to the commencement of Wait Time will not be counted in either the numerator or denominator of this calculated average, nor will any After Hours calls.

5. All Trunks Busy.

The Total amount of time in the reporting period during which the level of use of the Franchisee's phone lines was such that a caller attempting to call any one of the phone lines included in Calls Offered would have received a busy signal (a period is considered within All Trunks Busy if, for example, all "service" lines are busy, even if "billing" lines are available, unless the Franchisee's system automatically rolls calls from occupied lines into available lines).

6. Overflow Device. (During Normal Hours).

a. Total Calls Seeking CSR:

All Calls Offered during Normal Hours which remain on the line at the conclusion of any recorded or automated phone system instructions and routing. This should be the same number as the denominator in the calculation of Average Wait Time.

b. Calls Receiving CSR Within Thirty (30) Seconds:

The number of Total Calls Seeking CSR which were picked up by a live CSR within 30 seconds of the commencement of Wait Time. This number shall not include any calls picked up by a CSR after thirty (30) seconds of Wait Time has run, or any calls which leave a message, or any Lost Calls.

c. Total Messages Left:

The number of Total Calls Seeking CSR which leave messages. The number in this category when added to the number in the Calls Receiving CSR Within Thirty (30) Seconds category will add up to less than Total Calls Seeking CSR, because the following types of Total Calls Seeking CSR will not be included in either category: calls which are lost because the caller hangs up after thirty (30) seconds without leaving a message and callers who receive help from a CSR after waiting more than thirty (30) seconds.

d. Messages Requiring Callbacks:

The number of Total Calls Seeking CSR which leave messages which require callbacks. The difference between this category and Total Messages Left will be callers who leave messages which do not require further contact (because, for example, the caller's message reports an outage or other problem which was resolved shortly after the call, or the message simply reports an opinion on programming content) or are unreturnable (because, for example, the caller left no phone number or identification).

e. Messages Returned Within One (1) Business Day:

This is the number of Messages Requiring Callbacks which were returned within one (1) business day (including both calls which are successfully completed and calls in which the customer does not answer the phone).

f. Automated Calls Within Thirty (30) Seconds:

The number of Calls Offered which are handled by automated interaction between the customer and the telephone and/or billing system. This number shall not include any calls which roll over to the overflow device or during which for any other reason the automated response to the caller does not commence within thirty (30) seconds of the conclusion of initial recorded or automated phone service instructions and routing.

7. After Normal Hours.

a. Calls Offered After Hours:

All Calls Offered which come in After Hours. (These calls are separate from the Overflow Device category because all After Hours callers who remain on the line after recorded and automated information has been offered are immediately rolled into the message recording system, with no regular CSR availability).

b. After Hours Messages Returned Within One (1) Business Day:

Defined in the same manner as Messages Returned Within One (1) Business Day, except this category covers the messages received After Hours.

8. Supervisor Callback Requests:

All Calls Offered, requesting contact with a supervisor, including both requests made to live CSRs as well as requests left on recorded messages.

9. Supervisor Callback Within Four Hours:

All supervisor Callback requests which are returned by a supervisor within four (4) “calling hours.” “Calling hours” are defined as 9 a.m. to 10 p.m. on weekdays, 10 a.m. to 10 p.m. on weekends. (It is recognized that some late evening callers requesting a supervisor may request that a callback be made later than the early morning hours of the following day. While such callbacks should not be included in Supervisor Callback Within Four Hours, it is understood that callbacks that take longer than four hours at the request of the caller are acceptable exceptions to the four hour requirement, provided the Company keeps records of such requests and makes them available to the Commissioner at the Commissioner’s request.)

Exhibit 3 to Appendix A

ANNUAL CABLE CONSUMER REPORT CARD

Subject to the terms of Section 13.1 hereof, within forty-five (45) days from the end of each calendar year, Franchisee shall post on its website, and provide to the leasing or sales office of each MDU with which Franchisee has executed a marketing agreement for Cable Service, an Annual Cable Consumer Report Card setting forth the following information on a City-wide basis:

(1) Customer service performance information, including:

(a) Percentage of calls answered by voice response units ("VRU");

(b) Percentage of calls abandoned by VRU; and

(c) Percentage of busy calls by VRU.

(2) Subscriber rights and remedies, including but not limited to contact information related to Subscriber complaints and customer service within Verizon, as well as contact information for DoITT for Subscriber issues; Subscriber credit policy, privacy notice, and billing and payment information.

(3) Price of services information.

(4) Content/channel changes and improvement information.

(5) Significant Outage information, including:

(a) Summary of categories of Significant Outages that occurred by VSO, in the Franchise Area during the preceding calendar year;

(b) Percentage of each category of Significant Outage that occurred by VSO in the Franchise Area during the preceding calendar year; and

(c) Remedies performed Franchisee for each category of Significant Outage during the preceding calendar year.

APPENDIX B

PEG CHANNELS

Date	Number of Channels	
Within 180 Days of the Effective Date	4 P each Borough, 5 City-wide E/G	25 channels
January 1, 2009	Additional 2 P each Borough, Additional 1 City-wide E/G	11 channels
January 1, 2012	Additional 1 P each Borough, Additional 2 City-wide E/G	7 channels
6 years after Effective Date	Additional 2 P each Borough	10 channels
	53 channels total	

APPENDIX C

FORM OF COMMUNITY ACCESS ORGANIZATION (“CAO”)

GRANT AND USE AGREEMENT

BY AND BETWEEN

VERIZON NEW YORK INC.

AND

[CAO]

THIS AGREEMENT (the “Agreement”) made on this [] day of [], 2008, is entered into by and between Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York (“Verizon”), with a place of business at 140 West Street, New York, New York 10007 and [CAO], a New York not-for-profit corporation (the “CAO”) designated by the Borough President of [borough name] (the “Borough President”), with a place of business at [address].

WHEREAS, the City of New York (the “City”), pursuant to Section 363(a) of the City Charter and Resolution No. 538 of the City Council, is entering into a Franchise Agreement granting Verizon a nonexclusive franchise (“Franchise Agreement”) to operate a Cable System (the “System”) throughout the entire territorial boundaries of the City (“Service Area”), which among other boroughs includes the Borough of [borough name] (as hereinafter defined); and

WHEREAS, Verizon has negotiated with the CAO and has agreed to provide the CAO with the grants and services pursuant to the terms hereof for the benefit of the Residents of the Borough of [borough name]; and

WHEREAS, the Franchise Agreement requires Verizon to place under the jurisdiction of the CAO Access Channels on the System, to be known as public access channels (“Public Access Channels”), and to provide to the CAO such grants as have been independently agreed upon as a result of direct negotiations between the CAO and Verizon and as described herein; and

WHEREAS, the CAO is a not-for-profit corporation organized pursuant to New York State law and has been designated by the Borough President as the CAO to receive such grants as shall be made available by Verizon pursuant to this Agreement; and

WHEREAS, the CAO has been organized to operate for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended (the “Code”), including, among other purposes, the administration and management of Public Access Channels in the Borough, and such

other purposes which shall qualify the CAO as exempt under Section 501(c)(3) of the Code; and

WHEREAS, the CAO desires to obtain the funds necessary to carry out its purposes and objectives from the grants provided for herein and from any other lawful sources; and

WHEREAS, Verizon desires to support the purposes and objectives of the CAO in the CAO's objectives of the development and production of public services and programming to be distributed on the Public Access Channels and to be made available to all cable television subscribers in [borough name]; and

WHEREAS, the CAO will engage in activities and will develop programming to be distributed on the Public Access Channels for the benefit of Subscribers, to the System, thereby increasing the public service potential of cable television in the City;

NOW THEREFORE, in consideration of the foregoing clauses, which clauses are hereby made a part of this Agreement, and the mutual agreements herein contained, the parties agree as follows:

SECTION I -DEFINITIONS

1.1 Borough: The entire existing territorial boundaries of the Borough of [borough name], and such additional areas as may be annexed or acquired.

1.2 All other capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Franchise Agreement.

SECTION II -GRANT OF SUPPORT TO THE CAO

2.1 Public Access Channel Grant

2.1.01 Verizon shall make a Public Access Channel grant to the CAO to be used in support of the production of local public access programming ("Public Access Channel Grant").

2.1.02 The Public Access Channel Grant provided by Verizon hereunder shall be in the form of a per month, per Subscriber grant for the Term of the Franchise Agreement in accordance with the following schedule:

Year 0 - Year 1: The Public Access Channel Grant shall be in the amount of DOLLAR (\$____) per month, per Subscriber until the first anniversary of the Effective Date;

Year 1 – Year 2: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the second anniversary of the Effective Date;

Year 2 – Year 3: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the third anniversary of the Effective Date;

Year 3 – Year 4: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fourth anniversary of the Effective Date;

Year 4 – Year 5: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the fifth anniversary of the Effective Date;

Year 5 – Year 6: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the sixth anniversary of the Effective Date;

Year 6 – Year 8: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the eighth anniversary of the Effective Date;

Year 9 – Year 10: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the tenth anniversary of the Effective Date; and

Year 11 – Year 12: The Public Access Channel Grant shall increase to and remain at DOLLAR (\$____) per month, per Subscriber until the expiration date of the Agreement.

Calculation of the Public Access Channel Grant will commence with the first calendar month during which Verizon obtains its first Subscriber in the Borough. The per month, per Subscriber payments detailed herein will be calculated based on the number of Subscribers to Verizon's Basic Service tier in the Borough. The Public Access Channel Grant payment, along with a brief summary of the Subscriber information upon which it is based certified by a financial representative of Verizon, shall be delivered to the CAO within forty-five (45) days after the end of each calendar quarter. Verizon shall file a copy of said statement with DoITT.

2.1.03 Subject to Section 2.5, each Public Access Channel Grant payment shall be non-refundable.

2.1.04 The failure of the CAO to fully allocate or expend any monies provided pursuant to this Section 2.1 shall not affect Verizon's payment obligations under this Section 2.1.

2.2 Cash Grant

Verizon shall make cash grants to the CAO (each, a “Cash Grant”) payable as follows:

DOLLARS (\$_____) shall be due and payable within ninety (90) days of the Effective Date;

DOLLARS (\$_____) shall be due and payable on the first anniversary of the first payment pursuant to this Section 2.2;

DOLLARS (\$_____) shall be due and payable on the second anniversary of the first payment pursuant to this Section 2.2; and

DOLLARS (\$_____) shall be due and payable on the third anniversary of the first payment pursuant to this Section 2.2.

Each Cash Grant shall be non-refundable.

2.3 Use of Funds

Such Public Access Channel Grant and Cash Grant shall be used by the CAO in its discretion for public access costs, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, cameras, office equipment, renovation or construction of Public Access Channel facilities, and other public access costs as may be ascertained by the CAO.

2.4 Recovery of Costs

2.4.01 To the extent permitted by federal law, Verizon shall be allowed to recover the costs of any Public Access Channel Grant and Cash Grant 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, Verizon may also externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

2.4.02 The CAO shall negotiate and seek to impose equivalent obligations to the obligations contained in Section 2.1 of this Agreement on all providers of Cable Service or cable service (as such term may be defined by other providers) in the Borough pursuant to any new agreement or the renewal of any existing agreement between the CAO and any cable provider. In the event that any new agreement or any renewal agreement between the CAO and any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough contains obligations, taken as a whole, that are lesser in amount or aggregate value than the obligations imposed in Section 2.1, Verizon’s obligations under Section 2.1 shall be reduced to an equivalent amount.

2.4.03 The CAO shall negotiate and seek to require of any provider of Cable Service or cable service (as such term may be defined by other providers) in the Borough a substantially equivalent economic burden to that imposed on Verizon in Section 2.2 of this Agreement.

2.5 Delivery of Payments; Interest

All payments by Verizon to the CAO pursuant to this Agreement shall be made payable to the CAO and shall be delivered to the address designated in writing therefor by the Executive Director or Chief Financial Officer of the CAO. In the event that a Public Access Channel Grant or Cash Grant payment is not received by the CAO by the respective due date set forth herein, following at least thirty (30) days written notice from the CAO that such payment has not been received, Verizon shall pay interest on such overdue Public Access Channel Grant or Cash Grant at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the CAO retroactive to the first day that such Public Access Channel Grant or Cash Grant payment was originally due. Verizon shall be allowed to submit or correct any payments that were incorrectly omitted, and may offset against future payments any payments that were incorrectly submitted, within ninety (90) days after the close of the calendar year for which such payments were applicable.

2.6 Publicity for Access Services

At the time of installation, Verizon shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." If provided to Verizon by the CAO in a format mutually agreeable to both Verizon and the CAO, Verizon shall reproduce and include in the Welcome Kit the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form: (A) a listing of the currently available Public Access Channels; (B) a description of the purposes and uses of such Public Access Channels; and (C) general information regarding how a Person can utilize or obtain further information regarding such Public Access Channels. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity.

2.7 Mailing to Subscribers

On an annual basis, if requested by the CAO, Verizon shall reproduce and mail, consistent with the privacy protection policies of Verizon, in Verizon's annual notification to Subscribers, such materials provided by the CAO in a format mutually agreeable to both Verizon and the CAO with respect to programming on the Public

Access Channels and the activities of the CAO, as may be reasonably specified by the CAO. The cost of reproducing and distributing any materials provided to Verizon by the CAO pursuant to this Section shall be borne solely by Verizon, provided, however, that the CAO shall be solely responsible for any costs associated with each original production of such materials. Subject to the CAO providing the above-referenced materials in a format mutually agreeable to both Verizon and the CAO in a sufficient period of time, but no less than eighty (80) days prior to such mailing, Verizon shall also include these materials in its Welcome Kit to Subscribers in the Borough. Verizon shall also make the foregoing information available on its website, subject to Verizon's technical capability to do so, including, but not limited to, limitations with respect to character capacity. Verizon shall provide the CAO with at least thirty (30) days notice of the date by which such materials referenced in this Section 2.7 will be required.

2.8 Additional Obligations of Verizon

2.8.01 Each Public Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Verizon's lowest tier of service, provided, however, that Verizon shall have no responsibility to improve upon or modify the quality of any Public Access Channel's content provided to Verizon by the CAO.

2.8.02 Subject to the service availability requirements set forth in the Franchise Agreement, Verizon shall provide to the CAO, without charge, one service outlet activated for Basic Service at the location of the CAO's master control with an address of [_____]. Notwithstanding the foregoing, however, Verizon will not provide such complimentary drop unless and until Verizon's Cable Service is available to be offered at such location. Cable Service may not be resold or otherwise used in contravention of Verizon's rights with third parties respecting programming. Equipment provided by Verizon, if any, shall be replaced at retail rates if lost, stolen or damaged.

2.8.03 Verizon does not currently collect ratings information specific to viewership of Public Access Channels. In the event that Verizon does collect for itself such specific standalone public access viewer information, Verizon may make such specific information available to the CAO at the CAO's cost and expense subject to any limitation of 47 U.S.C. §551.

2.8.04 To the extent technically feasible and commercially reasonable, Verizon shall display Public Access Channel program content titles in electronic on-screen channel listings in the same manner as it designates all other programming on the System; provided, however, that Verizon shall not be responsible for any inaccuracies in such information.

SECTION III -OBLIGATIONS OF THE CAO

3.1 Consideration for Cash Grant and Public Access Channel Grant; Use for Educational or Charitable Purposes

As consideration for the Cash Grant and Public Access Channel Grant by Verizon to the CAO, the CAO shall: (i) administer and manage the Public Access Channels provided for its use by Verizon and the use of the CAO's facilities, equipment, and supplies, in a fair and reasonable manner; and (ii) develop and support programming to be cablecast on the Public Access Channels, which is responsive to the needs and interests of the Residents of the Borough. The CAO shall use the Public Access Channels and the Cash Grant and Public Access Channel Grant provided by Verizon to the CAO primarily for educational or charitable purposes within the meaning of Section 501(c)(3) of the Code.

3.2 Maintenance of Tax-Exempt Status

The CAO shall conduct its activities so as to maintain its tax exempt status under Section 501(c)(3) of the Code or other applicable laws.

3.3 Public Access Channel Rules and Regulations

3.3.01 The CAO shall maintain reasonable rules and regulations to provide for open access to Public Access Channel time, facilities, equipment, supplies, and training on a non-discriminatory basis and to the extent required by applicable law. Said rules and regulations providing for open access may dedicate segments of Public Access Channel time and/or specific channels to particular or related subject matters or uses.

3.3.02 If the CAO provides programming grants, it shall establish reasonable rules and regulations governing the procedure for applying to the CAO for programming grants and the selection of grant recipients by the CAO.

3.3.03 The CAO shall make all rules and regulations publicly available.

3.4 Compliance with Privacy Law

The CAO shall comply with the requirements of applicable law regarding privacy protection.

3.5 Annual Report

The CAO shall prepare and mail to Verizon each year an annual income and expenditure report for the preceding year.

SECTION IV -PUBLIC ACCESS CHANNEL SERVICES

4.1 Compliance with Federal, State and Local Law

Verizon and the CAO shall comply with all applicable local, state, and federal laws with respect to program content on the Public Access Channels.

4.2 Public Access Channel Set Aside

4.2.01 In order to ensure universal availability of public access programming, Verizon shall initially provide on the Basic Service Tier use of four (4) Public Access Channels to the CAO during the Term of the Franchise Agreement, subject to increase as provided in the Franchise Agreement. Verizon shall carry the programming on each of the respective Public Access Channels as indicated in Appendix B to the Franchise Agreement. In the future, Verizon shall assign the Public Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of Verizon's respective channel lineup. Verizon shall not arbitrarily or capriciously change such channel assignments, and Verizon shall minimize the number of such changes; provided, however, that Verizon may change such channel assignments as it deems appropriate so long as (i) Verizon gives the CAO ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) Verizon provides, free of charge, public announcements of such changes that shall include (a) to the extent Verizon has advertising availability, advertising such Public Access Channel changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Verizon does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Verizon shall then provide the advertising contemplated under this Section 4.2.01), and (b) providing notice of such changes in at least two (2) monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one (1) monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event Verizon provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

4.2.02 The provisions of 16 NYCRR §895.4 (c)(12) shall apply to this Agreement.

4.3 Indemnity for Public Access Channels

In accordance with 47 U.S.C. §558, Verizon shall not incur any liability arising from or in connection with any program carried on the Public Access Channels.

4.4 Rights to Public Channel Programming

Verizon shall have no rights to programming carried on the Public Access Channels by virtue of cablecasting or distributing such programming over its System, except for Verizon's right to transmit such programming to its Subscribers. All rights to the programming content are intellectual property of the owner, regardless of the individual or entity requesting transmission. Verizon shall have no editorial control over programming on the Public Access Channels.

4.5 Public Access Channel Interconnection

4.5.01 Verizon, at its expense, shall interconnect its Cable System to the CAO's studio at (____) ("Public Access Channel Interconnection Site"). Verizon shall take reasonable steps to accomplish such interconnection within one hundred eighty days (180) of the Effective Date.

4.5.02 Verizon shall construct the auxiliary connections designated by the CAO on Exhibit 1 hereto between the content originating locations (each, a "Public Access Channel Origination Site") and the Public Access Channel Interconnection Site to enable additional programming to be inserted at the Public Access Channel Interconnection Site. In the event the CAO desires to substitute a location currently designated on Exhibit 1 with an alternate location, Verizon agrees to commence good faith discussions with the CAO regarding the substitution of such Public Access Channel Origination Site within thirty (30) days of Verizon's receipt of written notice from the CAO of the CAO's desire to commence such discussions. The cost related to any substitution of a Public Access Channel Origination Site shall not exceed the cost to Verizon for constructing the auxiliary connection for the original Public Access Channel Origination Site, as designated on Exhibit 1. Upon one hundred eighty days (180) days written notice from the CAO to Verizon that a Public Access Channel Origination Site is fully functional for its intended purpose, an auxiliary connection shall be made operable by Verizon. The CAO is obligated to furnish, install and maintain the equipment necessary to perform any switching or aggregation functions at the affected Public Access Channel Interconnection Site.

4.5.03 Subject to the successful completion of all required site preparation work by the CAO and provision of access to Verizon for equipment installation and provisioning, Verizon shall, without charge to the CAO, provide links between Verizon's video channel aggregation site and the Public Access Channel Interconnection Site in order to permit the signals to be correctly routed from the Public Access Channel Interconnection Site to the appropriate Public Access Channel for distribution to Subscribers, provided, however, that neither Verizon nor the required site work shall unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.04 The CAO shall provide to Verizon at the Public Access Channel Interconnection Site a suitable video and audio signal(s) for each Public Access Channel. Verizon, upon receipt of the suitable video signal(s), shall provide, install and maintain in good working order the equipment necessary for transmitting the Public Access Channel signals from the Public Access Channel Interconnection Site to Verizon's video channel aggregation site for further processing for distribution to Subscribers. Verizon's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Verizon, of suitable required space, environmental conditions, electrical power supply, access, pathway, and other facilities and such cooperation of the CAO as is reasonably necessary for Verizon to fulfill such obligations, provided, however, that Verizon shall not unreasonably or materially interfere with the CAO's operations or otherwise impose additional material burdens on the CAO.

4.5.05 The CAO hereby authorizes Verizon to transmit all Public Access Channel programming within the Borough's jurisdictional boundaries and without the Borough's jurisdictional boundaries to the extent such programming is transmitted to the adjacent borough or the immediately adjacent local franchising authorities in the adjacent county and to the extent those areas are served by a VSO also serving the Borough.

SECTION V -MISCELLANEOUS PROVISIONS

5.1 Effective Date and Term

5.1.01 This Agreement shall take effect on the date that the NY PSC issues a certificate of confirmation for the Franchise Agreement (the "Effective Date"). Notwithstanding the foregoing, Verizon will not be required to fulfill any obligations under Sections 2.1 (Public Access Channel Grant), 2.6 (Publicity for Access Services), 2.7 (Mailing to Subscribers), 4.2 (Public Access Channel Set Aside), and 4.5 (Public Access Channel Interconnection) until one or more VSOs are Open for Sales in the Borough.

5.1.02 This Agreement shall remain in effect throughout the Term of the Franchise Agreement, as provided in the Franchise Agreement, provided that the designation of the CAO by the Borough President remains in effect. The period of time during which this Agreement is in effect shall be "the term of this Agreement." In the event that the Franchise Agreement is terminated for any lawful reason prior to the scheduled expiration of the Term, then the term of this Agreement shall expire and all rights and obligations of the CAO and Verizon under this Agreement shall cease. Notwithstanding the foregoing, in the event Verizon continues to provide Cable Service in the Service Area after the termination or expiration of the Term of the Franchise Agreement, then Verizon shall be bound by all of the obligations under this Agreement for the period of such continuing provision of Cable Service in the Service Area.

5.2 Application to Successors

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.

5.3 Confidential Information

Except as may be required by applicable law, the CAO shall treat any information disclosed by Verizon (and so designated by Verizon) as confidential and proprietary, and shall only disclose it to employees, directors, the Borough President, DoITT, the Comptroller, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. Notwithstanding anything to the contrary set forth herein, Verizon shall not be required to publicly disclose or allow the CAO to copy information that it reasonably deems to be proprietary or confidential in nature in connection with Verizon's disclosure of information pursuant to this Agreement. For purposes of this Agreement, "proprietary or confidential" information shall be defined as any information

that is reasonably determined by Verizon to be competitively sensitive. If the CAO receives a request for the disclosure of information that Verizon has designated as confidential, trade secret or proprietary, the CAO shall notify Verizon of such request. If the CAO determines in good faith that public disclosure of the requested information is required, the CAO shall so notify Verizon, and before making disclosure shall give Verizon a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Verizon shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

5.4 Separability

If any section, subsection, sub-subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by a final order of 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 Agreement.

5.5 Entire Agreement

This Agreement constitutes the entire agreement between Verizon and the CAO and it supersedes all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof. Any local laws or parts of local laws that materially conflict with the provisions of this Agreement are superseded by this Agreement.

5.6 Amendments and Modifications

Amendments and/or modifications to this Agreement shall not be effective unless mutually agreed to in writing by the parties.

5.7 Captions and Headings

The captions and headings of 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.

5.8 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.

5.9 Construction of Agreement

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

5.10 Governing Law

This Agreement shall be deemed to be executed in the City of New York, State of New York, regardless of the domicile of the Verizon, and shall be governed by and construed in accordance with federal law and the laws of the State of New York.

5.11 No Third Party Beneficiaries

This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement. Nothing in this Agreement shall be interpreted to provide that Verizon and the CAO are partners, joint venturers, agents or assignees of the other.

5.12 Force Majeure

Subject to the procedures set forth in the last sentence of this Section 5.12, Verizon shall not be held in default under, or in noncompliance with, the provisions of this Agreement, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Verizon's capability to perform, Verizon shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. Verizon shall notify the CAO in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

5.13 Enforceability

Each party represents and warrants to the other that this Agreement (i) has been duly executed and delivered by such party and (ii) constitutes the valid and legally binding obligation of such party, enforceable in accordance with its terms.

[balance of page intentionally left blank]

5.14 No Right of Set Off

Except as otherwise set forth herein, including but not limited to Section 2.5, all Public Access Channel Grant and Cash Grant payments shall be made without set-off.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

[CAO NAME]

ATTEST:

BY: _____
[Signatory]

VERIZON NEW YORK, INC.

ATTEST:

BY: _____
[Signatory]

APPENDIX D

FRANCHISE FIBER RIGHT OF USE

Pursuant to the terms of Article 9 of the Franchise, and in consideration for the rights and benefits provided to the Franchisee under the Franchise, the Franchisee shall provide to the City the exclusive right to use of certain fiber optic strands as more fully described in Exhibit 1 to this Appendix D. For purposes of this Appendix D, capitalized terms used herein but not otherwise defined below shall have the meanings ascribed to such terms in the Franchise.

Section 1 DEFINITIONS

1.1 “Connection Points” shall mean the locations at which the City Equipment may be connected to the Franchise Fibers as described on Exhibit 1 to this Appendix D.

1.2 “Franchise Fibers” are identified in Exhibit 1 to this Appendix D as the span locations of the fiber optic strands to be granted to the City hereunder.

1.3 The “City Equipment” shall mean any optronic, electronic, optical, or power equipment, and any other facilities, material or equipment owned, possessed or utilized by the City in connection with the use of the Franchise Fibers, including all innerducts (and other conduit tubing) and fiber optic cable in any telecommunications network owned by the City and connecting to any of the Franchise Fibers.

1.4 “Governmental Authority” shall mean any federal, state, regional, county, city, municipal, local, territorial, or tribal government, whether foreign or domestic, or any department, agency, bureau or other administrative or regulatory body obtaining authority from any of the foregoing, including without limitation, courts, public utilities and other authorities.

1.5 “Underlying Rights” shall mean all deeds, leases, easements, rights-of-way agreements, licenses, franchises, permits, grants and other rights, titles and interests that are necessary for the construction, installation, maintenance, operation, use or repair of the Franchise Fibers and Verizon’s supporting facilities, as applicable.

1.6 “Underlying Rights Requirements” shall mean the requirements, terms, conditions, obligations, liabilities, restrictions, and/or limitations on the City’s right to use and operate the Franchise Fibers and to access, install, repair, maintain and replace the City Equipment as set forth in the Right of Use granted by Article 9 of the Franchise and this Appendix D, in the Underlying Rights, in all applicable government codes, ordinances, laws, rules, permits, approvals and regulations, and all safety, operational and other rules and regulations imposed in connection with any of the foregoing or otherwise.

1.7 “Verizon Network” shall mean all of the physical facilities constructed, maintained and/or operated by the Franchisee or its Affiliates in the City which are utilized by Franchisee or its Affiliates for the provision of services, including, without limitation, Telecommunications Services, Information Services, or Cable Services.

Section 2 GRANT OF RIGHTS

2.1 *Right of Use of Franchise Fibers:* On the terms and subject to the conditions set forth herein, and consistent with the priority list set forth in **Exhibit 1** to this **Appendix D**, Franchisee grants to the City during the Term of the Franchise an exclusive right of use of the Franchise Fibers (the “Right of Use”) solely for the City’s noncommercial use.

2.2 *Franchisee’s Title:* Franchisee shall retain undivided, absolute legal title and ownership in the Franchise Fibers and the City’s rights pursuant to this **Appendix D** and Article 9 of the Franchise shall be limited solely to the Right of Use described herein during the Term of the Franchise.

2.3 *Limitation on City’s Rights:* Nothing herein shall be construed to confer upon the City any right to maintain, modify or alter the Franchise Fibers or Verizon’s supporting facilities, or the right of physical access to the Franchise Fibers or Verizon’s supporting facilities, or the right to encumber or use Verizon’s supporting facilities or any part thereof.

Section 3 TERM

3.1 *Term:* Subject to the terms of the Franchise, Section 3.2 hereof, and the priority list set forth on **Exhibit 1** to this **Appendix D**, the City’s Right of Use shall commence on the Effective Date of the Franchise and shall terminate in accordance with Section 3.2 of this **Appendix D**.

3.2 *Termination:* Upon the earlier of: (i) the expiration of the Term of the Franchise in accordance with Section 3.2 of the Franchise or (ii) the earlier termination of the Franchise pursuant to the terms of the Franchise, the City’s Right of Use shall immediately terminate, and all rights of the City to use the Franchise Fibers, or any parts thereof, shall cease upon written notice to the City from the Franchisee of such termination (the “Termination Notice”). Upon receipt by the City of the Termination Notice, the City shall immediately cease all use of the Franchise Fibers and at the City’s sole cost and expense remove any and all City Equipment connected with the Franchise Fibers or the Verizon’s supporting facilities.

Section 4 USE OF THE FRANCHISE FIBERS

4.1 *Compliance with Underlying Rights:* The City represents, covenants and warrants that it will use the Franchise Fibers granted hereunder in compliance with and subject to the Underlying Rights Requirements and all other applicable codes, ordinances, laws, rules and regulations of any Governmental Authority having jurisdiction over such Franchise Fibers.

4.2 *Permitted Use:* Subject to the provisions of the Right of Use granted by Article 9 of the Franchise and this **Appendix D**, the City may use the Franchise Fibers for the noncommercial purposes of the City and for no other purpose. The City acknowledges and agrees nothing herein shall be construed to confer upon the City any rights to use any fibers or other equipment or facilities, other than the Franchise Fibers, included or incorporated in the Verizon's supporting facilities or any portion of the Verizon Network except as expressly set forth in the Franchise.

Section 5 UNDERLYING RIGHTS

5.1 *Franchisee Underlying Rights:* Subject to the terms and provisions of this **Appendix D**, Franchisee agrees to obtain and maintain during the Term all Underlying Rights necessary for its construction, installation, maintenance and repair of the Franchise Fibers. The Right of Use granted hereunder is subject to the terms of the Underlying Rights, and is subject to the terms under which the Underlying Rights are owned or held by the grantor or grantors of the Underlying Rights, including covenants, conditions, restrictions, easements, reversionary and other interests, bonds, mortgages and indentures, and other matters, whether or not of record, and to the rights of tenants and licensees in possession. The Right of Use granted hereunder is further subject and subordinate to the prior right of the grantor or grantors of the Underlying Rights to use the right of way for other activities, including railroad operations, telecommunications uses, pipeline operations or any other purposes, and to the prior right of Franchisee to use its rights granted under the Underlying Rights. The rights granted to the City herein, if any, are made expressly subject to each and every limitation, restriction, condition or reservation in or affecting the Underlying Rights. Nothing herein shall be construed to be a representation, warranty or covenant of Franchisee's right, title or interest with respect to any of the Underlying Rights or with respect to the City's right to benefit from any of the Underlying Rights.

Section 6 ACCESS TO CONNECTION POINTS

6.1 *Connection:* The Franchisee shall provide the City with access to the Franchise Fibers at the Connection Points designated in **Exhibit 1** to this **Appendix D**. All terminations at Connection Points will be performed by the Franchisee in accordance with Franchisee's applicable specifications and operating procedures. The cost of such terminations at all Connection Points shall be the sole responsibility of the Franchisee.

6.2 *Access to Connection Points:* The City shall provide the Franchisee with all necessary legal, technical and physical access to all Connection Points as necessary to effectuate the objectives and obligations of this **Appendix D**.

6.3 *No Access by the City:* The City will not be entitled to any physical access to the Franchise Fibers or Verizon's supporting facilities.

6.4 *Franchisee Control:* Franchisee shall control all activities concerning access to the Verizon Network, including the Franchise Fibers and Verizon's supporting facilities.

6.5 *No Maintenance or Repair by Franchisee:* Any maintenance or repair work required respecting the Franchise Fibers required by the City for any reason, including, without limitation, splicing of the Franchise Fibers or the installation of handholes or other physical access points shall be undertaken only by Franchisee at the City's request. All such work shall be performed for such charges and on such terms and conditions as are agreed to by the Parties in writing.

6.6 *Remediation/Removal of Hazardous Materials:* To the extent the installation of any Franchise Fibers at any Connection Points requires the removal or remediation of hazardous materials, such removal or remediation shall be the sole responsibility of the City and the Franchisee shall have no obligation to perform such installation until all appropriate removal and remediation of hazardous materials has been completed by the City to the reasonable satisfaction of the Franchisee.

Section 7 OPERATIONS

7.1 *No Interference by the City:* The City shall not interfere with, or adversely affect the use by any other Person of the Verizon Network and/or any electronic or optronic equipment used by such Person in connection therewith.

7.2 *No Interference by Franchisee:* Franchisee shall not interfere with, or materially or adversely affect (or permit another Person under the direct control of Franchisee to materially interfere with, or materially or adversely affect) the City's use of the Franchise Fibers and/or the City Equipment. Franchisee further agrees that it shall use best efforts to avoid interfering with, or materially or adversely affecting, any fiber facilities, directly connected to points of entry to City buildings, owned or operated by any other entity providing similar fiber facilities to the City as Franchisee has agreed to provide pursuant to this Appendix D (the "Third Party Facilities"); provided however, that the parties hereto agree that Franchisee shall rely solely on information provided by the City and thus presumed accurate regarding the location and nature of any such Third Party Facilities and that the Franchisee shall not incur any liability pursuant to this Section 7.2 which arises due to the City's failure to provide Franchisee with accurate information with respect to the location or nature of such Third Party Facilities.

7.3 *No Obligation to Supply Electronics:* The City acknowledges and agrees that Franchisee is not supplying, nor is Franchisee obligated to supply to the City, any of the City Equipment, optronics or electronics or optical or electrical equipment, electrical power, any related facilities, or any space for the placement thereof (except as expressly agreed by the Parties pursuant to another agreement or agreements executed by the Parties), all of which are the sole responsibility of the City.

7.4 *Compliance with Applicable Authority:* The City represents, warrants and covenants that it will use and operate the Franchise Fibers and use, operate, maintain, repair and replace the City Equipment consistent with and subject to the terms of the Franchise, the Underlying Rights Requirements and all applicable codes, ordinances, laws, rules and regulations.

7.5 *Process for Response to Complaints:* Franchisee shall respond to City complaints and/or requests in accordance with the practices described on **Exhibit 2** hereto.

Section 8

RELOCATION, REPLACEMENT AND CONDEMNATION OF CUSTOMER FIBERS

8.1 *Relocation Request:* If Franchisee receives notice of any request, intent or plan by any third Person (“Relocation Request”), including, but not limited to, any Governmental Authority, to relocate or require the relocation of any segment of Verizon’s supporting facilities affecting the Franchise Fibers, Franchisee shall notify the City of such Relocation Request and shall keep the City advised of the status of any such proceedings and negotiations related thereto. If relocation is required as a result of any such Relocation Request, Franchisee shall, to the extent possible, give the City at least sixty (60) days’ prior written notice of any such required relocation (“Relocation Notice”) including an estimate of the cost of such relocation. Franchisee shall have the right to relocate the Franchise Fibers and to the extent Franchisee is not reimbursed for the costs of such relocation by a third party or Governmental Authority, the City shall pay any costs associated with the relocation of the Franchise Fibers.

8.2 *Replacement:* In the event all or any part of the Franchise Fibers shall require replacement during the Term, such replacement shall be made as soon as reasonably practicable at Franchisee’s sole cost and expense; provided, however, that if the replacement of the Franchise Fibers is required as a result of the negligence or willful misconduct of the City, then Franchisee shall replace the Franchise Fibers and the City shall pay all costs associated therewith.

8.3 *Condemnation:* In the event any portion of Verizon’s supporting facilities affecting the Franchise Fibers, and/or the Underlying Rights, become the subject of a condemnation proceeding which is not dismissed within one hundred eighty (180) days of the date of filing of such proceeding and which could reasonably be expected to result in a taking by any Governmental Authority or other party cloaked with the power of

eminent domain for public purpose or use, both Parties shall be entitled, to the extent permitted under applicable law, to participate in any condemnation proceedings to seek to obtain compensation by separate awards for the economic value of their respective interests in the portion of Verizon's supporting facilities and/or the Franchise Fibers subject to such condemnation. Franchisee shall notify the City as soon as practicable of receipt of any notice of any condemnation proceeding filed against Verizon's supporting facilities, the Franchise Fibers or the Underlying Rights.

Section 9 CONFIDENTIALITY

9.1 *Proprietary and Confidential Information:* The City agrees that it shall treat any information provided to the City by Verizon pursuant this Appendix D as "proprietary and confidential" in accordance with the provisions of Section 11.1 of the Franchise.

Section 10 INDEMNIFICATION

10.1 *Indemnification:* Franchisee hereby agrees to indemnify, defend, protect and hold harmless the City, and its employees, officers, directors and agents (the "City Indemnified Persons"), from and against, and assumes liability for all suits, actions, damages, claims, losses, fines, judgments, costs and expenses (including reasonable attorneys', accountants' and experts' fees and disbursements) of any character ("Claims"): (a) suffered or incurred by the City Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property which in whole or in part arise on account of the negligent acts or omissions, of Franchisee in the construction of the Franchise Fibers and/or in the performance or non-performance of its repair and maintenance obligations or exercise of its rights under this Right of Use, including any material violation by Franchisee of any Governmental Authority; or (b) under the workers compensation laws asserted by any employee of Franchisee or its agents, contractors, customers or any other Person providing goods or services for or on behalf of any of the foregoing in connection with this Right of Use suffered or incurred by the City Indemnified Persons or any of them. Franchisee's indemnification obligations hereunder shall not be applicable to any Claims to the extent caused by, arising out of or in connection with the negligence, intentional acts or omissions or misconduct of the City Indemnified Persons or any of them.

10.2 The City hereby agrees to indemnify, defend, protect and hold harmless Franchisee and its Affiliates, and their employees, officers, directors and agents (the "Franchisee Indemnified Persons"), from and against, and assumes liability for all Claims (as defined in Section 10.1, above): (a) suffered or incurred by the Franchisee Indemnified Persons or any of them because of the death of any Person, or any injuries or damage received or sustained by any Persons or property (including, without limitation, the Verizon Network) which in whole or in part arise as a result of the negligent acts or omissions, of the City in the performance or non-performance of its obligations or

exercise of its rights under this Right of Use, including any violation by the City of any Underlying Right Requirements or any Governmental Authority; (b) under the workers compensation laws asserted by any employee of the City, or its agents, contractors, customers or any other Person providing goods or services to any of the foregoing in connection with this Right of Use, and suffered or incurred by the Franchisee Indemnified Persons or any of them; (c) suffered or incurred by the Franchisee Indemnified Persons or any of them and arising out of or resulting from the City's: (i) use or operation of the Franchise Fibers, or the ownership, use, operation, installation, repair, maintenance or replacement of the City Equipment (if any); (ii) the conduct of the City's business, including, without limitation, the provision of any services or the content of any video, voice or data carried through the Franchise Fibers; or (iii) the violation of any Underlying Rights Requirements applicable to the City; or (d) suffered or incurred by Franchisee Indemnified Persons or any of them and arising out of, caused by, related to or based upon a contractual or other relationship between such claiming Party and the City as it relates to the Franchise Fibers, the City Equipment, the Underlying Rights Requirements or this Right of Use, including any claim for interruption of service or in respect of service quality. The City's indemnification obligations hereunder shall not be applicable to any claims to the extent caused by the negligence, intentional acts or omissions or misconduct of Franchisee Indemnified Persons or any of them.

10.3 Either Party seeking indemnification hereunder ("Indemnatee") shall promptly notify the City or Franchisee, as appropriate, of the nature and amount of such claim and the method and means proposed by the Indemnatee for defending or satisfying such claim. The Parties shall consult and cooperate with each other respecting the defense and satisfaction of such claim, including the selection of and direction to legal counsel. Neither Party shall pay or settle any such claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed.

10.4 Subject to Section 10.5, below, nothing contained herein shall operate as a limitation on the right of either Party to bring an action for damages against any third Person, including indirect, special or consequential damages, based on any acts or omissions of such third Person as such acts or omissions may affect the construction, operation or use of the Franchise Fibers or the Verizon Network, except as may be limited by Underlying Rights Requirements; provided, however, that each Party hereto shall assign such rights or claims, execute such documents and do whatever else may be reasonably necessary to enable the other Party to pursue any such action against such third Person.

10.5 Notwithstanding the foregoing provisions of this Section 10, to the extent Franchisee is required under the terms and provisions of any Underlying Rights to indemnify the grantor or provider thereof from and against any and all claims, demands, suits, judgments, liabilities, losses or expenses arising out of or related to such Underlying Rights, regardless of the cause and regardless of whether such claims, demands, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, actions or inaction of such grantor or provider and its employees, servants,

agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right, the City hereby releases such grantor or provider from the same, regardless of whether such claims, suits, judgments, liabilities, losses or expenses arise from the sole or partial negligence, willful misconduct or other action or inaction, of such grantor or provider or its employees, servants, agents, contractors, subcontractors or other Persons using the property covered by such Underlying Right.

Section 11 ASSIGNMENT

11.1 *Assignment:* The City shall not have the right to assign any rights to use of the Franchise Fibers without the written consent of Franchisee, which consent may be withheld in its absolute discretion.

11.2 *Binding On Permitted Assigns:* Subject to the provisions of this Section, this Right of Use and each of the Parties' respective rights and obligations hereunder, shall be binding upon and shall inure to the benefit of the Parties hereto and each of their respective permitted successors and assigns.

EXHIBIT 1 TO APPENDIX D
FRANCHISE FIBER ROUTES AND SPANS

This Exhibit is filed under separate cover as it contains information that is proprietary and confidential and is exempt from disclosure pursuant to New York Public Officer's Law 87(2)(c),(d), (f) & (i).

EXHIBIT 2 TO APPENDIX D

A. Lines and Circuit Trouble/Outages:

1. For any line or circuit trouble/outage, DoITT may call in a trouble ticket to Verizon Business services at the following number: 1-800 444-1111.
2. Lines and circuits shall be identified pursuant to the designations set forth in Exhibit 1

B. Ticket Escalation

1. Trouble tickets initiated pursuant to Section A.1. above which require escalation or unique review by Franchisee, shall be addressed by the Verizon Business Service Management Team, which will make all the necessary calls and keep the customer updated as to the status of such trouble ticket in accordance with the following management review order:

1st level – Service Manager

2nd level – Manager, Service Management

3rd level – Director, Customer Service, NorthEast

2. Verizon Business is also the interface for DoITT on issues which require internal intervention with other departments (i.e. billing, provisioning, construction, engineering, maintenance, etc.).

APPENDIX E
FORM OF SECURITY

SAMPLE

EXHIBIT E-1

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 Fifty Million Dollars (\$50,000,000), 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 Franchise 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 a potential 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; provided, however, that to the extent the Obligee provides the Principal with any written notice of such potential default prior to such 30-day period, the Obligee shall provide the Surety with a copy of such written notice simultaneous with transmission of same to the Principal.

2. In the event of default by the Principal, Obligee shall deliver to Surety a valid court order demonstrating a final judgment not subject to appeal or further judicial relief, together with a written statement of the details of the default resulting in such judgment within thirty (30) days after the entry of such judgment, such notice to be delivered by certified mail to address of said Surety as stated herein.

3. 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. Such termination or cancellation shall not affect any liability incurred or accrued under this bond prior to the effective date of such cancellation.

4. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its

obligations under said Agreement, shall constitute a loss to the Obligee recoverable under this bond.

5. No claim, action, suit or proceeding shall be instituted against this bond unless same be brought or instituted and process served within one year after termination or cancellation of this bond.

6. No right of action shall accrue on this bond for the use of any person, corporation or entity other than the Obligee named herein or the heirs, executors, administrators or successors of the Obligee.

7. The aggregate liability of the surety is limited to the penal sum stated herein regardless of the number of years this bond remains in force or the amount or number of claims brought against this bond.

8. This bond is and shall be construed to be strictly one of suretyship only. If any conflict or inconsistency exists between the Surety's obligations as described in this bond and as may be described in any underlying agreement, permit, document or contract to which this bond is related, then the terms of this bond shall supersede and prevail in all respects.

IN WITNESS WHEREOF, the above bounded Principal and Surety have
hereunto signed and sealed this bond effective this _____ day of _____, 2008.

Principal

Surety

By: _____

By: _____

Attorney-in-Fact

SAMPLE

EXHIBIT E-2

FORM OF LETTER OF CREDIT

This is an EXAMPLE of a letter of credit. In no way does this guarantee that the JPMorgan Chase Letter of Credit will read exactly as stated below:

Dated

OUR L/C NO.: XXXX-123456

APPLICANT REF. NO.: VZ12

TO:

CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBD STREET

NEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC.

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

ATTN:

EXECUTIVE VICE PRESIDENT

AND

GENERAL MANAGER

WE HAVE ESTABLISHED OUR IRREVOCABLE STANDBY LETTER OF CREDIT
IN YOUR FAVOR AS DETAILED HEREIN SUBJECT TO 600

DOCUMENTARY CREDIT NUMBER: XXXX-123456

DATE OF ISSUE: JUNE XX, 2008

BENEFICIARY: CITY OF NEW YORK, NY

ATTN: CITY CLERK OFFICE

TBDNEW YORK, NY XXXXX

APPLICANT:

VERIZON COMMUNICATIONS INC

O/B/O VERIZON NEW YORK INC.

140 WEST STREET

NEW YORK, NY 10007

DATE AND PLACE OF EXPIRY:

JUNE XX, 2009

AT OUR COUNTER

DOCUMENTARY CREDIT AMOUNT: USD \$20,000,000.00

AVAILABLE WITH: JPMORGAN CHASE BANK, N.A.

BY PAYMENT

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL 12 MONTH PERIODS FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST 60 DAYS PRIOR TO THE CURRENT EXPIRY DATE WE SEND NOTICE IN WRITING TO THE CITY OF NEW YORK VIA SWIFT, TELEX, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT NOT TO AUTOMATICALLY EXTEND THIS LETTER OF CREDIT FOR ANY ADDITIONAL PERIOD. HOWEVER IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND THE FINAL EXPIRY DATE OF JUNE XX, 2009. UPON SUCH NOTICE TO THE CITY OF NEW YORK, THE CITY OF NEW YORK MAY DRAW ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN-APPLICABLE EXPIRY DATE, BY YOUR SWIFT OR PRESENTATION OF YOUR DRAFT AND DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING EXACTLY AS FOLLOWS:

THE AMOUNT OF THIS DRAWING USD UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NUMBER XXX REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM JPMORGAN CHASE BANK, N.A. OF THEIR DECISION NOT TO AUTOMATICALLY EXTEND LETTER OF CREDIT NUMBER TPTS-XXX AND THE UNDERLYING OBLIGATION REMAINS OUTSTANDING.

IN THE EVENT THIS LETTER OF CREDIT IS SUBSEQUENTLY AMENDED BY US TO EITHER:

I) RESCIND A NOTICE OF NON-EXTENSION AND TO EXTEND THE EXPIRY DATE HEREOF TO A FUTURE DATE, OR

II) EXTEND THE EXPIRY DATE TO A DATE THAT IS AFTER THE STATED FINAL EXPIRY DATE HEREOF, SUCH EXTENSION SHALL BE FOR THAT SINGLE PERIOD ONLY AND THIS LETTER OF CREDIT WILL NOT BE SUBJECT TO ANY FUTURE AUTOMATIC EXTENSIONS UNLESS AN AUTOMATIC EXTENSION PROVISION IS EXPRESSLY INCORPORATED INTO SUCH AMENDMENT.

ADDITIONAL DETAILS:

THIS LETTER OF CREDIT IS AVAILABLE WITH JPMORGAN CHASE BANK, N.A., AGAINST PRESENTATION OF YOUR DRAFT AT SIGHT MENTIONING THEREON DRAWN ON JPMORGAN CHASE BANK, N.A., LETTER OF CREDIT NUMBER XXX WHEN ACCOMPANIED BY THE DOCUMENTS INDICATED HEREIN.

BENEFICIARY'S DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF ITS OFFICIALS READING AS FOLLOWS:

“THE AMOUNT OF THIS DRAWING LIMITED TO THE AMOUNT REFLECTED ON THE ACCOMPANYING COURT ORDER USD....., UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NO. XXXX-123456 REPRESENTS FUNDS DUE THE CITY OF NEW YORK, NY AS:” THE APPLICANT, VERIZON NEW YORK INC., FAILED TO PERFORM UNDER MATERIAL PROVISIONS OF AGREEMENT (DATED) BETWEEN CITY OF NEW YORK, NY AND VERIZON NEW YORK INC. UNDER A COURT ORDER DEMONSTRATING A FINAL JUDGMENT IN FAVOR OF THE CITY OF NEW YORK NOT SUBJECT TO APPEAL OR FURTHER JUDICIAL RELIEF’.

ALL CORRESPONDENCE AND ANY DRAWINGS HEREUNDER ARE TO BE DIRECTED TO JPMORGAN CHASE BANK, N.A., C/O JPMORGAN TREASURY SERVICES, STANDBY LETTER OF CREDIT DEPT. 4TH FL. 10420 HIGHLAND MANOR DRIVE, TAMPA, FLORIDA 33610.

CUSTOMER INQUIRY NUMBER IS 1-800-634-1969 CHOOSE OPTION 1. E-MAIL ADDRESS IS: GTS.CLIENT.SERVICES@JPMCHASE.COM. PLEASE HAVE OUR REFERENCE NUMBER AVAILABLE WHEN YOU CONTACT US.

WE HEREBY AGREE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

THE NUMBER AND THE DATE OF OUR CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFTS REQUIRED.

AUTHORIZED SIGNATURE

APPENDIX F

FTTP UPGRADE SCHEDULE

All dates in this schedule refer to December 31 of the year indicated, except for the year 2014, which refers to June 30.

Cumulative Prems Passed (k) - % Complete								
Boro	Type	2008	2009	2010	2011	2012	2013	2014
Manhattan	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	57%	62%	66%	73%	82%	91%	100%
	Total	57%	62%	67%	73%	82%	91%	100%
Bronx	SFU	30%	46%	59%	69%	84%	96%	100%
	MDU	6%	23%	39%	58%	75%	92%	100%
	Total	13%	29%	45%	61%	77%	93%	100%
Queens	SFU	23%	39%	55%	69%	82%	95%	100%
	MDU	7%	21%	37%	54%	72%	93%	100%
	Total	15%	30%	46%	61%	77%	94%	100%
Staten Island	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	100%	100%	100%	100%	100%	100%	100%
	Total	98%	100%	100%	100%	100%	100%	100%
Brooklyn	SFU	17%	33%	47%	63%	77%	92%	100%
	MDU	8%	27%	42%	57%	76%	93%	100%
	Total	12%	30%	45%	60%	76%	93%	100%
NYC	SFU	32%	46%	59%	71%	83%	95%	100%
	MDU	27%	40%	51%	63%	78%	92%	100%
	Total	29%	42%	54%	66%	79%	93%	100%

APPENDIX G

FRANCHISE AREA

[See Attached Map]

NEW YORK CITY LFA

New Jersey

Manhattan

Bronx

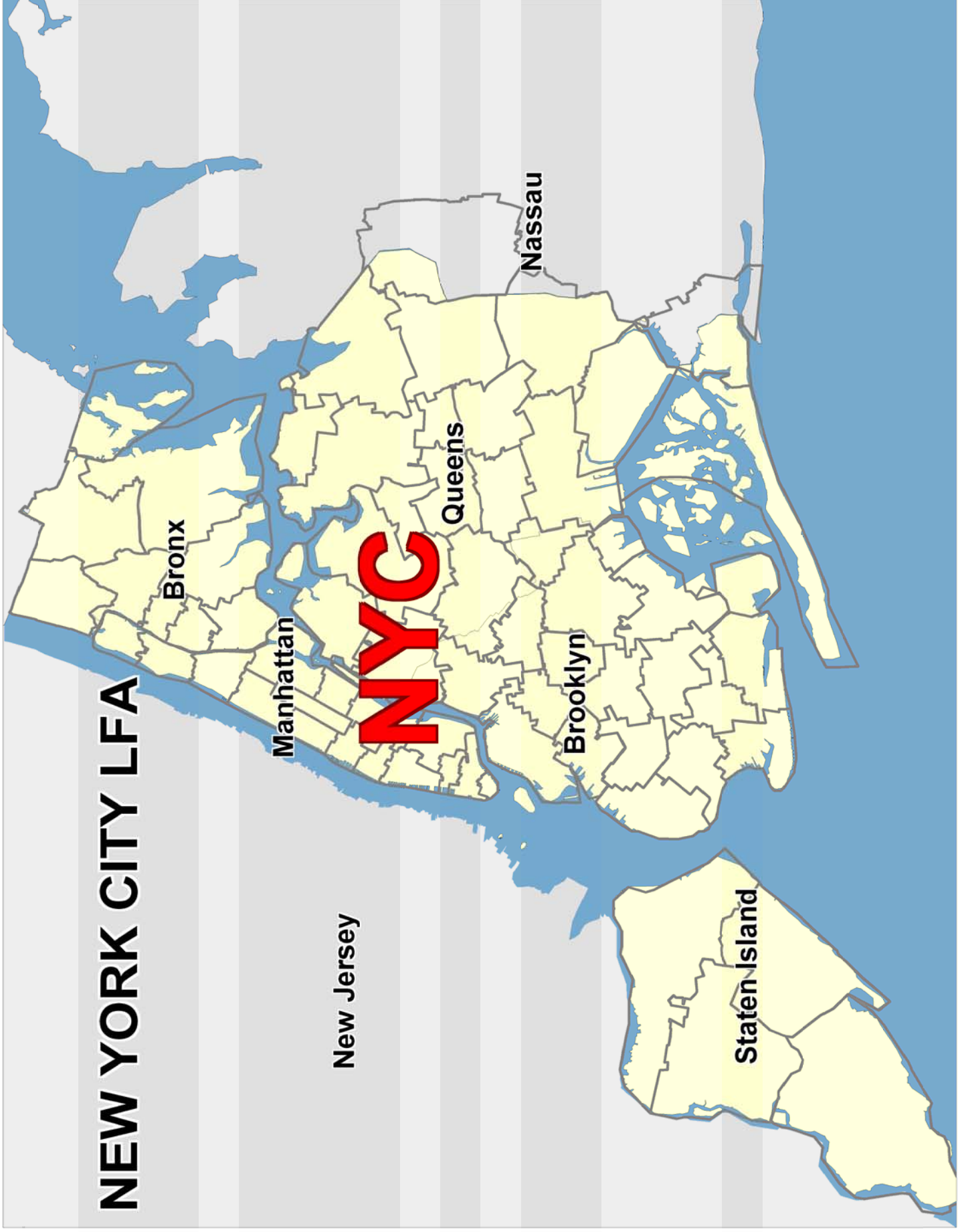
NYC

Queens

Brooklyn

Nassau

Staten Island



APPENDIX H

FORM OF GUARANTY

In consideration of the award of the Cable Franchise Agreement by and between the City of New York and Verizon New York Inc., dated _____2008, we, Verizon Communications Inc., hereby unconditionally and irrevocably agree to provide all the financial resources necessary for the satisfactory performance of the obligations of the Franchisee under the Cable Franchise Agreement and also to be legally liable for performance of the obligations of the Franchisee in case of default or revocation of the Cable Franchise Agreement.

Signature

Corporate Seal

Type or Print Name

Title & Official Name of Guarantor

Date

APPENDIX I

INVESTIGATION CLAUSE

1.1 The parties to this Agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or inquiry.

1.1 (a) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision or public authority thereof, or the Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York; or

(b) If any person refuses to testify for a reason other than the assertion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of, or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City.

1.2 (a) The commission or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.

(b) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending the final determination pursuant to Section 1.3 below without the City incurring any penalty or damages for delay or otherwise.

1.3 The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(a) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a

member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(b) The cancellation or termination of any and all such existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this Agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

1.4 The Commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (a) and (b) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (c) and (d) below in addition to any other information which may be relevant and appropriate:

(a) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(b) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(c) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(d) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under 1.3 above, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in 1.2(a) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

1.5 (a) The term "license" or "permit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.

(b) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.

(c) The term “entity” as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City, or otherwise transacts business with the City.

(d) The term “member” as used herein shall be defined as any person associated with another person or entity as a partner, director, officer, principal or employee.

APPENDIX J

SYSTEM ARCHITECTURE

FTTP System Architecture

End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

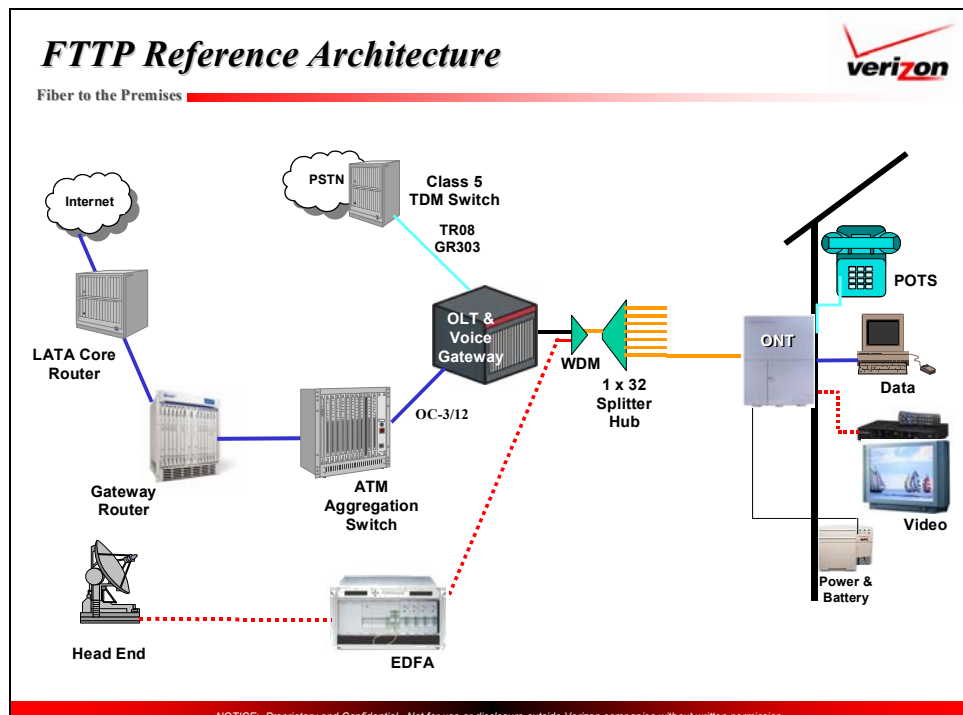


Figure 2-FTTP Full Build and Overlay Architectures

At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET and/or ROADM services. In each market where Verizon seeks to offer service, the broadcast cable television traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast cable television coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Cable television traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the cable television at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical cable television signal is de-multiplexed and converted to an electrical signal, which meets cable television industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the cable television platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

Super Headend (SHE)

A “super” headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of cable television sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET and/or ROADM, and transported via a SONET and/or ROADM transport facilities to a local point-of-presence (POP) for wide area (national) transport.

Wide Area Transport

In support of the cable television service, Verizon will use SONET and/or ROADM network facilities in the POPs serving target cable markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the cable television traffic.

In most cases, it is expected that the cable television traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the cable traffic reaches a POP located in a target market, it will be forwarded to a SONET and/or ROADM interface connected to metro/local SONET and/or ROADM facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target market. If more than one VHO is required, the metro SONET and/or ROADM ring(s) would be deployed to cover multiple sites.

Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Cable television Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via a SONET interface from the SONET POP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO.

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical cable television signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast cable television traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

Metro Area Transport

The optical cable television signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

Video Serving Office (VSO) & Passive Optical Network (PON)

The VSO is a location within the central office containing FTTP equipment. If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Cable television into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical cable television signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the cable signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the cable wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and cable television electrical signal, which meets cable television industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready televisions and to STBs for digital subscribers.

APPENDIX K
FORM OF FRANCHISE FEE REPORT

Franchise Fee Schedule/Report XX Quarter 2008

City of New York

Verizon - fBA

New York

Franchise Fee Rate:

5.00%

	October	November	December	Quarter Total
Monthly Recurring Cable Service Charges (e.g. Basic, Enhanced Basic, Premium and Equipment Rental)				
Usage Based Charges (e.g. PayPer View, Installation)				
Advertising				
Home Shopping				
Late Payment				
Other Misc. (Leased Access & Other Misc.)				
Franchise Fee Billed				
PEG Fee Billed				
Less:				
Bad Debt				
Total Receipts Subject to Franchise Fee Calculation				
Franchise Fee Due				
Verizon is hereby requesting that this information be treated by the Franchise Authority as confidential business information.				

The calculations set forth herein were conducted in accordance with the applicable provisions of the cable franchise agreement by and between Verizon NY Inc. and the City of New York and Verizon's applicable internal financial policies and are true and accurate to the best of my knowledge.

Signature:

Manager, Verizon Settlement Administration

Cable Franchise Agreement

by and between

The City of New York

and

Verizon New York Inc.

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Appendix I: Investigations Clause

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Appendix K: Form of Franchise Fee Report

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

THIS AGREEMENT (the “Agreement”) is entered into by and between the City of New York, a validly organized and existing political subdivision of the State of New York (the “City”) and Verizon New York Inc., a corporation duly organized under the applicable laws of the State of New York (“Verizon” or the “Franchisee”).

WHEREAS, the City is a “franchising authority” in accordance with Title VI of the Communications Act, (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended; and

WHEREAS, the Franchisee is in the process of upgrading its existing Telecommunications Services (as hereinafter defined) and Information Services (as hereinafter defined) network through the installation of the FTTP Network (as hereinafter defined) in the Franchise Area (as hereinafter defined) which transmits Non-Cable Services pursuant to authority determined by Franchisee to have been granted by Section 27 of the New York Transportation Corporations Law, as amended, and Title II of the Communications Act, which Non-Cable Services are not subject to the Cable Law (as hereinafter defined) or Title VI of the Communications Act; and

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way (as hereinafter defined) within the City, and Franchisee desires to use portions of the FTTP Network to provide Cable Services (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, no cable franchisee has ever agreed to provide Cable Service throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, the City wishes to grant Franchisee a nonexclusive franchise to operate a Cable System (as hereinafter defined) throughout the entire territorial boundaries of the Franchise Area; and

WHEREAS, pursuant to Section 363(a) of the New York City Charter (the “City Charter”), franchises are to be awarded by the City in accordance with the provisions of authorizing resolutions adopted by the City Council of the City (the “City Council”); and

WHEREAS, the City Council adopted Resolution No. 538 on September 27, 2006 (the “Resolution”) which authorizes, until September 27, 2011, the Department of Information Technology and Telecommunications (“DoITT”) to grant nonexclusive franchises for the provision of cable television services; and

WHEREAS, the delivery of Cable Services is in the City’s interest, and the availability of such competitive service to all households in the City on a timely basis pursuant to the terms of this Agreement will significantly benefit the City; and

WHEREAS, the City, pursuant to the terms of the Cable Act (as hereinafter defined), has identified the City’s future cable-related community needs and interests and, pursuant to the City

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

Charter, has issued a solicitation for cable television franchises (the “Solicitation”) to which the Franchisee responded; and

WHEREAS, in response to the Solicitation, the Franchisee offered to operate and maintain a Cable System and provide Cable Services (as hereinafter defined) and to perform certain additional undertakings; and

WHEREAS, the Franchisee and the City completed arm’s-length negotiations regarding the terms and conditions pursuant to which the City intends to grant to the Franchisee, and the Franchisee intends to accept from the City, a franchise (the “Franchise”) described generally in Section 4.1 hereof and more specifically as described by the complete terms of this Agreement; and

WHEREAS, the City has, with respect to the proposed grant of the Franchise, complied with the New York State Environmental Quality Act (“SEQRA”) (Section 8-0101 et seq. of the New York State Environmental Conservation Law), the SEQRA regulations set forth at Part 617 of Title 6 of the New York Code of Rules and Regulations, and the City Environmental Quality Review process (Chapter 5 of Title 62 and Chapter 6 of Title 43 of the Rules of the City of New York); and

WHEREAS, the Department of City Planning determined pursuant to Section 363(c) of the City Charter that the grant of this Franchise would not have land use impacts or implications and therefore is not subject to the Uniform Land Use Review Procedure (“ULURP”) set forth in Section 197-c of the City Charter;

WHEREAS, the Franchisee has completed all required submissions under the City’s VENDEX process, and the City’s review thereof has been completed; and

WHEREAS, pursuant to Section 371 of the City Charter, the Franchise and Concession Review Committee (the “FCRC”) held a public hearing on the proposed Franchise terms of this Agreement memorializing the terms and conditions of the proposed Franchise; and

WHEREAS, said hearing before the FCRC was held within 30 days of the date that DoITT filed the proposed Franchise with the FCRC; and

WHEREAS, a notice of said hearing and a summary of the terms and conditions of the proposed Franchise were properly published in the City Record; and

WHEREAS, at least 15 days, excluding Sundays and legal holidays, elapsed between publication of said hearing notice and summary in the City Record and the commencement of such hearing before the FCRC; and

WHEREAS, before the FCRC hearing, the requirements regarding publication of notice of such hearing as set forth in Section 371 of the City Charter were met; and

WHEREAS, the FCRC has approved the grant to the Franchisee of the Franchise and the terms of this Agreement as described herein; and

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

WHEREAS, pursuant to Section 595.1 of Title 9 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive; and

WHEREAS, the City and the Franchisee have determined that this Agreement complies with the franchise standards set forth in the Resolution, Section 363 of the City Charter, Section 626 of the Cable Act as amended, Section 221 of the Public Service Law, the regulations of the Public Service Commission, and all other applicable laws and regulations; and

WHEREAS, the City, following said public hearing, determined that this Franchise granting the Franchisee a nonexclusive franchise complies with the franchise standards set forth in the Cable Act, the Resolution, the aforementioned Public Service Law, the regulations of the NY PSC (including any necessary waivers that the parties may seek and obtain) and all other applicable laws and regulations; and

WHEREAS, the City and Franchisee 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 foregoing clauses, which clauses are hereby made a part of this Agreement, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

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

1.2. *Application:* Application of Verizon New York Inc. for a Cable Television Franchise in the City of New York, filed on ~~or about~~ April 715, 2008.

1.3. *Agreement:* This Agreement, together with the Appendices attached hereto and all amendments or modifications hereof.

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

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

1.5. *Borough President*: Each President of one of the five boroughs within the City of New York, any Borough President's designee, or any successor thereto.

1.6. *Cable Act*: The Cable Communications Policy Act of 1984 (codified at 47 U.S.C. §§ 521-573).

1.7. *Cable Law*: The Cable Act, Article 11 of the New York Public Service Law, as amended, and Title 16, Chapter VIII, Parts 890.60 through 899, of the Official Compilation of Codes, Rules and Regulations of the State of New York, as amended, to the extent authorized under and consistent with federal law.

1.8. *Cable Service or Cable Services*: Shall be defined herein as it is defined under 47 U.S.C. § 522(6), as amended.

1.9. *Cable System or System*: Shall be defined herein as it is defined under 47 U.S.C. § 522(7), as amended.

1.10. *Channel*: Shall be defined herein as it is defined under 47 U.S.C. § 522(4), as amended.

1.11. *Channel Position*: Shall mean the position on a television receiver, tuner, converter or similar device which is selected to receive a specific Channel.

1.12. *Communications Act*: The Communications Act of 1934, as amended, including, without limitation, the Cable Act.

1.13. *Closing*: Shall be defined as provided in Section 2.1 hereof.

1.14. *Commissioner*: Shall mean the Commissioner of DoITT, the Commissioner's designee or any successor thereto.

1.15. *Community Access Organization ("CAO")*: Shall mean, with respect to any particular borough of the City, the nonprofit corporation that has been designated in connection with that borough pursuant to the agreements substantially in the form set forth in Appendix C to this Agreement.

1.16. *Controlling Person*: A Person with the ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Franchisee's affairs.

1.17. *Corporation Counsel*: The Corporation Counsel of the City, the Corporation Counsel's designee, or any successor thereto.

1.18. *DoITT*: The Department of Information Technology and Telecommunications, or any successor thereto.

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

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

1.20. *FCRC*: Shall mean the Franchise and Concession Review Committee of the City of New York.

1.21. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances and disputes, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, incidences of terrorism, acts of vandalism, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Franchisee 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 Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.22. *Franchise Area*: The incorporated area (entire existing territorial limits) of the City, and such additional areas as may be annexed or acquired.

1.23. *Franchisee*: Verizon New York Inc. and its lawful and permitted successors, assigns and transferees (including for which consent of the City is required under Article 13 hereof).

1.24. *FTTP Network*: The Franchisee's fiber-to-the-premise telecommunications network in the Franchise Area as described in the Application.

1.25. *FTTP Network Created*: All transport connections and equipment in the FTTP Network have been established and are operational to the fiber distribution terminal serving the residence requesting fiber-enabled services (whether Cable Service or Non-Cable Services). Additionally, for MDUs, Franchisee has obtained building access and prepositioned its facilities in the MDU which are necessary for serving residences within the MDU requesting fiber-enabled services (whether Cable Service or Non-Cable Services).

1.26. *Government/Educational Access Channel*: An Access Channel which the Franchisee shall make available for the sole noncommercial use of the City or for noncommercial use by local public schools and public school districts in the Franchise Area and other not-for-profit educational institutions chartered or licensed by the New York State Department of Education or Board of Regents in the Franchise Area as specified by the City, as provided in Article 8 and Appendix B to this Agreement.

1.27. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee (or any Affiliate) from the operation of the Cable System to provide Cable Service in the Franchise Area, as follows:

1.27.1. Gross Revenue includes, without limitation: all Subscriber revenues earned or accrued net of bad debts including revenue for: (i) Basic Service; (ii) all fees charged to any Subscribers for any and all Cable Service provided by Franchisee over the Cable System in the Franchise Area, including, without limitation, Cable Service related program guides, the installation, disconnection or reconnection of Cable Service; revenues from late or delinquent charge fees; Cable Service related or repair calls; the provision of converters, remote controls,

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additional outlets and/or other Cable Service related Subscriber premises equipment, whether by lease or fee; (iii) video on demand and pay-per-view; (iv) revenues from the sale or lease of channel(s) or channel capacity; (v) compensation received by Franchisee that is derived from the operation of the Cable System to provide Cable Service with respect to commissions that are paid to Franchisee or an Affiliate providing Cable Service under this Franchise as compensation for promotion or exhibition of any products or services on the Cable System, such as a “home shopping” or similar channel, subject to the exceptions below; and (vi) charges described to Subscribers as attributable to Franchise Fees (as hereinafter defined) and PEG Grants. Gross Revenue shall also include all advertising revenue which is received directly or indirectly by the Franchisee, any Affiliate from or in connection with the distribution of any Service over the System (and including, without limitation, compensation for use of studio or other facilities and equipment associated with production or distribution of any programming or advertising to be distributed as part of a Cable Service). The allocation shall be based on the number of Subscribers in the Franchise Area divided by the total number of Subscribers in relation to the relevant local, regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue.

1.27.2. Except as provided above, Gross Revenue shall not include: revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System; bad debts written off by Franchisee in the normal course of its business and in accordance with generally accepted accounting principles (provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected); refunds, rebates or discounts made to Subscribers or other third parties; any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law; any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, provided, however, that any portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System paid to Franchisee or an Affiliate for the sale of such merchandise shall be included in Gross Revenue; the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable Franchise Fees from purchaser’s customer; the sale of Cable Services to customers, which are exempt, as required or allowed by the City including, without limitation, the provision of Cable Services to public institutions as required or permitted herein; any tax of general applicability imposed upon Franchisee or upon Subscribers by the LFA, a state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity; taxes imposed on Subscribers by law, which the Franchisee is obligated to collect; any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise (provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue); sales of capital assets or sales of surplus equipment; program launch fees, i.e., reimbursement by programmers to Franchisee of marketing costs incurred by Franchisee for the introduction of new programming; directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

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1.27.3. Gross Revenues derived from Cable Services provided over the Cable System in the Franchise Area that are provided to Subscribers as part of a bundle of services that include Non-Cable Services shall be treated in accordance with Section 10.5 hereof.

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

1.29. *Landlord*: The term "landlord" shall mean and include the owner or owners of the freehold of the premises or lesser estate therein, a mortgagee or vendee in possession, assignee of rents, receiver, executor, trustee, lessee, agent, or any other person, firm or corporation, directly or indirectly in control of a dwelling, or any designee of the foregoing enumerated Persons formally authorized to approve physical alterations, improvements or modifications to such dwelling including the installation of Franchisee's facilities.

1.30. *Leading Technology*: The highest level of performance and capability (including, but not limited to, with respect to plant or other equipment; transmission capacity to subscribers' premises; channel offerings; video-on-demand services; construction techniques; consumer service; facilities, equipment, systems and operations; and performance standards), that has been commonly accepted, developed and commercially deployed in the wireline cable television industry and is economically reasonable and technically feasible.

1.31. *Local Franchise Authority ("LFA" or the "City")*: The City of New York, New York, or the lawful successor, transferee, or assignee thereof.

1.32. *Multiple Dwellings ("MDUs")*: Shall have the meaning set forth therefore in NY CLS Mult D § 4(7).

1.33. *Non-Cable Services*: Any service that does not constitute Cable Service pursuant to law including, but not limited to, Information Services and Telecommunications Services.

1.34. *Non-Residential Subscriber*: A Subscriber that is not a Resident.

1.35. *Non-Standard Installation*: Any installation which does not constitute a Standard Installation as defined in Section 1.45 hereof.

1.36. *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.

1.37. *NY PSC*: The New York Public Service Commission.

1.38. *PEG*: Public, Educational, and Governmental.

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

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1.40. *Public Access Channel:* An Access Channel which the Franchisee shall make available to a CAO, at no charge, as provided in Article 8 and Appendices B and C to this Agreement.

1.41. *Public Rights-of-Way:* The surface of, and the space above and below, any and all streets, avenues, highways, boulevards, concourses, driveways, bridges, tunnels, parks, parkways, waterways, docks, bulkheads, wharves, piers, public grounds and public places or waters within and belonging to the City and any other property within the City, to the extent to which there exist public easements or public rights of way. Public Rights-of-Way do not include the electromagnetic spectrum above the surface of a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.42. *Resident:* An occupant who: (i) resides in a dwelling which has or is entitled to receive from the City a residential certificate of occupancy, including, without limitation, a private dwelling, class A multiple dwelling, or an interim multiple dwelling; or (ii) has continuously resided in the same building as a permanent resident and who takes occupancy pursuant to a lease (or other similar arrangement) of at least six (6) months duration. For purposes of this Agreement, the terms “private dwelling,” “class A multiple dwelling,” and “interim multiple dwelling” shall have the same meaning as they have or may have in NY CLS Mult D, as such law may from time to time be amended.

1.43. *Residential Subscriber:* A Subscriber that is a Resident.

1.44. *Service Area:* All portions of the Franchise Area with a video service office (“VSO”) that is open for sales and Cable Service is being offered.

1.45. *Standard Installation:* A residence requesting Cable Service that is Video Network Created as of the date of the request for service.

1.46. *Subscriber:* A Person who lawfully receives Cable Service over the Cable System.

1.47. *Telecommunication Services:* Shall be defined herein as it is defined under 47 U.S.C. § 153(46), as amended.

1.48. *Title VI:* Title VI of the Communications Act, Cable Communications, as amended.

1.49. *Video Network Created:* Video transport connections and equipment have been established and are operational to the fiber distribution terminal serving the residence requesting Cable Service. Additionally, for MDUs, Verizon has obtained building access and prepositioned its video facilities in the MDU which are necessary for serving requesting residences within the MDU.

1.50. *Video Programming:* Shall be defined herein as it is defined under 47 U.S.C. § 522(20), as amended.

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1.51. *Video Service Office or VSO:* A wire center that has been upgraded by Franchisee to be video-capable and which thereby may be opened for sales for the provision of Cable Service by Franchisee.

1.52. *Wholly Owned Affiliate:* Any entity of which 100% of the ownership interest is ultimately held by Verizon Communications, Inc.

2. CLOSING; CLOSING CONDITIONS

2.1. *Closing:* This Agreement shall be executed and the obligations herein shall commence on the closing of this Agreement (herein referred to as the “Closing”). The Closing shall be the first day on which all of the following conditions have been met and this Agreement has been fully executed and delivered:

2.2. *FCRC Resolution:* The FCRC shall have adopted a resolution approving this Franchise;

2.3. *Certified Copies of Resolutions:* The Franchisee shall have furnished the City with a certified copy of the resolution(s) duly adopted by the Board of Directors or other authorized representative of the Franchisee, approving the execution, delivery and performance of this Agreement and approving the execution, delivery and performance of all other documents, certificates, and other instruments required to be furnished to the City by and pursuant to the terms of this Agreement;

2.4. *Opinion of Franchisee’s Counsel:* The City shall have received an opinion dated as of the date of the Closing from outside counsel to the Franchisee in form and substance reasonably satisfactory to the Commissioner and the Corporation Counsel;

2.5. *Representations and Warranties:* The Franchisee shall have provided the City with a certificate of an officer of the Franchisee certifying that the representations and warranties made by the Franchisee in this Agreement are true and correct as of the Closing;

2.6. *Government Approvals:* The Franchisee shall have provided the City with evidence of approval of the transactions contemplated by this Agreement from any necessary governmental authorities, and all notice periods and waiting periods required by law to pass in connection with such transactions shall have passed, except the certificate of confirmation to be issued or renewed by the PSC pursuant to Section 591.4 of the PSC regulations and issuance of an FCC CUID;

2.7. *Performance Bond:* The Franchisee shall have furnished to the City the Performance Bond, pursuant to Article 15 hereof;

2.8. *Security Fund/Letter of Credit:* The Franchisee shall have deposited with the ~~DoITT~~City the Security Fund/Letter of Credit, pursuant to Article 15 hereof;

2.9. *Liability Insurance Policy:* The Franchisee shall have secured its liability insurance policy pursuant to Article 12 hereof;

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2.10. *Guaranty*: The Franchisee shall have secured and delivered to the Commissioner and the Comptroller a guaranty executed by the Guarantor in the form set forth at Appendix H to this Agreement, which guaranty shall have been authorized, executed and delivered by the Guarantor;

2.11. *W-9 Form*: The Franchisee shall have submitted an IRS W-9 form certifying the Franchisee's tax ID number;

2.12. *VENDEX*: The Franchisee has completed all required submissions under the City's VENDEX process, and the City's review thereof has been completed; and

2.13. *Other Documents*: The Franchisee shall have delivered such other documents as may be reasonably requested by the City.

2.14. *Waiver*: To the extent permitted by law, any of the above Closing conditions may be waived by the Commissioner, provided such waiver shall not be a waiver of any substantive requirement of this Agreement as set forth hereinafter.

3. EFFECTIVE DATE AND TERM:

3.1. *Effective Date & Term*: This Agreement and the Franchise granted herein shall become effective on the date that the NY PSC issues a certificate of confirmation for this Franchise (the "Effective Date"), following the Closing; provided that implementation of this Agreement shall be subject to the applicable registration provisions of City Charter sections 375 and 328. The term (the "Term") of this Agreement and the Franchise granted herein shall be twelve (12) years from the Effective Date, or until June 30, 2020, whichever is later, unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the City in writing of the same, which notification shall become a part of this Franchise.

3.2. *Termination*: The termination of this Agreement and the Franchise granted hereunder shall occur upon the earliest to occur of: (i) the end of the Term; or (ii) the earlier termination of the Franchise and this Agreement as provided for in this Agreement. The Franchise shall be considered revoked and terminated automatically upon any termination of this Agreement as provided hereunder.

3.3. *Renewal on Expiration*: Subject to 47 U.S.C. § 546, the City reserves the right at the end of the Term to grant, or grant on new terms and conditions, or not grant, renewal of the Franchise without any presumption in favor of a renewal of the Franchise.

4. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

4.1. *Grant of Authority*: The City hereby grants the Franchisee the right to provide Cable Service within the Franchise Area until the end of the Term, subject to the terms and conditions of this Agreement. The parties acknowledge that this Agreement is not in and of itself a sufficient source for the right of the Franchisee to occupy the Public Rights-of-Way for the provision of any service and is intended to grant such right only in accompaniment with a separate authority to occupy the affected Public Rights-of-Way. The parties further

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acknowledge (a) that this Agreement does not include all of the terms and conditions which the City would require for such occupancy, (b) that the Franchisee claims that it has preexisting authority to occupy any or all of the Public Rights-of-Way with the facilities that are being installed to provide Cable Services under this Agreement, (c) that the City disputes such claim, and (d) that such dispute is the subject of the Pending Litigation (as defined in Section 18.14 hereof). The parties further acknowledge that if the Pending Litigation results in a final determination (after all opportunities to appeal have been either pursued or expired) that with respect to any of the Public Rights-of-Way the Franchisee does not have authority preexisting this Agreement to occupy such Public Rights-of-Way, then the Franchisee's right to occupy such Public Rights-of-Way with such facilities, including for the provision of Cable Services, shall be conditional on the Franchisee's reaching agreement with the City on the terms and conditions of such occupancy, and that absent such agreement, this Agreement and the Franchise granted hereunder shall terminate immediately on written notice from the City.

4.2. *The FTTP Network:* Consistent with Section 18.14 and 18.15 hereof, upon delivery of Cable Service, by subjecting Franchisee's mixed-use facilities to the NY PSC's minimum franchise standards and the City's police power, the City has not been granted broad new authority over the construction, placement and operation of Franchisee's mixed-use facilities.

4.3. *Grant Not Exclusive:* The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises 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 itself, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under law or this Franchise to provide Cable Service.

4.4. *Franchise Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as may be amended, including but not limited to the Communications Act. Further, the parties to this Franchise agree that this Franchise is consistent with applicable federal and state law and the parties agree to be bound by the terms hereof.

4.5. *No Waiver:* The failure of either the City or Franchisee on one or more occasions to exercise a right under this Franchise, the Cable Law or other applicable state or federal law, or to require compliance or performance under this Franchise, shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance of this Agreement, nor shall it excuse the other (neither the City nor the Franchisee) from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

4.6. *Construction of Agreement:*

4.6.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

4.6.2. Nothing herein shall be construed to limit the scope or applicability of 47 U.S.C. § 545, as amended.

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4.6.3. Should any change to state law, rules or regulations have the lawful effect of materially altering the terms and conditions of this Agreement, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on either party of the material alteration. Any modification to this Franchise shall be in writing and shall be subject to Section 222 of the New York Public Service Law and Title 16, Chapter VIII, Part 892, Subpart 892-1, Section 892-1.4 of the Official Compilation of Codes, Rules and Regulations of the State of New York requiring application to the NY PSC and approval of any modification. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

4.7. *Police Powers:* Nothing in this Franchise shall be construed to prohibit the City's reasonable, necessary and lawful exercise of the City's police powers, including, without limitation, in addition to the implementation and enforcement of the provisions of this Agreement and existing applicable laws and regulations, the enactment, adoption, implementation and enforcement of such additional laws and regulations as the City may deem necessary in the exercise of its police power, including any lawful right to compel relocation of Cable System facilities in the Public Rights-of-Way in the event of sewer and water line work, road-widenings and other adjustments to the Public Rights-of-Way, and the provisions of New York City Administrative Code § 6-115.1 (the "MacBride Principles"); provided, however, that such laws and regulations are reasonable and not materially in conflict with the privileges granted in this Franchise and consistent with all federal and state laws, regulations and orders.

4.8. *Restoration and Inspection of Municipal Property:* In order to avoid interference with the City's ability to deliver public services, any municipal property damaged or destroyed shall be promptly repaired or replaced by the Franchisee and restored to pre-existing condition.

4.9. *Restoration of Subscriber Premises:* The Franchisee shall ensure that each Subscriber's premises are restored to at least their pre-existing condition if damaged by the Franchisee's employees or agents in any respect in connection with the installation, repair, provision or disconnection of Cable Service.

5. DEPLOYMENT; PROVISION OF CABLE SERVICE

5.1. *Initial Deployment:* Subject to the exceptions and checkpoint extensions set forth in this Article, the FTTP Network will pass all households served by Franchisee's wire centers within the Franchise Area in accordance with the table attached hereto as Appendix F, with final completion no later than June 30, 2014. For purposes of this Agreement including Appendix F, "pass" or "passage" of a household shall mean MDU's whether or not network created and single family units whether or not a drop is installed.

5.1.1. *Exceptions:* The FTTP Network deployment schedule set forth in Appendix F shall be subject to the following exceptions: (A) for periods of Force Majeure; (B) for periods of delay beyond the normal permitting or approval time period, or due to issuance of a stop work order issued by the City, where such stop work order is not caused by action on the part of Franchisee; and (C) for periods of delay resulting from Franchisee's inability to obtain authority to access private rights-of-way.

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5.1.2. *Checkpoint Extensions:* Within thirty (30) days of each of the dates set forth below (each, a “Checkpoint”), the Franchisee shall conduct an evaluation of its “video penetration rate” (as hereinafter defined) in the Franchise Area and, in the event such evaluation determines that Franchisee has not achieved the applicable video penetration rate at each such Checkpoint, the Franchisee shall be afforded an extension of its deployment and service availability obligations pursuant to Sections 5.1, 5.2 and 5.3 hereof, in accordance with the following:

5.1.2.1. *First Checkpoint:* If, by June 30, 2010, Franchisee has achieved a video penetration rate in the Franchise Area which is less than fifteen percent (15%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.2. *Second Checkpoint:* If, by June 30, 2011, Franchisee has achieved a cumulative video penetration rate in the Franchise Area which is less than twenty percent (20%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.3. *Third Checkpoint:* If, by June 30, 2012, Franchisee has achieved a cumulative video penetration rate in ~~New York City~~the Franchise Area which is less than twenty-five percent (25%), then: Franchisee will be granted a twelve (12) month extension to complete final City-wide deployment and service availability, with the annual per borough deployment schedule from the date of such checkpoint being proportionately extended to reflect the extended final completion date.

5.1.2.4. For purposes of this Agreement, the term “video penetration rate” shall mean:

FiOS TV billable lines in service
(FTTP passed single family units whether or not a drop is installed
+ residential units within FTTP network created MDU’s)
in VSOs that are open for sales (OFS).

5.1.3. In the event Franchisee seeks to exercise its right to an extension of its deployment and service availability obligations at any Checkpoint pursuant to this Section 5.1, Franchisee shall, within sixty (60) days from the applicable Checkpoint, provide the City with written documentation, in a format to be reasonably determined by Franchisee, justifying the basis for Franchisee’s exercise of such extension. Such written documentation shall be treated as confidential and proprietary consistent with Section 11.1 hereof, and shall include, the number of residential units within FTTP Network Created MDUs and FTTP passed single family units (hereinafter, “SFUs,”) along with other elements of the formula set forth in Section 5.1.2.4 of this Agreement, as may be reasonably necessary to satisfy the objectives of this Section 5.1.3.

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5.1.4. Consistent with the schedule set forth in Appendix F, nothing herein shall be construed to limit Franchisee's discretion with respect to the order of geographic areas to be wired, provided, however, that at each Checkpoint described above, the estimated median household income of all homes passed shall not be greater than the average household income of all households in New York City (based on the calculations set forth in the 2000 census data).

5.2. *VSO Conversions:* Subject to periods of Force Majeure and the checkpoint extensions set forth at subsection 5.1.2 above, not later than June 30, 2014, Franchisee shall have completed the upgrade of all of Franchisee's wire centers located within or serving the Franchise Area such that all of Franchisee's wire centers within or serving the Franchise Area constitute video-capable VSOs open for sales.

5.3. Service Availability:

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units, at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

5.4.1. *Installations of Cable Service – Standard Installations:* Franchisee shall perform all Standard Installations of Cable Service within seven (7) business days after any such request is received by the Franchisee, unless a later date is agreed to with the requesting potential residential Subscriber.

5.4.1.1. If the Franchisee is unable to fulfill a potential residential Subscriber's request for Standard Installation of Cable Service within seven (7) business days of Franchisee's receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), the Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for Franchisee's inability to perform the requested Standard Installation within seven (7) business days or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); and (ii) the date by which Franchisee anticipates performing such Standard Installation. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Standard Installation request subsequent to the later of: (i) the date which is seven (7) business days from the date which is seven (7) business days following a potential Subscriber's initial request for Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

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5.4.1.2. All Standard Installations will be in accordance with FCC requirements governing appropriate grounding and connection of equipment to ensure reception of Cable Service.

5.4.1.3. Consistent with the requirements of Appendix A the Franchisee will offer Subscribers “appointment window” alternatives for arrival to perform all Standard Installations.

5.4.2. *Installations of Cable Service – Non-Standard Installations:* Franchisee shall perform all Non-Standard Installations of Cable Service within six (6) months after any such request is received by the Franchisee, unless either a later date is agreed to with the requesting potential residential Subscriber or Franchisee advises the requesting potential residential Subscriber of the current unavailability of Cable Service at the location as set forth in Subsection 5.4.2.1.

5.4.2.1. If the Franchisee is unable to fulfill a potential residential Subscriber’s request for Non-Standard Installation of Cable Service within six (6) months of Franchisee’s receipt of such request or the later date as agreed to with the requesting potential residential Subscriber (as the case may be), Franchisee shall promptly provide notice to such potential residential Subscriber setting forth: (i) the basis for the current unavailability of Cable Service at the requesting location; and (ii) a good faith estimate of the date by which Franchisee believes that Cable Service may be available at the location. Such notice shall be provided in oral, written, electronic or other format acceptable to the Commissioner; provided, however, that in no event shall Franchisee fulfill such Non-Standard Installation request subsequent to the later of: (i) the date which is six (6) months from the date which is six (6) months following a potential Subscriber’s initial request for Non-Standard Installation or the later date as agreed to with the requesting potential residential Subscriber (as the case may be); or (ii) a further later date agreed to with the Subscriber.

5.5. *Exceptions:* Franchisee’s Cable Service availability obligation as set forth in Section 5.4 shall be subject to the following exceptions: (A) where the FTTP Network has not been deployed or a VSO is not yet opened for sales; (B) for periods of Force Majeure; and (C) periods of delay caused by Franchisee’s inability, after good faith efforts, to obtain valid legal authority to access any MDU in the Franchise Area for the purpose of providing Cable Service to units within such MDU on other than commercially unreasonable terms and conditions with respect to each such MDU.

5.5.1. *Commercial Unreasonability:* The phrase “commercially unreasonable terms and conditions” means any one or more of the following circumstances:

5.5.1.1. The landlord is imposing buildout, installation and/or maintenance requirements to serve the MDU that require a financial investment which results in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee’s weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$;

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5.5.1.2. The landlord is requiring removal or other remediation of hazardous materials;

5.5.1.3. The landlord, despite the legal requirements of Public Service Law Section 228, is demanding payment above the compensation contemplated by Section 228; and

5.5.1.4. A bulk sales, exclusive marketing or other arrangement is in effect in the MDU that reduces Franchisee's reasonably anticipated penetration rate resulting in a return on invested capital (ROIC) by four (4) years from the date on which the MDU is open for sales that is less than Franchisee's weighted average cost of capital, wherein $ROIC = (\text{Net Income} + \text{after tax interest}) / \text{Net Average Operating Assets}$.

5.5.2. *Access:* The phrase "Franchisee's inability, after good faith efforts, to obtain valid legal authority" as used herein shall be understood in the context, where applicable, of the legal obligations of landlords under Section 228 of the New York State Public Service Law ("Section 228"), or any successor provision of like effect, and therefore in instances in which the Franchisee believes that a landlord is in violation of Section 228, Franchisee is obligated to provide such landlord with notice of Section 228 and the legal obligations imposed upon such landlord pursuant thereto and pursue remedies available thereunder as appropriate in Franchisee's judgment, acting reasonably.

5.5.2.1. *Additional Procedures:* Beginning July 1, 2012, in each case in which the Franchisee needs to obtain access to the property in response to a request for Cable Service where the FTTP Network has been deployed and the VSO is opened for sales, Franchisee shall undertake (and document in written form) the following steps within the following time periods:

5.5.2.1.1. Send promptly (but in no event later than thirty (30) days after receipt of a request for Cable Service) to the property owner or managing agent notice of its intent to wire for Cable Service;

5.5.2.1.2. Attempt to negotiate a survey date and writing method with the property owner or agent;

5.5.2.1.3. If not yet successful in obtaining access, send a second (2nd) notice of intent to wire including specific reference to Franchisee's access rights, and attempt to wire;

5.5.2.1.4. If the property owner or agent prevents wiring, request assistance from the Commissioner and/or the PSC; and

5.5.2.1.5. If access is not provided within one hundred and eighty (180) days of the first notice to the property owner or agent of intention to wire, file a petition pursuant to 16 NYCRR § 898.4 seeking an order for entry to the property.

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5.5.2.2. The Commissioner may waive, or extend the dates for complying with, the requirements of this Section 5.5.2 upon a showing of good cause by the Franchisee.

5.6. *Periodic Reevaluation:* In the event that Franchisee delays service availability to any MDU in the Franchise Area pursuant to the terms of Section 5.5, Franchisee agrees that it will conduct periodic reevaluations of each such MDU to determine whether circumstances have changed in a manner that would enable Franchisee to obtain valid legal authority to access such MDU on commercially reasonable terms and conditions.

5.7. *Technology and Education Fund/Municipal Facilities Service Grant:* In lieu of, and in satisfaction for, the Franchisee's obligation to provide free service outlets and free Cable Service to public buildings, and in order to further the City's objective of funding technological and educational needs throughout the City, the Franchisee hereby agrees to pay to the City the aggregate sum of Four Million Dollars (\$4,000,000)(the "Technology, Educational & Municipal Facilities Grant") payable in accordance with the following schedule: (i) the first (1st) Technology, Educational & Municipal Facilities Grant payment in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) shall be payable on the date which is thirty (30) days from the Effective Date hereof; (ii) the second (2nd) Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the fourth (4th) anniversary of the Effective Date hereof; and (iii) the third (3rd), and final, Technology, Educational & Municipal Facilities Grant payment shall be payable in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) on the date which is thirty (30) days from the seventh (7th) anniversary of the Effective Date hereof.

5.7.1. The Technology, Educational & Municipal Facilities Grant will be used by the City to support the provision of technology services to City government locations and/or City government-related locations in each of the five boroughs of the City where technology services are made or to be made available to the community, such as (for example) New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities. Decisions as to the specific facilities to be supported by said Technology, Educational & Municipal Facilities Grant within each borough shall be made by the City in consultation with the Borough President of the applicable borough. Franchisee shall exercise no discretion as to the allocation or distribution of funds from the Technology, Educational & Municipal Facilities Grant in any manner whatsoever.

6. SYSTEM FACILITIES

6.1. *Quality of Materials and Work:* Franchisee shall construct and maintain its System using materials of good and durable quality, and in a manner that limits disruption to public use of City streets, and all work involved in the construction, installation, maintenance and repair of the Cable System shall be performed in a safe, thorough and reliable manner, and in a manner which protects the City's property from damage.

6.2. *System Characteristics:* During the Term hereof, Franchisee's Cable System as described in Appendix J, shall meet or exceed the following requirements:

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6.2.1. The System shall initially be designed and operated with a digital carrier passband between 50 and 860 MHz and shall provide for a minimum channel capacity of not less than 77 channels on the Effective Date.

6.2.2. 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.

6.2.3. The Cable System must conform to all applicable FCC technical performance standards, as amended from time to time, and any other future applicable technical performance standards, and shall substantially conform in all material respects to applicable sections of the following standards and regulations to the extent such standards and regulations remain in effect and are consistent with accepted industry procedures:

6.2.3.1. Cable Law;

6.2.3.2. Occupational Safety and Health Administration (OSHA) Safety and Health Standards;

6.2.3.3. National Electrical Code;

6.2.3.4. National Electrical Safety Code (NESC).

6.3. Cable System Tests and Inspections:

6.3.1. The Franchisee shall perform all tests necessary to demonstrate compliance with the requirements of the Franchise, and to ensure that the Cable System components are operating as required; provided, however, that Franchisee's testing obligations under this Article 6 shall be limited solely to those tests which are designed for, and applicable to, a fiber optic network transmitting optical spectrum. All tests shall be conducted in accordance with federal rules and any applicable United States National Cable Television Association's Recommended Practices for measurement and testing. In the event that the FCC's technical performance standards are repealed or are no longer applicable to the Cable System, such standards shall remain in force and effect until the Commissioner, or a designee thereof, and the Franchisee agree to new standards.

6.3.2. The Franchisee shall conduct tests as follows:

6.3.2.1. Proof of Performance tests on the Cable System at least once every six (6) months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with DoITT, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines;

6.3.2.2. Special Proof of Performance tests, as limited by the City, of the Cable System or a segment thereof when Subscriber complaints indicate tests are warranted;

6.3.2.3. Tests shall be supervised by a senior engineer of the Franchisee, who shall sign all records of tests provided to the City;

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6.3.2.4. The City shall have the right to designate a City employee (or a third party consultant operating on the City's behalf, provided that such third party consultant executes, in advance, a nondisclosure agreement in a form reasonably acceptable to Franchisee) to visually inspect Franchisee's Cable System in order to verify compliance with Section 6.1 hereof and witness and/or review all required Proof of Performance Tests. The Franchisee shall provide the City with at least two (2) business days' notice of, and opportunity to observe, any such Proof of Performance Tests performed on the Cable System;

6.3.2.5. The Franchisee shall retain written reports of the results of any tests required by the FCC, and such reports shall be submitted to the City upon the City's request. The City shall have the same rights the FCC has to inspect the Franchisee's performance test data;

6.3.2.6. If any test indicates that any part or component of the Cable System fails to meet applicable requirements, the Franchisee, without requirement of additional notice or request from the City, shall take corrective action, retest the locations and advise the City of the action taken and results achieved, and supply the City with a copy of the results within thirty days from the date corrective action was completed; and

6.3.2.7. The Commissioner may, for good cause shown, waive or limit the system test and inspection provisions in this Section 6.3.

6.4. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area, and, to the extent necessary to effectuate the objectives of Article 8 hereof, with agreed upon CAO facilities. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall attempt to 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 Franchisee and the existing cable operator(s) shall negotiate the interconnection agreement on reasonable terms and conditions. If, despite Franchisee's reasonable efforts, Franchisee is unable to successfully negotiate interconnection of its Cable System with the existing cable operator(s), the City shall make all best efforts to facilitate such negotiations between Franchisee and such other cable operator(s).

6.5. *Emergency Alert System:* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and the State of New York, including the NY PSC's rules and regulations and the current New York EAS Plan, in order that emergency messages may be distributed over the System.

6.6. *Program Services:* Franchisee shall strive to offer over the Cable System a diversity of video programming services, including, without limitation, a broad category of programming that includes locally-based, not-for-profit, and minority-managed public interest educational programming; provided however that nothing contained in this Agreement shall be

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interpreted as a requirement for provision of specific video programming services (except the requirement for provision of PEG Access Channels).

7. LEADING TECHNOLOGY

7.1. *Leading Technology:* The parties hereto acknowledge and agree that the FTTP Network, and the Cable Services provided thereby, as described in Appendix J, will when built constitute a “Leading Technology” that includes more extensive fiber facilities, in lieu of coaxial cable facilities, than is currently, or ever has been, provided by any other Cable Service provider within the City as of the Effective Date.

7.1.1. The Franchisee will, at the City’s request (but not before the first anniversary of the Effective Date of the Franchise Agreement and not more often than once in any thirty-six (36) month period), prepare and submit to the City a report (in a mutually agreeable format) setting forth the Franchisee’s review and assessment of the current state of cable technology and its current plans, if any, to enhance its Cable System (provided however, that this reporting requirement will be in abeyance to the extent that a substantial competing franchisee delivering service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the City is then using a system in the City that fails to provide at least comparable capacity, reliability and feature richness to Franchisee’s system).

7.1.2. Upon the submission of each report as described in the preceding Section 7.1.1 the City may undertake an evaluation of such report, with an opportunity for Franchisee to comment on any City evaluation, and Franchisee will subsequently commence good faith discussions with the City, and implement agreements resulting from such good faith discussions, regarding enhancements, if any, to be made to the Cable System to maintain its leading technology status (provided however, that the requirement pursuant to this Section 7.1.2. will be in abeyance to the extent that a substantial competing franchisee delivering Cable Service through one-hundred percent (100%) of all cable systems owned and operated by such competing franchisee(s) in the Franchise Area is then using a system in the Franchise Area that fails to provide at least comparable capacity, reliability and feature richness to the FTTP Network).

8. PEG SERVICES

8.1. PEG Set Aside:

8.1.1. In order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date (or, with respect to any Governmental/Educational Access Channels, such later date as may be agreed upon by the City and Franchisee in the event Franchisee reasonably requests an extension in order to complete necessary work), provide on the Basic Service Tier use of twenty-five (25) access channels in total, as set forth immediately below in Section 8.1.1.1 (each, an “Access Channel”):

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8.1.1.1. *Public Access Channel*:. Four (4) Public Access Channels for each Borough (i.e. four (4) Public Access Channels for Manhattan, four (4) Public Access Channels for Staten Island, four (4) Public Access Channels for Brooklyn, four (4) Public Access Channels for the Bronx, four (4) Public Access Channels for Queens).

8.1.1.2. *Government/Educational Access Channels*: Five (5) Governmental/Educational Access Channels, one of which is designated by the City for Educational Access Channel programming, which are cablecast City-wide.

8.1.2. In addition to providing the Access Channels described in Section 8.1.1 above, the Franchisee shall provide the City with the following additional Access Channels on the Basic Service Tier, subject to the conditions set forth below:

8.1.2.1. No sooner than January 1, 2009, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels); and (ii) one (1) additional Governmental/ Educational Access Channel which shall be cablecast City-wide.

8.1.2.2. No sooner than January 1, 2012, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City: (i) one (1) additional Public Access Channel for each Borough (for a total of five (5) additional Public Access Channels); and (ii) two (2) additional Governmental/Educational Access Channels which shall be cablecast City-wide.

8.1.2.3. No sooner than the date which is the sixth (6th) Anniversary of the Effective Date hereof, and within one hundred eighty (180) days of Franchisee's receipt of a written request from the City, Franchisee shall provide to the City an additional two (2) Public Access Channels for each Borough (for a total of ten (10) additional Public Access Channels).

8.1.2.4. No single additional Access Channel or additional Access Channels provided pursuant to this Section 8.1 shall be activated by Franchisee unless all existing Access Channels are providing original, non-text, non-duplicative programming for at least eighty percent (80%) of the time between 6:00 a.m. and 12:00 a.m. for the preceding six (6) consecutive months.

8.1.3. The City hereby authorizes Franchisee to transmit all Access Channel programming within and without City jurisdictional boundaries. In the event that one or more Public or Governmental/Educational Access Channels are not being utilized by the City or the CAO's, the provisions of 16 NYCRR 895.4 (c)(12) shall be applicable.

8.1.4. Within ten (10) days after the Effective Date of this Agreement, the City shall notify Franchisee of the programming to be carried on each of the Public or Governmental/Educational Access Channels set aside by Franchisee as listed in Appendix B. Thereafter, Franchisee shall assign the Public or Governmental/Educational Access Channel programming on such Public or Governmental/Educational Access Channels on its channel line-up as set forth in such notice, to the extent such Access Channel assignments do not interfere

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with any pre-existing channels assignments or contractual obligations. Franchisee shall not be required to make Borough-specific Public or Governmental/Educational channels available to Subscribers until one or more VSOs in the specific borough are open for sales.

8.1.5. The Franchisee shall carry the programming on each of the respective Public or Governmental/Educational Access Channels as indicated in Appendix B. In the future, the Franchisee shall assign the Public or Governmental/Educational Access Channels on its channel line up as configured elsewhere within the City to the extent such channel assignments do not interfere with any other channels or fall outside the range of the Franchisee's respective channel lineup. The Franchisee shall not arbitrarily or capriciously change such channel assignments, and the Franchisee shall minimize the number of such changes; provided, however, that the Franchisee may change such channel assignments as it deems appropriate so long as (i) the Franchisee gives the appropriate CAO(s) or the Governmental/Educational/Access Channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days, and (ii) the Franchisee provides, free of charge, public announcements of such changes that shall include (A) to the extent Franchisee has advertising availability, advertising such Public or Governmental/Educational Access Channels changes on advertising inserts on local channels carrying non-satellite programming in prime time at least thirty (30) seconds per day for the time period of thirty (30) to fifteen (15) days prior to such change and two (2) minutes per day for the fourteen (14) days prior to such change (provided, however, that if Franchisee does not have advertising availability at the commencement of the thirty (30) to fifteen (15) day period, as soon as advertising space becomes available, Franchisee shall then provide the advertising contemplated under this Section 8.1.5), and (B) providing notice of such changes in at least two monthly Subscriber bill inserts prior to such change (if commercially practicable) but in no event less than one monthly Subscriber bill insert; provided, however, that such bill inserts shall not be necessary in the event the Franchisee provides the requisite notice of such changes to all Subscribers in a letter separate from their bill.

8.1.6. *Governmental/Educational Interconnection:* The City shall designate in writing to the Franchisee up to one (1) physical site for each Governmental/Educational Access Channel provided pursuant to Section 8.1 hereof (for a total of up to eight (8) sites) within the Franchise Area for the purpose of interconnection of Governmental/Educational Access Channel facilities with the Cable System (each, a "GE Access Interconnection Site").

8.1.6.1. Upon one hundred eighty (180) days written notice from the City (or such later date as may be agreed upon by the City and the Franchisee) and subject to the successful completion of all required site preparation work by the City and provision of access to Franchisee for equipment, installation and provisioning, Franchisee shall, without charge to the City, provide upstream Governmental/Educational Access Channel transmission connections between its video channel aggregation point and each of the GE Access Interconnection Sites in order to permit the signals to be correctly routed from the GE Access Interconnection Site for the distribution to Subscribers.

8.1.6.2. The City shall provide to Franchisee at the GE Access Interconnection Sites a suitable video signal and a suitable audio signal for each Governmental/Educational Access Channel. Franchisee, upon receipt of the suitable video signal, shall provide, install and maintain in good working order the equipment necessary for

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transmitting the Governmental/Educational Access Channel signal to the channel aggregation site for further processing for distribution to Subscribers. Franchisee's obligations with respect to such upstream transmission equipment and facilities shall be subject to the availability, without charge to Franchisee, of suitable required space, environmental conditions, electrical power supply, access, pathway, and facilities and such cooperation of the City as is reasonably necessary for Franchisee to fulfill such obligations; provided, however, that neither Franchisee nor the required site work contemplated hereunder shall impose any unreasonable material burdens on the City.

8.1.6.3. Such upstream transmission provided by Franchisee shall comply with applicable FCC standards governing the transport and distribution of Governmental/Educational Access Channel signals to Subscribers. If Franchisee makes changes to the Cable System that require improvements to Governmental/Educational Access Channel facilities to continue to be used as they were intended under the terms of this Agreement, then Franchisee shall, without charge to the City, make such changes in either the equipment and facilities referred to in this Subsection 8.1.6 or in the Franchisee's video channel aggregation point and distribution equipment and facilities in order to permit the continuation of such intended use.

8.1.7. *Community Access Organizations:* The respective Borough Presidents have each designated an independent, not-for-profit, nonmembership corporation, organized pursuant to the New York Not-for-Profit Corporation Law, to serve as the Community Access Organization for the applicable Borough, under whose jurisdiction the Public Access Channels shall be placed for purposes of Article 8 of this Agreement. The CAO's shall undertake such activities and shall adopt such rules and regulations as are required, and may adopt rules and regulations not inconsistent with this Agreement, the CAO Agreements (as hereinafter defined) attached as Appendix C to this Agreement, the Certificate of Incorporation of the CAO's, the By-Laws of the CAO's, the rules and regulations of the Public Service Commission, and applicable law. The CAO's shall each maintain tax-exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended.

8.1.8. *Use of Public Access Channels.* The Public Access Channels for each Borough shall be under the jurisdiction of the CAO for such Borough. Such Public Access Channels shall be used for the purpose of distributing noncommercial services by the public, any other charitable, nonprofit purpose or other similar purpose, including, without limitation, the generation of revenues by activities reasonably related to such uses and purposes, or any other purpose agreed to between the Franchisee and the CAO.

8.1.8.1. *Public Access Interconnection:* The Franchisee shall effectuate the interconnection of any Public Access Channel facilities with the Cable System for purposes of transmitting the Public Access Channels contemplated in this Article 8 in accordance with the terms of the CAO Agreements (as hereinafter defined).

8.1.9. *No Editorial Control by Franchisee:* The Franchisee shall not exercise editorial control over programming or distribution of services over any Access Channel used by any Person(s), so long as such Access Channel is being used for the purposes authorized herein

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and except where the Franchisee is utilizing any such Access Channel pursuant to the fallow time provisions of the Cable Law.

8.1.10. *PEG Channel Quality:* Each Public and Governmental/Educational Access Channel shall be delivered with transmission quality at least the same as the transmission quality of any other channel on Franchisee's lowest tier of service, provided, however, that Franchisee shall have no responsibility to improve upon or modify the quality of any Public or Governmental/Educational Access Channels content provided to Franchisee by any Public or Governmental/Educational Access Channel programmer.

8.2. *Governmental and Educational Access Grant:* Franchisee shall provide a grant to the City in the amount of Ten Million Dollars (\$10,000,000) in twelve (12) equal annual installments of Eight Hundred Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$833,333.33) over the Franchise Term to be used in support of the production of local Governmental/Educational Access programming (the "Annual GE Grant"). Each annual installment of the Annual GE Grant shall be payable to the City by the Franchisee not later than the date which is sixty (60) days from each anniversary of the Effective Date during the Term hereof (except for the first installment of the Annual GE Grant, which shall be payable not later than the date which is sixty (60) days of the Effective Date). Such grant shall be used solely by the City for Educational Governmental Access, capital costs. Upon request by Franchisee, the City shall provide Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 8.2.

8.3. *Community Access Grant:* Franchisee shall pay to the CAO's certain funding (collectively, the "CAO Grants") pursuant to the terms of certain Community Access Organization Grant and Use Agreements by and between the respective CAO's in the City and the Franchisee (collectively the "CAO Agreements"), substantially in the form attached hereto as Appendix C. The Franchisee and the City acknowledge and agree that:

8.3.1. the amount of the CAO Grants and the terms and conditions of the CAO Agreements were negotiated solely between the Franchisee and the respective CAO's and the City was not a party to any such negotiations;

8.3.2. the CAO Grants, or any portion thereof, shall not constitute a deduction against Franchise Fees payable to the City by Franchisee pursuant to this Agreement; and

8.3.3. consistent with applicable federal and state law, the City shall not exercise any editorial control over any programming carried on any Access Channels set aside for any CAO's pursuant to this Agreement or the CAO Agreements.

8.4. *Franchisee PEG Liability Immunity:* In accordance with 47 U.S.C. §558, the Franchisee shall not incur any liability arising from or in connection with any Access Channels.

8.5. *Recovery of Costs:* To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the grants referenced in this Article 8 and Section 5.7 from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may

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externalize, line-item, or otherwise pass-through interconnection and any franchise-related costs to Subscribers.

9. INET

Requirements for an Institutional Network are set forth in Appendix D.

10. FRANCHISE FEES

10.1. *Payment to City:* Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue (the “Franchise Fee”). In accordance with Title VI, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. In the event that said payments are not received by the LFA within forty-five (45) days following the end of the applicable calendar quarter, following at least thirty (30) days written notice from the LFA that the Franchise Fee has not been paid, Franchisee shall pay interest on such overdue Franchise Fee amount at the then-current interest rate set forth in Section 5004 of the New York Civil Practice Law and Rules (which as of the date of execution of this Agreement is nine percent (9%) per annum) to the LFA retroactive to the first day that such Franchise Fee payment was due. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

10.2. *Acceptance of Payment:* No acceptance of any such payment shall be construed as an accord that the payment is the correct amount, nor shall such acceptance of payment be construed as a release of any claim the City may have for further or additional sums payable under this Agreement. Nothing herein shall be construed in such a way to affect a waiver by either party of applicable statutes of limitation with respect to Franchise Fee payments.

10.3. *Supporting Information:* Along with each quarterly Franchise Fee payment, the Franchisee shall submit to DoITT, or such other entity as the Commissioner may designate, with a copy to the Comptroller, a report in a form reasonably acceptable to the Commissioner (a form of such report that is currently in acceptable form is attached hereto as Appendix K) showing the basis for the computation for such quarterly Franchise Fee payment.

10.4. *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due. Franchisee shall maintain the records necessary to confirm the accurate payment of Franchise Fees during this period and during any pendency of litigation.

10.5. *Bundled Services:* If Cable Services subject to the Franchise Fee required under this Article 10 are provided to Subscribers in conjunction with Non-Cable Services, and the total cost of the bundle reflects a discount from the aggregate retail prices of the services contained therein, the Franchise Fee shall be applied to the retail price of the Cable Services in the bundle reduced by no more than a proportionate share of the overall discount.

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10.5.1. By way of illustrative example of the formula described in the foregoing Section 10.5, if Cable Service A is sold separately at a price of \$40 a month, Non-Cable Service B is sold separately at a price of \$40 a month and Non-Cable Service C is sold separately at a price of \$40 a month, but the three services when purchased together are sold for \$100 a month, the amount of the \$100 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$33.33 per month. As a second example, if Cable Service A is sold separately at a price of \$50 a month, Non-Cable Service B is sold separately at a price of \$63 a month, Non-Cable Service C is sold separately at a price of \$74 a month, but the three services when purchased together are sold for \$150 a month, the amount of the \$150 per month collected by the Franchisee from each subscriber purchasing the bundle which is to be included under Gross Revenues under this Franchise (i.e., the amount attributable to Cable Service) shall be \$40.11 per month.

10.6. *626 Offset:* The Franchise Fee as defined herein shall not constitute a set off against the special franchise tax as provided for in N.Y. Real Property Tax Law Section 626; provided, however, that the LFA agrees that it shall impose the same special franchise tax offset waiver restriction upon all other existing and new providers of Cable Service or cable service (as such term may be defined by other providers) in the Franchise Area expressed in writing in the franchise agreement, or the renewal of any existing franchise agreement of each respective cable provider. The operation of this subparagraph shall be strictly limited to Franchise Fees lawfully imposed upon Cable Service, and shall not be construed to affect the Franchisee's rights under any provision of state or federal law regarding the provision of services other than Cable Service.

11. REPORTS AND RECORDS

11.1. *Open Books and Records:* Upon reasonable written notice to the Franchisee and consistent with Section 11.1.1 below, the City shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise, including, but not limited to, the calculation of Franchise Fees in accordance with Section 10.5 hereof. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the City. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years. Any records to be inspected by the City pursuant to this Article 11 shall be made available by Franchisee to the City in a mutually agreeable format and location, including, at the City's request, at a designated office of the Franchisee in the City. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee 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 Service Area. For purposes of this Section, "proprietary or confidential" information includes, but is not limited to: information related to the Cable System design; trade secrets; Subscriber lists; marketing plans; financial information unrelated to the calculation of Franchise Fees; or other information that is reasonably determined by the Franchisee to be competitively sensitive. Any information disclosed to the City that the Franchisee reasonably identifies as confidential or competitively sensitive (including, without limitation, financial

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information related to the calculation of Franchise Fees) shall be treated by the City as confidential under Section 87(2) (d) of the New York Public Officers Law and the City shall disclose such information only to employees, representatives, and agents thereof who have a need to know, or in order to enforce the provisions hereof. If the City receives a request under FOIL or similar law for the disclosure of information that Franchisee has designated as confidential, competitively sensitive, a trade secret or proprietary, the City shall notify Franchisee of such request. If the City determines in good faith that public disclosure of the requested information is required under FOIL or pursuant to a court order, the City shall so notify Franchisee and before making disclosure shall give Franchisee a reasonable period of time to seek to obtain judicial redress to preclude public disclosure. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551. Nothing in this Article 11 is intended to be inconsistent with the authority of the Comptroller under Section 93(b) of the New York City Charter to perform audits.

11.1.1. *Franchisee's Response to Records Requests:* In the event the City provides the Franchisee with a written request to inspect or review Franchisee's books and records pursuant to Section 11.1 above, Franchisee shall, within fifteen (15) days of Franchisee's receipt of such written request, provide the City with access to any information Franchisee is reasonably able to collect in response to such request and shall, within thirty (30) days from receipt of such request make available to the City all pertinent information in response to such request, consistent with the terms of Section 11.1 above; provided however, that to the extent there is additional information which Franchisee is unable to reasonably collect in such thirty (30) day period, Franchisee shall provide the City with a written notice setting forth the nature of such additional information and the date on which Franchisee shall provide access to such additional information.

11.2. *Annual and Quarterly Reports:* Subject to the confidentiality requirements of Section 11.1 above, the Franchisee shall submit a written report to the Commissioner no later than forty-five (45) days after the end of each calendar year or calendar quarter, as the case may be, during the Term of this Franchise (except where otherwise expressly indicated herein), which report shall be in a form reasonably satisfactory to the Commissioner, that shall include the information described in Sections 11.2.1 through 11.2.4; provided, however, that unless otherwise expressly described below, Franchisee's reporting obligations pursuant to this Section 11.2 shall not commence until six (6) months after Cable Service is made available by Franchisee on a commercial basis directly to multiple Subscribers in the Franchise Area.

11.2.1. After July 1, 2012, Franchisee shall provide the City with an annual report regarding the MDUs for which Franchisee is using the "Additional Procedures" contained in section 5.5.2.1 of this Franchise and the status of such procedures.

11.2.2. A quarterly report showing the total number of Significant Outages (as defined in Appendix A of this Franchise) which occurred during the quarter, and with respect to each such Significant Outage, the time it occurred, its cause and duration and the households.

11.2.3. In addition to the reports to be provided as expressly set forth in this Article 11, the Franchisee shall also provide the reports described in Section 10.3 and Appendix

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A (including but not limited to Sections 2.5.3, 3.4.3, 6.5.3 and 7.5.3) and Exhibit 2 to Appendix A of this Franchise.

11.2.4. Franchisee shall provide at each Checkpoint date as listed in section 5.1.2 of this Franchise, a report (based on the calculations set forth in the 2000 census data) showing the estimated median household income of all homes passed and the average household income of all households in New York City.

11.3. *Records Required:* Franchisee shall at all times maintain:

11.3.1. Records of all written complaints for a period of six (6) years after receipt by Franchisee. The term “complaint” as used herein refers to complaints about any aspect of the Cable System or Franchisee’s cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

11.3.2. Records of outages for a period of six (6) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

11.3.3. Records of service calls for repair and maintenance for a period of six (6) years after resolution by Franchisee, 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;

11.3.4. Records of installation/reconnection and requests for service extension for a period of six (6) years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended;

11.3.5. Commencing on February 15, 2009, in order to track compliance with the benchmarks established in Appendix F, records showing the number of MDUs and SFUs passed by the FTTP Network in each Borough during the preceding year, and the cumulative number of MDUs and SFUs passed by the FTTP Network in each Borough since Franchisee commenced construction of the FTTP Network;

11.3.6. Commencing on February 15, 2009, records showing which wire centers servicing the Franchise Area have been upgraded so as to make them video capable VSOs open for sales consistent with Section 5.2 of this Franchise. Such records shall also show which wire center upgrades, if any, have been delayed due to the exceptions contained in the opening clause of Section 5.2 of this Franchise;

11.3.7. Commencing on February 15, 2009, records of MDUs and SFUs that were Video Network Created during the preceding year and the total number of MDUs and SFUs in each Borough throughout the City that have been Video Network Created throughout the City. Such records shall show the number of MDUs and SFUs by Borough that could not be Video Network Created due to an exception contained in Section 5.5 of this Franchise which became effective during the year, and the cumulative number of MDUs and SFUs in each Borough that are not Video Network Created due to the exceptions contained in Section 5.5 of this Franchise;

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11.3.8. Franchisee shall maintain records documenting the applicability of the Section 5.5.1 exceptions; and make such records available for inspection by the Commissioner or the Commissioner's designee at a designated Franchisee office location;

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

11.3.10. Franchisee shall maintain accurate maps and improvement plans which show the location, size and a general description of all facilities installed in the public ways and any power supply sources, including voltages and connections. Maps shall be based on post-construction inspection to verify location;

11.3.11. Notwithstanding the requirements of Section 11.1 of this Agreement, upon written notice, the Commissioner may request additional information pursuant to this Franchise as may be reasonably necessary for the performance of any of the Commissioner's duties or any other City official's duty as it pertains to this Franchise. Franchisee's response to such request may be provided to the Commissioner in oral or written form, at Franchisee's sole discretion.

11.4. *Service Availability Meeting:* Not later than eight (8) months from each calendar year, upon ten (10) days written notice from the Commissioner, a representative of the Franchisee will hold a meeting with the Commissioner or designated representatives thereof to discuss information on the status of Franchisee's deployment of Cable Services in the City and Franchisee's compliance with the requirements of Article 5 of this Franchise (the "Annual Service Availability Meeting"). If, as a result of any Annual Service Availability Meeting, the Commissioner or designated representative thereof reasonably determines that an additional meeting regarding the topics addressed in the Annual Service Availability Meeting is required, the parties shall hold one (1) additional meeting per calendar year to further discuss such topics. Any information provided to the City by Franchisee in connection with any Annual Service Availability Meeting or additional meeting pursuant to this Section 11.4 shall be treated by the City as confidential and proprietary consistent with Section 11.1 hereof.

11.5. *System-Wide Statistics:* Any valid reporting requirement in the Franchise may be satisfied with system-wide statistics, except those related to Franchise Fees and consumer complaints, or if expressly described otherwise in this Franchise.

11.6. *File for Public Inspection:* Throughout the term of this Agreement, the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated by Franchisee, as required by Appendix A to this Agreement.

12. INSURANCE AND INDEMNIFICATION

12.1. *Insurance Generally; Types of Insurance:* The Franchisee shall continuously maintain one or more liability insurance policies meeting the requirements of this Section 12 throughout the Term (with the minimum limits and special conditions specified). Such insurance shall be issued by companies that meet the standards of Section 12.2(a) hereof and shall be primary (and non-contributing) to any insurance or self-insurance maintained by the City. The Franchisee has, as a condition of the Closing, provided proof of insurance pursuant to Section 12.3 hereof documenting compliance with the insurance requirements of this Section 12 as of the Closing.

(a) The Franchisee shall provide a Commercial General Liability Insurance policy covering the Franchisee as Named Insured and the City as an Additional Insured. Coverage for the City as Additional Insured shall specifically include the City's officials, employees and agents, and shall be at least as broad as Insurance Services Office ("ISO") Form CG 2010 (11/85 ed.) This policy shall protect the City and the Franchisee from claims for property damage and/or bodily injury, including death, which may arise from the performance of, or failure to perform, the Franchisee's obligations under this Agreement and the activities and operations conducted in connection with the provision of Cable Service under this Agreement. Coverage under this policy shall be at least as broad as that provided by ISO Form CG 0001 (1/96 ed.), must be "occurrence" based rather than "claims-made", and shall include, without limitation, the following types of coverage: Premises Operations, Products and Completed Operations, Contractual Liability (including the tort liability of another assumed in a contract), Broad Form Property Damage, Medical Payments, Independent Contractors, Personal Injury (Contractual Exclusion deleted), Cross Liability, Explosion, Collapse and Underground Property, and Incidental Malpractice. If such insurance contains an aggregate limit, it shall apply separately to the operations and activities undertaken pursuant to the Franchise. The Commercial General Liability Insurance policy described herein shall be maintained at all times with limits no less than Five Million Dollars (\$5,000,000) combined single limit per occurrence and Ten Million Dollars (\$10,000,000) aggregate.

(b) The Commercial General Liability Insurance policy referred to in the preceding subsection (a) shall contain each of the following endorsements:

(i) The City of New York together with its officials, employees and agents is an Additional Insured with coverage as broad as ISO Forms CG 2010 (11/85 ed.) and CG 0001 (1/96 ed.); and

(ii) The Duties in the Event of Occurrence, Claim or Suit condition of the policy is amended per the following: if and insofar as knowledge of an "occurrence", "claim", or "suit" is relevant to the City of New York as Additional Insured under this policy, such knowledge by an agent, servant, official, or employee of the City of New York will not be considered knowledge on the part of the City of New York of the "occurrence", "claim", or "suit" unless the following position shall have received notice thereof from such agent, servant, official, or employee: Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department; and

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(iii) Any notice, demand or other writing by or on behalf of the Named Insured to the Insurance Company shall also be deemed to be a notice, demand, or other writing on behalf of the City as Additional Insured. Any response by the Insurance Company to such notice, demand or other writing shall be addressed to Named Insured and to the City at the following addresses: Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, N.Y. 10007; and Insurance Claims Specialist, Affirmative Litigation Division, New York City Law Department, 100 Church Street, New York, NY 10007 (or replacement addresses of which the City notifies the Franchisee); and

(c) The Franchisee shall provide Workers Compensation Insurance and Disability Benefits Insurance in accordance with the Laws of the State of New York (with minimum limits as required by New York State law without regard to jurisdiction) on behalf of all employees undertaking activities or providing services pursuant to this Agreement.

(d) The Franchisee shall provide, and ensure that each subcontractor (if any) provides, Employers' Liability Insurance affording compensation due to bodily injury by accident or disease sustained by any employee arising out of and in the course of his/her employment under this Agreement. The Employers' Liability Insurance policy described herein shall be maintained at all times with limits no less than \$1 million per accident/disease/policy limit.

(e) The Franchisee shall provide a Comprehensive Business Automobile Liability policy for liability arising out of any automobile including owned, non-owned, leased and hired automobiles to be used in connection with undertaking activities or providing services pursuant to this Agreement. The Automobile Liability Insurance policy described herein shall be maintained at all times with limits no less than Two Million Dollars (\$2,000,000) combined single limit each accident. If automobiles are used for transporting hazardous materials, the Franchisee shall provide pollution liability broadened coverage for covered autos (endorsement CA 99 48) as well as proof of MCS 90.

(f) All insurers shall waive their rights of subrogation against the City, its officials, employees and agents.

(g) The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on indemnity in this Agreement given as a matter of law.

12.2. General Requirements for Insurance Policies:

(a) All required insurance policies shall be maintained with companies that are authorized or permitted to conduct business in the State of New York and have an A.M. Best rating of at least A- VII or a Standard and Poor's rating of at least AA, unless prior written approval is obtained from the Mayor's Office of Operations (or successor entity thereto).

(b) The Franchisee shall be solely responsible for the payment of all premiums for all required policies and all deductibles and self-insured retentions to which such

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policies are subject, whether or not the City is an insured under the policy. Any self-insured retention must be reasonable and is subject to approval by the City.

(c) Except for insurance required pursuant to Sections 12.1(c) and 12.1(d) herein, all policies shall contain a provision stating that the insurer or its authorized representative(s) shall use reasonable efforts to provide thirty (30) days prior written notice of intent to non-renew, cancellation or material adverse change to the City, except that ten (10) day notice for nonpayment of premium shall apply. Such notice shall be sent to the City pursuant to Section 18.6 hereof, and to the City's Comptroller ("the Comptroller"), attn: Office of Contract Administration, Municipal Building, Room 1005, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee).

(d) On or before the date of cancellation, termination or material adverse change affecting the City of any policies with respect to notices described in the preceding subsection (c) of this section 12.2., the Franchisee shall obtain and furnish to the City, with a copy to the Comptroller, replacement insurance binders demonstrating that replacement insurance fully compliant with this Section 12 has been obtained.

12.3. Proof of Insurance:

(a) The Franchisee has delivered to the City, as a condition of the Closing, for each policy required under this Agreement, a Certificate or Certificates of Insurance evidencing the effectiveness of all insurance required under this Agreement. All Certificates of Insurance shall be in a form reasonably acceptable to the City and shall certify the issuance and effectiveness of the types of insurance required herein, each with the specified minimum limits and conditions.

(b) A Certificate or Certificates of Insurance confirming renewals of, or changes to, insurance policies required hereunder shall be submitted to the City within ten (10) days of the expiration or renewal date of coverage of policies required under this Agreement. Such Certificates of Insurance shall comply with the requirements of the preceding subsection (a).

(c) The Franchisee shall be obligated to provide the City with a copy of any policy required by this Section 12 upon the demand for such policy by the Commissioner or the New York City Law Department; provided, however, that any policies or other related information provided by Franchisee (or Franchisee's designee, including, but limited to, an Affiliate or Franchisee's insurer) to the City pursuant to this subsection 12.4(c) shall be treated by the City as confidential and proprietary consistent with the provisions of Section 11.1 of this Franchise.

12.4. Operations of the Franchisee:

(a) Acceptance by the City of a certificate hereunder does not excuse the Franchisee from securing a policy consistent with all provisions of this Section 12 or of any liability arising from its failure to do so.

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(b) The Franchisee shall be responsible for providing continuous insurance coverage in the manner, form, and limits required by this Agreement and shall be authorized to provide service pursuant to this Agreement and the Franchise only during the effective period of all required coverage.

(c) In the event of any loss, damage, injury or accident arising under this Agreement, the Franchisee (once the Franchisee's Risk Management Claims Group becomes aware of any of the foregoing circumstances) shall promptly notify in writing the commercial general liability insurance carrier, and, where applicable, the worker's compensation and/or other insurance carrier, of any loss, damage, injury, or accident, and any claim or suit arising under this Agreement from the operations of the Franchisee or its subcontractors, promptly, but not later than 20 days after Franchisee's Risk Management Claims Group becomes aware of such event. The Franchisee's notice to the commercial general liability insurance carrier must expressly specify that "this notice is being given on behalf of the City of New York as Additional Insured as well as the Franchisee as Named Insured." The Franchisee's notice to the insurance carrier shall contain the following information: the name of the Franchisee, the number of the applicable policy, the date of the occurrence, the location (street address and borough) of the occurrence, and, to the extent known to the Franchisee, the identity of the persons or things injured, damaged or lost. Additionally:

(i) At the time notice is provided to the insurance carrier(s), the Franchisee shall provide copies of such notice to the Comptroller and the Commissioner. Notice to the Comptroller shall be sent to the Insurance Unit, NYC Comptroller's Office, 1 Centre Street – Room 1222, New York, New York 10007 (or replacement addresses of which the City notifies the Franchisee). Notice to the Commissioner shall be sent to the address set forth in Section 18.6 hereof; and

(ii) If the Franchisee fails to provide any of the foregoing notices in a timely and complete manner, the Franchisee shall indemnify the City for all losses, judgments, settlements and expenses, including reasonable attorneys' fees, arising from an insurer's disclaimer of coverage citing late notice by or on behalf of the City.

12.5. *Insurance Notices, Filings, Submissions:* Wherever reference is made in this Section 12 to documents to be sent to the Commissioner (e.g., notices, filings, or submissions), such documents shall be sent to the address set forth in Section 18.6 hereof.

12.6. *Disposal of Hazardous Materials:* If pursuant to this Agreement the Franchisee is involved in the disposal of hazardous materials, the Franchisee shall dispose of such materials only at sites where the disposal site operator maintains Pollution Legal Liability Insurance in the amount of at least Two Million Dollars (\$2,000,000) for losses arising from such disposal site.

12.7. *Other Remedies:* Insurance coverage in the minimum amounts provided for herein shall not relieve the Franchisee or subcontractors of any liability under this Agreement, nor shall it preclude the City from exercising any rights or taking such other actions as are available to it under any other provisions of this Agreement or applicable law.

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12.8. *Franchisee Indemnification Obligations:* The Franchisee shall indemnify, defend and hold the City, its officers, agents and employees (the “Indemnitees”) harmless from any and all liabilities, suits, damages, claims and expenses (including, without limitation, reasonable attorneys’ fees and disbursements) (“Damages”) that may be imposed upon or asserted against any of the Indemnitees arising out of the Franchisee’s performance of, or its failure to perform, its obligations under this Agreement and/or its provision of services hereunder, provided, however, that the foregoing liability and indemnity obligation of the Franchisee pursuant to this Section 12.8 shall not apply to any Damages to the extent arising out of any willful misconduct or gross negligence of an Indemnitee. Insofar as the facts and law relating to any Damages would preclude the City from being completely indemnified by the Franchisee, the City shall be partially indemnified by the Franchisee to the fullest extent provided by law, except to the extent such Damages arise out of any willful misconduct or gross negligence of any Indemnitee. This indemnification is independent of the Franchisee’s obligations to obtain insurance as provided under this agreement.

12.9. *Defense of Claim, Etc:* If any claim, action or proceeding is made or brought against any of the Indemnitees by reason of any event to which reference is made in Section 12.8 herein, then upon demand by the City, the Franchisee shall either resist, defend or satisfy such claim, action or proceeding in such Indemnitee’s name, by the attorneys for or approved by the Franchisee’s insurance carrier (if the defense of such claim, action or proceeding is provided by the insurance carrier) or by the Franchisee’s attorneys. The foregoing notwithstanding, in the event an Indemnitee believes additional representation is needed, such Indemnitee may engage its own attorneys to assist such Indemnitee’s defense of such claim, action or proceeding, as the case may be, at its sole cost and expense. The Franchisee shall not settle any claim with respect to which the Franchisee is required to indemnify the Indemnitees pursuant to Section 12.8 without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

12.10. *No Claims Against Officers, Employees, or Agents:* Franchisee agrees not to make any claim against any officer or employee of the City or officer or employee of an agent of the City, in their individual capacity, for, or on account of, anything done or omitted in connection with this Agreement, to the extent that such officer or employee of the City or officer or employee of an agent of the City was acting within the lawful course and scope of his employment or agency. Nothing contained in this Agreement shall be construed to hold the City liable for any lost profits, or any consequential damages incurred by Franchisee or any Person acting or claiming by, through or under Franchisee.

12.11. *Limitation on Indemnification:* As between the City and the Franchisee, the indemnifications obligations of the Franchisee pursuant to Section 12.8 above shall not apply to any Damages arising out of the distribution of programming over the Governmental/Educational Access Channels, the Institutional Network available to and used by the City, and/or the Public Access Channels, to the extent that such claim does not arise out of an act or failure to act by the Franchisee.

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12.12. *No Applicability to Pending Litigation:* Franchisee's indemnification obligations pursuant to this Article shall have no applicability to the litigation referenced and defined in Section 18.14.

13. TRANSFER OF FRANCHISE

13.1. *City Approval Required:* Subject to the provisions of this Article, the Franchisee shall apply to the City for approval of any transaction in which any change is proposed with respect to ten percent (10%) or more for voting interests or twenty-five percent (25%) or more for non-voting interests of the ownership of the Franchisee, the Cable System, the Cable System assets, or the Franchise by submitting FCC Form 394 or such other form as the FCC may prescribe for that purpose; provided however that the foregoing, requirements of this Section 13.1 shall not be applicable with respect to transfers of any ownership interests contemplated hereunder which are effectuated as a result of any transactions involving the exchange of publicly traded shares. The application shall be made at least one hundred twenty (120) calendar days prior to the contemplated effective date of the transaction. Such application shall contain complete information on the proposed transaction, including details of the legal, financial, technical, and other qualifications of the transferee. At a minimum, the following information must be included in the application:

13.1.1. all information and forms required under federal law;

13.1.2. any shareholder reports or filings with the Securities and Exchange Commission that pertain to the transaction;

13.1.3. a report detailing any changes in ownership of voting or non-voting interests of over five percent;

13.1.4. other information necessary to provide a complete and accurate understanding of the financial position of the Cable System before and after the proposed transaction;

13.1.5. complete information regarding any potential impact of the transaction on Subscriber rates and service; and

13.1.6. any contracts that relate to the proposed transaction as it affects the City and, upon request by the City, all documents and information that are related or referred to therein and which are necessary to understand the proposed transaction; provided, however, that if the Franchisee believes that the requested information is confidential and proprietary, then the Franchisee must provide the following documentation to the City: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) a statement that the documents are available at the Franchisee's designated offices for inspection by the City.

13.2. *City Action on Transfer:* To the extent not prohibited by federal law, the City may: (i) grant; (ii) grant subject to conditions directly related to concerns relevant to the transactions; (iii) deny any such transactions; or (iv) not take action, in which case the

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transactions shall be deemed granted, unless the requesting party and the LFA expressly agree in writing to an extension, pursuant to Section 617 of the Communications Act, 47 U.S.C. § 537.

13.3. *Waiver of Transfer Application Requirements:* To the extent consistent with federal law, the City may waive in writing any requirement that information be submitted as part of the transfer application, without thereby waiving any rights the City may have to request such information after the application is filed.

13.4. *Subsequent Approvals:* The City's approval of a transaction described in this Article in one instance shall not render unnecessary approval of any subsequent transaction.

13.5. *Approval Does Not Constitute Waiver:* Approval by the City of a transfer described in this Article shall not constitute a waiver or release of any of the rights of the City under this Agreement, whether arising before or after the date of the transfer.

13.6. *No Consent Required For Transfers Securing Indebtedness:* The Franchisee shall not be required to file an application or obtain the consent or approval of the City for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness. However, the Franchisee will notify the City within ten (10) days if at any time there is a mortgage or security interest granted on substantially all of the assets of the Cable System. The submission of the Franchisee's audited financial statements prepared for the Franchisee's bondholders shall constitute such notice.

13.7. *No Consent Required For Any Affiliate Transfers:* The Franchisee shall not be required to pay any fee or file an application or obtain the consent or approval of the City for any transfer of an ownership or other interest in Franchisee, the Cable System, or the Cable System assets to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee. However, the Franchisee will notify the City within thirty (30) days if at any time a transfer covered by this subsection occurs.

14. RENEWAL OF FRANCHISE

14.1. *Governing Law:* The City and Franchisee agree that any proceedings undertaken by the City that relate to renewal or possible renewal of this Franchise shall be subject to, and shall not be inconsistent with, the Cable Law, including without limitation 47 U.S.C. § 546, as such may be amended from time to time.

14.2. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Franchisee and the City agree that at any time during the Term, while affording the public appropriate notice and opportunity to comment consistent with New York State law and the City Charter, the City and Franchisee may, each acting in its discretion, agree to undertake and finalize, pursuant to 47 U.S.C. §546(h), informal negotiations regarding renewal of the Franchise granted hereunder and, if agreement is reached on the terms and conditions of such a renewal the

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City may grant such a renewal, consistent with the applicable procedures and requirements of New York State law and the City Charter.

14.3. *Non-Renewal/Termination:* In the event that the City (i) does not grant a renewal of the Franchise at the scheduled expiration date of the Term; or (ii) this Agreement is terminated for any other lawful reason prior to the scheduled expiration of the Term, then the Term of the Franchise shall expire and all rights of the Franchisee under the Franchise shall cease, provided however that nothing in this Section shall be inconsistent with the terms of Section 18.21, provisions of this Agreement expressly providing for the survival of certain provisions after such termination or expiration, or the provisions of subsection 14.3.1 below.

14.3.1. If the Franchisee continues to provide Cable Service after the termination or expiration of the Term of the Franchise, and the Franchise has not been renewed, then the Franchisee shall be bound by all of the Franchisee's obligations under this Franchise for the period of such continuing provision of Cable Service.

14.4. *Consistent Terms:* Franchisee and the City consider the terms set forth in this Article 14 to be consistent with the express provisions of 47 U.S.C. § 546 and the Cable Law.

15. DEFAULT AND REMEDIES

15.1. *Defaults.* In the event of any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Agreement (each such breach, default, failure or other noncompliance being referred to herein as a "Default"), which Default is not cured within the specific cure period provided for in this Agreement (or if no specific cure period is provided for in this Agreement then within the cure period described in Section 15.3 below), then the City may:

15.1.1. cause a withdrawal from the cash Security Fund, pursuant to the provisions of Section 15.11 herein;

15.1.2. make a demand upon the Performance Bond pursuant to the provisions of Section 15.9 herein;

15.1.3. draw down on the Letter of Credit pursuant to the provisions of Section 15.10 herein;

15.1.4. pursue any rights the City may have under the Guaranty;

15.1.5. seek and/or pursue money damages from the Franchisee as compensation for such Default;

15.1.6. seek to restrain by injunction the continuation of the Default; and/or

15.1.7. pursue any other remedy permitted by law, or in equity, or as set forth in this Agreement, provided however the City shall only have the right to terminate this Agreement upon the occurrence of a Revocation Default (defined hereinafter).

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15.2. *Notice of Default:* If at any time the City believes that Franchisee has committed any Default, the City shall notify the Franchisee's designated franchise service manager, and the Franchisee representatives identified in Section 18.6 hereof, of such alleged Default. If, thereafter, the City determines that Franchisee is not in Default, the City shall promptly provide the Franchisee with written notice of such determination. However, if the City determines that such notice has failed to result in a resolution of the matter, the City shall then notify Franchisee in writing of the alleged Default and identifying the specific provision of the Franchise on which the alleged Default is based (for purposes of this Article, the "Notice of Default").

15.3. *Franchisee's Right to Cure or Respond:* Except as set forth in Section 15.3.1 below, Franchisee shall have thirty (30) days from receipt of the Notice of Default to: (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default. Upon cure of any alleged Default, the City shall provide written confirmation that such cure has, to the knowledge of the Commissioner or designated representative thereof, been effected.

15.3.1. With respect to the following Franchise obligations, Franchisee shall have ten (10) days from the receipt of Notice of Default to (i) respond to the City, if Franchisee contests (in whole or in part) the allegation of Default; or (ii) cure such alleged Default: (a) payment of Franchise Fees, Annual GE Grants, or Technology, Educational & Municipal Facility Grants; and (b) maintenance of Security pursuant to Sections 15.9, 15.10 and 15.11.

15.4. *Extended Time to Complete Cure:* Notwithstanding anything in the preceding to the contrary, no Default shall exist if a breach or default is curable, and a cure period is provided therefor in this Article 15 or otherwise, but work to be performed, acts to be done, or conditions to be removed to effect such cure cannot, by their nature, reasonably be performed, done or removed within the cure period provided, so long as the Franchisee shall have commenced curing the same within the specified cure period and shall diligently and continuously prosecute the same promptly to completion.

15.5. *Miscellaneous Matters Regarding Default, Cure and Remedies:* The rights and remedies described in Section 15.1 hereof shall not be exclusive, but each and every right and remedy specifically provided or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed appropriate by the City, except as provided herein. The exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy, nor shall any delay or omission in taking any action or exercising any remedies with respect to any Default be construed to be a waiver of or acquiescence to any Default. The exercise of any such right or remedy by the City shall not release the Franchisee from its obligations or any liability under this Agreement, provided that nothing in this Section 15.5 or in this Agreement is intended to authorize or shall result in double recovery of damages by the City.

15.6. *Revocation Defaults; Definition of Revocation Default:* A Revocation Default shall mean any of the following occurrences or events:

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15.6.1. any failure by the Franchisee to maintain in effect the cash Security Fund described in Section 15.11 hereof and/or the Letter of Credit described in Section 15.10 hereof in accordance with the provisions of said sections, which failure continues for ten (10) business days after notice;

15.6.2. any failure by the Franchisee to maintain in effect the Performance Bond described in Section 15.9 hereof in accordance with the provisions of said section, which failure continues for ten (10) business days after notice;

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee's compliance with its obligations under this Agreement);

15.6.4. if the Franchisee fails to maintain insurance coverage or otherwise materially breaches Article 12 hereof and such failure continues for ten (10) business days after notice from the City to the Franchisee;

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

15.6.7. if there is any transfer of the Franchise other than in accordance with Article 13;

15.6.8. the conviction, guilty plea or plea of nolo contendere of the Franchisee, any Controlling Person, any director or officer of the Franchisee, or any employee or agent of the Franchisee or of any Controlling Person acting under the express direction or with the actual consent of any of the foregoing, of any offense, including, without limitation, bribery or fraud, arising out of or in connection with this Agreement, the award of the franchise granted pursuant to this Agreement, provided that such shall constitute a Revocation Default with respect to any of the foregoing with respect to a malfeasant director, officer, employee or agent of the Franchisee or of any Controlling Person only if the Franchisee or the applicable Controlling Person refuses to disassociate itself from, or terminate the employment of, said director, officer, employee or agent;

15.6.9. the conviction or guilty plea of any City officer, employee, or agent of the offense of bribery or fraud with respect to this Agreement which arises out of any act of the Franchisee of any Controlling Person, or of any agent or employee thereof acting under the express direction or actual consent of the foregoing;

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15.6.10. any abandonment of service in default of the obligations described in Section 15.13 hereof; and

15.6.11. any persistent and repeated pattern of material Defaults, even if individual Defaults constructing such a persistent and repeated pattern are subsequently cured after their occurrence or remediated by recourse to security provided to the City under Sections 15.9 through 15.11 hereof or by other means; provided, however, that this provision shall not apply to alleged Defaults subject to good faith disputes.

15.7. *Remedies of the City for Revocation Defaults:* In the event of a Revocation Default, the City may (in addition to any other remedy which the City may have under Section 15.1 hereof) at its option, give to the Franchisee a written notice (“Notice of Revocation”), in accordance with Section 15.8 hereof, stating that this Agreement and the Franchise granted hereunder shall be revoked on the date specified in such notice (which date shall not be less than ninety (90) days from the giving of the notice), and this Agreement and the Franchise granted hereunder shall terminate on the date set forth in such notice as if such date were the date provided in this Agreement for the scheduled expiration of this Agreement and the franchise granted herein. Notwithstanding the preceding however, during the period between the Notice of Revocation provided pursuant to this Section 15.7 and thirty days prior to the date of revocation set forth in such notice, the Franchisee may submit to the City any material it wishes to document that no Revocation Default has occurred or that revocation as a remedy for such Revocation Default would not be in the best interests of the City. If the City after reviewing such material determines that a Revocation Default has not occurred, or determines in its discretion that termination as a remedy for such Revocation Default would not be in the best interests of the City, then the City shall notify the Franchisee of its withdrawal of the Notice of Revocation which notice shall thereby no longer be effective.

15.8. *Revocation:* In the event the City has not received a satisfactory response from Franchisee to the Notice of Revocation, it may then seek revocation of the Franchise at a hearing. The City shall cause to be served upon the Franchisee, at least thirty (30) business days prior to such hearing, a written notice specifying the time and place of such hearing which shall not be earlier than as provided for in Section 15.7 and stating its intent to revoke the Franchise.

15.8.1. At the designated hearing, Franchisee 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 City, 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.

15.8.2. Following the hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the City in writing and thereafter the City shall determine (i) whether an event of Revocation Default has occurred under this Franchise; (ii) whether such event of Revocation Default is excusable; and (iii) whether such event of Revocation Default has been cured or will be cured by the Franchisee. The City shall also determine whether it will revoke the Franchise based on the information presented, or, where

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applicable, grant additional time to the Franchisee to effect any cure. If the City determines that it will revoke the Franchise, the City shall promptly provide Franchisee with a written determination setting forth the City's reasoning for such revocation. Franchisee may appeal such written determination of the City to an appropriate court, which shall have the power to review the decision of the City de novo. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the written determination of the City.

15.9. Performance Bond:

15.9.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement, a performance bond, for the benefit of the City, on the form attached hereto as Appendix E and from an institution satisfactory to the City, in an amount as provided in Section 15.9.2 below (the "Performance Bond"). The "City of New York acting by and through the Department of Information Technology and Telecommunications" shall serve as the sole obligee under the Performance Bond. The attorney-in-fact who signs the Performance Bond must file with the bond a certified copy of his/her power of attorney to sign the bond. The Performance Bond shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement.

15.9.2. *Amount and Term:* The initial amount of the Performance Bond shall be Fifty Million Dollars (\$50,000,000), which amount may at Franchisee's option be periodically reduced pursuant to the following schedule if at the scheduled reduction date Franchisee has timely completed its deployment obligations under Appendix F hereof. The Performance Bond provided hereunder shall provide that it shall remain in effect during the term of this Agreement and for one year thereafter unless within such one year period DoITT notifies the Franchisee that the Performance Bond shall remain in full force and effect because of the pendency of any litigation or the assertion of any claim which has not been brought to final judgment and for which the Performance Bond provides security.

15.9.2.1. *Reduction Schedule:* The required amount of the Performance Bond shall be reduced in accordance with the following schedule as of December 31 of the year indicated so long as Franchisee has attained the "NYC Total" percentage of households passed required as of that date as set forth in Appendix F, except that the date for reduction in calendar year 2014 shall be June 30 of that year, subject to the same requirement. If Franchisee does not attain the "NYC Total" percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the "NYC Total" percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)
2009: Thirty Million Dollars (\$30,000,000)
2010: Twenty-Five Million Dollars (\$25,000,000)
2011: Fifteen Million Dollars (\$15,000,000)
2012: Ten Million Dollars (\$10,000,000)

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2013: Five Million Dollars (\$5,000,000)

2014: One Million Dollars (\$1,000,000)

15.9.3. *Claim Against the Performance Bond:* The City may make a claim against the Performance Bond in such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations referenced in Section 15.9.2 (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such claim may be permitted by a final judgment of a court of competent jurisdiction. The City may not seek recourse against the Performance Bond for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Performance Bond, recourse to the Letter of Credit, or withdrawal from the cash Security Fund.

15.10. Letter of Credit:

15.10.1. *Establishment:* The Franchisee shall arrange for, and shall maintain throughout the term of this Agreement and for one year thereafter, a letter of credit, for the benefit of the City, in a form and issued by a bank satisfactory to the City, in an amount as provided in Section 15.10.2 below (the "Letter of Credit"). The Letter of Credit shall serve as security (together with the other elements of security provided for under this Agreement) for Franchisee's timely performance of its obligations under this Agreement. The "City of New York acting by and through the Department of Information technology and Telecommunications" shall be named as the beneficiary. The original Letter of Credit shall be deposited with the City. The Letter of Credit shall contain the following endorsement:

"It is hereby understood and agreed that this letter of credit may not be canceled or not renewed by the issuer/surety until at least ninety (90) days after receipt by the New York City Department of Information Technology and Telecommunications of a written notice stating such intention to cancel or not to renew."

15.10.2. *Amount:* The Letter of Credit shall be in the amount of Twenty Million Dollars (\$20,000,000).

15.10.3. Drawdown Against the Letter of Credit:

15.10.3.1. The City may draw down against the Letter of Credit such amounts as are necessary to satisfy (to the degree possible) the Franchisee's obligations under this Agreement not otherwise met in accordance with this Agreement (and to reimburse the City for costs, losses or damages incurred as the result of such failure(s) by Franchisee to meet its obligations), as such drawdown may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Letter of Credit for any costs, losses or damages for which the City has previously been compensated through a drawdown against the Letter of Credit, recourse to the Performance Bond, or withdrawal from the cash Security Fund.

15.10.3.2. In addition to its right to draw down on the Letter of Credit for any of the reasons set forth in 15.10.3.1 hereof, the City may draw down in full on the Letter of Credit at any time such Letter of Credit has less than thirty (30) days to run before it is

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scheduled to expire and no replacement or renewal Letter of Credit has been given in its place. In the event of a drawdown for such reason, the City will hold the proceeds as cash security (paying to itself any interest earned) in lieu of a Letter of Credit (with the City having the right to make withdrawals for the same purposes as drawdowns are permitted on the Letter of Credit) until a replacement Letter of Credit is put in place, at which time such drawdown proceeds will be returned to the Franchisee less any proper withdrawals and any reasonable transaction expenses. In the event of a drawdown on the Letter of Credit as contemplated by this Section 15.10.3.2, and until such time as a replacement Letter of Credit is obtained in accordance herewith, the replenishment obligations of the Franchisee with respect to the moneys held by the City following such drawdown as cash security shall correspond to the replenishment obligations (and rights) of the Franchisee applicable to the cash Security Fund under Section 15.11.

15.10.3.3. Within two business days after any drawdown against the Letter of Credit, the City shall notify Franchisee of the date and amount thereof.

15.10.4. *Replenishment:* Until the expiration of one year after the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that at least One Hundred Thousand Dollars (\$100,000) (cumulatively or in a single instance) has been drawn down against the Letter of Credit, Franchisee shall obtain a replacement or additional Letter of Credit such that the total amount available under the letter(s) of credit obtained shall be restored to the amount required in Section 15.10.2.

15.11. Cash Security Fund:

15.11.1. *Establishment and Amount:* Franchisee shall deposit with DoITT as a condition to the Closing a certified check, bank check or wire transfer, payable to the “City of New York,” in the amount of One Million Dollars (\$1,000,000), to be held by the City as security (together with the other elements of security provided for under this Agreement) for performance of Franchisee’s obligations under this Agreement (the “Security Fund”).

15.11.2. *Withdrawals From or Claims Under the Security Fund:* The City may make withdrawals from the Security Fund of such amounts as are necessary to satisfy (to the degree possible) Franchisee’s obligations under this Agreement that are not otherwise satisfied (and to reimburse the City for costs, losses or damages incurred as the result of Franchisee’s failure(s) to satisfy its obligations), to the extent that such withdrawal may be permitted by a judgment of a court of competent jurisdiction. The City may not seek recourse against the Security Fund for any costs, losses or damages for which the City has previously been compensated through a withdrawal from the Security Fund, recourse to the Performance Bond provided for in this Agreement or drawdown against the Letter of Credit provided for in this Agreement. Within two business days after any withdrawal from the Security Fund, the City shall notify the Franchisee of the date and amount thereof.

15.11.3. *Replenishment:* Until the expiration of one year after the end of the Term, within 30 days after receipt of notice (the “Replenishment Period”) from the City that any amount has been withdrawn from the Security Fund as provided in Section 15.11.2, the Franchisee shall restore to the Security Fund the amount thus withdrawn.

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15.11.4. *Return of Security Fund:* Within thirty (30) days of the end of the Term, the City shall pay over to the Franchisee any amounts remaining in the Security Fund.

15.12. *Not a Limit on Liability:* Neither the Franchisee's obligations under this Agreement nor Franchisee's liability for non-performance of any such obligations are limited in nature or amount by the acceptance or availability of the Performance Bond provided pursuant to Section 15.9, the Letter of Credit provided pursuant to Section 15.10 or the cash Security fund provided by Section 15.11.

15.13. *Abandonment of Service:* Franchisee shall not abandon provision of any Cable Service or portion thereof in the City without the City's prior written consent as provided in the Cable Law.

16. CUSTOMER PROTECTION STANDARDS

16.1. *Generally:* Franchisee shall comply with the consumer protection standards set forth in Parts 890 and 896 of the NY PSC rules and regulations and the provisions of Appendix A hereto.

16.2. *Privacy Protection:* The Franchisee shall comply with the provisions of 47 U.S.C. § 551 and any other applicable law, including any local standards to the extent not inconsistent with the terms of this Franchise established in accordance with applicable law, with respect to the protection of the privacy of Subscribers.

16.3. *Parental Control:* Franchisee shall make available to any Subscriber, if not already incorporated in standard equipment that is offered to all Subscribers, a device that offers as an option the ability to limit access to programming to Persons who provide a personal identification number or other means provided by the Franchisee only to a Subscriber, or other similar means of allowing parents to control children's access to programming in the Subscriber household. Provided, however, that it is not the intention of the parties that this Agreement be construed as placing any responsibility or liability on the Franchisee for the exercise of or failure to exercise such parental controls as are offered and Franchisee shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls as are offered.

16.4. *Information to City:* The Franchisee shall provide subscriber information requested by the City for the purpose of enforcement of this Franchise, to the extent the provision of such information does not violate applicable law (including, without limitation, 47 U.S.C. § 551).

17. EMPLOYMENT AND PURCHASING

17.1. *Right to Bargain Collectively:* The Franchisee shall recognize the right of its employees to bargain collectively through representatives of their own choosing in accordance with applicable law. The Franchisee shall recognize and deal with the representatives duly designated or selected by the majority of its employees for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or any other terms, conditions, or

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privileges of employment as required by law. The Franchisee shall not dominate, interfere with, participate in the management or control of, or give financial support to any union or association of its employees.

17.2. *No Discrimination:* The Franchisee shall not: (i) refuse to hire, train, or employ; (ii) bar or discharge from employment; or (iii) discriminate against any individual in compensation, hours of employment, or any other term, condition, or privilege of employment, including, without limitation, promotion, upgrading, demotion, downgrading, transfer, layoff, and termination, on the basis of race, creed, color, national origin, sex, age, handicap, marital status, affectional preference or sexual orientation in accordance with applicable law. The Franchisee agrees to comply in all respects with all applicable federal, state and local employment discrimination laws and requirements during the term of this Agreement.

17.3. *Local Employment Plan:* Within thirty (30) days of the Effective Date hereof, the Franchisee shall, at its own cost and expense, develop, maintain and implement and disclose to the City (subject to appropriate and lawful confidentiality restrictions), a plan, consistent with Franchisee's collective bargaining agreements, for the recruitment, education, training, and employment of residents of the City for the opportunities to be created by the deployment and provision of service contemplated in this Agreement.

17.4. *City Vendors:* To the extent feasible and consistent with applicable law, and with due regard to price and quality considerations, the Franchisee shall utilize vendors located in the City in connection with the deployment and provision of service contemplated by this Agreement.

17.5. *Local Law Requirements:* The Franchisee agrees to comply in all respects with the provisions of the Mayor's Executive Order No. 50 (April 25, 1980) (codified at Title 10 Sections 1-14 of the Rules of the City of New York) and City Administrative Code 6-108.1 (1984) and all rules and regulations promulgated thereunder (collectively, the "EEO Requirements"), as such EEO Requirements may be amended, modified or succeeded throughout the Term of this Agreement. Notwithstanding the fact that the EEO Requirements do not apply on their face to Franchisee in its capacity as a franchisee, the Franchisee shall comply in all respects with the provisions of such EEO Requirements and successor and replacement laws, orders and regulations adopted following the date of this Agreement. As required by said Executive Order No. 50, the provisions of Sections 50.30 and 50.31 of the Final Rule implementing said Order are incorporated herein by this reference.

18. MISCELLANEOUS PROVISIONS

18.1. *Competition:* The parties agree that this Agreement, when compared to the terms of the City's cable television franchise agreements in existence as of the Closing, contains economic and regulatory burdens which, when taken as a whole, are not greater or lesser than those placed upon other cable operators operating within the Franchise Area.

18.2. *Actions of Parties:* Any action to be taken by the City and/or the Commissioner pursuant to this Agreement shall be taken in accordance with the applicable provisions of the City Charter, as said Charter may be amended or modified throughout the Term of this

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Agreement. 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, unless expressly agreed otherwise herein.

18.3. *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.

18.4. *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 City.

18.5. *Force Majeure:* Subject to the procedures set forth in the last sentence of this Section 18.5, the Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, 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; provided, however, that in the event that any delay in performance resulting from such a Force Majeure affects only part of Franchisee's capability to perform, Franchisee shall perform to the extent it is able to do so and shall take all steps, reasonably within its ability, to minimize the length and effect of such Force Majeure delay. The Franchisee shall notify the Commissioner in writing of the occurrence of an event of Force Majeure, or a series of related events constituting an event of Force Majeure, which resulted in or is resulting in a delay in performance, such notice to be provided within twenty (20) business days of the event or series of events, or if notification within such period is not practicable under the circumstances, as soon as practicable.

18.6. *Notices:* Every notice, order, petition, document, or other direction or communication to be served upon the City or the Franchisee shall be in writing and shall be sufficiently given if sent by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to the following addresses (unless expressly stated otherwise in this Agreement):

If to the Franchisee, to:

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Verizon New York Inc.
Maura Breen, Senior Vice President & General Manager – New York Region
140 West Street
31st Floor
New York, NY 10007

with a copy to:

Jack White, Senior Vice President and General Counsel
Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

With a copy to:

Verizon Communications
140 West St., 22nd Floor
New York, NY 10007
Attention: Franchise Service Manager

If to the City, to:

Department of Information Technology and Telecommunications
75 Park Place, Ninth Floor
New York, NY 10007
Attention: Commissioner

with a copy to:

New York City Law Department
100 Church Street, Sixth Floor
New York, NY 10007
Attention: Chief, Economic Development Division

Except as otherwise provided herein, the receipt of such notice, direction, or order shall be equivalent to direct personal notice and shall be deemed to have been given when received. Either party may change the above notice addresses by notice to the other party.

18.7. *Additional Representations and Warranties*: In addition to the representations, warranties, and covenants of the Franchisee to the City set forth elsewhere herein, the Franchisee represents and warrants to the City and covenants and agrees that, as of the Closing:

18.7.1. *Organization, Standing and Power*: The Franchisee is a corporation duly organized and validly existing under the laws of the State of New York and is duly authorized to

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do business in the State of New York and in the City. The Franchisee has all requisite power and authority to execute, deliver and perform this Agreement and all other agreements entered into or delivered in connection with or as contemplated hereby. Certified copies of the Franchisee's constituent documents, as amended to date, will be provided to the Commissioner upon request.

18.7.2. *Authorization:* The execution, delivery and performance of this Agreement and all other agreements entered into in connection with the transactions contemplated hereby have been duly, legally and validly authorized by all necessary action on the part of the Franchisee. This Agreement and all other agreements entered into in connection with the transaction contemplated hereby have been duly executed and delivered by the Franchisee and constitute (or upon execution and delivery will constitute) the valid and binding obligations of the Franchisee.

18.7.3. *Compliance with Law:* The Franchisee is in compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the provision of the services contemplated herein and has obtained or will obtain prior to the provision of service to the public all government licenses, permits, and authorizations necessary for the provision of the service, except approval by the NY PSC.

18.7.4. *Ownership Interests:* Franchisee is a wholly owned subsidiary of NYNEX Corporation, which itself is a wholly owned subsidiary of Verizon Communications, Inc.

18.7.5. *Compliance with City Contracts:* The Franchisee has not received notice from the City of any default or noncompliance with any existing written contract or other written agreement with the City, unless such default or noncompliance has subsequently been cured or otherwise resolved to the City's satisfaction or such notice has been withdrawn by the City or otherwise determined by the City or a court of competent jurisdiction to have been issued in error.

18.8. *Compliance with Laws; Licenses and Permits:* With respect to its activities pursuant to this Agreement, the Franchisee shall comply with: (i) all applicable laws, rules, regulations, orders, writs, decrees and judgments (including, but not limited to, those of the PSC and the FCC) and any other federal, state agency or authority of competent jurisdiction; and (ii) all local laws and all rules, regulations, orders, of the City and of DoITT consistent with this Agreement. The Franchisee shall have the sole responsibility for obtaining all permits, licenses and other forms of approval or authorization necessary to construct, operate, maintain, upgrade, replace or repair the System, or any part thereof.

18.9. *Entire Agreement:* This Agreement and the Exhibits and Appendices hereto constitute the entire agreement between Franchisee and the City and they supersede all prior or contemporaneous agreements, representations or understandings (whether written or oral) of the parties regarding the subject matter hereof.

18.10. *Amendments and Modifications:* Amendments and/or modifications to this Franchise shall not be effective unless mutually agreed to in writing by the parties and shall be subject to the approval of the NY PSC, pursuant to the Cable Law.

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18.11. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the articles, sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement. Terms such as "hereby," "herein," "hereof," "hereinafter," "hereunder," and "hereto" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. The term "may" is permissive; the terms "shall" and "will" are mandatory, not merely directive. All references to any gender shall be deemed to include all others, as the context may require. Terms used in the plural include the singular, and vice versa, unless the context otherwise requires.

18.12. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional by a final order of any court of competent jurisdiction or by, or a final order of any state or federal regulatory authority having competent 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 the Franchise, subject to the obligations of the parties as applicable under Section 18.4 above.

18.13. *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.

18.14. *Pending Litigation:* Nothing in this Franchise shall be construed to prejudice or affect any position taken by either the City or Franchisee in the litigation now pending in the Supreme Court, County of New York, captioned The City of New York v. Verizon New York Inc., Index No. 402961/03 (the "Pending Litigation").

18.15. *FTTP Network Status:* In the event of a lawful termination or non-renewal of the Franchise, the legal status of the FTTP Network in the rights-of-way will revert to whatever status it has as a system providing only services that do not include Cable Service, as such status may be ultimately determined by the final outcome of the litigation referred to in Section 18.14 above. In implementation of the intent of the preceding sentence, if and so long as the Franchisee shall have separate lawful authority to maintain facilities providing services of the type being carried over the FTTP Network in the City's Public Rights-of-Way, the Franchisee shall not be required to remove or relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Service.

18.16. *NY PSC Approval:* This Franchise is subject to confirmation by the NY PSC. Franchisee shall file a petition for confirmation with the NY PSC within sixty (60) days after the date hereof. Franchisee shall also file any necessary notices with the FCC.

18.17. *Rates and Charges:* The rates and charges for Cable Service provided pursuant to this Franchise shall be subject to regulation in accordance with federal law, and in no event shall Franchisee be subject to rate regulation, except to the extent Franchisee is no longer subject to

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

Effective Competition (as that term is defined by federal law) or such rate regulation is authorized to be imposed as a result of a change in federal law.

18.18. *Publishing Information:* Except as otherwise permitted in this Franchise, the City hereby requests that Franchisee omit publishing information specified in 47 C.F.R. § 76.952 from Subscriber bills.

18.19. *No Third Party Beneficiaries:* This Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

18.20. *City Official:* The Commissioner is the City official that is responsible for the continuing administration of this Agreement.

18.21. *Holdover.* To the extent required or permitted by PSC regulations, in the event the Franchisee continues to provide Cable Service within the Franchise Area after the term of this Agreement, the Franchisee shall continue to comply with all applicable provisions of this Agreement, including, without limitation, all compensation and other payment provisions of this Agreement, throughout the period of such continued operation, provided that any such continued operation shall in no way be construed as a renewal or other extension of this Agreement or the Franchise granted pursuant to this Agreement.

18.22. *Investigations Clause:* Franchisee shall comply with the City's standard "Investigations Clause" to be included in City contracts and agreements pursuant to Section 4(b) of Mayoral Executive Order 16 of 1978, as set forth in Appendix I hereto, and in the event of any failure as described therein shall be subject to the penalties set forth therein.

18.23. *Interpretation:* This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party because that party drafted, or caused that party's legal representative to draft, any of its provisions.

18.24. *Voluntary Execution:* The parties acknowledge that each has read this Agreement, that each fully understands its rights, privileges and duties under this Agreement, and that each enters into this Agreement freely and voluntarily. Each party further acknowledges that it has had the opportunity to consult with counsel of its own choosing in the negotiation or and agreement to the provisions of this Agreement.

18.25. *Execution in Counterparts:* This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute a single agreement.

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VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

AGREED TO THIS ____ DAY OF _____, 2008.

The City of New York:

By: _____
Deputy Mayor

By: _____
Paul Cosgrave, Commissioner

Approved as to form and certified as to legal authority:

Acting Corporation Counsel

Attest:

By: _____
City Clerk [City Seal]

Verizon New York Inc.

By: _____
Maura C. Breen, Senior Vice President &
General Manager - NY/CT Region, Verizon Telecom

Approved as to form:

John Raposa, Vice President & Deputy General Counsel –
Verizon Telecom

VERIZON/NEW YORK CITY PROPOSED FRANCHISE AGREEMENT

APPENDICES

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Appendix B: PEG Channels

Appendix C: Form Community Access Organization Agreement

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APPENDIX A
CONSUMER PROTECTION STANDARDS

APPENDIX A
CONSUMER PROTECTION STANDARDS
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Section 1 **SOLICITATION OF SUBSCRIPTIONS**

1.1 Uniforms/Identification Cards/Name Badges. Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee. The parties acknowledge that each Franchisee employee who routinely comes into contact with members of the public at their places of residence shall wear a uniform provided by the Franchisee, in addition to the foregoing requirements with respect to identification cards, except to the extent such requirement is affected by or subject to any contractual agreement(s) between the Franchisee and any Person other than the City.

~~1.2 Name Badges. Each Franchisee employee, contractor, or subcontractor, who routinely comes into contact with the public at the Subscriber's premises during the hours of employment shall wear a badge during such hours of employment which indicates his or her name and identification number and employment/relationship with the Franchisee.~~

1.31.2 Subscription Information.

~~1.3.11.2.1~~ At the time of installation to the Subscriber who is receiving the installation, and at least once a year to all Subscribers, with a copy to DoITT, the Franchisee shall provide the following subscription information in a clear, complete and comprehensible form:

(i) a description of the Cable Services provided by the Franchisee, accompanied by a listing of the charges for each such Service, either alone or in combination;

(ii) a listing of all rates, terms and conditions for each Cable Service or tier of Cable Service, both alone and in combination, and all other charges, such as for installation, for application of Cable Service to additional television sets, for deposits on equipment, for stolen or lost converters and other equipment, for returned checks and for relocating cable outlets;

(iii) a general explanation of other devices which may be used in conjunction with the System, such as devices provided as contemplated in 47 C.F.R. § 76.1621, remote control devices, and parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices) and a listing of the Franchisee's charges for connecting such devices to the System;

(iv) a description of the Franchisee's billing and collection procedures (including payment requirements to avoid disconnection of service), the use of payment coupons, the amount of any applicable late fees, and a description of the option of paying in person, consistent with these consumer protection standards;

(v) the procedure for the resolution of billing disputes;

(vi) a description of the Franchisee's policies concerning credits for service interruptions and outages, consistent with these consumer protection standards;

(vii) an explanation of the procedures and charges, if any, for upgrading, downgrading or disconnecting Services, consistent with these consumer protection standards;

(viii) the required time periods for installation requests, consistent with these consumer protection standards; and

(ix) a statement that all Franchisee employees, contractors, or subcontractors who routinely come into contact with members of the public at their places of residence shall wear a uniform and Franchisee identification card, to the extent required by Section 1.1, which they shall prominently display and show to all such members of the public.

~~1.3.21.2.2~~ Within fifteen (15) days of a written request by the Commissioner to the Franchisee, the Franchisee shall provide the Commissioner with a written description of Franchisee's procedures for accommodating non-English speaking Subscribers ("Franchisee's Non-English Procedures").

~~1.3.31.2.3~~ The Franchisee shall deliver three (3) copies of all such subscription information to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber. The Franchisee agrees that the City assumes no liability for the subscription information by virtue of its review of such information.

~~1.41.3~~ Right of Rescission. Anyone who requests the installation of Cable Service from the Franchisee shall have the right to rescind such request at any time prior to the point in time at which physical installation upon the premises begins. Anyone who requests a particular Service from the Franchisee shall have the same right of rescission, except that such right shall expire once the requested Service is actually received by such Person.

Section 2

INSTALLATION

2.1 Information Provided to Subscribers.

2.1.1 At the time of installation, the Franchisee shall provide each Subscriber with certain literature. Such literature, which need not be bound together, shall constitute the "Welcome Kit." The Welcome Kit shall provide the following information, materially accurate as of the first day of the previous month, in a clear, complete and comprehensible form:

(i) the location, hours of operation and telephone number(s) for each of the Franchisee's existing Service Centers and a telephone number for information as to where each Payment Center is located;

(ii) the toll-free telephone number for the Franchisee's customer service telephone system, including any cable information service line established by the Franchisee (which is described further in this Appendix A), accompanied by a brief description of the services and information that may be obtained by dialing each number;

(iii) a general description of how equipment, including, but not limited to, devices provided as contemplated in 47 C.F.R. § 76.1621, wireless remote control devices, parental control devices (to the extent technology enabling parental control capability is not already incorporated in other devices), is obtained and used in conjunction with the System, and the terms for rental and loaner equipment, including deposit requirements, if any, and procedures for return of equipment and the Subscriber's liability for lost, stolen or damaged equipment;

(iv) the policies governing Service Interruptions, Significant Service Interruptions, Outages, and Significant Outages as defined in Section 6.2.1 of this Appendix A and repair service;

(v) the policies and procedures for obtaining credits consistent with Section 10 of this Appendix A and the return of any deposits;

(vi) the complaint resolution process, including notice that anyone who is dissatisfied with the way in which the Franchisee has handled a complaint has the right to speak to a Franchisee supervisor or to contact the NY PSC and the City at the addresses and telephone numbers listed in the Welcome Kit, and any such changes shall be communicated to Subscribers via the Franchisee's semi-annual notice to Subscribers (which address and telephone number of the City may be changed by the Commissioner, in a notice to be provided to the Franchisee, from time to time). ;

(vii) the procedures by which the Subscriber will be notified of any rate increases, any change in programming Services (as defined in Section 8.1.1 of this Appendix A), any change in the price or conditions for the rental of equipment, any change in the location or hours of the Service Centers, any change in billing practices, practices regarding Service interruption, or any significant change in the policies or information set forth in the Welcome Kit;

(viii) the requirements concerning Subscriber privacy which are set forth in the Cable Act or any rules or regulations established by the City pursuant to Section 16.3 of this Agreement;

(ix) if provided to the Franchisee by the City in a format reasonably acceptable to the Franchisee: (A) a listing of the currently available Public and Governmental/Educational Access Channels, (B) a description of the purposes and uses of such Channels, and (C) general information regarding how a Person can utilize or obtain further information regarding such Channels; Franchisee shall also make the foregoing information available on its website, subject to Franchisee's technical capability to do so, including, but not limited to, limitations with respect to character capacity;

(x) the rules governing the termination of Cable Service;

(xi) the steps for resubscribing to Cable Service after an involuntary termination.

With respect to the provision of the Welcome Kit to new Subscribers, the Franchisee shall also provide any information to such Subscribers that is required by applicable law but is not listed above.

2.1.2 The Franchisee shall train and make available customer service representatives to aid by telephone visually impaired consumers who cannot read the Welcome Kit. The Franchisee shall also make available by telephone bilingual customer service representatives to communicate with non-English speaking consumers regarding the information contained in the Welcome Kit.

2.1.3 The Franchisee shall distribute the then current version of the Welcome Kit to all new Subscribers at the time of installation, and to any other person on request. Any Person who makes such a request in person to a customer service representative or salesperson of the Franchisee must be supplied with a copy of the Welcome Kit immediately. The Franchisee must mail, by first class, the Welcome Kit to any Person who requests one by telephone within ten (10) business days of such request.

2.1.4 The Franchisee shall provide each customer service representative and each salesperson of the Franchisee with copies of the most current Welcome Kit and shall advise them of the requirements of this Section 2.1 of this Appendix A.

2.1.5 The Franchisee shall submit the Welcome Kit, as well as any subsequent updates of it, to the Commissioner within three (3) days after distributing it to the first Subscriber or potential Subscriber and from time to time thereafter upon the Commissioner's request.

2.2 Channel Line-Up. The Franchisee must either (i) provide Subscribers with a Channel Line-up card for all Cable Services which shall be updated on an annual basis thereafter; or (ii) provide Subscribers with dial location information electronically

on screens that can be controlled by the consumer, provided, however, that the Franchisee shall automatically provide such a card (and annual updates thereof) to all Subscribers who cannot access such information electronically, and shall further provide such a card to any Subscriber upon request.

2.3 Procedure for Installation

2.3.1 Once a request for Cable Service is received, the Franchisee shall offer “appointment window” time blocks of not more than four (4) hours on weekdays, for the selection of the Subscriber or potential Subscriber, during which the Franchisee’s work crew shall arrive to perform the installation of the necessary equipment to receive Cable Service (on Saturdays the Franchisee may in its discretion offer “appointment windows,” but shall, in any event, comply with the full 8:00 a.m. to 5:00 p.m. working period described in Section 2.3.2 below). The Franchisee shall use reasonable efforts to complete the installation during that appointment.

2.3.2 The Franchisee shall provide installation services including initial installation, continuously at least during the periods of 8:00 a.m. to 5:00 p.m. on weekdays and 8:00 a.m. to 5:00 p.m. on Saturdays and, for connection of additional outlets and upgrading of Cable Service for which all work can be performed indoors, continuously during the periods of 8:00 a.m. to 5:00 p.m. As required by Section 5.4 of the body of this Agreement, the Franchisee shall provide installation throughout its Franchise Area on a nondiscriminatory basis.

2.3.3 Consistent with the terms of Article 5 of the Franchise, unless a later date is requested by a potential Subscriber, the Franchisee shall complete installation of Cable Service for any new Subscriber and any upgrade or downgrade for any existing Subscriber within seven (7) business days after any such request is received, provided that if weekend installation is requested, installation shall be completed by no later than the fourth (4th) Saturday following the date the request is received. Notwithstanding the foregoing, such time period shall not apply to any building not currently wired for Cable Service as to which the Franchisee is, upon a showing to and with the approval of the Commissioner, in compliance with its obligations regarding access to such building pursuant to Article 5 of the body of this Agreement, or except as provided in Section 18.5 of the body of this Agreement.

2.3.4 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers to perform any visit to a Subscriber’s premises to perform its obligations under this Section 2.3.

2.4 Nature of the Request for Installation

2.4.1 The Franchisee shall not discriminate among Subscribers or potential Subscribers because someone living in the same household is already or was a Subscriber, unless the Franchisee can demonstrate, to the Commissioner’s satisfaction, that: (i) the Franchisee has a reasonable basis for believing that a Person(s) living in the household is (are) attempting to deceive the Franchisee or (ii) such Person(s) has (have)

failed to respond to a reasonable request from the Franchisee for information which would enable the Franchisee to determine whether such Person(s) is (are) entitled to receive Cable Service.

2.5 Records of Requests for Cable Service

2.5.1 The Franchisee shall keep records capable of showing all requests for Cable Service, which shall contain, with respect to each request for Cable Service, the name and address of the Person requesting Cable Service, the date on which Cable Service was requested, the date and appointment period on which Cable Service was scheduled to be provided and the date and appointment period on which Cable Service was actually provided. In the event that the Franchisee is unable to provide Cable Service, the Franchisee shall keep records showing in reasonable detail the number of attempts the Franchisee has made to provide such Cable Service and the reason the Franchisee was unable to provide Cable Service. These records shall be assembled continuously.

2.5.2 Any information in the records required by Section 2.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 2.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time or may require that the information be turned over to the Commissioner in lieu of its destruction in accordance with Section 11.1 of the body of this Agreement.

2.5.3 A report summarizing the information contained in the records required by Section 2.5.1 regarding all requests for Cable Service for the preceding quarter shall be submitted in written or electronic form to the Commissioner by the ~~thirtieth-forty-fifth~~ (45~~30~~th) day following the end of each calendar quarter, containing the following information

- (i) the number of requests for Standard Installations;
- (ii) the number of Standard Installations made;
- (iii) the number of Standard Installation and service appointments made;
- (iv) the number of Standard Installation and service appointments met; and
- (v) the number of Standard Installations and service appointments rescheduled by the Franchisee.

To the extent permitted by state and federal privacy laws, upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commissioner to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 2.5.1; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including,

but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 2.5.1 hereof. The Commissioner may waive the submission of such records as the Commissioner deems appropriate.

2.5.4 Franchisee's reporting requirements pursuant to Section 2.5.3 hereof shall not commence until the third (3rd) calendar quarter following the Effective Date of this Agreement. Notwithstanding the foregoing, with respect to reports in connection with Franchisee's obligation under Section 2.3.3 hereof regarding Saturday installation requests, Franchisee's reporting obligations shall commence on the date which is one (1) year from the Effective Date of this Agreement.

Section 3 **SERVICE CENTERS**

3.1 Service Centers

3.1.1 Subject to the requirements of Subsection 3.1.1.1 hereof, the Franchisee shall initially establish and maintain ~~at least~~ one (1) Service Center in each of the five (5) Boroughs of the Franchise Area. The Franchisee shall notify Subscribers and the Commissioner of the opening, and thereafter any change in the location, of these Service Centers.

3.1.1.1 With respect to each Borough in the Franchise Area, Franchisee's obligation to establish and maintain each Service Center pursuant to Section 3.1.1 hereof shall not commence until ninety (90) days from the date on which Franchisee determines that Franchisee has achieved a Subscriber base of ten thousand (10,000) Subscribers in the applicable Borough.

3.1.1.2 Within ninety (90) days from the date on which Franchisee achieves an aggregate Subscriber base of sixty thousand (60,000) Subscribers in any Borough, Franchisee shall establish and maintain one (1) additional Service Center in each such Borough; provided however, that nothing herein shall be construed to require Franchisee to establish and maintain more than a total of two (2) Service Centers in any Borough. All such Service Centers will be conveniently located near mass transit.

3.1.2 Except on the legal holidays recognized by the City of New York, a list of which shall be supplied to the Franchisee upon request to the Commissioner, these Service Centers shall be open continuously for at least nine (9) hours on weekdays and for at least five (5) hours on Saturdays, subject to Franchisee's contractual agreements with Persons other than the City. The Franchisee shall staff each Service Center so it is capable of providing on Saturday the same level of service it provides during any weekday, such that waiting time for any service on Saturday is not significantly different than during any weekday.

3.1.3 The Service Centers shall be designed so as to provide access in accordance with applicable law.

3.1.4 The Franchisee shall maintain on file at each Service Center, or on its website for public inspection current copies of its billing practices and payment requirements and general informational materials (including monthly bill stuffers) and shall keep such records at its central office for a period of two (2) years, to be mailed or otherwise delivered to a specified Service Center within a reasonable time upon the City's or a Subscriber's request. The foregoing records shall be maintained independent of, and in addition to, Franchisee's public inspection file maintained pursuant to 47 C.F.R. § 76.1700.

3.2 Training of Employees

3.2.1 Franchisee employees who regularly come in contact with the public shall be trained to perform efficiently the various tasks, including responding to consumer inquiries and complaints, necessary to provide consumer services in a responsible and courteous manner.

3.2.2 All Franchisee employees shall identify themselves by name or preassigned identification number when answering Franchisee telephone lines routinely used by members of the public. The Franchisee shall maintain a system to enable the Franchisee to identify the particular employee who answered any telephone call in such manner.

3.2.3 Franchisee employees shall refer any Person who is dissatisfied with the resolution or handling of any complaint concerning the Franchisee to a supervisor. Franchisee supervisors shall be available to speak to such Persons. If, due to unforeseen circumstances, a supervisor is temporarily unavailable to speak with such a Person, then that Person will be contacted by a supervisor as soon as practicable. If the Subscriber is not contacted by the supervisor or otherwise requests such information, a nonsupervisory employee shall inform the Subscriber of the foregoing information.

3.2.4 The Franchisee shall ensure that some employees at its office speak any language used by a substantial percentage of the Franchisee's Subscribers with whom they come into contact in the course of their employment.

3.2.5 To the extent the Franchisee uses contractors or subcontractors who regularly come into contact with the public on the Franchisee's behalf, the Franchisee shall ensure that such contractors or subcontractors receive the training and follow the procedures outlined in Sections 3.2.1-3.2.4 above.

3.3 Telephone Lines

3.3.1 The Franchisee shall have local telephone or toll-free lines for receiving requests for repair or installation services, for reporting service interruptions and for responding to billing questions. The lines shall be answered twenty-four (24) hours per day, seven (7) days per week by Franchisee employees with respect to service problems (such as for the reporting of interruptions or outages in service and the scheduling of service repairs) and, at a minimum, during normal business hours with

respect to installation-related and billing-related matters and questions; but in no event shall such lines be operated for fewer hours than required, or less comprehensively than required, by applicable federal or state requirements. In the event a Franchisee employee receives, but is unable to respond to, a Subscriber call after normal business hours regarding any of the issues described in this Section 3.3.1, such Franchisee employee shall create a notation on Subscriber's record (to enable informed employee response upon business hours follow-up), including any appropriate Subscriber information, consistent with Franchisee's practices and procedures. For purposes of this Section 3.3.1, normal business hours shall have the meaning set forth in 47 C.F.R. § 76.309 and 16 NYCRR § 890.

3.4 Standard of Service for the Telephone System

3.4.1 The Franchisee shall maintain a telephone system throughout the term of this Agreement which shall be capable, at a minimum, of meeting each of the following standards:

- (i) each telephone call shall be answered within at least thirty (30) seconds;
- (ii) callers shall receive a busy signal not more than three percent (3%) of the time in any one (1) month period;
- (iii) callers shall not be kept on hold for longer than thirty (30) seconds;
- (iv) no more than ten percent (10%) of all calls (measured on a quarterly basis) shall be kept on hold for thirty (30) seconds;
- (v) any automated menu system shall provide, within ninety (90) seconds (or one hundred twenty (120) seconds during peak periods), an opportunity, which may include pressing "0" or remaining on the line without entering a menu option, for the caller to connect to a customer service representative; and
- (vi) all menus and subsidiary menus shall provide an opportunity to connect to a customer service representative.

3.4.2 Reasonable variations in these performance standards shall be permitted during abnormal operating conditions, including, by way of illustrative example, during trunk line failures.

3.4.3 The Franchisee shall provide quarterly reports to the Commissioner containing information relevant to the question of whether its telephone system continues to conform to Section 3.4.1 of this Appendix A. Franchisee's quarterly reports provided pursuant to this subsection 3.4.3 shall be measured for purposes of compliance with the requirements hereof solely on a quarterly basis, but shall reflect, for informational purposes, Franchisee's metrics on a month-by-month basis. If the

Commissioner determines, based on complaints or any other evidence, that the Franchisee's telephone service does not meet the standards set forth in this Section 3.4, or any variations in those standards previously agreed to by the Commissioner, then the Commissioner has the authority to order the Franchisee to take appropriate action to meet such standards. Failure of the Commissioner to issue such order, however, shall not constitute a waiver of the City's rights with respect to any failure by the Franchisee to comply with its obligations pursuant to this Appendix A or this Agreement.

Section 4 **BILLING**

4.1 The Format of a Subscriber's Bill

4.1.1 The bill shall be designed in such a way as to present the information contained therein clearly, comprehensibly and accurately to Subscribers.

4.1.2 The bill shall contain itemized charges for each category of Cable Service and piece of equipment for which a charge is imposed (including late charges, if any), an explicit due date, the name and address of the Franchisee and telephone number for the Franchisee's office responsible for inquiries, billing, the NY PSC's toll-free Subscriber Assistance telephone number and the telephone number specified by the Commissioner for the resolution of billing disputes. The bill shall state the billing period, amount of current billing and appropriate credits or past due balances, if any. Unless prohibited by law, the Franchisee may accurately designate that portion of a Subscriber's bill attributable to the amount of any compensation payment to be made by the Franchisee or any other Person to the City pursuant to this Agreement.

4.2 Billing Procedures

4.2.1 All bills shall be rendered monthly, unless otherwise authorized by the Subscriber, or unless service was provided for less than one (1) month (because, for example, the Subscriber received service, from activation to cancellation, for less than one month.)

4.2.2 The Franchisee shall use reasonable efforts to cooperate with any regulated and accredited banking or financial institution that provides Subscribers with an optional payment mechanism whereby they can directly pay any bills electronically from their residence or business, when such mechanism is economically and technically feasible and viable, and provided that the Commissioner may reduce or relieve the Franchisee of such obligations where such relief is appropriate in light of the circumstances, including the nature of the institution and the burden to the Franchisee. To the extent permitted by applicable law, the Franchisee may "pass through" to the Subscriber any charges imposed on the Franchisee in connection with such bill payment by any such institution, so long as the Franchisee provides prior notice of such charge to the Subscriber.

4.2.3 The Franchisee shall credit any Subscriber who has voluntarily interrupted Cable Service, pursuant to the requirements established by the Franchisee, with a rebate on his or her monthly bill for the period(s) during which service was voluntarily interrupted, provided that the Franchisee may charge any such Subscriber a reconnection charge.

4.2.4 Any returned check charge imposed by the Franchisee shall be consistent with the requirements of N.Y. General Obligations Law, Ch. 24-A § 5-328 or any successor provision thereto.

4.3 Procedures for Collecting Late Bills

4.3.1 No bill shall be due less than fifteen (15) days from the date of the mailing of the bill by the Franchisee to the Subscriber.

4.3.2 A bill shall not be considered delinquent until at least forty-five (45) days have elapsed from the mailing of the bill to the Subscriber and payment has not been received by the Franchisee, provided that no bill shall be mailed more than fifteen (15) days prior to the date Cable Services covered by such bill commence, except in cases where a Subscriber requests advance billing. Late fees not to exceed the maximum percent allowed by law may be applied to a delinquent bill, so long as the billing dispute resolution procedures set forth in Section 4.4 of this Appendix A have not been initiated.

4.3.3 The Franchisee shall not physically or electronically discontinue Cable Service for nonpayment of bills rendered for Cable Service until: (i) the Subscriber is delinquent in payment for Cable Service; and (ii) at least five (5) days have elapsed after a separate written notice of impending discontinuance has been served personally upon a Subscriber; or (iii) at least eight (8) days have elapsed after mailing to the Subscriber a separate written notice of impending discontinuance (for which postage is paid by the Franchisee), addressed to such Person at the premises where the Subscriber requests billing; or (iv) at least five (5) days have elapsed after a Subscriber has either signed for or refused a certified letter (postage to be paid by the Franchisee) containing a separate written notice of impending discontinuance addressed to such Person at the premises where the Subscriber requests billing. Notice of impending Cable Service discontinuance must clearly state the amount in arrears, the total amount required to be paid to avoid discontinuance of Cable Service, collection fees, if any, reconnection charges if applicable, and the date by which such payment must be made, the location of Service Centers where such payment may be made, or how the Subscriber can get information (e.g., via the Franchisee's website and/or by calling a toll-free number) about the location of each Payment Center where such payment may be made. Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment, and the Franchisee shall not be required to issue an additional notice prior to discontinuance.

4.3.4 As described in Section 4.5 of this Appendix A, the Franchisee may under certain circumstances refer a delinquent account to a private collection agency. The Franchisee agrees that it will not, and will instruct all collection agencies

collecting delinquent accounts on behalf of the Franchisee not to, refer any delinquent account to a credit agency except if the Subscriber has closed an account with an outstanding balance of more than fifty dollars (\$50) and that balance has been pending for more than ninety (90) days. If, however, the Subscriber subsequently pays the outstanding balance, the Franchisee shall notify any credit agencies that were previously informed of the outstanding balance.

4.4 Procedure for the Resolution of Billing Disputes

4.4.1 The billing dispute resolution procedure shall be initiated once a Subscriber contacts the Franchisee's department which handles billing questions or the Commissioner, in writing, so long as such contact occurs within thirty (30) days from the date of receipt of the bill by the Subscriber. If the Subscriber contacts the Commissioner, the Commissioner shall notify the Franchisee, by mail, by telephone or by electronic means, that the dispute resolution procedure has been initiated and the Franchisee shall then contact the Subscriber to discuss the dispute.

4.4.2 The Subscriber shall not be required to pay the disputed portion of the bill until the dispute is resolved. The Franchisee shall not apply finance charges, issue delinquency or termination notices, or initiate collection procedures for the disputed portion of the bill pending resolution of the dispute.

4.4.3 The Franchisee shall promptly undertake whatever review is necessary to resolve the dispute, and shall notify the Subscriber of the results of the review as soon as it is completed, but in no case later than twenty (20) business days after receipt from the Subscriber of the billing dispute, problem or complaint notification.

4.4.4 The Franchisee shall, upon the Subscriber's or the City's written request, notify the Subscriber in writing of its proposed resolution of the billing dispute, shall provide the address and telephone number to be provided from time to time by the Commissioner and by which a Subscriber may notify the City of a billing dispute, problem or complaint, and shall inform the Subscriber that unless an appeal is taken to the Commissioner within ten (10) business days after the date of postmark on the notification letter, the Franchisee's resolution of the dispute shall be considered final. If, in response to a Subscriber's written request, the Franchisee resolves the dispute over the phone or in person, then no written response need be provided to the Subscriber. Where no appeal is taken, the amount the Franchisee claims is due must be paid within twenty (20) days after the date of postmark on the notification letter.

4.4.5 If the Subscriber appeals the Company's resolution within the aforementioned period, the amount under dispute by the Subscriber will not be due until at least one (1) week after the dispute has been resolved by ~~Verizon~~Franchisee.

4.4.6 The procedures set forth in Sections 7.3.1 - 7.3.5 of this Appendix A shall apply to billing disputes appealed to the Commissioner.

4.5 Referral of Delinquent Accounts to a Collection Agency

4.5.1 If the billing dispute resolution procedures have not been initiated, the delinquent account may be referred to a private collection agency for appropriate action no sooner than ten (10) business days after it becomes delinquent or, where a Subscriber voluntarily terminates any Cable Service and the amount due is delinquent but not in dispute, no sooner than ten (10) business days after the final bill is mailed to the Subscriber.

4.5.2 If the billing dispute resolution procedures have been initiated, the delinquent account shall not be referred to a collection agency prior to the conclusion of those procedures, including any appeal to the Commissioner.

4.5.3 The Franchisee agrees that a referral to a private collection agency in violation of Sections 4.3.4, 4.5.1, or 4.5.2 of this Appendix A shall result in injury to the Subscriber which will be difficult to ascertain and to prove. The Franchisee therefore agrees that, it will send to the affected Subscriber a letter of apology and notify, in writing, the collection agency, copies of which such letter and notice shall be sent to the Commissioner. Further, if any credit agency is contacted by the Franchisee or any collection agency collecting delinquent accounts on behalf of the Franchisee in violation of Section 4.3.4 of this Appendix A, the Franchisee shall, in addition to taking the foregoing actions, (i) notify the credit agency contacted as a result of such referral that the referral was wrongly made and should not adversely affect the Subscriber's credit standing, a copy of which notice(s) shall be sent to the affected Subscriber and the Commissioner.

Section 5

EQUIPMENT PROVIDED BY THE FRANCHISEE

5.1 Types of Equipment To Be Provided

5.1.1 The Franchisee shall comply with 47 C.F.R. § 76.1621 or any successor provision thereto.

5.1.2 The Franchisee shall supply a closed caption decoder to any hearing impaired Subscriber who requests one at a charge not to exceed the Franchisee's cost, unless the technology for such decoding is already incorporated in other equipment being provided to the subscriber.

5.2 Terms for Rental and Loaner Equipment

5.2.1 As provided in this Appendix A, the Franchisee may require deposits on certain equipment it provides to Subscribers, provided that the Franchisee shall return to Subscribers their deposits together with a reasonable amount of interest, and provided further that there shall be no discrimination among or between Subscribers in either the requirement for or the amount of any deposit. The Franchisee shall permit the return of such equipment to any Service Center. When equipment is returned, the Franchisee shall either promptly test it to ensure that it is not damaged or waive any damage claims, and shall give the Subscriber a receipt showing, in addition to the date

and time of the return and the Subscriber name, the model and serial number of the returned equipment. The Franchisee shall return to the Subscriber his or her deposit, plus interest minus any reasonable amount, if any, deducted for damage to the equipment or the amount of any outstanding balance owed to the Franchisee within the next applicable billing cycle.

5.2.2 If such equipment is lost, damaged or stolen by reason of an intentional, wrongful act by, or the gross negligence of, the Subscriber, or if the Subscriber gives the equipment to a third party to return to the Franchisee and the third party does not do so, then the Subscriber shall be liable for the value of the equipment as determined by the Franchisee and consistent with Franchisee's annually published rates. If such equipment is lost, damaged or stolen through the wrongful act of a third party, or any other event outside the Subscriber's control (such as a burglary or a fire in the Subscriber's building), then the Subscriber shall have no liability for the equipment, provided that the Subscriber files with the Franchisee a police report on the cause of any such loss, theft or damage to any equipment. The Franchisee shall keep records showing the resolution of Subscriber claims regarding lost, stolen or damaged equipment, which records shall be submitted in written or computer disk form to the Commissioner as the Commissioner may reasonably request from time to time, within fifteen (15) days of such request.

5.2.3 For billing purposes, the return of rental equipment shall be deemed to have taken place on the day such equipment is returned.

5.3 Notice That Equipment Is Available. The Franchisee shall provide in the Welcome Kit information about the availability and function of the equipment described in this Section 5 of this Appendix A, as well as where such equipment may be obtained.

5.4 Demonstration of Equipment. The Franchisee shall provide free demonstration of such equipment at the Service Centers.

Section 6

SERVICE OUTAGES AND SERVICE INTERRUPTIONS

6.1 The Franchisee shall exercise its best efforts to limit any scheduled Outage (as hereinafter defined) of any Cable Service for any purpose to periods of minimum use. Except in emergencies or incidents requiring immediate action, the Franchisee shall provide the Commissioner and all affected Subscribers with prior notice of scheduled Outage, if such scheduled Outages will last longer than four (4) hours.

6.2 Time Periods by Which Outages and Service Interruptions Must Be Corrected and Repairs Made.

6.2.1 The Franchisee shall maintain sufficient repair and maintenance crews so as to be able to correct Outages, Significant Outages, Service Interruptions, Significant Service Interruptions, and other problems requiring repair, within the following time periods:

(i) In the event of an “Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions that is not caused by the Subscriber’s television receiver or the Subscriber and that affects fewer than one hundred (100) Subscribers served from the same VSO, such Outage shall be repaired within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day. For purposes of this Section 6, “loss of picture or sound” shall mean the absence of picture or sound quality that conforms to the requirements of Section 6.2 of the Franchise.

(ii) In the event of a “Significant Outage,” which is defined for purposes of this Appendix A as loss of picture or sound on all basic channels or on all channels provided on any other service tier or on one or more premium channels occurring during normal operating conditions, which is not caused by the Subscriber’s television receiver or the Subscriber, and that affects one hundred (100) or more Subscribers served from the same VSO, such Significant Outage shall be corrected within eighteen (18) hours after the Franchisee learns of it.

(iii) In the event of a “Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound on one or more cable channels affecting fewer than one hundred (100) Subscribers served from the same VSO, excluding conditions beyond the control of the Franchisee, the Franchisee shall begin working on the problem promptly and in no event later than twenty-four (24) hours after the Service Interruption becomes known.

(iv) In the event of a “Significant Service Interruption,” which is defined for purposes of this Appendix A as the loss of picture or sound of one or more cable channels that affects one hundred (100) or more Subscribers served from the same VSO, Franchisee shall repair the problem within forty-eight (48) hours after the Franchisee receives a request for repair service, unless the request is made after 4:00 p.m. on a Friday, in which event the repair shall be made no later than the next business day.

6.2.2 The Franchisee shall maintain, at all times, an adequate repair and service force in order to satisfy its obligations pursuant to the foregoing Section 6.2.1. In order to satisfy its obligations pursuant to Section 6.2.1, in cases where it is necessary to enter upon a Subscriber’s premises to correct any reception problem or other service problem, the Franchisee shall make available service calls continuously during the period of 7:30 a.m. to 7:00 p.m. May 1 through October 30 and 7:30 a.m. to 6:00 pm November 1 through April 30 on weekdays and continuously for at least eight (8) hours on each Saturday. During weekday periods, a Subscriber may request any four (4) hour period for the Franchisee to correct any such problem, provided that the Franchisee’s customer service representatives shall at all times endeavor to be aware of service or other problems in adjacent areas which may obviate the need to enter a Subscriber’s premises. The Franchisee shall provide on Saturday the same level of service it provides during any

weekday, such that repair services provided on Saturday are not significantly different than during any weekday (other than a weekday evening).

6.2.3 The Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber's premises in connection with its obligations under this Section 6.2. In no event shall the Franchisee cancel any necessary scheduled service call later than 5:00 pm on the preceding business day, except in circumstances beyond the Franchisee's control.

6.3 Failure To Meet Time Periods May Be Excused. The Franchisee's failure to correct Outages, Significant Outages, Service Interruptions, or Significant Service Interruptions, or to make repairs within the stated time periods shall be excused if the Franchisee could not obtain⁵ access to a Subscriber's premises.

6.4 Repair Service and Disconnection Charges. In the event that the Cable Act is amended, or following a final order or determination by a court or regulatory agency having competent jurisdiction, following the exhaustion of all appeals thereto, such that the requirements of this section are not⁴ prohibited under applicable law and equivalent obligations are imposed upon all cable operators in the Franchise Area, then the following provisions shall be applicable:

(a) the Franchisee shall not impose any fee or charge any Subscriber for any service call to his or her premises to perform any repair or maintenance work, unless such work was necessitated by an intentional act or negligence of such Subscriber.

(b) The Franchisee shall not charge any fee for disconnection when a Subscriber returns the Company's equipment to a Service Center or via the self-addressed envelope provided by the Company. A fee may, however, be charged if the Franchisee has to collect the equipment from the Subscriber's premises and the Subscriber has been informed in advance of such charge and the alternative methods of returning the Franchisee's equipment. If the Subscriber pays the amount in arrears to the Franchisee when the Franchisee is on the Subscriber's premises to disconnect Service, then the Franchisee may charge the Subscriber a reasonable collection fee, provided that such Subscriber is notified of such collection fee in the notice required by Section 4.3.3.

6.5 Records of Repair Service Requests

6.5.1 Franchisee shall keep records showing in both individual and summary form all requests for repair service received from Subscribers, which shall show, at a minimum, the name and address of the affected Subscriber, the date and the approximate time of request, the date and approximate time the Franchisee responds, the date and approximate time Cable Service is restored, the type and the probable cause of the problem.

6.5.2 Any information in the records required by Section 6.5.1 of this Appendix A may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 6.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

6.5.3 The Franchisee shall submit to the Commissioner a report in such form and containing such information as the Commissioner may reasonably request, not including specific Subscriber names or addresses, summarizing the information contained in the records required by Section 6.5.1 of this Appendix A in written or computer disk form on a quarterly basis, such report to be submitted by the ~~thirtieth-forty-fifth~~ (45th) day following the end of each calendar quarter. Upon request of the Commissioner, the Franchisee shall cooperate in good faith with the Commission to verify and supplement the information contained in the report required by the preceding sentence and the Franchisee's compliance with its obligations under Section 6.5.1 of this Appendix A; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 6.5.1 hereof. The Commissioner may waive the submission of such reports as the Commissioner deems appropriate.

6.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the number of Significant Outages which occurred during the preceding calendar quarter, summarized by both Borough and VSO.

6.6 Plan for Correction. In the event the Commissioner notifies the Franchisee in writing that DoITT has determined that there has been an excessive number identified a routine pattern of Significant Outages in any Borough or community served by a particular VSO, Franchisee shall submit to the Commissioner, on a quarterly basis within forty-five (45) days of the end of each applicable calendar quarter during the Term hereof and subject to the confidentiality provisions of Section 11.1, a "Plan for Correction" outlining Franchisee's plan for minimizing the occurrence of such Significant Outages in the applicable Borough or community. Franchisee's obligation to submit such quarterly Plan for Correction pursuant to this Section 6.6 shall cease upon Franchisee's demonstration, to the reasonable satisfaction of the Commissioner, that Franchisee has minimized the occurrence of Significant Outages in the applicable Borough or community for two (2) consecutive calendar quarters.

Section 7 **SUBSCRIBER COMPLAINTS**

7.1 Operation of the Service Centers and Payment Centers. As set forth in Section 3 of this Appendix A, the Franchisee shall operate its Service Centers, train its employees and maintain its telephone lines so that Subscribers' complaints are resolved quickly, professionally and politely. The Franchisee agrees to use reasonable efforts to monitor Franchisee's Payment Center²s to ensure that such Payment Centers are operating in a manner consistent with the terms of this Appendix A, to the extent applicable; provided, however, that nothing herein shall be construed to limit any rights Franchisee may have or liabilities Franchisee may incur pursuant to applicable law or the terms of this Appendix A. For purposes of this Appendix A, "~~P~~ayment ~~C~~enter" shall be defined as "a facility operated by a third party where Subscribers may make payments."

7.2 Time Period for the Resolution of Complaints. Except where another time period is required by any other provision of this Appendix A or this Agreement, the Franchisee shall make its best efforts to resolve all complaints received by the Franchisee within ten (10) business days, or earlier to the extent practicable. Within two (2) business days of receiving a written complaint or a complaint forwarded to the Franchisee by the Commissioner, the Franchisee shall notify the Person who made the complaint, either by telephone or in writing, that the complaint has been received and that the Franchisee will make its best efforts to resolve such complaint within ten (10) business days of receipt of such complaint by the Franchisee. Complaints which constitute billing disputes shall be subject to the procedures set forth in Section 4.4 of this Appendix A in lieu of the requirements of this Section 7.2.

7.3 Appeal of a Resolution to the Commissioner

7.3.1 As provided in Section 2.1.1 (vi) of this Appendix A, a Subscriber may notify the Commissioner about a complaint that is not resolved to the Subscriber's satisfaction. As set forth in Section 2.1.1(vi) of this Appendix A, the Franchisee shall also provide notice in the Welcome Kit of the right described in the preceding sentence.

7.3.2 The Commissioner shall notify the Franchisee by mail, telephone, or electronic means, of any such appeal within one (1) week after it is received by the Commissioner.

7.3.3 If the Franchisee's stated resolution of the complaint is appealed to the Commissioner, then the Franchisee shall assist the Commissioner in the investigation thereof by the Commissioner, by providing or making available whatever documents, materials or other types of information are reasonably requested by the Commissioner.

7.3.4 The Commissioner shall have thirty (30) days in which to complete the investigation and to notify the Franchisee of the manner in which the Commissioner believes the dispute should be resolved. Before completing the investigation, the Commissioner shall consult both with the Person who registered the complaint and with

the Franchisee; provided, however, that final resolution of any dispute shall be in Franchisee's sole discretion, to the extent such resolution is not inconsistent with this Agreement, applicable federal, state, or local laws.

7.3.5 Complaints may be referred to the Commissioner before the Franchisee has issued a resolution, if the Franchisee has exceeded the time allowed for resolving complaints under Section 7.4 of this Appendix A.

7.4 Referral of Complaints from the Commissioner to the Franchisee

7.4.1 If the Commissioner is contacted directly about a complaint concerning the Franchisee, the Commissioner shall notify the Franchisee.

7.4.2 Within ten (10) business days after being notified about the complaint, the Franchisee shall issue to the Commissioner a report detailing the investigation thoroughly, describing the findings, explaining any corrective steps which are being taken and indicating that the Person who registered the complaint has been notified of the resolution.

7.5 Complaint Records

7.5.1 The Franchisee shall maintain complaint records, which shall record the date a complaint is received, the name and address of the affected Subscriber, a description of the complaint (which may be located in the "comments" section of the Franchisee's records), the date of resolution, a description of the resolution and an indication of whether the resolution was appealed to the Commissioner.

7.5.2 Any information in the records required by Section 7.5.1 may be destroyed six (6) years after such information was collected, unless the Commissioner authorizes the Franchisee, in writing, to destroy any information required by Section 7.5.1 prior to the expiration of such six (6) year period. However, the Commissioner may require the Franchisee to retain such information for a longer period of time, if relevant to an active audit or dispute, or may require that the information be turned over to the Commissioner in lieu of its destruction.

7.5.3 The Franchisee shall submit to the Commissioner the records required by Section 7.5.1 of this Appendix A, in summary form only, in written or electronic form on a quarterly basis; provided, however, that nothing herein shall be construed to require the Franchisee to disclose any records or information, the disclosure of which would be inconsistent with Franchisee's obligations pursuant to applicable state or federal privacy laws, including, but not limited to, any records or information collected and retained by the Franchisee pursuant to Section 7.5.1 hereof.

7.5.4 In addition to providing the foregoing records, commencing six (6) months from the Effective Date hereof and subject to the confidentiality provisions of Section 11.1 of the Franchise, Franchisee shall submit to the Commissioner, within forty-

five (45) days of the end of each calendar quarter during the Term hereof, a report setting forth the following information with respect to Subscriber complaints:

(i) the total number of complaints received by Franchisee in each Borough;

(ii) the nature and current status of all complaints received by Franchisee in each Borough, described in appropriate sub-categories, including, but not limited to, billing, equipment related issues, installation related issues, credit adjustments, missed appointments and service calls, and such other complaint categories as may be tracked in Verizon's internal customer service system; and

(iii) the percentage of complaints resolved and percentage of complaints outstanding in each Borough.

Section 8 **NOTICE**

8.1 Notice Required

8.1.1 The Franchisee shall provide notice to the Commissioner and all Subscribers of any of the following changes, which notice shall be provided no later than thirty (30) days prior to the effective date of any such change (provided, however, all such notices shall be provided in a manner consistent with NY PSC rules), unless the Franchisee does not know of such change at that time, in which case the Franchisee must provide such notice: (a) within five (5) business days of the date upon which the Franchisee first knows of such change, in writing to the Commissioner and electronically on the Channel on which available Cable Services are listed or any other Channel as may be designated by the Franchisee, at least ten (10) times a day during the two (2) week period immediately following such fifth business day, and (b) to all affected Subscribers in the earliest practicable monthly bill sent to Subscribers or a separate mailing made within the same period following such change:

(i) any change in the rates or charges or significant terms or conditions for the receipt of any Cable Service (provided that any such notification may be provided solely via email or via U.S. mail); or

(ii) any significant change in billing practices (provided that any such notification may be provided solely via email or via U.S. mail)

(iii) any notices with respect to programming or network changes as required under NYCLS Pub. Ser. §224-a.

The foregoing notice requirements are in addition to the notice requirements contained elsewhere in this Appendix A, including those regarding the termination of Cable Service and Outages and Service Interruptions.

8.1.2 The Franchisee shall post on the earliest practicable date at any affected Service Centers any anticipated change in the location or significant changes in the hours of operation of such Service Centers.

8.1.3 The Company shall, as part of any annual updates to its Subscriber Handbook, list any significant change of any of the policies or other information set forth in the Subscriber Handbook. On its website the Company shall make available the most current version of its Subscriber Handbook.

8.1.4 Unless otherwise explicitly provided, all notices required by Section 8.1.1 shall be in writing no later than the periods specified in Section 8.1.1, except that any notice in connection with a change in Channel Position or an increase or decrease in the number of hours a Cable Service is carried over the System may be provided electronically on the System, so long as such electronic notice is made at least ten (10) times a day during the two (2) week period prior to the effective date of such change. All notices required by Section 8.1.1 of this Appendix A shall specify, as applicable, the Cable Service or Cable Services affected, the new rate, charge, term or condition, the effect of the change, and the effective date of the change.

8.1.5 The Franchisee shall comply with any and all applicable state and local law notice requirements including, but not limited to, those required by Section 224-a of the New York Public Service Law and Section 890 of the NY PSC regulations.

Section 9

TERMINATION OF SERVICE AND DISCONNECTION

9.1 Notice of Termination of Service. As described in Section 4.3.3 of this Appendix A, the Franchisee may terminate Cable Service to any Subscriber whose bill has not been paid after it becomes delinquent, so long as the Franchisee gives proper notice to the Subscriber as provided in Section 4.3.3 of this Appendix A and the billing dispute resolution procedures have not been initiated.

9.2 Termination on Sundays, Holidays or Evenings. The Franchisee shall not terminate Cable Service to Subscribers at any time when the Service Centers are closed.

9.3 Resubscription to Cable Service. The Franchisee shall not refuse to serve a former Subscriber whose Cable Service was terminated by the Franchisee, so long as all past bills and late charges have been paid in full, and subject to verification that any such Subscriber has a credit rating acceptable to Franchisee.

9.4 Length of Time to Disconnection. If disconnection occurs at the Subscriber's written or oral request, then, for billing purposes, it shall be deemed to have occurred three (3) days after the Franchisee receives the request for disconnection unless (i) it in fact occurs earlier or (ii) the Subscriber requests a longer period.

9.5 Scheduling Appointments. The Franchisee shall provide Subscribers with “appointment window” time blocks of no more than four (4) hours on weekdays running continuously from 7:30 a.m. to 9:00 p.m. for selection of Subscribers, during which its work crew shall visit the Subscriber’s premises to disconnect service and to remove any Franchisee equipment. On Saturdays, the Franchisee shall also provide such service disconnection and equipment removal at any time between 9:00 a.m. to 5:00 p.m., but may, in its sole discretion, choose not provide “appointment window” time blocks. Further, the Franchisee shall comply with the procedures set forth in Section 11.3 of this Appendix A regarding contact with Subscribers in connection with any visit to a Subscriber’s premises in connection with its obligations under this Section 9.5.

Section 10

CREDITS

10.1 Grounds. As a result of the Franchisee’s failure to comply with these consumer protection standards, the Franchisee shall provide to each affected Subscriber or potential Subscriber, as applicable, the following credits:

(i) for any Significant Service Interruption as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber’s premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Significant Service Interruption occurred for each twenty-four (24) hour period during which a Significant Service Interruption continues for at least four (4) continuous hours, provided that: (i) the affected Subscriber has reported the Significant Service Interruption to the Franchisee and (ii) the Franchisee has verified that the reported Significant Service Interruption has occurred consistent with the Subscriber’s claim;

(ii) for any Outage as defined in Section 6.2 which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber’s premises is required to effect such repair, the Subscriber has granted the Franchisee such access), a minimum credit in an amount equal to one-thirtieth (1/30) times the recurring charges for Cable Services (i.e. all charges for Cable Service minus non-recurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscriber for the then current monthly billing period for the Cable Service(s) as to which the Outage occurred for each twenty-four (24) hour period during which a Service Outage continues for at least four (4) continuous hours, provided that (i) the affected Subscriber has reported the Outage to the Franchisee and (ii) the Franchisee has verified that the reported Outage has occurred consistent with the Subscriber’s claim;

(iii) for any Significant Outage, as defined in Section 6.2, which lasts more than four (4) continuous hours in any twenty-four (24) hour period (provided that, to the extent access to the Subscriber's premises is required to effect such repair, the Subscriber has granted the Franchisee such access) a minimum credit in an amount equal to one-thirtieth (1/30) times the average bill for recurring charges for Cable Services (i.e., all charges for Cable Service minus nonrecurring charges, such as installation and pay-per-view charges) to be charged to the affected Subscribers in the affected area for the then current monthly billing period for the Cable Service(s) as to which the Significant Outage occurred for each twenty-four (24) hour period during which the Significant Outage persists for at least four (4) hours, provided that: (i) the affected Subscriber has reported the Significant Outage to the Franchisee and (ii) the Franchisee has verified that the reported Significant Outage has occurred consistent with the Subscriber's claim;

(iv) for a failure of a Verizon representative to arrive at the Subscriber's premises within the appointment window period for repair service calls, a credit of \$25 will be applied to the customer's bill in the next available billing period. However, to the extent the Subscriber is not available when the crew arrives or if the crew does not have appropriate access to the Subscriber premises in order to address the service issue, this credit will not apply.

10.2 Application of Credits. With respect to any credit described in Section 10.1(i)-(iii), the Company shall, upon request of or notice from a Subscriber, provide a credit on such Subscriber's bill for Subscribers affected by a Significant Service Interruption, Outage or Significant Outage. With respect to any credit described in Section 10.1(iii), the Company shall automatically (without requiring a request from each Subscriber) provide a credit on each Subscriber's bill for Subscribers affected by a Significant Outage that occurs, at least in part, between 6:00 p.m. and 12:00 a.m. In the event the Franchisee cannot determine all Subscribers affected by a Significant Outage in excess of four (4) continuous hours or no part of such Significant Outage occurs between the hours of 6:00 p.m. and 12:00 a.m. then Franchisee shall provide a credit to any eligible Subscriber who makes application therefor by either written or oral notice within ninety (90) days of such Significant Outage.

Section 11

MISCELLANEOUS REQUIREMENTS

11.1 Charge for Downgrades. The Franchisee may impose a charge upon a Subscriber for any downgrading of a Subscriber's Cable Service in accordance with Section 890.63 of the PSC regulations.

11.2 Overpayment Credits. If, at any time, the Franchisee becomes aware or if it is determined that a Subscriber is entitled to credit(s) otherwise than as a result of the operation of Section 10 of this Appendix A, the Franchisee shall (i) promptly credit such Subscriber's account, or (ii) in the event the Subscriber has terminated service, promptly issue a check.

11.3 Procedures for Contacting Subscribers. Following the scheduling of an appointment with any Subscriber within the time periods specified elsewhere in this Appendix A (the “appointment period”), the Franchisee shall:

(i) make a reasonable effort, within a reasonable time prior to the appointment period, to telephone the Subscriber or potential Subscriber to confirm the appointment, provided, however, that the obligation to make such telephone call shall not apply where the appointment is scheduled to occur: (i) within forty-eight (48) hours of the initial scheduling of the appointment or (ii) before or during the next business day if the request is made after 4:00 p.m. on a Friday. If such telephone call is not answered, in person or by an answering machine, the Franchisee shall use best efforts to make a second call to such Subscriber or potential Subscriber within a reasonable time thereafter to confirm the appointment; and

(ii) during the appointment period, either: (a) arrive at the Subscriber’s or potential Subscriber’s premises, as promised, or (b) prior to such arrival, telephone the Subscriber’s or potential Subscriber’s premises to determine whether the Subscriber is present during such appointment period. If, upon arrival at the Subscriber’s or potential Subscriber’s premises, the Franchisee is not able to secure access to the premises, the Franchisee’s employee or representative shall make a reasonable effort to arrange for the premises to be telephoned immediately to determine whether the Subscriber or potential Subscriber is present. If such telephone call is not answered in person, the Franchisee shall, if possible, leave a notice under the door of the premises advising that the Franchisee did arrive at the premises during the appointment period, and the completion of such tasks shall be deemed an appropriate cancellation by the Franchisee of the scheduled appointment. In the event that, prior to arrival at the Subscriber’s or potential Subscriber’s premises, the Franchisee telephones the Subscriber to determine whether the Subscriber is present at the premises and such call is not answered in person or by a device which states that the Subscriber is, in fact, present and awaiting the Franchisee’s arrival, then the Subscriber shall be deemed to have cancelled the scheduled appointment.

(iii) From time to time, the Franchisee may use contractors or subcontractors to perform work at a Subscriber’s premises. If the City receives a significant number of complaints from Subscribers regarding confusion in identifying such contractors or subcontractors performing work at Subscribers’ premises, the City and Franchisee shall discuss and mutually agree upon a practice to address such issue.

11.4 Receipts. In connection with any transaction between the Franchisee and a Subscriber which involves a visit to a Subscriber’s premises or place of business, the Franchisee will, in each such case when requested by the Subscriber, provide such Subscriber a written receipt briefly describing such transaction and the date and time thereof. The Franchisee shall reasonably seek to inform each such Subscriber in writing of the availability of such a receipt.

11.5 Governing Federal and State Law. In the event that any of the provisions of this Appendix A of this Agreement are preempted by and unenforceable under any rules or regulations promulgated by the NY PSC, adopted by the New York State legislature, the FCC or the United States Congress, the rules or regulations adopted by the applicable governing body or regulatory agency shall govern and the Franchisee's compliance with such rules or regulations shall be deemed satisfactory performance.

Section 12

FAILURE TO COMPLY WITH THESE REQUIREMENTS

12.1 Material Requirements. Any breach, default, failure or other noncompliance by the Franchisee in the performance of any obligation of the Franchisee under this Appendix A shall constitute a Default as defined in Section 15.1 of the body of this Agreement. Any such Default that constitutes substantial and material Default shall fall within the scope of Section 15.6.11 of the body of this Agreement and any persistent or repeated pattern of such Defaults shall fall within the scope of Section 15.6.11 of the body of this Agreement, provided that no substantial and material Default nor any persistent or repeated pattern of action or inaction in connection with this Appendix A shall be deemed to fall within the scope of Section 15.6.11 of the body of this Agreement by reason of actions or inactions which are taken in the good faith belief that such do not constitute a Default, during pendency of a good faith dispute as to whether such actions or inactions at issue constitute a Default.

12.2 Reporting. The Franchisee shall provide reports documenting its compliance with the requirements of this Appendix A and other customer service matters as set forth in Exhibit 2 attached hereto and made a part hereof.

Section 13

ANNUAL CABLE CONSUMER REPORT CARD

13.1 Annual Cable Consumer Report Card Requirements. The Franchisee shall provide an Annual Cable Consumer Report Card setting forth the information described in Exhibit 3 attached hereto and made a part hereof; provided, however, that Franchisee's obligation to provide such Annual Cable Consumer Report Card shall not commence until forty-five (45) days from the end of the first full calendar year in which each cable operator in the Franchise Area, or portion thereof, is subject to a substantially equivalent obligation as contemplated under this Section 13.1 pursuant to the terms of a valid and effective cable franchise agreement by and between each such respective cable operator and the City.