Cable Franchise Agreement
by and between
Montgomery County, Maryland
and
Verizon Maryland Inc.

Approved on November 28, 2006

TABLE OF CONTENTS

ARTICLE		PAGE
1.	DEFINITIONS	2
2.	GRANT OF AUTHORITY; LIMITS AND RESERVATIONS	6
3.	PROVISION OF CABLE SERVICE	9
4.	SYSTEM OPERATION	12
5.	SYSTEM FACILITIES	13
6.	PEG SERVICES	17
7.	FRANCHISE FEES	20
8.	CUSTOMER SERVICE	22
9.	REPORTS AND RECORDS	22
10.	INSURANCE AND INDEMNIFICATION	27
11.	TRANSFER OF FRANCHISE	30
12.	RENEWAL OF FRANCHISE	32
13.	ENFORCEMENT AND TERMINATION OF FRANCHISE	33
14.	MISCELLANEOUS PROVISIONS	39

EXHIBIT A - PARTICIPATING MUNICIPALITIES

EXHIBIT B - SERVICE AREAS

EXHIBIT C - PEG CHANNELS

EXHIBIT D - CUSTOMER SERVICE STANDARDS

EXHIBIT E - LETTER OF CREDIT

EXHIBIT F - FRANCHISE FEE SUPPORTING INFORMATION

THIS CABLE FRANCHISE AGREEMENT (the "Franchise" or "Agreement") is entered into by and between Montgomery County, a charter county, duly organized under the applicable laws of the State of Maryland (the "County"), and Verizon Maryland Inc., a corporation duly organized under the applicable laws of the State of Maryland (the "Franchisee").

WHEREAS, the County 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 the Montgomery County Code Chapter 8A, as amended, and Article 25A, Section 5(B) of the annotated Code of Maryland, as amended;

WHEREAS, Franchisee is in the process of installing a Fiber to the Premise Network ("FTTP Network") in the Franchise Area and the FTTP Network will occupy the Public Rights-of-Way within the County, and Franchisee desires to use the FTTP Network once installed to provide Cable Services (as hereinafter defined) in the Franchise Area;

WHEREAS, certain municipalities located within the County and identified in Exhibit A hereto (the "Participating Municipalities") have requested that the County administer and enforce the terms of their cable franchises;

WHEREAS, the County 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;

WHEREAS, the County and Participating Municipalities conducted a public hearing and heard testimony concerning the economic consideration, the impact on private property rights, the impact on public convenience, the public need and potential benefit, the Franchisee's financial, technical, and legal qualifications to provide Cable Service, and other factors relevant to the award of this Franchise, and the County and Participating Municipalities deem the award of this Franchise to be appropriate;

WHEREAS, the County and Participating Municipalities made a finding that, subject to the terms and conditions set forth herein and in the Cable Law, the grant of a nonexclusive franchise to Franchisee will enhance the public welfare;

WHEREAS, this Agreement reflects a compromise of disputed views of the parties' legal rights and responsibilities, and as such should not be understood or used as precedent in any other disputes or issues that arise between the parties, or between one of the parties and any third party, outside the scope of this Agreement; and

NOW, THEREFORE, in consideration of the County's grant of a franchise to Franchisee, Franchisee's promise to provide Cable Service to residents of the Franchise/Service Area of the County and the Participating Municipalities pursuant to and consistent with the Cable Law, pursuant to the terms and conditions set forth herein, the promises and undertakings herein, and other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

Except as otherwise provided herein, the definitions and word usages set forth in Title 47 of the United States Code, as amended, and, if not in conflict, the Cable Law, are incorporated herein and shall apply in this Agreement. The words "shall" and "will" are mandatory, and the word "should" expresses an expectation, but is not mandatory, and the word "may" is permissive. 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. *Basic Service*: Any service tier which includes the retransmission of local television broadcast signals as well as the PEG Channels required by this Franchise.

1.3. *Cable Law*: The Montgomery County Code, Chapter 8A.

1.4. *Cable Service or Cable Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(6). If during the course of this Agreement any service is classified to be or not to be a "Cable Service" by a court of competent jurisdiction in a decision that constitutes a binding legal precedent on the County or Verizon, or by the FCC in a decision that is binding on the County or Verizon, then the term "Cable Service" as used in this Agreement shall be interpreted in accordance with such decision.

1.5. *Cable System or System*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(7).

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

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

1.8. *Contiguous Service Area:* The portion of the Franchise Area as outlined in Exhibit B.

1.9. *County*: The County of Montgomery, Maryland.

1.10. *Educational Access Channel*: Any Channel required by this Agreement to be designated by the Franchisee for use by the County on the Cable System for educational purposes.

1.11. *Expanded Service Area*. The portion of the Franchise Area as outlined in Exhibit B.

1.12. *Extended Service Area*: The portion of the Franchise Area as outlined in Exhibit B.

1.13. *FCC*: The Federal agency as presently constituted by the Communications Act, its designee, or any successor agency.

1.14. *Force Majeure:* An event or events reasonably beyond the ability of Franchisee to control. This includes, but is not limited to, severe or unusual weather conditions, strike, labor disturbance, lockout, war or act of war (whether an actual declaration of war is made or not), insurrection, riot, act of public enemy, fire, flood, or other act of God, and sabotage.

1.15. *Franchise Area*: The unincorporated area (entire existing territorial limits) of the County and incorporated areas of the Participating Municipalities and any area added thereto during the term of the Franchise that the Franchisee agrees to serve.

1.16. *Franchisee*: Verizon Maryland Inc. and its lawful and permitted successors, assigns and transferees.

1.17. *Government Access Channel:* Any Channel required by this Agreement to be designated by the Franchisee for use by the County or Participating Municipalities on the Cable System for governmental purposes.

1.18. *Gross Revenue:* Any and all revenues, including cash, credits, property or other consideration of any kind or nature arising from, attributable to, or in any way derived directly or indirectly by the Franchisee, its Affiliates, or by any other entity that is a cable operator of the System, from the operation of the Franchisee's Cable System (including the studios and other facilities associated therewith) to provide cable services. Gross Revenues include, by way of illustration and not limitation, monthly fees charged Subscribers for any basic, optional, premium, per-channel, per-program service, or cable programming service; installation, disconnection, reconnection, and change-in-service fees; leased channel fees; late fees and administrative fees; fees, payments, or other consideration received from programmers for carriage of programming on the System; revenues from rentals or sales of Converters or other equipment; any studio rental, production equipment, and personnel fees; advertising revenues; barter; revenues from program guides; revenues from the sale or carriage of other Cable Services; and revenues from home shopping channels and other revenue sharing arrangements. Gross Revenues shall include revenues received by an entity other than the Franchisee, an Affiliate, or another entity that operates the System where necessary to prevent evasion or avoidance of the obligation under this Agreement to pay the franchise fee. The County acknowledges that Verizon maintains its books in accordance with generally accepted accounting principles. However, Gross Revenue shall not include:

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

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

1.18.3. Revenues later refunded or rebated to Subscribers;

1.18.4. Revenues wholly generated by services that are defined herein as Non-Cable Services;

1.18.5. Third-party revenues derived from the sale of merchandise over home shopping channels carried on the Cable System, regardless of whether the revenues are collected by the third party or collected by the Franchisee on behalf of, and remitted back to, the third party; and revenue of the Franchisee from its sale of merchandise over home shopping channels carried on the Cable System if the merchandise is unrelated to the operation of Franchisee's Cable System to provide Cable Service in the Franchise Area;

1.18.6. Revenues from the sale of Cable Services on the Cable System to a reseller, when the reseller pays the cable Franchise Fees on the resale of the Cable Services;

1.18.7. Any tax of general applicability imposed upon Franchisee or upon Subscribers by a city, state, federal or any other governmental entity and that Franchisee is required to collect and remit to the taxing entity (including, but not limited to, sales/use tax, gross receipts tax, excise tax, utility users tax, public service tax, and communication taxes);

1.18.8. Any franchise fees for Non Cable Services;

1.18.9. The provision of Cable Services to customers without charge, including, without limitation, the provision of Cable Services to public institutions as required or permitted herein, provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barters, services or other items of value shall be included in Gross Revenue;

1.18.10. Revenues from sales of capital assets or sales of surplus equipment;

1.18.11. Program launch fees not paid directly to Franchisee; and

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

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

1.20. *Initial Service Area*: The portion of the Franchise Area as outlined in Exhibit B.

1.21. *Middle Service Area*: The portion of the Franchise Area as outlined in Exhibit B.

1.22. *Non-Cable Services*: Any service that does not constitute a Cable Service.

1.23. *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.

1.24. *Normal Operating Conditions*: Those service conditions which are within the control of the Franchisee. Those conditions that are not within the control of the Franchisee include, but are not limited to, Force Majeure events. Those conditions that are within the

control of the Franchisee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or rebuild of the Cable System. *See* 47 C.F.R. § 76.309(c)(4)(ii).

1.25. *Participating Municipalities (and individually a "Participating Municipality"):* Additional franchising authorities which have agreed to have the County administer and enforce this Agreement within their corporate limits, which have signed and entered into this Agreement with the consent of Franchisee, and which are identified in Exhibit A.

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

1.27. *PEG Channels:* Refers collectively to all Public Access Channels, Educational Access Channels, and Government Access Channels that Franchisee is required to provide under this Agreement.

1.28. *Person*: An individual, partnership, association, joint stock company, trust, or corporation, but such term does not include the County or a Participating Municipality.

1.29. *Public Access Channel:* Any Channel required by this Agreement to be designated by the Franchisee on the Cable System for use by the general public who are residents of the County, including groups and individuals, and which is available for such use on a non-discriminatory basis for public access purposes.

1.30. *Public Rights-of-Way:* The surface and the area across, in, over, along, upon and below the surface of the public streets, roads, bridges, sidewalks, lanes, courts, ways, alleys, and boulevards, including public lands and waterways used as Public Rights-of-Way, as the same now or may hereafter exist, which, consistent with the purposes for which it was dedicated, may be used for the purpose of installing and maintaining a Cable System.

1.31. *Service Area:* All of the unincorporated area of the County, together with the areas comprising the Participating Municipalities, all as characterized as in either the Initial Service Area, the Middle Service Area, the Extended Service Area, the Expanded Service Area, and the Contiguous Service Area.

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

Channels.

1.33. *Subscriber:* Any Person who is lawfully receiving, for any purpose or reason, any Cable Service whether or not a fee is paid for that service.

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

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

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

1.37. *User*: Person or organization using a PEG Channel or equipment and facilities for purposes of producing or transmitting material, as contrasted with the receipt thereof in the capacity of a Subscriber.

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

2. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

2.1. *Grant of Authority*:

2.1.1. Subject to the terms and conditions of this Agreement and the Cable Law, the County and the Participating Municipalities hereby grant the Franchisee the right to own, construct, operate and maintain the Cable System in the Public Rights-of-Way within the Franchise Area for the sole purpose of providing Cable Service. This franchise grants no authority for Franchisee to use the County's or Participating Municipalities' Public Rights-of-Way for any other purpose unless otherwise expressly provided herein. However, nothing in this Agreement shall be construed to prohibit Franchisee from offering any service over the FTTP Network that is not prohibited by Federal or State law provided any requirements for County or Participating Municipalities' authorization or registration not inconsistent with federal and state law are satisfied. The County and Participating Municipalities make no representation or guarantee that their interest in or right to control any Public Right-of-Way is sufficient to permit Franchisee's use, and Franchisee shall gain only those rights to use that are within the County's and Participating Municipalities' power to convey. No privilege or power of eminent domain is bestowed by this grant; nor is such a privilege or power bestowed by this Agreement.

2.1.2. The Participating Municipalities, having adopted Chapter 8A of the Montgomery County Code by ordinance ("Chapter 8A"), each have requested that the County administer and enforce such ordinance within the corporate limits of the Participating Municipality through one or more County-municipality agreements. The County has agreed to administer and enforce Chapter 8A and the comparable municipal ordinance within the corporate limits of each Participating Municipality. Therefore, the County has the authority to administer and enforce Chapter 8A and the comparable municipal ordinance along with this Agreement within the corporate limits of each Participating Municipality. Termination of any County-municipality agreement shall not result in termination of this Agreement for either the County or the Participating Municipality. Upon termination of any County-municipality agreement, the Participating Municipality shall become responsible for the administration and enforcement of this Agreement within its corporate limits, and shall be entitled to collect and retain only that part of the franchise fee due to it for the franchise within its corporate boundaries. After notice to Franchisee that the County-municipality agreement has been terminated, Franchisee shall communicate directly with the Participating Municipality.

2.2. *County's and Participating Municipalities' Regulatory Authority*: The parties acknowledge that the Franchisee intends to provide Non-Cable Services by means of the FTTP Network. The parties acknowledge that this Franchise does not encompass or reflect the full extent of the County's or Participating Municipalities' authority over the Franchisee and, notwithstanding any provision hereof, the parties reserve all of their rights under state and

federal law regarding the scope of such authority. The Franchisee also acknowledges that, subject to state and federal law, the County and Participating Municipalities have the authority to regulate the placement, construction, repair, and maintenance of physical facilities located in the Public Rights-of-Way, including the FTTP Network. The County agrees that it shall not, under the authority of this Franchise, claim any additional authority over the physical facilities that comprise the FTTP Network and that are located in the Public Rights-of-Way. Finally, nothing in this Franchise shall be deemed a waiver of any right or authority the County or Participating Municipalities may have now or in the future to regulate information services or telecommunications services, or the use of the FTTP Network to provide such services.

2.3. *Term*: This Franchise shall become effective on November 28, 2006 (the "Effective Date"). The term of this Franchise shall be fifteen (15) years from the Effective Date unless the Franchise is earlier revoked as provided herein, or unless the Franchise is renewed or extended by mutual agreement.

2.4. *Grant Not Exclusive*: The Franchise and the right it grants to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the County or Participating Municipalities reserve 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.

2.5. Franchise Subject to State and Federal Law:

2.5.1. Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of state and federal law, including but not limited to the Communications Act.

2.5.2. Should any change to state and federal law after the Effective Date have the lawful effect of materially altering the terms and conditions of this Franchise to the detriment of one or both parties, then the parties shall modify this Franchise to ameliorate such adverse effects on and preserve the affected benefits of the Franchisee and/or the County or Participating Municipalities to the extent possible which is not inconsistent with the change in law. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then, at either party's option, the parties agree to submit the matter to mediation. In the event mediation does not result in an agreement, then, at either party's option, the parties agree to submit the matter to non-binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. The non-binding arbitration and mediation shall take place in the County, unless the parties' representatives agree otherwise. In any negotiations, mediation, and arbitration under this provision, the parties will be guided by the purpose as set forth below. In reviewing the claims of the parties, the mediators and arbitrators shall be guided by the purpose of the parties in submitting the matter for guidance. The parties agree that their purpose is to modify the Franchise so as to preserve intact, to the greatest extent possible, the benefits that each party has bargained for in entering into this Agreement and ameliorate the adverse affects of the change of law in a manner not inconsistent with the change in law. Should the parties not reach agreement, including not mutually agreeing to accept the guidance of the mediator or arbitrator, this subsection 2.5.2 shall have no further force or effect.

2.6. No Waiver:

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

2.6.2. The failure of the Franchisee on one or more occasions to exercise a right under this Franchise or applicable law, or to require performance under this Franchise, shall not be deemed to constitute a waiver of such right or of performance of this Agreement, nor shall it excuse the County or any Participating Municipality from performance, unless the Franchisee has specifically waived, in writing, such right or performance.

2.6.3. Neither this Franchise nor any action by the County or any Participating Municipality hereunder shall constitute a waiver of or a bar to the exercise of any police right or power of the County or any Participating Municipality, including without limitation, the right of eminent domain. This Agreement shall not limit any authority of the County or any Participating Municipality in accordance with Maryland law to condemn, in whole or in part, any property of the Franchisee, provided that the Franchisee shall receive whatever condemnation award the Franchisee would normally be entitled to recover as a matter of Maryland law. Partial condemnation of the Franchisee's property shall not terminate this Agreement except in accordance with the terms of this Agreement.

2.7. Construction of Agreement:

2.7.1. By accepting the Franchise and executing this Agreement, Franchisee, relying upon its own investigation and understanding of the power and authority of the County and Participating Municipalities to grant this Franchise, accepts and agrees to comply with this Agreement and the Cable Law, to the extent not contrary to federal or state law. Franchisee retains all rights to challenge the County's application of the Cable Law to Franchisee. Subject to Section 2.8, in the event of a conflict between the Cable Law and this Agreement, the Cable Law shall prevail, subject to applicable law. Further, the parties recognize that 47 U.S.C. § 541(b)(3) prohibits the County from imposing any requirement that has the purpose or effect of prohibiting, limiting, restricting, or conditioning the provision of a telecommunications service by Franchisee. Accordingly, the County shall not invoke any provision of the Cable Law against Franchisee in a manner that is inconsistent with federal law.

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

2.8. *Police Powers*: Nothing in the Agreement shall be construed to prohibit the lawful exercise of the police powers of the County or any Participating Municipality. If the exercise of the County's or any Participating Municipality's police power results in any material alteration of the terms and conditions of this Franchise, then the parties shall modify the Franchise so as to ameliorate the adverse effects of the material alteration and preserve intact, to

the greatest extent possible, the benefits and obligations that Franchisee has bargained for in entering into this Agreement. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then, at either party's option, the parties agree to submit the matter to mediation. In addition, if the parties cannot reach agreement on such a modification, either on their own or through mediation, the parties may pursue whatever remedies are available at law or equity to enforce their rights under this Agreement.

2.9. *Effect of Acceptance:* By accepting the Franchise and executing this Agreement, Franchisee, relying upon its own investigation and understanding of the power and authority of the County and Participating Municipalities to grant this Franchise, acknowledges and accepts the County's and Participating Municipalities' legal right to grant the Franchise, to enter into this Agreement, and to enact and enforce ordinances and regulations related to the Franchise subject to the provisions of this Agreement; agrees that the Franchise was granted pursuant to processes and procedures consistent with applicable law; and agrees that the County retains the absolute right to terminate this Agreement for any material violation by Franchisee pursuant to Article 13 of this Agreement, and a Participating Municipality may also so terminate this Agreement within its boundaries.

2.10. *Acceptance Fee:* As additional consideration supporting this Agreement, Franchisee shall pay to the County an acceptance fee of two hundred and fifty thousand dollars ($250,000) for verified reasonable costs associated with the grant of this Franchise within thirty (30) days of Franchisee's execution of this Agreement. As additional consideration supporting this Agreement, Franchisee shall pay to the Participating Municipalities an acceptance fee of forty thousand dollars ($40,000) for verified reasonable costs associated with the grant of this Franchise within thirty (30) days of Franchisee's execution of this Agreement.

2.11. *Participating Municipalities:* If after the effective date of this Agreement, a municipality adopts Chapter 8A of the Montgomery County Code by ordinance and enters into a County-municipal agreement requesting the County to administer and enforce such ordinance within the corporate limits of the municipality, and signs and enters into this Franchise Agreement, such municipality shall then be considered a Participating Municipality. The Franchisee agrees that it shall take any actions the County deems necessary to allow the municipality to become a signatory to this Agreement, including entering into an amendment to this Agreement on mutually agreeable terms. After the municipality has signed and entered into the Franchise Agreement, the Franchisee agrees that it shall provide service to the entire area of the municipality under the same terms and conditions of this Agreement as applicable to the County and other Participating Municipalities.

3. PROVISION OF CABLE SERVICE

3.1. *Service Area*:

3.1.1. *Initial Service Area*: In the Initial Service Area, the Franchisee shall offer Cable Service to at least fifty percent (50%) of the residential areas within twelve (12) months of the Effective Date of this Franchise, and to all residences within the Initial Service Area at which such service is requested within three (3) years of the Effective Date of the Franchise, except as specified in Section 3.2.

3.1.2. *Middle Service Area:* In the Middle Service Area, the Franchisee shall offer Cable Service to significant numbers of Subscribers in residential areas within three (3) years of the Effective Date of this Franchise, to at least fifty percent (50%) of the residential areas within the Middle Service Area within four (4) years of the Effective Date of this Franchise, and to all residences within the Middle Service Area at which such service is requested within five (5) years of the Effective Date of this Franchise, except as specified in Section 3.2. If Franchisee is unable to reach agreement with the City of Rockville to obtain construction permits for the FTTP network under reasonable terms and conditions, as determined by Franchisee, by December 31, 2007, these timeframes shall not apply to Franchisee's provision of Cable Service to residences served by Franchisee's Rockville and Montrose wire centers. Instead, Franchisee shall offer Cable Service to all residences served by the Rockville and Montrose wire centers at which such service is requested within four (4) years of obtaining construction permits for the FTTP network from the City of Rockville, except as specified in Section 3.2.

3.1.3. *Extended Service Area:* In the Extended Service Area, the Franchisee shall offer Cable Service to significant numbers of Subscribers in residential areas within five (5) years of the Effective Date of this Franchise, to at least fifty percent (50%) of the residential areas of the Extended Service Area within six (6) years of the Effective Date of this Franchise, and to all residences in the Extended Service Area at which such service is requested within seven (7) years of the Effective Date of the Franchise, except as specified in Section 3.2.

3.1.4. *Expanded Service Area:* Franchisee shall offer Cable Service to all residences in the Expanded Service Area at which such service is requested within three (3) years of the date on which Franchisee attains seventy-five thousand (75,000) Subscribers in the Franchise Area. Franchisee shall advise the County in writing of the date on which it has attained seventy-five thousand (75,000) Subscribers in the Franchise Area.

3.1.5. *Contiguous Service Area:* Franchisee shall offer Cable Service to all residences in the Contiguous Service Area at which such service is requested at the same time that it begins to offer Cable Service within the wire center serving the Contiguous Service Area.

3.1.6. Franchisee may make Cable Service available to businesses in the Franchise Area at its discretion.

3.2. The Franchisee shall not be excused from the timely performance of its obligation as set forth in subsections 3.1.1 through 3.1.5, except for the following occurrences: (A) for periods of Force Majeure; (B) for periods of delay caused by the County or any Participating Municipality; (C) for periods of delay resulting from Franchisee's inability to obtain authority to access rights-of-way in the Service Area; and (D) unlawful action or inaction of any government instrumentality including condemnation or the unlawful failure to issue any necessary permits, action or inaction of any public utility, accidents for which the Franchisee is not responsible, work delays because utility providers denied or delayed the Franchisee access to utility poles to which Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary if such acquisition of qualified labor would be commercially impracticable as defined in 47 U.S.C. § 545(f).

3.2.1. The Franchisee may refuse to provide Cable Service: (A) in developments or buildings that are subject to exclusive arrangements with other providers; (B) when it is unable pursuant to normal industry practice to obtain necessary real property or other physical access rights; (C) in developments or buildings that Franchisee is unable to provide Cable Service for technical reasons or which require non-standard facilities which are not available on a commercially reasonable basis, provided, however, that, subject to subsection 9.3, Franchisee will provide the County with semi-annual reports that identify such developments or buildings and contain information that reasonably demonstrates why the Franchisee is unable to do so; (D) when its prior service, payment or theft of service history with a Person has been unfavorable; and (E) in areas where the occupied residential household density does not meet the density requirement set forth in subsection 3.2.2.

3.2.2. *Density Requirement*: Franchisee shall make Cable Services available to residential dwelling units, including multiple dwelling units, in all areas of the Initial Service Area, the Middle Service Area, and the Extended Service Area where the average density is equal to or greater than the following numbers of occupied residential dwelling units per mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line: (A) Thirty (30) residences per mile during years 1 through 7 of the term of the Franchise; (B) Twenty (20) residences per mile during the years 8 to 10 of the term of the Franchise; and (C) Fifteen (15) residences per mile during the years 11 to 15 of the term of this Franchise. Should, through new construction, an area within a Service Area meet the density requirements after the time stated for providing Cable Service as set forth in subsections 3.1.1, 3.1.2, and 3.1.3 respectively, Franchisee shall provide Cable Service to such area within six (6) months of receiving notice that the density requirements have been met.

3.3. *Cable Service to Public Buildings*:

3.3.1. Subject to Section 3.1, Franchisee shall provide the following, without charge within the Service Area, to a maximum of 100 buildings used for public purposes to be designated by the County over the term of the Franchise and to the number of the public purposes buildings set forth in Exhibit A to be designated by each Participating Municipality over the term of the Franchise; provided, however, that if it is necessary to extend Franchisee's trunk or feeder lines more than three hundred (300) feet from the serving terminal, or the edge of the property, whichever is less, solely to provide service to any such building, the County, or a Participating Municipality, as the case may be, shall have the option of paying Franchisee's direct costs for such extension in excess of three hundred (300) feet, or of releasing Franchisee from the obligation, or postponing Franchisee's obligation to provide service to such building:

3.3.1.1. The first service drop for each site;

3.3.1.2. One Subscriber digital converter activated for the most commonly subscribed to digital tier that includes the PEG channels per site; and

3.3.1.3. One service outlet activated for the most commonly subscribed to digital tier that includes the PEG Channels. The Parties recognize that this only pertains to the flat rate digital tier offered by Franchisee and does not include any pay per view services or similar services.

3.3.2. The County and the Participating Municipalities shall be responsible for the cost of any "terminal equipment," including TV monitors, VCRs, and/or computers.

3.3.3. The Franchisee shall be permitted to recover, from any building owner entitled to free service, the direct cost of installing, when requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than three hundred (300) feet of drop cable; provided, however, that Franchisee shall not charge for the provision of Basic Service to the additional service outlets once installed.

3.3.4. The cost of inside wiring, additional drops or outlets and additional converters requested by the County or a Participating Municipality within these specified facilities, including those drops or outlets in excess of those currently installed, are the responsibility of the County or the Participating Municipality. If the County or a Participating Municipality requests the Franchisee to provide such services or equipment, the County or the Participating Municipality will pay the Franchisee for those costs.

3.3.5. If there is a change in the Franchisee's technology that affects the ability of the County's or a Participating Municipality's public buildings to receive the most commonly subscribed to digital tier, the Franchisee shall be required to replace, at the Franchisee's expense, all the digital converters provided to the County's or a Participating Municipality's public buildings as required in sub-subsection 3.3.1.2 in order to ensure that these public buildings receive the most commonly subscribed to digital tier.

3.3.6. In return for the County waiving its ability to add additional locations over the term of the Franchise, Franchisee shall pay the County a sum of one million dollars ($1,000,000) payable as follows: two hundred thousand dollars ($200,000) within thirty (30) days of the Effective Date, and two hundred thousand dollars ($200,000) per year for the next four (4) years on the anniversary of the Effective Date.

4. SYSTEM OPERATION

4.1. Cable System Tests and Inspections:

4.1.1. 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. 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 County or its designee and the Franchisee agree to new standards.

4.1.2. The Franchisee shall conduct tests as follows:

4.1.2.1. Proof of performance tests on the Cable System at least once every six months or as required by FCC rules, whichever is more often, except as federal law otherwise limits the Franchisee's obligation. In consultation with the

County, the Cable System monitor test points shall be established in accordance with good engineering practices and consistent with FCC guidelines; and

4.1.2.2. Special proof of performance tests, as limited by the County, of the Cable System or a segment thereof when Subscriber or User complaints indicate tests are warranted.

4.1.3. Tests shall be supervised by the Franchisee's senior engineer, who shall sign all records of tests provided to the County.

4.1.4. The County shall have the right to witness and/or review all required tests on newly constructed or rebuilt segments of the Cable System. The Franchisee shall provide the County with at least two business days' notice of, and opportunity to observe, any such tests performed on the Cable System.

4.1.5. The Franchisee shall provide the County with copies of written reports on all tests performed pursuant to Section 4.1.

4.1.6. 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 County, shall take corrective action, retest the locations and advise the County of the action taken and results achieved, and supply the County with a copy of the results within thirty days from the date corrective action was completed.

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

5. SYSTEM FACILITIES

5.1. *Cable System Characteristics*: The Cable System shall have at least the following characteristics:

5.1.1. Designed with an initial analog and digital carrier passband between 50 MHz and 860 MHz.

5.1.2. Designed to be an active two-way plant for subscriber interaction, if any, required for selection or use of Cable Service.

5.1.3. Modern design when built, utilizing an architecture that will permit additional improvements necessary for high quality and reliable service throughout the Franchise Term. The FTTP Network shall utilize the ITU G.983 Passive Optical Network standard and have no active elements so as to make it more reliable.

5.1.4. Protection against outages due to power failures, so that back-up power is available at a minimum for at least 24 hours at each headend, and conforming to industry standards, but in no event rated for less than four hours, at each power supply site.

5.1.5. Facilities and equipment of good and durable quality, generally used in high-quality, reliable, systems of similar design.

5.1.6. Facilities and equipment sufficient to cure violations of any applicable FCC technical standards and to ensure that the Cable System remains in compliance with the standards specified in subsection 5.1.18.

5.1.7. Facilities and equipment as necessary to maintain, operate, and evaluate the Cable System to comply with any applicable FCC technical standards, as such standards may be amended from time to time.

5.1.8. All facilities and equipment designed to be capable of continuous twenty-four (24) hour daily operation in accordance with applicable FCC standards except as caused by a Force Majeure event.

5.1.9. All facilities and equipment designed, built and operated in such a manner as to comply with all applicable FCC requirements regarding (i) consumer electronic equipment and (ii) interference with the reception of off-the-air signals by a subscriber.

5.1.10. All facilities and equipment designed, built and operated in such a manner as to protect the safety of the Cable System workers and the public.

5.1.11. Sufficient trucks, tools, testing equipment, monitoring devices and other equipment and facilities and trained and skilled personnel required to enable the Franchisee to substantially comply with applicable law, including applicable customer service standards and including requirements for responding to system outages.

5.1.12. All facilities and equipment required to properly test the Cable System and conduct an ongoing and active program of preventive maintenance and quality control and to be able to quickly respond to customer complaints and resolve system problems.

5.1.13. Design capable of interconnecting with other cable systems in the Franchise Area as set forth in Section 5.3 of this Agreement.

5.1.14. If applicable, antenna supporting structures (towers) designed in accordance with Chapter 8 ("Buildings") of the Montgomery County Code, 2004, as amended, and, within Participating Municipalities, applicable provisions of their respective codes, painted, lighted, erected and maintained in accordance with all applicable rules and regulations of the Federal Aviation Administration, the Federal Communications Commission, and all other applicable codes and regulations.

5.1.15. Facilities and equipment at the headend shall allow the Franchisee to transmit or cablecast signals in substantially the form received, without substantial alteration or deterioration. For example, the headend should include equipment that will transmit color video signals received at the headend in color, stereo audio signals received at the headend in stereo, and a signal received with a secondary audio track with both audio tracks. Similarly, all closed-captioned programming retransmitted over the Cable System shall include the closed-captioned signal in a manner that renders that signal available to Subscriber equipment used to decode the captioning.

5.1.16. Shall transmit in high definition any signal, which is received in high definition format.

5.1.17. Shall provide adequate security provisions in its Subscriber site equipment to permit parental control over the use of Cable Services on the System. Such equipment will at a minimum offer as an option that a Person ordering programming must provide a personal identification number or other means provided by the Franchisee only to a Subscriber. Provided, however, that the Franchisee shall bear no responsibility for the exercise of parental controls and shall incur no liability for any Subscriber's or viewer's exercise or failure to exercise such controls.

5.1.18. The Cable System must conform to or exceed all applicable FCC technical performance standards, as amended from time to time, and any other future applicable technical performance standards, which the County is permitted by a change in law to enforce, 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:

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

5.1.18.2. National Electrical Code;

5.1.18.3. National Electrical Safety Code (NESC);

5.1.18.4. Obstruction Marking and Lighting, AC 70/7460 i.e., Federal Aviation Administration;

5.1.18.5. Constructing, Marking and Lighting of Antenna Structures, Federal Communications Commission Rules, Part 17; and

5.1.18.6. Chapter 8 ("Buildings") of the Montgomery County Code, 2004, as amended.

5.1.18.7. Any applicable Participating Municipality building code.

5.2. The FTTP Network shall have at least the following characteristics:

5.2.1. FTTP Network fiber shall be initially designed utilizing splitters of no greater than thirty-two (32) homes per splitter. The FTTP Network shall be pass-through or passive.

5.2.2. Status monitoring capability shall be a feature of the electronics at the customer premises in the FTTP Network. The FTTP Network shall deliver fiber to an Optical Network Terminal ("ONT") at the Subscriber's premises. The ONT shall automatically measure optical signal levels (and other distortion measurements) at the Subscriber's premises.

5.3. *Interconnection*:

5.3.1. The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area at suitable locations as determined by the Franchisee. Interconnection of systems may be made by direct cable connection, microwave link, satellite, or other appropriate methods.

5.3.2. At the request of the County and any Participating Municipality, the Franchisee shall, to the extent permitted by applicable law and its contractual obligations to third parties, use every reasonable effort to negotiate an interconnection agreement with any other franchised cable system in the County or any Participating Municipality for the PEG Channels on the Cable System.

5.3.3. The Franchisee shall notify the County and any Participating Municipality prior to any interconnection of the Cable System.

5.3.4. The Franchisee shall in good faith cooperate with the County and any Participating Municipality in implementing interconnection of the PEG Cable Service with communications systems beyond the boundaries of the County and any Participating Municipality.

5.4. *Emergency Alert System*:

5.4.1. The Franchisee shall install and thereafter maintain for use by the County an Emergency Alert System ("EAS").

5.4.2. This EAS shall at all times be operated in compliance with FCC requirements in order that emergency messages may be distributed over the System. In the event of a state or local civil emergency, the EAS shall be activated by equipment or other acceptable means as set forth in the Maryland State EAS Plan. Franchisee will override the audio and video on all channels, so long as it is consistent with Franchisee's contractual commitments, to transmit EAS alerts received from the designated Local Primary Sources, including LP-1, LP-2, and other stations, assigned by the Maryland State EAS Plan to serve the Montgomery County Operational Area.

5.5. *Home Wiring:* The Franchisee shall comply with all applicable FCC requirements, including any notice requirements, with respect to home wiring. Prior to a Subscriber's termination of Cable Service, the Franchisee will not restrict the ability of the Subscriber to remove, replace, rearrange or maintain any cable wiring located within the interior space of the Subscriber's dwelling unit, so long as such actions are consistent with FCC standards. The Franchisee may require a reasonable indemnity and release of liability in favor of the Franchisee from a Subscriber for wiring that is installed by such Subscriber.

5.6. Any contractor or subcontractor used by Franchisee to meet its obligations under the Franchise or the Cable Law must be properly licensed under laws of the State and all applicable local ordinances, and each such contractor or subcontractor shall have the same obligations with respect to its work as the Franchisee would have if the work were performed by the Franchisee. Franchisee shall be responsible for the omissions and negligent actions of

persons contracting or subcontracting or representing the Franchisee in the course of providing Cable Service to any Subscriber. Franchisee is responsible for and shall address complaints made against its contractors, subcontractors, representatives or agents. All contractors, subcontractors, representatives or agents of the Franchisee shall be properly trained and supervised in accordance with Franchisee's customer service standards for Cable Service.

5.7. *Services for the Disabled*: Franchisee shall comply in all material respects with all applicable requirements of the Americans with Disabilities Act. Franchisee shall comply in all material respects with FCC rules on transmission of closed captioning for the hearing-impaired. For hearing-impaired Subscribers, upon request Franchisee shall provide information concerning the cost and availability of equipment to allow the reception of all basic services for the hearing-impaired.

6. PEG SERVICES

6.1. *PEG Set Aside*:

6.1.1. Franchisee will provide the County with up to eleven (11) PEG Channels in the aggregate, though Franchisee reserves the right to utilize for its own purposes any portion of such PEG Channels in its own discretion, until such time as the County elects to utilize such PEG Channels for their intended purpose. Additionally, the Franchisee shall provide two (2) additional dedicated, analog access channels (for a total of 13) upon reasonable request by the County for actual use by the County or a Participating Municipality within ninety (90) days of the request for such access channels. Except as provided in subsection 6.7.5, each PEG Channel shall be transmitted on the Cable System in standard 6 MHz, unscrambled NTSC format so that every Subscriber can receive and display the PEG signals using the same converters and signal equipment that is used for other Basic Service Channels. Further, each PEG Channel, and any additional PEG channels granted to the County pursuant to subsection 6.7.5, shall be delivered with transmission quality the same as or better than the transmission quality of any other Channel on Basic Cable Service.

6.1.2. The Franchisee shall carry the programming on each of the respective PEG Channels as indicated in Exhibit C. Franchisee shall notify the County of channel assignments for the PEG Channels prior to commencing Cable Service in the Franchise Area. 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 the Franchisee gives the access channel programmer ninety (90) days notice of such change (if commercially practicable) but in no event less than forty-five (45) days. Within thirty (30) days of the Effective Date, Franchisee shall pay the County fifty thousand dollars ($50,000) to defray the costs incurred for making logo changes necessitated by channel designation changes and public education of new channel numbers. Thereafter, if Franchisee changes PEG channel assignments, it shall pay to the County the following amounts to defray the costs incurred for making logo changes necessitated by channel designation changes and public education of new channel numbers: (i) if Franchisee changes the channel assignments for one (1) to three (3) PEG channels, ten thousand dollars ($10,000); (ii) if Franchisee changes the channel assignments for four (4) to six (6) PEG channels, twenty thousand dollars ($20,000); (iii) if Franchisee changes the channel assignments for seven (7) to nine (9) PEG channels, thirty thousand dollars

($30,000); (iv) if Franchisee changes the channel assignments for ten (10) to twelve (12) PEG channels, forty thousand dollars ($40,000); and (v) if Franchisee changes the channel assignments for thirteen or more PEG channels, fifty thousand dollars ($50,000).

6.1.3. *PEG Interconnection*: The County shall provide Franchisee with the ability to interconnect its Cable System with the existing cable operators' PEG Channels via the County's PEG facilities in Rockville, Maryland. If the County is unable to provide for a point of interconnection at the County's PEG facilities in Rockville, Maryland, Franchisee shall make arrangements, through interconnection or otherwise, to obtain PEG programming directly from each PEG access origination point. Franchisee shall comply with these requirements within a reasonable time, but in no event, later than 180 days.

6.1.4. Pursuant to Section 8A-27 of the Montgomery County Code, 1994, as amended, the County has provided for certain cable communications plans which govern the expenditure of all access and institutional grants required by the Franchise Agreement. Franchisee agrees that where an approved item of such plan involves implementation by use of agreements with a third party contractor, then Franchisee shall execute such agreements and make payments thereunder at the direction of the County or its designee(s).

6.1.5. The access Channels for the City of Rockville, the City of Takoma Park, and the Montgomery County Chapter of the Maryland Municipal League shall be provided on the lowest cost tier of service and shall be provided County-wide, except that the Takoma Park channel may be used for the Gaithersburg City channel within the City of Gaithersburg.

6.1.6. *Management of Channels:* Except as to the City of Rockville, City of Takoma Park and Montgomery County Chapter of the Maryland Municipal League channels, the County may designate one (1) or more entities, including a non-profit access management corporation, to perform any or all of the following functions:

6.1.6.1. to manage any necessary scheduling or allocation of capacity on the access Channels; and/or

6.1.6.2. on the County's behalf, to program any Public, Educational, or Government Access Channel.

6.1.7. The County shall require all local producers and Users of any of the PEG facilities or Channels to agree in writing to authorize Franchisee to transmit programming consistent with this Agreement and to defend and hold harmless Franchisee, the County and the Participating Municipalities, from and against any and all liability or other injury, including the reasonable cost of defending claims or litigation, arising from or in connection with claims for failure to comply with applicable federal laws, rules, regulations or other requirements of local, state or federal authorities; for claims of libel, slander, invasion of privacy, or the infringement of common law or statutory copyright; for unauthorized use of any trademark, trade name or service mark; for breach of contractual or other obligations owing to third parties by the producer or User; and for any other injury or damage in law or equity, which result from the use of a PEG facility or Channel.

6.2. *PEG Grants*:

6.2.1. Franchisee shall provide grants to the County, for the benefit of the County and the Participating Municipalities, to be used for PEG and institutional network capital expenses as determined by the County (the "PEG Grants"), which shall be paid on a quarterly basis, concurrently with the franchise fee payment. These grants will be used for PEG and institutional network purposes. This includes, but is not limited to, studio facilities, studio and portable production equipment, editing equipment and program playback equipment and other similar costs. It also includes, but is not limited to, equipment, capacity, computers, dark fiber, and other similar expenses for the institutional network.

6.2.2. The PEG Grants shall consist of 3% of the Franchisee's Gross Revenues for that quarter and shall be paid at the same time and in the same manner as franchise fees. The first payment shall be due on the same date as the first franchise fee payment made by Franchisee under this Agreement.

6.3. To the extent permitted by federal law, the Franchisee shall be allowed to recover from Subscribers the costs of the PEG Grants or any other costs arising from the provision of PEG services 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 costs to Subscribers.

6.4. If the Franchisee makes changes to the Cable System that require improvements to access facilities and equipment, Franchisee shall make any necessary changes to the Franchisee's headend and distribution facilities or equipment within thirty (30) days so that PEG facilities and equipment may be used as intended in this Agreement. In addition, if the Franchisee is unable or refuses to accept signals from PEG Channels in an analog format, Franchisee shall reimburse each PEG entity for the reasonable costs incurred for replacing any signal transmission equipment which must be replaced to send PEG programming in the signal format required by the Franchisee.

6.5. *Backup Facilities and Equipment:* The Franchisee shall design, build, and maintain all PEG upstream feeds, interconnection, and distribution facilities so that such feeds function as reliably as Franchisee's Cable System as a whole within the County, and are no more likely to fail than is Franchisee's Cable System as a whole within the County.

6.6. Editorial Control: Except as expressly permitted by federal law, the Franchisee shall not exercise any editorial control over the content of programming on the PEG Channels (except for such programming as the Franchisee may cablecast on such PEG Channels).

6.7. Use of PEG Channels, Facilities and Equipment:

6.7.1. The County and any Participating Municipality, or the entity that manages a PEG Channel, may establish and enforce rules and procedures for use of the PEG Channels pursuant to Section 611(d) of the Communications Act, 47 U.S.C. § 53 1(d). The County shall resolve any disputes among Users regarding allocation of PEG Channels.

6.7.2. The Franchisee will provide downstream transmission of the PEG Channels on its Cable System at no charge to the County or other PEG access programmers.

6.7.3. The County or its licensees, assigns, or agents shall not transmit on the PEG Channels commercial programming or commercial advertisements to the extent that they would constitute competition with the Franchisee for such commercial programming or commercial advertisements, subject to the following:

6.7.3.1. For purposes of this subsection, "Commercial Programming or Commercial Advertisements" shall mean programming or advertisements for which the County or any Participating Municipality receives payment from a third party (a party other than the County, a Participating Municipality or the Franchisee), but shall not include announcements indicating that programming is underwritten by a commercial entity, such as the underwriting announcements typically displayed by the public broadcasting system.

6.7.4. *Costs and Payments Not Franchise Fees*: The capital grants and other support provided pursuant to Article 6 and Section 2.10 and subsection 3.3.6 do not constitute Franchise fee payments within the meaning of 47 U.S.C. § 542, but may be passed through to Subscribers as a separate line item on their monthly bills pursuant to 47 U.S.C. § 542(c)(2).

6.7.5. If capacity set aside for PEG use pursuant to this Agreement is subdivided or compressed (for example, migrated from analog to digital transmission) resulting in multiple transmission paths, the Franchisee shall provide the County thirteen (13) PEG Channels (the "Additional PEG Channels") in addition to the PEG Channels set aside for the County in Article 6 and Exhibit C.

6.7.6. All PEG channels shall have at a minimum the same bandwidth, signal quality, and interactive functionality as federal law may from time to time require for cable service channels. In the event the County or Participating Municipalities desire additional functionality for one or more of the channels set aside for PEG use for itself or for a Participating Municipality, the parties agree to negotiate, in good faith, County proposals on behalf of itself or a Participating Municipality that would enable the affected channels to add the desired functionality.

6.7.7. The County may activate any of the Additional PEG Channels upon reasonable request by the County for actual use by the County or a Participating Municipality within ninety (90) days of the request for such access channels.

7. FRANCHISE FEES

7.1. *Payment to the County:* The Franchisee shall pay to the County a Franchise fee of five percent (5%) of annual Gross Revenue derived from the operation of the cable system to provide cable service in the Franchise Area. Provided that the other cable operators providing Cable Service in the Franchise Area are also required to do the same, in the event that the Communications Act is amended to increase the five percent (5%) cap, the County may, upon not less than sixty (60) days prior written notice to Franchisee, increase the amount of

the percentage up to the maximum amount permitted by federal law. If the five percent (5%) cap is eliminated by changes to federal law such that there is no maximum, any increase in the amount of the percentage shall be subject to the mutual agreement of the County and Franchisee in the form of an amendment to this Agreement. Franchisee shall attribute a portion of any national and regional advertising revenues to the Franchise Area based on the ratio of Franchisee's Subscribers in the Franchise Area to the cable subscribers of Franchisee and an Affiliate in the relevant advertising region. In accordance with Title VI of the Communications Act, the twelve (12) month period applicable under the Franchise for the computation of the Franchise fee shall be made on a calendar year basis. Such payments shall be made no later than thirty (30) days following the end of each calendar quarter. In the event the Franchisee is unable to compute the Franchisee fee payment within the foregoing time frame, the Franchisee may make an estimated Franchise fee payment based on the payment for the previous quarter. Estimated payments must be trued up within thirty (30) days after the date of the estimated payment. In the event any Franchise fee payment, including any estimated Franchise fee payment, due and owing is not made on or before the required date, the Franchisee shall pay any applicable penalties and interest charges computed from such due date, as provided for in the Cable Law under Section 8A-12(f).

7.2. *Supporting Information:* Subject to Section 9.3, each Franchise fee payment shall be submitted with supporting detail in a form similar to that included in Exhibit F and a statement certified by the Franchisee's authorized financial agent or an independent certified public accountant, reflecting the total amount of monthly Gross Revenues for the payment period. Franchisee shall also indicate the number of subscribers within the corporate limits of each Participating Municipality. The County shall have the right to reasonably require further supporting information.

7.3. *Bundled Services:* If the Franchisee bundles Cable Service with Non-Cable Service, the Franchisee agrees that it will not intentionally or unlawfully allocate such revenue for the purpose of evading the Franchise fee payments under this Agreement. In the event that the Franchisee or any Affiliate shall bundle, tie, or combine Cable Services (which are subject to the franchise fee) with Non-Cable Services (which are not subject to the franchise fee), so that subscribers pay a single fee for more than one class of service or receive a discount on Cable Services, a *pro rata* share of the revenue received for the bundled, tied, or combined services shall, to the extent reasonable, be allocated to gross revenues for purposes of computing the franchise fee. To the extent there are published charges and it is reasonable, the *pro rata* share shall be computed on the basis of the published charge for each of the bundled, tied, or combined services, when purchased separately. However, the parties agree that tariffed telecommunications services that cannot be discounted under state or federal law or regulations are excluded from the bundled allocation obligations in this Section.

7.4. *No Limitation on Taxing Authority.* Nothing in this Agreement shall be construed to limit any authority of the County or the Participating Municipalities to impose any tax, fee, or assessment of general applicability. The Franchise fee payments required by this Section shall be in addition to any and all taxes of a general nature or other fees or charges which Franchisee shall be required to pay to the County or the Participating Municipalities or to any state or federal agency or authority, as required herein or by law, all of which shall be separate and distinct obligations of Franchisee. Franchisee may designate Franchise Fee(s) as a separate

item in any bill to a Subscriber of Franchisee's Cable System, but shall not designate or characterize it as a tax.

8. CUSTOMER SERVICE

Customer service requirements are set forth in Exhibit D.

9. REPORTS AND RECORDS

9.1. *Open Books and Records:* Subject to applicable law, upon reasonable written notice to the Franchisee, which shall be no less than thirty (30) days, the County shall have the right to inspect and copy at any time during Normal Business Hours and on a nondisruptive basis at a mutually agreed location in the County, all books and records, including all documents in whatever form maintained, including electronic media ("books and records") to the extent that such books and records relate to the Cable System or to the Franchisee's provision of Cable Service and are reasonably necessary to ensure compliance with the terms of this Agreement. Such notice shall specify the purpose of the review, so that Franchisee may organize the necessary books and records for appropriate access by the County. Franchisee shall not be required to disclose any of its or an Affiliate's books and records not relating to the provision of Cable Service in the County.

9.2. If any books, records, maps, plans, or other requested documents are too voluminous, not available locally in the County, or for security reasons cannot be copied and moved, then the Franchisee may request that the inspection take place at a location mutually agreed to by the County and the Franchisee, provided that (i) the Franchisee must make necessary arrangements for copying documents selected by the County after its review; and (ii) the Franchisee must pay all travel and additional copying expenses incurred by the County (above those that would have been incurred had the documents been produced in the County) in inspecting those documents or having those documents inspected by its designee.

9.3. *Proprietary Books and Records:* If the Franchisee believes that the requested information is confidential and proprietary, the Franchisee must provide the following documentation to the County: (i) specific identification of the information; (ii) statement attesting to the reason(s) Franchisee believes the information is confidential; and (iii) statement that the documents are available at the Franchisee's designated offices for inspection by the County. The County shall take reasonable steps to protect the proprietary and confidential nature of any books, records, Service Area maps, plans, or other County-requested documents that are provided pursuant to this Agreement to the extent they are designated as such by the Franchisee.

9.4. The Franchisee shall take all reasonable steps required to ensure that it is able to provide the County with all information that must be provided or may be requested under this Agreement or applicable law, including the issuance of appropriate subscriber privacy notices. The Franchisee shall be responsible for redacting any data that applicable law prevents it from providing to the County. Nothing in this Section shall be read to require a Franchisee to violate federal or state law protecting subscriber privacy.

9.5. *Copying of Books and Records*: The County shall have the right to copy any such books and records, except to the extent that such books and records are proprietary and/or confidential pursuant to the Maryland Uniform Trade Secrets Act or other applicable law.

9.6. *Complete and Accurate Records*: The Franchisee shall keep complete and accurate books of account and records of its business and operations under and in connection with the Agreement.

9.7. Unless otherwise provided in this Section, all materials and information specified in this Section shall be maintained for a period of five (5) years.

9.8. *Communication with Regulatory Agencies:* Within fifteen (15) days, the Franchisee shall file with the County a copy of any document filed by the Franchisee with a regulatory agency or received by the Franchisee from a regulatory agency that pertains to and references the County with respect to the provision of Cable Service or any document filed by the Franchisee with the FCC in a formal cable proceeding.

9.9. *Uses of System*: The Franchisee will notify the County of all products and Cable Services offered over the Cable System as promptly as practicable after each such product or Cable Service is instituted.

9.10. *Annual Report*: Unless this requirement is waived in whole or in part by the County, no later than April 30th of each year during the term of this Agreement, the Franchisee shall submit a written report to the County, in a form reasonably satisfactory to the County, which shall include:

9.10.1. A summary of the previous calendar year's activities in development of the Cable System, including but not limited to descriptions of services begun or dropped;

9.10.2. A summary of complaints, identifying both the number and nature of the complaints received and an explanation of their dispositions, as such records are kept by the Franchisee. Where the Franchisee has identified recurrent Cable System problems, the nature of any such problems and the corrective measures taken or to be taken shall be identified;

9.10.3. A copy of the Franchisee's rules, regulations and policies available to Subscribers of the Cable System, including but not limited to (i) all Subscriber rates, fees and charges; (ii) copies of the Franchisee's contract or application forms for Cable Services; and (iii) a detailed summary of the Franchisee's policies concerning the processing of Subscriber complaints; delinquent Subscriber disconnect and reconnect policies; Subscriber privacy and any other terms and conditions adopted by the Franchisee in connection with the provision of Cable Service to Subscribers;

9.10.4. A statement of Gross Revenues for the previous calendar or fiscal year, certified by the Franchisee's financial agent, including a year-end balance sheet and an income statement showing Subscriber revenue and every material category of non-Subscriber revenue; and operating expenses by category, at whatever operating level such records are kept;

which obligation may be satisfied by submitting the Franchisee's certified and audited financial statements prepared for the Franchisee's bondholders or equivalent financial document acceptable to the County;

9.10.5. A list of Persons holding five percent (5%) or more of the voting stock or interests of Franchisee;

9.10.6. A list of officers and members of the Board of Directors of Franchisee and its parents and Franchisee's subsidiaries, if any, or similar officers if the Franchisee is not a corporation;

9.10.7. A copy of stockholders' annual reports issued by Franchisee and its parents; and

9.10.8. The results of any annual opinion surveys the Franchisee conducts, but if the Franchisee considers such results to be proprietary, the Franchisee shall make such results available for the County's review.

9.11. *Quarterly Report:* Beginning six (6) months after Cable Service is available on a commercial basis directly to multiple Subscribers in the Franchise Area, the Franchisee shall submit a written report to the County no later than thirty (30) days after the end of each calendar quarter during the term of this Agreement, which report shall be in a form reasonably satisfactory to the County, that shall include:

9.11.1. A report showing the number of service calls received sorted by a descriptive code indicating the actual service calls that were resolved during that quarter, including any property damage to the extent such information is available to the Franchisee, and any line extension requests received during that quarter;

9.11.2. Once the Franchisee reaches a level of fifty thousand (50,000) Subscribers, a report showing the number of outages for that quarter, and identifying separately each planned Subscriber outage for more than one hour at a time (excluding the maintenance window from 12:00 a.m. to 6:00 a.m.), the time it occurred, its cause, its duration, and the impacted streets and a range of affected addresses in the Franchise Area (or a map area using the most recent edition of the ADC map or its equivalent, as specified by the County) and, when available to the Franchisee, number of homes affected; and, when the Franchisee can reasonably determine that at least five hundred (500) homes were affected, each unplanned outage affecting more than five hundred (500) homes for more than one hour, the time it occurred, the reason for the disruption and its causes, its estimated duration and, when available to the Franchisee, the number of homes affected;

9.11.3. A report showing the Franchisee's performance with respect to all applicable customer service standards in this Agreement, signed and certified by an officer or agent. If the Franchisee is unable to certify full compliance for any calendar quarter, it must indicate in its filing each standard with which it is in compliance and in noncompliance, the reason for the noncompliance and a remedial plan. The Franchisee's failure to file a compliance certificate or noncompliance statement as required herein shall subject the Franchisee to the liquidated damages specified in this Agreement for violation of customer service standards. The

Franchisee shall keep such records as are reasonably required to enable the County to determine whether the Franchisee is substantially complying with all such customer service standards, and shall maintain adequate procedures to demonstrate substantial compliance; and

9.11.4. A report that includes the number of homes in the County where Cable Service was provided during that quarter and a projection of the number of homes to which Cable Service will become available in the next ninety (90) days.

9.12. *Special Reports*: Unless this requirement is waived in whole or in part by the County, the Franchisee shall deliver the following special reports to the County not more than ten (10) business days after the occurrence of the event:

9.12.1. A copy and full explanation of any notice of deficiency, forfeiture, or other document relating to the Franchisee issued by any state or federal agency if such notice or other document would require Securities and Exchange Commission Form 8(k) disclosure or would require footnote disclosure in the annual financial statements of the Franchisee or a parent.

9.12.2. A copy and brief explanation of any request for protection under bankruptcy laws, or any judgment related to a declaration of bankruptcy by the Franchisee or by any partnership or corporation that owns or controls the Franchisee directly or indirectly.

9.13. *Books and Records Required:* The Franchisee shall at all times maintain and make available to the County upon reasonable prior notice by the County:

9.13.1. Complete and accurate books of account and records of its business and operations under and in connection with this Agreement. At a minimum, the Franchisee's financial books and records shall be maintained in accordance with generally accepted accounting principles, and shall identify:

9.13.1.1. Gross revenues, by service category;

9.13.1.2. Operating expenses, at whatever operating level such records are kept, categorized by general and administrative expenses, technical expenses, programming expenses, and overhead, if any;

9.13.1.3. Capital expenditures, including capitalized interest

and overhead, if any; and

9.13.1.4. Depreciation expenses, by category, at whatever operating level records thereof are kept.

9.13.2. Records of all written complaints received. The term "complaints" as used herein and throughout the Agreement refers to complaints about any aspect of the Cable System or the Franchisee's cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded may not be limited to complaints requiring an employee service call.

9.13.3. Records of outages, indicating date, estimated duration, estimated area, and the estimated number of Subscribers affected, type of outage, and cause;

9.13.4. Records of service calls for repair and maintenance, indicating the date and time service was requested, 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 solved;

9.13.5. Records of installation/reconnection and requests for service extension, indicating date of request, date of acknowledgment, and the date and time service was extended;

9.13.6. Copies of all promotional offers made in writing to potential or current Subscribers;

9.13.7. Upon written notice, the County may require additional information, records, and documents pursuant to this Agreement as may be reasonably necessary for the performance of any duties by the County staff as it pertains to the Franchise;

9.13.8. The Franchisee shall maintain a file of records open to public inspection in accordance with applicable FCC rules and regulations; and

9.13.9. The 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. Verizon shall make these maps and plans available for inspection by the County upon reasonable prior notice at mutually convenient locations including in the field.

9.13.10. A public file showing the area of coverage for the provisioning of Cable Services and estimated timetable to commence providing Cable Service.

9.14. *Waiver of Reporting Requirements*: The County may, for good cause shown, waive the reporting provisions in this Section.

9.15. Certain Cable Law Reporting Requirements:

9.15.1. Franchisee's financial statements must be provided to the County pursuant to Section 8A-12(d) of the Cable Law.

9.15.2. The summary to be provided to the County pursuant to Section 8A-14(f) of the Cable Law will be submitted as required by the Cable Office.

10. INSURANCE AND INDEMNIFICATION

10.1. Insurance:

10.1.1. Franchisee shall maintain in full force and effect, at its own cost and expense, throughout the entire Franchise Term, the following insurance coverage:

10.1.1.1. Commercial General Liability Insurance insuring the County, the Participating Municipalities, and the Franchisee with respect to the construction, operation and maintenance of the Cable System, and the conduct of the Cable Service business in the County in the minimum amounts of five million dollars ($5,000,000), per occurrence; and in the aggregate. Such commercial general liability insurance must include coverage for all of the following: comprehensive form, premises-operations, explosion and collapse hazard, underground hazard, products/completed operations hazard, contractual liability, broad form property damage, independent contractors and personal injury.

10.1.1.2. Automobile Liability Coverage, with a minimum limit of liability of two million dollars ($2,000,000), per occurrence, combined single limit for bodily injury and property damage coverage. Policy must include coverage for owned automobiles, leased or hired automobiles and non-owned automobiles.

10.1.1.3. Broadcaster's Liability Coverage, covering errors and omissions and negligent acts and other operations of the Franchisee, committed during the term of the Franchise period with the County and the Participating Municipalities, with a limit of liability of at least two million dollars ($2,000,000) per claim and aggregate. Franchisee agrees to provide a one-year discovery period under this policy.

10.1.1.4. Workers' Compensation Coverage meeting statutory requirements of Maryland Law and Employers' Liability Coverage with the following minimum limits: Bodily Injury by Accident - $100,000 each accident, Bodily Injury by Disease - $500,000 policy limits and Bodily Injury Disease - $100,000 each employee.

10.1.1.5. Copyright infringement insurance insuring the County, the Participating Municipalities and the Franchisee in the minimum amount of $2,000,000 for copyright infringement occasioned by the operation of the Cable System.

10.1.2. All insurance policies and certificates maintained pursuant to this Agreement shall provide the following unless the County approves other language:

> "It is hereby understood and agreed that this insurance coverage may not be materially changed or canceled by the insurance company nor the intention not to renew be stated by the insurance company until at least sixty (60) days after receipt by the County of a written notice of such intention to cancel or not to renew."

10.1.3. Each of the required insurance policies shall be with insurers qualified to do business in the State of Maryland, with an A- or better rating by Best's Key Rating Guide, Property/Casualty Edition.

10.1.4. The Franchisee shall provide the County with an original certificate of insurance providing evidence of all coverage required of this Agreement upon execution of this Agreement, following a material change or any time the Franchisee obtains new insurance policies.

10.1.5. The County may review the amounts of any insurance policies under the Agreement and shall have the right to require reasonable adjustments to such insurance policies consistent with the public interest. The County shall provide the Franchisee written notice at least sixty (60) days in advance of any reasonable adjustments.

10.1.6. All Commercial General and Automobile Liability Insurance policies shall by specific endorsement name the County, Participating Municipalities, their elected and appointed officials, officers, boards, commissions, commissioners, agents, and employees as additional insureds. Such additional insured requirement shall be noted on the original certificate of insurance provided to the County.

10.1.7. Failure to comply with the insurance requirements set forth in this Section shall constitute a material violation of the Franchise.

10.2. *Indemnification*:

10.2.1. Subject to the provisions below, the Franchisee shall, at its sole cost and expense, indemnify, hold harmless, and defend the County and the Participating Municipalities, their elected and appointed officials, officers, boards, commissions, commissioners, agents, and employees, against any and all claims, suits, causes of action, proceedings, and judgments, whether for damages or otherwise arising out of or alleged to arise out of the installation, construction, operation, or maintenance of the Cable System, including but not limited to any claim against the Franchisee for invasion of the right of privacy, defamation of any Person, firm or corporation, or the violation or infringement of any copyright, trade mark, trade name, service mark, or patent, or of any other intellectual property right of any Person, firm, or corporation.

10.2.2. This indemnity does not apply to programming carried on any Channel set aside for PEG use, or Channels leased pursuant to 47 U.S.C. § 532, or to operations of the PEG Channels to the extent such operations are carried out by a person other than the Franchisee or its agents. Further, the Franchisee shall not be required to indemnify the County for acts of the County which constitute willful misconduct or negligence, on the part of the County, its officers, employees, agents, attorneys, consultants, independent contractors or third parties, or for any activity or function conducted by any Person, other than Franchisee, in connection with PEG Access, or EAS.

10.2.3. The County and/or the applicable Participating Municipality shall give the Franchisee written notice of its obligation to indemnify the County or a Participating Municipality under Section 10.2 within thirty (30) days of receipt of a

claim, suit, cause of action, or proceeding for which the Franchisee is obligated to indemnify the County or a Participating Municipality. The County shall take action necessary to avoid entry of a default judgment if such action is needed before the County provides the Franchisee notice; provided, however, that no such action shall in any way prejudice or harm the Franchisee.

10.2.4. With respect to Franchisee's indemnity obligations set forth in Section 10.2, Franchisee shall provide the defense of any claims, suits, causes of action, or proceedings brought against the County and any Participating Municipality by selecting counsel of Franchisee's choice to defend the claim, subject to the consent of the County, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the County from cooperating with the Franchisee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the County, Franchisee shall have the right to defend, settle or compromise any claim, suit, cause of action, or proceeding arising hereunder, so long as the settlement includes a full release of the County, and Franchisee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the County does not consent to the terms of any such settlement or compromise, Franchisee shall not settle the claim or action but its obligation to indemnify the County shall in no event exceed the amount of such settlement. In the event that Franchisee fails, after notice pursuant to subsection 10.2.4, to undertake the County's defense of any claims encompassed within this Section 10.2, Franchisee's indemnification shall include, but is not limited to, the County's reasonable attorneys' fees, including fees for outside counsel hired to defend the County, incurred in defending against any such claim, suit, cause of action, or proceeding, any interest charges arising from any claim, suit, cause of action, or proceeding arising under this Agreement or the Cable Law, the County's out-of-pocket expenses, and the reasonable value of any services rendered by the County's Attorney or the County's staff or their employees. The Participating Municipalities shall have the same rights as the County hereunder with respect to any claim or action asserted against them.

10.2.5. Neither the provisions of this Section nor any damages recovered by the County or Participating Municipalities shall be construed to limit the liability of the Franchisee or its subcontractors for damages under the Agreement or the Cable Law or to excuse the faithful performance of obligations required by the Agreement, except to the extent that any monetary damages suffered by the County or Participating Municipalities have been satisfied by a financial recovery under this Section or other provisions of the Agreement or the Cable Law.

10.2.6. The County and Participating Municipalities shall at no time be liable for any injury or damage occurring to any Person or property from any acts or omissions of Franchisee in the construction, maintenance, use, operation or condition of the Cable System. It is a condition of this Agreement that the County and Participating Municipalities shall not and does not by reason of this Agreement assume any liability whatsoever of the Franchisee for injury to Persons or damage to property.

10.2.7. Nothing in this Agreement shall be construed to waive the County's or Participating Municipalities governmental immunity.

11. TRANSFER OF FRANCHISE

11.1. Application:

11.1.1. A Transfer of the Franchise, or a Transfer of an Interest in the Franchise that results in a change in ownership interest of the Franchise of 5 percent or more, must not occur without prior approval by the County and the Participating Municipalities. However, a Transfer of an Interest to a person who already holds an ownership interest of 25 percent or more does not require such prior approval if Transfer of the Franchise does not occur. A Transfer of the Franchise will not be approved by the County nor by a Participating Municipality when the transferor has held the Franchise less than three years unless the County or the Participating Municipality finds that the transfer is necessary and in the best interests of the County or the Participating Municipality and its residents.

11.1.2. An application to Transfer the Franchise must meet the requirements of Section 8A-8(b) of the Cable Law and provide complete information on the proposed transaction, including the legal, character, financial, technical and other pertinent qualifications of the transferee, and on the potential impact of the transfer on subscriber services or rates. The information required in Section 8A- 8(e)(1) through (3), (10) and (12) of the Cable Law must be provided by the proposed transferee. The information required in Section 8A-8(e)(4) through (9) of the Cable Law must also be provided whenever the proposed transferee expects material changes to occur in those areas as a result of the transfer.

11.1.3. An application for Transfer of an Interest in the Franchise must describe the proposed transaction in detail and identify the interest to be transferred, the transferor, and transferee. If the proposed transferee is not a current equity owner of the Franchisee, the application must include the information required by Section 8A-8(e)(1) through (2).

11.1.4. An application for a Transfer must provide all information necessary to provide a complete and accurate understanding of the transaction and of the financial position of the Cable System before and after the proposed transaction, including all documents and information related to the transaction.

11.2. A public hearing must be held on an application for Transfer of an Interest in a franchisee of 25 percent or more.

11.3. Before approving Transfer of the Franchise, the County and the Participating Municipalities must consider the legal, financial, technical and character qualifications of the transferee to operate the System, and whether operation by the proposed franchisee will adversely affect the cable services to Subscribers or otherwise be contrary to the public interest. Before approving a Transfer of an Interest in the Franchisee, the County and the Participating Municipalities must consider whether the transferee's interest will have any effect on the Franchisee's operation of the System, the Franchisee's qualifications, or the public interest.

11.4. The Council must take final action on an application for Transfer of the Franchise after receiving a recommendation from the County Executive. The County Executive may take final action on an application for Transfer of an Interest.

11.5. Approval by the County or a Participating Municipality of a Transfer of the Franchise does not constitute a waiver or release of any of the rights of the County or Participating Municipality under the Cable Law or this Agreement, whether arising before or after the date of the Transfer. A Transfer does not release any non-performance prior to the Transfer. All such non-performance shall become the responsibility of the new Franchisee unless the County or Participating Municipality otherwise agrees.

11.6. The County and the Participating Municipalities may impose a grant fee to cover their costs in excess of the filing fee in considering an application for Transfer of the Franchise. The amount of such fee shall not exceed two hundred thousand dollars ($200,000) adjusted annually for inflation based on the annual average of the Consumer Price Index for all urban consumers for the Washington-Baltimore MSA, as published by the Bureau of Labor Statistics.

11.7. *Transferee's Agreement.* No application for a Transfer of the Franchise shall be granted unless the transferee agrees in writing that it will abide by and accept all terms of this Agreement and the Cable Law, and that it will assume the obligations, liabilities, and responsibility for all acts and omissions, known and unknown, of the previous Franchisee under this Agreement and the Cable Law for all purposes, including renewal, unless the County and Participating Municipalities, in their sole discretion, expressly waive this requirement in whole or in part.

11.8. *Release of Guarantee:* Any entity guaranteeing the performance of the Franchisee may apply to the County for release of the guarantee under the following circumstances:

11.8.1. The Franchisee has demonstrated for five consecutive years compliance in all material respects with the terms of the Franchise Agreement and the Cable Law; and

11.8.2. A Guarantor which controls the Franchisee promises to not interfere with Franchisee's performance of its obligations under the Franchise Agreement and the Cable Law.

11.9. *Definitions*:

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

11.9.2. Control: The legal or practical ability to exert actual working control over the affairs of the Franchisee, either directly or indirectly, whether by contractual agreement, majority ownership interest, any lesser ownership interest, or in any other manner.

11.9.3. *Transfer of the Franchise:* Any transaction in which an ownership or other interest in the Franchisee is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons so that control of the Franchisee is transferred; or the rights held by the Franchisee under this Franchise Agreement are

transferred or assigned to another Person or group of Persons. Notwithstanding, the following transactions do not constitute a transfer of the Franchise:

11.9.3.1. A transaction among or between affiliates if (1) the initial Franchisee provides an unconditional guarantee of performance of the new Franchisee in a form acceptable to the County prior to the closing of the transaction; (2) the transferee agrees in writing, prior to closing, that it will abide by and accept all terms of this Agreement and the Cable Law, and that it will assume the obligations, liabilities, and responsibility for all acts and omissions, known and unknown, of the previous Franchisee under this Agreement and the Cable Law for all purposes, including renewal; (3) the Franchisee has no uncured defaults from the time of the notice through the date of closing of the transaction; and (4) the Franchisee has provided the County at least 90 days notice and responds completely to all information requests by the County;

11.9.3.2. A sale of ownership or other interest in an entity controlling the Franchisee, either directly or indirectly, if the successor controlling entity commits in writing that it will not take any action to impede the franchisee from satisfying all obligations under the Franchise agreement, including, but not limited to, completing a system buildout;

11.9.3.3. 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.

11.9.4. *Transfer of an Interest:* The sale or transfer, directly or indirectly, of an existing or newly created equity interest in the Franchisee that does not result in a transfer of control of the Franchisee. Notwithstanding, the following transactions do not constitute a Transfer of an Interest, if the Executive or a designee finds that the Franchisee has responded completely to all information requests by the County:

11.9.4.1. A transaction among or between affiliates;

11.9.4.2. A sale of ownership or other interest in an entity controlling the Franchisee, either directly or indirectly;

11.9.4.3. 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.

12. RENEWAL OF FRANCHISE

12.1. The County, any Participating Municipalities and Franchisee agree that any proceedings undertaken by the County or Participating Municipalities that relate to the renewal of this Franchise shall be governed by and comply with the provisions of Section 626 of the Communications Act, 47 U.S.C. § 546 and Section 8A-22 of the Cable Law to the extent that it is not inconsistent with federal law.

12.2. In addition to the procedures set forth in said Section 626 of the Communications Act and in the event that the County or any Participating Municipality engages in a formal renewal of the Franchise, the County and any Participating Municipality agree to notify Franchisee of any assessments of their future cable-related community needs and interests or of the past performance of Franchisee under the then current Franchise term upon which the County or the Participating Municipality intends to rely during formal renewal proceedings. The County and any Participating Municipality further agree that if they issue any request for a proposal under 47 U.S.C. § 546(b), such assessments shall be provided to Franchisee promptly so that Franchisee has adequate time to submit a proposal under Section 626 and complete renewal of the Franchise prior to expiration of its term.

13. ENFORCEMENT AND TERMINATION OF FRANCHISE

13.1. *Audits and Actions Regarding Fee Payments; Limitations.* The County shall have the right to inspect books and records relating to the Cable System and to audit and recompute any amounts determined to be payable under this Agreement, whether the records are held by Franchisee, an Affiliate, or any other agent of Franchisee.

13.1.1. Franchisee shall be responsible for making available to the County all records necessary to confirm the accurate payment of Franchise fees and PEG Grants, without regard to by whom they are held. Such records shall be made available pursuant to the requirements of Article 9 herein. Franchisee shall maintain such records in accordance with its normal record retention policy, which Franchisee shall provide to the County within thirty (30) days of the execution of this Agreement and shall provide again whenever Franchisee changes that policy over the course of the Franchise Term.

13.1.2. The County's audit expenses shall be borne by the County unless the audit discloses an undisputed underpayment of more than five percent (5%) of any quarterly payment, in which case the County's reasonable and verifiable out-of-pocket costs of the audit shall be borne by Franchisee as a cost incidental to the enforcement of the Franchise, provided, however that the Franchisee's obligation to pay or reimburse the County's verified audit expenses shall not exceed in the aggregate fifty thousand dollars ($50,000) per audit, adjusted annually for inflation based on the annual average of the Consumer Price Index for all urban consumers for the Washington-Baltimore MSA, as published by the Bureau of Labor Statistics. Any additional undisputed amounts due to the County as a result of the audit shall be paid within thirty (30) days following written notice to Franchisee by the County of the underpayment, which notice shall include a copy of the audit report. If recomputation from an undisputed amount results in additional revenue to be paid to the County, Franchisee shall pay any applicable penalties and interest charges computed from such due date, as provided for in the Cable Law. Any audit fees paid by the County shall not be determined based on a percentage of audit findings basis.

13.1.3. In the event the Franchisee disputes any underpayment discovered as the result of an audit conducted by the County, the Franchisee and the County shall work together in good faith to promptly resolve such dispute. Both parties shall maintain all rights and remedies available at law regarding any disputed amounts.

13.2. *End of Franchise Term:* Upon completion of the term of the Franchise granted under this Agreement, if a new, extended, or renewed Franchise is not granted to the Franchisee by the County or a Participating Municipality, the Franchisee's right to provide Cable Service shall terminate as applicable, subject to applicable federal law.

13.3. The County Council shall have the right to revoke the Franchise for the Franchisee's material violation of this Agreement pursuant to the Cable Law.

13.4. *Rights and Remedies:*

13.4.1. The rights and remedies reserved to both parties herein are cumulative and shall be in addition to all other rights and remedies which either party may have with respect to the subject matter of this Agreement, whether reserved herein or authorized by applicable law.

13.4.2. The following violations by the Franchisee of this Agreement are material violations of this Agreement for purposes of this Article:

13.4.2.1. Transfer of the Franchise without approval pursuant to Article 11, or failure to notify pursuant to subsection 11.9.3;

13.4.2.2. Habitual or persistent failure to provide Cable Service as specified in Article 3;

13.4.2.3. Failure to make Cable Service available to the Initial Service Area, the Middle Service Area, the Extended Service Area, the Expanded Service Area, or the Contiguous Service Area under the terms and conditions established in Article 3;

13.4.2.4. Habitual or persistent failure to meet FCC technical standards;

13.4.2.5. Failure to maintain the EAS pursuant to Section 5.4 in the event of an emergency;

13.4.2.6. Habitual or persistent failure to provide PEG Grants pursuant to Section 6.2;

13.4.2.7. Habitual or persistent failure to provide the PEG Channels pursuant to Article 6;

13.4.2.8. Habitual or persistent failure to provide Cable Service to public buildings pursuant to Section 3.3;

13.4.2.9. Habitual or persistent failure to pay Franchise fees pursuant to Article 7;

13.4.2.10. Habitual or persistent failure to meet reports and records requirements in a timely manner pursuant to Article 9;

13.4.2.11. Habitual or persistent failure to satisfy insurance requirements pursuant to Section 10.1;

13.4.2.12. Habitual or persistent failure to maintain a performance security or letter of credit pursuant to Sections 13.5 and 13.6;

13.4.2.13. Habitual or persistent violation of consumer protection requirements pursuant to applicable law;

13.4.2.14. Habitual or persistent violation of Subscriber privacy requirements pursuant to 47 U.S.C. § 551;

13.4.2.15. Habitual or persistent discrimination among Subscribers in violation of 47 U.S.C. § 541(a)(3); and

13.4.2.16. Habitual or persistent material customer service standard violations other than those for which liquidated damages have been assessed and paid.

13.5. Performance Security:

13.5.1. Except as provided below, the Franchisee shall obtain and maintain during the entire Franchise Term, including any extensions thereof, performance security in the County's and Participating Municipalities' favor in the amount of two million ($2,000,000), in substantially the same form of the letter of credit attached hereto as Exhibit E, in order to ensure the Franchisee's faithful performance of its obligations under this Agreement. The County may not attempt to collect under this performance security letter of credit unless thirty (30) days have passed since the County provided the Franchisee with written notice of its intent to collect under this performance security letter of credit. If within this thirty (30) day time frame, Franchisee gives written notice it disputes entitlement to payments from Franchisee for which it has refused to make payment, the parties shall promptly meet to attempt to resolve the dispute in good faith amongst themselves.

13.5.2. There shall be recoverable by the County and/or by the County on behalf of any Participating Municipality from Franchisee and the performance security, any and all amounts due to the County and/or any Participating Municipality and any and all damages, losses, costs, and expenses incurred by the County and/or any Participating Municipality resulting from the failure of the Franchisee to comply with the material provisions of this Agreement, to comply with all orders, permits and directives of any County agency or body having jurisdiction over its acts or defaults, to pay fees or penalties due to the County and/or any Participating Municipality, to pay any claims, taxes or liens due to the County and/or any Participating Municipality related to activities arising under this Agreement or to pay liquidated damages to the County. Such losses, costs and expenses shall include but not be limited to reasonable attorney's fees and other associated expenses.

13.5.3. The total amount of the performance security required by this Agreement shall be forfeited in favor of the County and/or to the County on behalf of any Participating Municipality in the event:

13.5.3.1. the Franchisee abandons the Cable System at any time during the Franchise Term or any extension thereto; or

13.5.3.2. the Franchisee carries out a transfer requiring County and Participating Municipality approval as stated in Article 11 of this Agreement without obtaining County and Participating Municipality approval.

13.5.4. The Franchisee shall not permit the performance security letter of credit to expire or approach less than thirty (30) days prior to expiration without securing and delivering to the County a substitute, renewal or replacement performance security letter of credit in conformance with the provisions of this Agreement.

13.5.5. *Reduction of Performance Security:* The County may approve a reduction in the amount of the performance security upon written application by the Franchisee, which approval shall not be unreasonably withheld. The amount of the performance security may be reduced to $250,000.00 when the Cable System has been extended to more than fifty percent (50%) of the occupied dwelling units within the Franchise Area, as certified by the Franchisee to the County, and may be further reduced to the sum of $50,000.00 when the Cable System has been extended to more than ninety percent (90%) of the occupied dwelling units within the Franchise Area, as certified by the Franchisee to the County. Reductions granted or denied upon application by the Franchisee shall be without prejudice to the Franchisee's subsequent applications or to the County's right to require the full performance security at any time thereafter. Further, in the event the County approves a reduction of the Franchisee's performance security, the County may, at any time, increase the amount of the performance security to reflect any increased risks to the County and the public provided, however, that any such additional performance security shall not exceed five hundred thousand dollars ($500,000). The County shall provide the Franchisee written notice at least sixty (60) days in advance of any such increase in the performance security resulting from this subsection.

13.5.6. In the event the Franchisee is unable to secure a performance security letter of credit as required under this Agreement, the Franchisee shall be able to provide either a cashier's check or other security acceptable to the County.

13.6. *Letter of Credit:*

13.6.1. In addition to the performance security, the Franchisee shall provide to the County a security fund letter of credit in the amount of $100,000 (the "Letter of Credit"), in substantially the same form as that attached hereto as Exhibit E. The Letter of Credit shall be provided by a third party agent ("Third Party Agent") approved by the County. The Franchisee shall maintain such Letter of Credit at all times throughout the term of the Agreement and for a period of one year following the expiration or termination of the Agreement.

13.6.2. If the County notifies the Franchisee of any amounts due to the County or a Participating Municipality pursuant to this Agreement or applicable law, and the

Franchisee does not make such payment within thirty (30) days, the County may withdraw the amount in question, with any applicable interest and penalties, from the Letter of Credit by notice to the Franchisee and the Third Party Agent specifying the amount and purpose of such withdrawal. However, if within this thirty (30) day time frame, Franchisee gives written notice it disputes entitlement to payments from Franchisee for which it has refused to make payment, the parties shall promptly meet to attempt to resolve the dispute in good faith amongst themselves.

13.6.3. If at the time of a withdrawal from the Letter of Credit by the County, the amount available with the Third Party Agent is insufficient to provide the total payment of the claim asserted in the County's notice of withdrawal, the balance of such claim shall not be discharged or waived, but the County may continue to assert the same as an obligation of the Franchisee to the County or any Participating Municipality.

13.6.4. No later than thirty (30) days after mailing of notification to the Franchisee by certified mail, return receipt requested, of a withdrawal under the Letter of Credit, the Franchisee shall restore the amount of the Letter of Credit to $100,000.

13.6.5. In the event the Third Party Agent serves notice to the County that it elects not to renew the Letter of Credit, the County may withdraw the entire amount of the Letter of Credit unless the Franchisee provides a substitute Letter of Credit, in substantially the same form as that attached hereto as Exhibit E, from a Third Party Agent approved by the County, before the effective Letter of Credit expires.

13.7. *Liquidated Damages:*

13.7.1. Because the Franchisee's failure to comply with provisions of this Agreement will result in injury to the County and/or Participating Municipalities, and because it will be difficult to estimate the extent of such injury, the County and the Franchisee agree to the liquidated damages provided for in this Section, with such liquidated damages representing both parties' best estimate of the damages resulting from the specified violations. Such damages shall not be a substitute for actual performance by the Franchisee of a financial payment, but shall be in addition to any such actual performance. The failure of a Franchisee to hire sufficient staff or to properly train its staff shall not preclude the application of the provisions in this Section.

13.7.2. The County, or its designee, shall have the authority to waive or reduce the liquidated damage amounts herein for good cause.

13.7.3. Cure periods listed below shall begin to run at the time the Franchisee is notified in writing of a violation by the County, unless otherwise specified below. Should the County elect to receive liquidated damages for any of the violations enumerated herein, such liquidated damages shall be the County's sole remedy for the violations occurring during the period of time to which the liquidated damages apply.

13.7.4. On an annual basis from the Effective Date, the Franchisee shall be liable for liquidated damages up to one hundred thousand ($100,000) (the "Liquidated

Damages Cap"); provided, however, the Franchisee may pay any amount in excess of the Liquidated Damages Cap. The liquidated damages may be assessed only by the County and any assessments shall be made in the following manner:

13.7.4.1. For failure to substantially comply with requirements for PEG use of the Cable System pursuant to Sections 3.3, 6.1, 6.4, 6.5 and 6.6 and subsections 6.7.2, and 6.7.5: $1000 per day for each day compliance is delayed beyond a fourteen (14) day cure period, if the Franchisee has not undertaken substantial corrective action to cure the violation within that fourteen (14) day cure period;

13.7.4.2. For failure to provide complete and accurate information, reports, or filings lawfully required under this Agreement: $200 per day for each day that each such filing is delayed beyond a thirty (30) day cure period;

13.7.4.3. For each day during which the County determines that the Franchisee has violated customer service standards pursuant to Exhibit D, except for those standards set forth in sub-subsections 13.7.4.4 and 13.7.4.5 below: $200 per violation, treating each failure to comply as a separate violation, following a seven (7) day cure period, except that such cure period does not apply to customer service standards that themselves provide a time to act or a specific cure period;

13.7.4.3.1. A separate violation under sub-subsection 13.7.4.3 shall be deemed to occur whenever the County reasonably determines that a separate customer service standard violation has occurred on one day. Thus, for example, if the Franchisee fails to provide Cable Service to one subscriber for two days pursuant to Exhibit D, there would be two violations; if the Franchisee fails to keep an appointment pursuant to Exhibit D with one Subscriber on one day and on that same day, independent of the missed appointment, the Franchisee fails to disclose price terms to that same Subscriber, then there would be two violations. However, the Franchisee shall not be charged with multiple violations for a single act or event affecting a single Subscriber or for a single act or event affecting multiple Subscribers on the same day. For example, the failure of the Franchisee to send out its annual notice to multiple Subscribers would constitute a single violation.

13.7.4.4. For failure to issue an undisputed refund or credit pursuant to Exhibit D after being directed by the County to do so: $200 per violation, treating each failure to comply as a separate violation, following a seven (7) day cure period;

13.7.4.5. For failure to meet customer service standards with regard to telephone answering time, time to transfer a call to a customer service representative, or excessive busy signals: if such standards are not met according to the terms in which such standards are established in Exhibit D: $500 for each quarter in which such standards were not met if the failure was by less than 5%; $1,000 for each quarter in which such standards were not met if the failure was by 5% or more but less than 15%; and $2,000 for each quarter in which such standards were not met if the failure was by 15% or more;

13.7.4.6. For failure to render payment for Audit Fees pursuant to Section 13.1, or failure to pay capital grants or expenditures, or liquidated damages

up to the Liquidated Damages Cap: $100 for each day each such payment is delayed, following a seven (7) day cure period;

13.7.4.7. For failure to file, obtain or maintain the required performance security or other security instruments in a timely fashion: $200 per day, following a fourteen (14) day cure period;

13.7.4.8. For violation of applicable technical standards established by the FCC or other lawful authority: $100 per day for each day the violation continues after a thirty (30) day cure period;

13.7.4.9. For failure, unless such failure is beyond the Franchisee's control, of the Emergency Alert System to perform in the event of a public emergency or vital information situation: $250 per occurrence;

13.7.4.10. For a Transfer without approval: $2,000/day for each day the violation continues;

13.7.4.11. For failure to restore damaged property: $50 per day, in addition to the cost of restoration as required elsewhere herein;

13.7.4.12. For any other significant violations of this Agreement or the Cable Law (if applicable): $50 per day for each violation for each day the violation is not remedied beyond a thirty (30) day cure period.

14. MISCELLANEOUS PROVISIONS

14.1. *Actions of Parties:* In any action by the County or Franchisee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner.

14.2. *Binding Acceptance:* This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns.

14.3. *Preemption:* In the event that federal or state law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent, and for the time, but only to the extent and for the time, required by law. In that event, the parties shall negotiate in good faith to reconstitute this Agreement in a form that, to the maximum extent possible, is consistent with the parties' original intent and preserves the benefits bargained for by each party. 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 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 County.

14.4. *Force Majeure:* Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, nor suffer any enforcement, liquidated

damage, or penalty relating to noncompliance or default, where such noncompliance or alleged defaults were caused by a Force Majeure. In the event that any such delay in performance or failure to perform affects only part of the Franchisee's capacity to perform, the Franchisee shall perform to the maximum extent it is able to perform and shall take all reasonable steps within its power to correct such noncompliance or default in as expeditious a manner as possible.

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

14.5.1. Notices to Franchisee shall be mailed to:

William Roberts
President
Verizon Maryland Inc.
1 East Pratt Street, 8E
Baltimore, Maryland 21202

with a copy to:

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

14.5.2. Notices to the County shall be mailed to:

County Executive
Office of the County Executive
101 Monroe Street
Rockville, MD 20850

with a copy to:

Cable Communications Administrator
Office of Cable Television
100 Maryland Avenue
Rockville, MD 20850

14.6. *Entire Agreement*: This Agreement embodies the entire understanding and agreement of the County, any Participating Municipalities and the Franchisee with respect to the subject matter hereof and merges and supersedes all prior representations, agreements, and understandings, whether oral or written, between the County, any Participating Municipalities and the Franchisee with respect to the subject matter hereof, including, without limitation, any and all written or oral statement or representations by any official, employee, agent, attorney, consultant, or independent contractor of the County, a Participating Municipality or the Franchisee.

14.7. *Exhibits:* The exhibits to this Agreement (the "Exhibits"), attached hereto, and all portions thereof, are, except as otherwise specified in such Exhibits, incorporated herein by reference and expressly made a part of this Agreement. The procedures for approval of any subsequent amendment or modification to said Exhibits shall be the same as those applicable to any amendment or modification hereof, except as specified in such Exhibit or elsewhere in this Agreement.

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

14.9. *Severability:* If any section, subsection, sentence, paragraph, term, or provision of this Agreement shall, to any extent, be held to be illegal, invalid, or unenforceable, the remainder hereof shall be valid in all other respects and continue to be effective.

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

14.11. *No Oral Modifications*: This Agreement shall not be modified except by written instrument executed by the County (and the relevant Participating Municipality as appropriate) and the Franchisee.

14.12. *Prohibition Against Discrimination:* The Franchisee shall adhere to the Equal Employment Opportunity regulations of the FCC and to all federal, state and local laws, and executive orders pertaining to discrimination, equal employment opportunity and affirmative action that are applicable to the Franchisee.

14.13. Connections to the Cable System; Use of Antennas:

14.13.1. To the extent consistent with federal law, Subscribers shall have the right to attach devices to the Cable System to allow them to transmit signals or service to video cassette recorders, receivers and other terminal equipment, and to use their own remote control devices and converters, and other similar equipment, so long as such devices do not interfere with the operation of the Cable System, or the reception of any cable Subscriber, nor serve to circumvent the Franchisee's security procedures, nor for any purpose to obtain services illegally. The Franchisee shall provide information to consumers which will allow them to adjust such devices so that they may be used with the Cable System.

14.13.2. The Franchisee shall not, as a condition to providing Cable Service, require a Subscriber to remove any existing antenna or disconnect an antenna, or prohibit or discourage a Subscriber from installing an antenna switch, provided that such equipment and installations are consistent with applicable law and technically able to shield the Cable System from any interference.

14.14. *Franchisee Bears Its Own Costs*: Unless otherwise expressly provided in this Agreement, all acts that the Franchisee is required to perform must be performed at its own expense.

14.15. *County Bears Its Own Costs*: Unless otherwise expressly provided in this Agreement, all acts that the County and any Participating Municipality are required to perform must be performed at their own expense.

14.16. Rights of Third Parties: Nothing herein shall be construed to give any Person other than the Franchisee or the County or any Participating Municipality a right to assert any claim or cause of action against the Franchisee, the County or a Participating Municipalities, its employees, elected or appointed officials, officers, commissions, commissioners, boards or agents.

14.17. *Rate Regulation*: The County and Participating Municipalities reserve all of their rights to regulate Franchisee's rates subject to applicable law.

14.18. *Governing Law:* This Franchise Agreement shall be governed in all respects by the laws of the State of Maryland and applicable federal law.

14.19. *Jurisdiction and Venue:* Franchisee consents to venue and jurisdiction in the U.S. District Court for the District of Maryland and the Circuit Court for Montgomery County, Maryland.

14.20. *Employment, Training, And Procurement Requirements*:

14.20.1. *Employment*:

14.20.1.1. Franchisee shall, in accordance with Federal, State, County and local laws and ordinances and regulations, afford equal opportunity and non-discrimination in employment to all individuals, regardless of their race, color, religion, age, sex, national origin, sexual orientation or handicap. Franchisee shall comply will all applicable requirements of the Americans with Disabilities Act.

14.20.1.2. Franchisee agrees that it shall give documentary evidence as to the steps it took to ensure that a good faith effort was made by it to comply with subsection 14.21.1 above.

14.20.2. *Training:* Franchisee shall provide training on an ongoing basis for its employees to maintain and upgrade skills and to prepare for promotional opportunities.

14.20.3. Procurement:

14.20.3.1. Franchisee shall establish and maintain a program to purchase goods and services from minority, female, and disabled-owned ("MFD") businesses consistent with the purposes of the County's MFD program.

14.20.3.2. Franchisee shall file with the County a copy of Franchisee's Annual Report which Franchisee files with the Maryland Public Service Commission detailing total procurement, MFD procurement by MFD category, procurement type, and dollar value within the State of Maryland.

14.20.4. *Performance:* Performance in employment and MFD procurement shall be considered in any request for renewal of this Franchise.

[SIGNATURE PAGE FOLLOWS]

AGREED TO EFFECTIVE AS OF THE 28th DAY OF NOVEMBER 2006.

IN WITNESS WHEREOF, the parties have set their hands and seals on the date written above.

MONTGOMERY COUNTY, MARYLAND

By: _____
George L. Leventhal
Council President

By: _____
Douglas M. Duncan
County Executive

VERIZON MARYLAND INC.

By: _____
William R. Roberts
President

FORM APPROVED
Attorney
Date 12/20/06

APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE COUNTY ATTORNEY
BY: _____
DATE: 12/1/06

EXHIBIT A

PARTICIPATING MUNICIPALITIES

Barnesville (1 public building)
Brookeville (1 public building)
Chevy Chase Village (1 public building)
Chevy Chase Section 3 (1 public building)
Town of Chevy Chase (1 public building)
Chevy Chase Section 5 (1 public building)
Chevy Chase View (1 public building)
Garrett Park (1 public building)
Glen Echo (1 public building)
Kensington (2 public buildings)
Laytonsville (1 public building)
North Chevy Chase (1 public building)
Poolesville (1 public building)
Rockville (5 public buildings)
Somerset (1 public building)
Takoma Park (5 public buildings)
Washington Grove (1 public building)
Village of Martin's Additions (1 public building)

EXHIBIT B

INITIAL, MIDDLE, EXTENDED, EXPANDED AND CONTIGUOUS SERVICE AREAS

The service areas are shown in the map below.

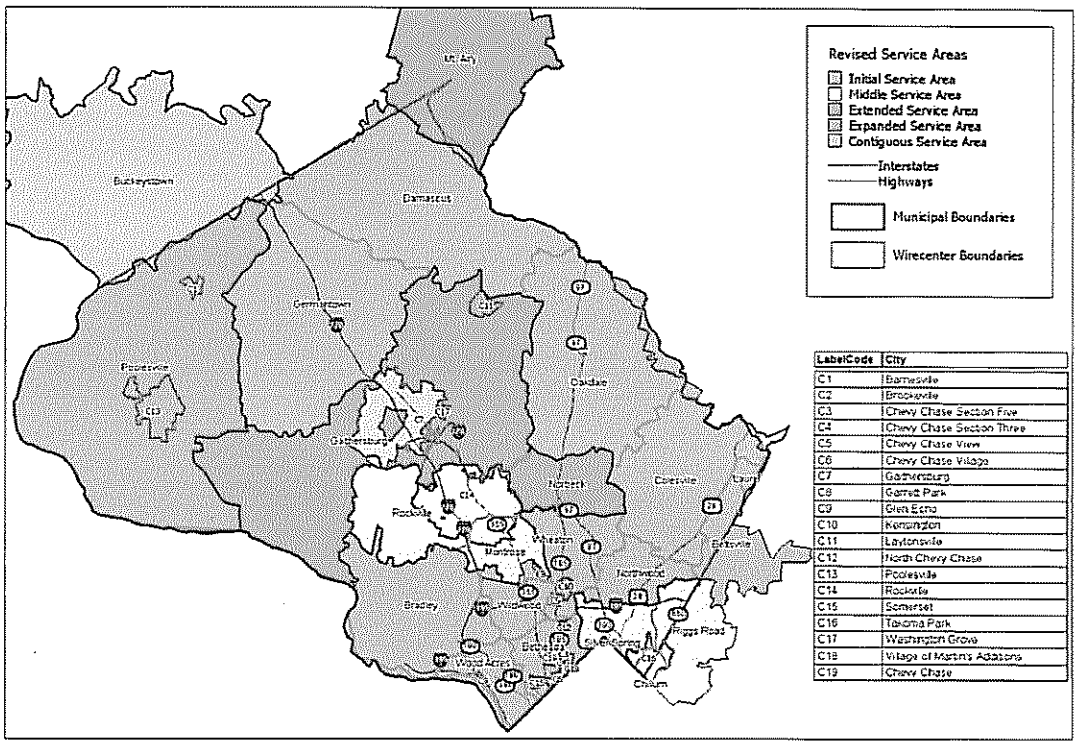

EXHIBIT C

PEG CHANNELS

1. Seven of the thirteen (13) PEG channels shall be allocated as follows:

(A) One full-time analog video channel for County Government use;

(B) One full-time analog video channel for Educational Access use by the Montgomery County Public Schools;

(C) One full-time analog video channel for Educational Access for use by Montgomery College;

(D) One full-time analog video channel for Public Access use by Montgomery Community Television or other County designee;

(E) One full-time analog video channel for Governmental use by the City of Rockville;

(F) One full-time analog video channel for Governmental use by the City of Takoma Park;

(G) One full-time analog video channel for Governmental use by the Montgomery County Chapter of the Maryland Municipal League.

2. The remaining PEG channels shall be allocated by the County in its sole discretion.

3. Subject to the County's rights regarding allocation of channels, franchisee shall carry the following PEG Channels currently being provided in the County:

- University of MD College Park: 1 Channel
- Montgomery County Governmental Access Channel: 1 Channel
- Montgomery College: 1 Channel
- City of Rockville Governmental Access: 1 Channel
- City of Takoma Park/City of Gaithersburg Governmental Access: 1 Channel
- University of MD University College: 1 Channel
- Public access: 2 Channels
- Montgomery County Public Schools: 2 Channels
- Montgomery County Chapter of the Maryland Municipal League: 1 Channel

EXHIBIT D

CUSTOMER SERVICE STANDARDS

This Exhibit sets forth the minimum customer service standards that the Franchisee must satisfy. In addition, and subject to the provisions of this Agreement, the Franchisee shall at all times satisfy any additional requirements established by applicable federal and state law or regulation, as the same may be amended from time to time, including, without limitation, consumer protection laws.

I. DEFINITIONS

The County and the Franchisee agree that the following definitions shall govern the County's enforcement of and the Franchisee's obligations under the customer service standard requirements under this Exhibit D:

- *As Soon As Possible:* As used in 47 C.F.R. § 76.1603(b), a minimum of thirty (30) days in advance of such change.

- *Customer Service Center/Business Office:* As used in 47 C.F.R. § 76.309(c)(1)(v) and Section 8A- 14(a) of the Cable Law, means that the Franchisee must provide for the pick up or drop off of equipment in one of the following manners: (i) by having a Franchisee representative going to the Subscriber's residence, (ii) by using a pre-paid mailer, or (iii) by establishing a local business office in the County.

- *Next Billing Cycle:* As used in 47 C.F.R. § 76.309(c)(3)(i)-(ii) and in this Agreement, means the Subscriber's next available billing cycle.

- *Resolution of the Request:* As used in 47 C.F.R. § 76.309(c)(3)(i)(A), means the Subscriber's Next Billing Cycle following determination by the Franchisee of the Subscriber's right to a refund.

- *Respond* (or *Begin Working On* as used in 47 C.F.R § 76.309(c)(2)(ii)): Franchisee's investigation of a Service Interruption by receiving a Subscriber call and placing the Subscriber's service repair request into the Franchisee's automated repair response system and, if required, taking action.

- *Return of the Equipment:* As used in 47 C.F.R. § 76.309(c)(3)(i)(B), a Subscriber's equipment is considered

returned when the Franchisee has accepted the condition of the equipment and billed for any outstanding charges, all of which shall be completed no later than the Subscriber's Next Billing Cycle.

- *Standard Installation:* Installations where the customer's premises are within two hundred (200) feet of the serving terminal, or the edge of the property, whichever is less, and where an ONT is already present.

- *System Malfunctions:* Service impacting event originating at the Franchisee's video hub offices or super-headend or a major fiber cut that would require the report of an unplanned outage in subsection 9.11.2.

- *System Outage:* A Service Interruption affecting more than 10 Subscribers.

II. CUSTOMER SERVICE STANDARDS

A. Except as modified by a specific provision of this Exhibit, the Franchisee shall comply with the customer service standards set forth in 47 C.F.R. §§ 76.309(c), 76.1602, 76.1603, and 76.1619, as such standards may be amended from time to time.

B. Measurement of the standard in 47 C.F.R. § 76.309(c)(1)(ii) may include all calls received by the Franchisee at all call centers receiving calls from Subscribers, whether they are answered by a live representative or by an automated attendant.

C. In addition, no increase in rates or charges shall be implemented unless each Subscriber subject to the increase in rates and charges has been notified of the change at least sixty (60) days in advance of the change. In lieu of the Franchisee providing sixty (60) days written or electronic notice to each Subscriber subject to the increase, notification may be cablecast to Subscribers by the Franchisee, but in the event a cablecast notice is provided to Subscribers, the Franchisee also shall give each Subscriber subject to the increase written notice of the increase no less than thirty (30) days before the increase is implemented. In addition, the Franchisee shall provide oral or written notification of any pending increases to rates and charges to any Person who requests Cable Service or becomes a Subscriber after any approval of increases to rates and charges but before the rate increase becomes effective.

D. The Franchisee shall employ an operator or maintain a telephone answering device twenty-four hours per day, each day of the

year, to receive Subscriber complaints. During normal business hours, Franchisee representatives must be available to respond to customer inquiries. After normal business hours, Franchisee may use an answering service or machine so long as calls are answered the next business day. The Franchisee must hire sufficient staff so that it can adequately respond to customer inquiries, complaints, and requests for service in its office, over the phone, and at the Subscriber's residence.

E. There shall be a location within the Franchise Area that shall be open and accessible to the public to make payments and to pick up or drop off equipment. In order to allow the Franchisee to efficiently pick up equipment and for Subscribers to easily drop off the Franchisee's equipment, the Franchisee may satisfy the foregoing pick up and drop off requirement by having a Franchisee representative going to the Subscriber's residence, by using a pre-paid mailer, or by establishing a local business office in the County, provided, however, that when Franchisee attains a minimum of fifty thousand (50,000) Subscribers in the Franchise Area, Franchisee shall establish a location in the Franchise Area that shall be open during normal business hours to allow Subscribers to request service, pay bills and conduct other business with Franchisee. Any physical location required under this paragraph shall be accessible to persons with disabilities and shall be in compliance with the Americans with Disabilities Act and any applicable laws of the State of Maryland.

F. The Franchisee shall establish maintenance service capable of promptly locating and correcting System Malfunctions and System Outages.

G. The Franchisee shall maintain a publicly-listed, local toll-free telephone number that shall be available to Subscribers to request service calls, twenty-four hours per day, each day of the year. Franchisee shall have TDD/TTY (or equivalent) equipment, and a publicly listed telephone number for such equipment, that will allow hearing impaired customers to contact the Franchisee. Under normal operating conditions, Cable System calls must be answered by a customer service representative or by an automated attendant, including the time a caller is put on hold, within 30 seconds after the connection is made. If the call is transferred to a customer service representative, the transfer may not exceed 30 seconds. Under normal operating conditions, a Cable System customer may receive a busy signal no more than three percent (3%) of the time. Although no special equipment is required to measure telephone answering and hold times, Franchisee should use its best efforts to document compliance. These requirements must be met ninety percent (90%) of the time, measured quarterly.

H. The Franchisee shall keep an emergency system maintenance and repair staff, capable of responding to and repairing System Malfunctions, System Outages, or Service Interruptions, on a twenty-four (24) hour basis at all times, and under Normal Operating Conditions shall Respond twenty-four (24) hours a day, seven (7) days a week.

I. Under Normal Operating Conditions, billing inquiries and requests for service, repair, and maintenance not involving Service Interruptions must be acknowledged by a trained customer service representative within twenty-four (24) hours, or prior to the end of the next business day, whichever is earlier. The Franchisee shall respond to all other inquiries within five (5) business days of receipt of the inquiry or complaint. Final resolution shall not be unreasonably delayed.

J. To the extent consistent with federal law, no charge shall be made to the Subscriber for repairs or maintenance of Franchisee-owned equipment or facilities, except for the cost of repairs to the Franchisee's equipment or facilities where it can be shown that the equipment or facility was damaged by a Subscriber.

K. If requested by a mobility-limited customer, the Franchisee shall arrange for pickup and/or replacement of converters or other Franchisee equipment at the Subscriber's address or by a satisfactory equivalent.

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

(1) Franchisee must begin work on Service Interruptions within twenty-four (24) hours, including weekends, of receiving a Subscriber's call reporting a Service Interruption or the need for repairs otherwise become known to Franchisee.

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

M. The Franchisee's service representatives will have the ability to issue service credits to address customer complaints related to missed appointments and Service Interruptions.

N. In the event of a Service Interruption of one or more channels to any Subscriber, the Franchisee shall repair the Service

Interruption as soon as possible. This obligation is satisfied if the Franchisee offers the Subscriber the next available repair appointment within the 24-hour period following the Service Interruption, or at the request of the Subscriber, to a mutually convenient later time for the repair call, and successfully repairs the Service Interruption during the agreed appointment. Under Normal Operating Conditions, if the Service Interruption is not repaired at the time of the scheduled appointment, the Subscriber will receive a credit of 10% of the Subscriber's normal monthly bill for each 24-hour period, or segment thereof, that the Service Interruption continues beyond the scheduled repair call.

O. The Franchisee shall provide the following materials to each Subscriber at the time Cable Service is installed, at least annually thereafter, and at any time upon request. Copies of all such materials provided to Subscribers shall also be provided to the County and posted on Franchisee's website.

(1) a written description of products and services offered, including a schedule of rates and charges, a list of channel positions, and a description of programming services, options, and conditions;

(2) a written description of the Franchisee's installation and service maintenance policies, and any other of its policies applicable to its subscribers;

(3) written instructions on how to use the Cable Service;

(4) written instructions for placing a service call;

(5) a written description of the Franchisee's billing and complaint procedures, including the address and telephone number of the County office responsible for receiving Subscriber complaints;

(6) a copy of the service contract, if any;

(7) notice regarding Subscribers' privacy rights pursuant to 47 U.S.C. § 551;

(8) notice of the availability of universal remote controls and other compatible equipment (a list of which, specifying brands and models, shall be provided to any Subscriber upon request); and

(9) The provision of information regarding delinquent subscriber disconnect and reconnect procedures under Section 8A- 14(d) of the Cable Law will be accomplished by Franchisee posting such information on its website.

P. Subscribers and the County will be notified of any changes in programming services or channel positions, and any significant changes in any other information required to be provided by this section in writing. Notice must be given to subscribers and the County a minimum of thirty (30) days in advance of such changes and other significant changes if the change is within the control of the cable operator.

Q. All Franchisee promotional materials, announcements, and advertising of residential Cable Service to Subscribers and the general public, where price information is listed in any manner, shall clearly and accurately disclose price terms. In the case of pay-per-view or pay-per-event programming, all promotional materials must clearly and accurately disclose price terms and in the case of telephone orders, the Operator shall take appropriate steps to ensure that price terms are clearly and accurately disclosed to potential customers before the order is accepted.

R. The Franchisee shall maintain a public file containing all notices provided to Subscribers under these customer service standards. Copies of all such notices provided to Subscribers shall also be provided to the County. The notices shall be placed promptly in the public file and maintained for at least one year from the date of the notice.

S. The Franchisee shall establish a clear procedure for resolving complaints filed by Subscribers. Complaints may be made orally, in writing (including by e-mail), at the complainant's option.

T. Subject to Section 2.2 and subsection 2.7.1, the customer service standards set forth herein shall be in addition to the rights and remedies provided by Title 13 of the Maryland Commercial Law Article (the Maryland Consumer Protection Act), as amended, and Chapter 11 (Consumer Protection) of the Montgomery County Code, 2004, as amended. This subsection does not evidence any consent or recognition by Franchisee of the legality of any provision of Title 13 of the Maryland Commercial Law Article (the Maryland Consumer Protection Act), as amended, or Chapter 11 (Consumer Protection) of the Montgomery County Code, 2004, as amended.

U. Section 8A-14(e) of the Cable Law shall be implemented in the following manner. The Franchisee shall schedule and conduct

maintenance on the Cable System so that interruption of service is minimized and occurs during periods of minimum Subscriber use of the Cable System. The Franchisee shall provide reasonable prior notice to Subscribers and the County before interrupting service for planned maintenance or construction, except where such interruption is expected to be two hours or less in duration. Such notice shall be provided by methods reasonably calculated to give Subscribers actual notice of the planned interruption.

V. The Subscriber's preference as to the point of entry into the residence shall be observed whenever feasible. Runs in building interiors shall be as unobtrusive as possible. The Franchisee shall use due care in the process of installation and shall restore the subscriber's property to its prior condition. Such restoration shall be undertaken and completed promptly if an unsafe condition exists, or if not, as soon as possible after the damage is incurred and shall be completed within no more than thirty (30) days after the damage is incurred.

W. In locations where the Franchisee's System must be underground, drops must be placed underground as well. Except as federal law may otherwise require, in any area where the Franchisee would be entitled to install a drop above-ground, the Franchisee will provide the homeowner the option to have the drop installed underground if requested, but may charge the homeowner the difference between the Actual Cost of the above-ground installation and the Actual Cost of the underground installation.

X. The Franchisee shall use its best efforts to collect on delinquent subscriber accounts before terminating service. In all cases, the Franchisee shall provide the customer with at least ten (10) working days written notice, with the telephone number to call to arrange payment or to resolve disputes, prior to disconnection.

Y. Under Normal Operating Conditions, each of the following standards shall be met by Franchisee at least 95% of the time, as measured on a quarterly basis:

(1) Prompt Service. The Standard Installation shall be performed within seven (7) business days after an order is placed subject to Section 3.2. and subsection 3.2.1. of the Agreement. If an ONT is not already installed on the customer's premises, it shall be installed within seven (7) business days after an order is placed by the customer.

(2) Repairs and Maintenance. Repairs and maintenance for Service Interruptions and other repairs not requiring work within a Subscriber's premises must be completed within 24-hours of the time the Subscriber reports the problem to the Franchisee or its representative or the interruption or need for repairs otherwise becomes known to the Franchisee. Work on all other requests for service shall be scheduled for the next available appointment, or at a later time mutually agreeable to the Franchisee and the Subscriber. Franchisee shall exercise its best efforts to complete such work within three (3) days from the date of the initial request, except installation requests, provided that the Franchisee shall complete the work in the shortest time possible where, for reasons beyond the Franchisee's control, the work could not be completed in those time periods even with the exercise of all due diligence; the failure of the Franchisee to hire sufficient staff or to properly train its staff shall not justify the Franchisee's failure to comply with this provision.

(3) Service Times. The Franchisee shall perform service calls, installations, and disconnects at least during Normal Business Hours. The Franchisee will offer Subscribers "appointment window" alternatives for arrival to perform installations, Service Calls and other activities of a maximum four (4) hours scheduled time block. At the Franchisee's discretion, the Franchisee may offer Subscribers appointment arrival times other than these four (4) hour time blocks, if agreeable to the Subscriber.

(4) Cancellation. The Franchisee may not cancel an appointment with a Subscriber after the close of business on the business day preceding the appointment. If the Franchisee's representative is running late for an appointment with a Subscriber and will not be able to keep the appointment as scheduled, the Subscriber will be contacted, and the appointment rescheduled as necessary, at a time which is convenient for the Subscriber.

EXHIBIT E

LETTER OF CREDIT

JPMorgan
JPMorgan Chase Bank
Global Trade Services

IRREVOCABLE STANDBY LETTER OF CREDIT

Issue Date:
L/C No.:
Amount: USD $_____ (_____ Dollars and 00/100 United States Dollars)

Beneficiary:
County of Montgomery
c/o County Council

Applicant:
Verizon Global Funding Inc
d/b/a (Verizon Virginia Inc.)
1095 Avenue of the Americas
Room 3000
New York, NY 10036

TO:
County of Montgomery

We hereby establish this irrevocable standby Letter of Credit No. _____in your favor, for an aggregate amount not to exceed the amount indicated above, expiring at JPMorgan Treasury Services, Tampa, Florida, at our close of business on _____.

This Letter of Credit is available with JPMorgan Chase Bank against presentation of your draft at sight drawn on JPMorgan Chase Bank when accompanied by the documents indicated herein.

Beneficiary's dated statement purportedly signed by the board or the Director of the Department of Finance reading as follows:

"The amount of this drawing USD $ _____, under JPMorgan Chase Bank Letter of Credit No. _____represents funds due us as Verizon Maryland Inc. has failed to perform its duties pursuant to the Cable Franchise Agreement By and Between Montgomery County, Maryland and Participating Municipalities and Verizon Maryland Inc., dated , 2006."

It is a condition of this Irrevocable Letter of Credit that it shall be automatically extended without amendment for additional one year periods from the present or each future expiration

date, unless at least 60 days prior to such date, we send you notice in writing by registered mail return receipt requested or hand delivery at the above address that we elect not to renew this Letter of Credit for such additional period.

Upon such notice to you, you may draw drafts on us at sight for an amount not to exceed the balance remaining in this Letter of Credit within the then applicable expiry date, accompanied by your dated statement purportedly signed by the board or the Director of the Department of Finance reading as follows:

"The amount of this drawing USD $_____ under JPMorgan Chase Bank Letter of Credit number_____ represents funds due us as we have received notice from JPMorgan Chase Bank of their decision not to extend Letter of Credit Number _____ for an additional year."

All correspondence and any drawings hereunder are to be directed to JPMorgan Treasury Services, Standby Letter of Credit Dept., 4th Fl., 10420 Highland Manor Drive, Tampa, Florida 33610. Customer Inquiry Number is 1-866-632-5101 and choose option No. 3.

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 Letter of Credit is subject to the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590.

This Letter of Credit shall be governed by, and construed in accordance with, the laws of Maryland without regard to principles of conflict of laws.

_____

Authorized Signature (Bank)

EXHIBIT F

MONTGOMERY COUNTY
FRANCHISE FEE SCHEDULE/REPORT

For the Quarter Ending: Total Service Subscribers:

	Month 1	Month 2	Month 3
1. Monthly Recurring Cable Service Charges			
Basic Service			
Premium Service			
Other Monthly Charges(e.g. equipment rental)			
Total Monthly Recurring			
2. Usage Based Charges (e.g., Pay-Per-View, Video-On-Demand, Installation)			
3. Other Misc. (e.g., Late Charges, Advertising, Leased Access)			
4. Franchise Fees Collected			
5. PEG Fees Collected			
	$	$	$
Less:			
1. Other Tax/Fee Collected			
2. Uncollectibles/Deferrals	$	$	$
Total Receipts Subject to Franchise Fee Calculation			
Franchise Fee Rate 5%			
Franchise Fee Due			
PEG Grants Rate 3%			
PEG Grants Due			
Total Fee and Grants Due			
		Quarter Franchise Fee	**$**
		Quarter PEG Grants	**$**
		Quarter Total	**$**

Verizon Maryland Inc.
1 East Pratt Street
Baltimore, MD 21202

November 30, 2006

Via Hand Delivery

Mr. George Leventhal
Council President
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Montgomery County, Maryland, Cable Television Franchise Agreement ("Agreement") with Verizon Maryland Inc.

Dear Mr. Leventhal:

This is to address the County's concerns about the tracking and reporting of calls received at its call centers serving Montgomery County customers as set forth in Exhibit D Section II.G. Verizon currently tracks answer time and transfer time metrics for all calls received at the primary Fiber Solution Center and Encore Center, centers established to handle all FiOS related calls originating from a defined geographic area. Current systems are not designed to track incoming calls originating from a subset of the defined geographic area. Verizon continuously reviews and implements changes to its call center processes and metrics in order to drive customer satisfaction. Verizon agrees to provide periodic updates to the County on these changes, upon request. Verizon is committed to providing call answer time on a County-specific (NPA/NXX) basis and currently anticipates deploying this functionality for Montgomery County by January 1, 2008. Verizon shall work with the County to define the NPA/NXX's that will be reported.

If Verizon offers a cable service product to business customers in any other LFA, Franchisee shall, within 12 months, also make cable service available to all businesses in Montgomery County (for which the FTTP Network is not subject to unbundling obligations).

It is also understood that the Franchise Fee payable under the Agreement is not a tax imposed on Subscribers and collected by Verizon.

Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Agreement. Please indicate your consent and agreement to the foregoing by signing a copy of this letter in the space provided below, and returning same to the undersigned.

Sincerely,

William Roberts, President
Verizon Maryland Inc.

FORM APPROVED
Attorney
Date 11/30/06

Acknowledged and Agreed:

George L. Leventhal
Council President

Douglas M. Duncan
County Executive

APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE COUNTY ATTORNEY
BY: Clifford L. Kronthy
DATE: 12/1/06