

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

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IN THE MATTER OF THE APPLICATION OF)
VERIZON DELAWARE INC., FOR A CABLE)
TELEVISION FRANCHISE TO SERVE THE) PSC DOCKET NO. 06-40
UNINCORPORATED AREAS OF THE STATE)
OF DELAWARE (FILED JANUARY 23, 2006))

FINDINGS, OPINION, AND ORDER NO. 7074

BEFORE: ARNETTA McRAE, Chair
JAYMES B. LESTER, Commissioner
JOANN T. CONAWAY, Commissioner
J. DALLAS WINSLOW, Commissioner
JEFFREY J. CLARK, Commissioner

This 21st day of November, 2006, the Commission finds, determines,
and Orders the following:

I. INTRODUCTION

1. By this Order, the Commission grants to Verizon Delaware Inc. ("VZ-DE" or "Verizon") a franchise (Exhibit "A") to construct and operate a cable television system to provide video services to consumers in the unincorporated areas of this State.¹ The Commission finds that Verizon has the financial and operational capabilities to likely fulfill the terms of its franchise. In addition, after considering the application, and the presentations and comments made by VZ-DE, numerous members of the public, incumbent cable service providers, and the Commission Staff, the Commission determines that the public need and interest will be served by the grant of the attached franchise to Verizon.

¹See 26 Del. C. §§ 601(a)-(b), 603(b)-(c).

II. BACKGROUND

2. In November 2005, the Commission, in response to a request made by Verizon, solicited applications for a cable franchise to serve the unincorporated areas of the State. See PSC Order No. 6763 (Nov. 8, 2005).²

3. In January, 2006, Verizon filed an application to be awarded the solicited franchise.³ Although the application sought a franchise for all the unincorporated areas within the State, the application, in detailing Verizon's proposed scope of service, focused on an "initial service area." That "initial service area" was composed of nine areas disbursed throughout the State, each now being served by one of Verizon's telecommunications "wire centers."⁴ As later fleshed out in VZ-DE's draft franchise agreement, Verizon would provide its video services to significant numbers of subscribers in

²See 26 Del. C. § 601(c). The unincorporated areas of the State are not presently devoid of cable television services. Several "incumbent" cable system operators already provide cable television services in the unincorporated areas of the State under various franchises previously granted (and later renewed) by this Commission. In some cases, the franchise areas under those prior awards encompass large portions of the unincorporated areas in this State. However, no previously granted franchise contains a franchise area covering all the unincorporated areas. In addition, in several instances, the franchise areas previously awarded to differing cable operators overlap.

³See Verizon Delaware Inc.'s Application for a Cable Television Franchise (filed Jan. 23, 2006) (Exh. 1).

⁴See Application ¶ 1 & Attachment I. The use of "wire centers" as the construct for these initial service areas reflects the Fiber Optic ("FiOS") or Fiber to the Premises ("FTTP") network that will serve as the platform for Verizon's delivery of video services to consumers. As described by Verizon, the FTTP platform is a fiber optic upgrade or expansion of its telecommunications network. The fiber-optic based platform, which will be used to provide not only video but also broadband information services and telecommunications services, will continue to emanate from the carrier's current telecommunications "wire centers." These "wire centers" - used for switching in the traditional telephone network - will thus become a part of the local distribution network for the video services.

the residential areas within the initial service area and may make its services available to businesses in the initial service area within two years. At the end of the first five years, Verizon would offer service throughout this initial service area - except in those areas where neither customer contributions nor residential density require expansion under its "line extension policy."⁵ Beyond this initial service area, Verizon could choose, but could not be compelled, to extend its video services to other "additional" service areas.⁶

4. Pursuant to 26 Del. C. § 603, the Commission sat to consider VZ-DE's application at a duly-noticed open public hearing on April 11, 2006. See PSC Order No. 6858 (Mar. 14, 2006) (prescribing notice of hearing on Verizon's application). At that hearing, the Commission entertained a presentation from Verizon and considered comments made by two members of the general public and by City Council President Theodore Blunt representing the City of Wilmington and the Delaware League of Local Governments. The Commission also heard the positions of Comcast of Delmarva, Inc. ("Comcast"), the Cable Telecommunications Association of Maryland, Delaware, and the District of Columbia ("Cable Association"), and the Public Advocate. It also had recommendations from Staff.⁷ Ultimately, the Commission decided to continue its hearing and to schedule additional opportunities for

⁵Draft Franchise Agreement (Aug. 17, 2006) at § 3.2.1.

⁶Draft Franchise Agreement (Aug. 17, 2006) at § 3.2.3.

⁷See Tr. 6-43. The "record" at the hearing also included 17 written exhibits. Several of those exhibits were pieces of correspondence speaking to Verizon's application. Those documents are contained in the docket file. The hearing transcript and such documents are part of the record in this proceeding.

public comment during sessions to be held in each of the three counties. In addition, VZ-DE had not filed a draft franchise document with its application. The Commission thought it might be more efficient to have such draft franchise document publicly available before these additional sessions began. With it, the public, cable incumbents, and Staff could comment on specific terms in the draft document during the expanded period for comments. See PSC Order No. 7006 (Aug. 22, 2006) (explaining April 11, 2006 decision).

5. After discussions with Staff, Verizon submitted its draft franchise document on August 17, 2006. See Order No. 7006 (setting details for eliciting further comments and summarizing Staff's reservations about two particular areas in the draft franchise document). The Commission's Hearing Examiners held the duly (and widely) noticed comment sessions in the three counties on September 25, 26, and 27, 2006. They filed a Report summarizing the identity of the numerous participants and the content of the comments (both oral and written) offered during the comment and reply period.⁸ The Commission Staff also offered its recommendations about Verizon's

⁸See Report of Hearing Examiner R. Price (Oct. 23, 2006). At least one Commissioner attended each of these additional public sessions. During the extended comment period, comments were forthcoming from members of the general public, numerous legislators, other public officials, Comcast, and the Cable Association. HE Report 2-8. During the sessions, Verizon also repeated its presentation explaining its proposed cable television service. In addition, at the end of the process, Verizon offered a written reply to the other participants' comments. HE Report at 8-12. Verbatim transcripts of the public comment sessions were prepared. Tr. 58-95 (Sussex); 96-141 (Kent); & 142-90 (New Castle). In addition, the Commission received numerous additional written letters and e-mails during the extended comment period. They are contained in the docket file. The Commission now includes the Hearing Examiner's Summary Report, the transcripts, and all the submitted written documents and comments (including Verizon's reply) into the record in this matter.

franchise request and its draft franchise document. Overall, Staff recommended that Verizon's application be granted. However, Staff did recommend that the franchise document be modified to include several reporting requirements related to service area "build-out" and expansions. Under Staff's proposed changes, Verizon would have to make specific regular status reports about its "build-out" in its designated "initial service area," followed with a fourth year report about its plans for expansion beyond those initial nine wire center areas over the ensuing five years.⁹ As Staff explained it, such reporting requirements would allow the Commission to monitor whether Verizon was fulfilling its commitments about the scope of services in its initial area, but also whether in extending its services it was indeed meeting two important obligations: its franchise duty not to unreasonably discriminate in providing access to its video services and its similar federal statutory obligation not to deny access to its services to any group of potential residential customers because of the income levels of the residents of the local area in which such group might reside.¹⁰ Staff also recommended modifications to the draft franchise provisions related to Public, Educational, and Governmental ("PEG") channel access.¹¹ Staff first suggested that in

⁹See Staff Memorandum at 6-7 (Oct. 23, 2006).

¹⁰See 47 U.S.C. § 541(a)(3).

¹¹The 1974 State Cable Act does not speak to PEG channel obligations for cable system operators. However, under federal law, local franchising authorities have the power to include franchise terms ensuring that cable operators will make available both channel capacity and associated production support for use by the public, educational institutions, and government units. See 47 U.S.C. §§ 531, 541(a)(4)(B). The Commission has historically

lieu of Verizon's somewhat complicated scheme for calculating its PEG channel grant contributions, Verizon should simply agree to have its franchise term mirror the PEG commitments (both in terms of channel capacity and dollar contributions) that prevail under one incumbent cable operator's existing franchise. Similarly, Staff recommended that the Commission reject the draft franchise terms that seemingly would make it a regulatory obligation for cable operators to "interconnect" with Verizon so that it could disseminate PEG programming produced, or carried by, other cable systems. But in a broader context, Staff urged the Commission - regardless of how Verizon's PEG channel commitments might be crafted for the short-term - to endorse a franchise term that would allow the Commission, after 2012, to seek renegotiation of Verizon's PEG channel obligations. In Staff's view, such a PEG renegotiation provision would be conditional: it would be triggered only if all incumbent cable operators also now agree to change their existing franchises to include a similarly-timed renegotiation process for their PEG channel obligations. As Staff saw it, if all wired video providers agreed to such renegotiation terms, then the Commission would have the opportunity to take a later "global" look at how to provide (and fund) PEG programming to citizens, especially if demand for PEG access might move from its present somewhat moribund State.¹²

approved cable franchises that include various PEG commitments by the franchised operator.

¹²See Staff's Memo at 7-8. Staff also recommended that Verizon commit to weekend hours in its office operations comparable to the office hour requirements applicable to the incumbent Comcast. *Id.* At 8. Finally, Staff proposed that once Verizon entered the video services market, the Commission

6. Thereafter, both Comcast and the Cable Association submitted further written comments, responding to both Verizon's earlier reply comments and Staff's recommendations. That correspondence reiterated many of the issues that the cable entities had raised during the earlier comment period before the Hearing Examiners. The cable entities again urged the Commission to have Verizon include in its franchise specific, concrete commitments related to its "build-out" of plant and service in both the defined "initial service area" and the remainder of the franchise area it had sought. They pointed to franchise agreements for counties in neighboring States where the Verizon company had included pre-set timetables for expanding its video services through not only the designated initial service area but also through additional service areas. And they again called for the Commission to rework Verizon's proposed "line extension" policy describing how many homes per mile must exist before Verizon can be obligated to extend its services. Under Verizon's draft document, homes already served by another cable operator would be excluded from the density count. That qualifier, the cable entities said, renders the "mandatory" extension policy almost illusory as applied to Verizon's initial service area where incumbent cable operators likely already serve a significant number of homes. Instead, Verizon would be free to pick and choose where it wants to "overbuild" and would likely select only the most revenue-attractive areas. And finally, the cable entities repeated their

should explore lifting various administrative regulatory requirements imposed on incumbent cable operators but not on Verizon.

objections to the PEG terms in Verizon's draft franchise as those terms imposed an interconnection obligation on other cable operators and conditioned Verizon's PEG grant contribution on other cable operators' first making "competitively neutral" PEG payments measured on a "per subscriber" basis.

7. On October 31, 2006, the Commission reconvened its previously-continued public hearing on the application. It again heard from Verizon, Comcast, the Cable Association, and City Council President Blunt.¹³ Staff also expanded on its reasoning for its previously-proffered recommendations. During the course of the hearing, Verizon offered amendments to its draft franchise document to respond to Staff's recommendations and several issues raised by the cable entities. Thus, Verizon offered:

- (a) to incorporate into its franchise Staff's recommendations concerning various reporting requirements concerning its build-out and service expansions;
- (b) to modify its PEG channel commitments to delete any mandatory interconnection obligation and to have its overall PEG terms track the PEG commitments set forth in paragraph 11(b) of the current franchise held by Comcast New Castle County (PSC Order No. 6775 (Nov. 22, 2005));¹⁴
- (c) to revise its definition of its office hours so as to capture weekend hours;
- (d) to more completely define the "effective date" and "service date" terms as used in the franchise;

¹³Tr. 193-254. The verbatim transcript of the October 31 hearing is made part of the record in this matter.

¹⁴Verizon had earlier agreed to Staff's recommendation that its PEG obligations be subject to renegotiation after 2012, provided that all other cable operators committed to a similar PEG renegotiation provision.

- (e) to revise its "line extension" policy terms so that the density calculation will be based on the total number of homes per mile, whether or not any such home might already be served by another cable system; and
- (f) to delete the franchise provision that had been read as allowing Verizon to "offset" any actual PEG grant contribution against its franchise fee liability.¹⁵

8. At the close of the hearing, the Commission, by a unanimous vote taken and recorded in public, determined to award Verizon a franchise to provide video services in the unincorporated areas of the State. Verizon will do so under the franchise agreement proposed by it, but with the subsequent changes offered by Verizon on October 31 and incorporating the recommendations made by Staff.¹⁶ That franchise document (as so modified) is attached as Exhibit "A." It is approved and adopted by the Commission. This Order reports the criteria (and findings) which support the award of the franchise to Verizon.

III. FINDINGS AND OPINION

A. Public Need for the Proposed Franchise

9. The Commission finds a "public need" for Verizon's franchise. Even before it became a federal policy,¹⁷ this Commission committed to the concept of non-exclusive franchises for cable service, with the attendant possibility of several cable operators competing to acquire and serve customers in the same area. As the Commission saw it, the crucial public interest is "best served by

¹⁵Tr. 195-203, 253-54.

¹⁶Tr. 255-59.

¹⁷See 47 U.S.C. § 541(a)(1).

giving each applicant the opportunity to serve the area which it seeks to serve and letting the potential customers benefit from any competition which may develop in the overlapping areas."¹⁸ Here, members of the public, public officials, and private organizations - almost with unanimous voice - support Verizon's entry into the market for consumer cable and video services. Even incumbent cable providers support Verizon's application for a franchise, provided that the resulting competition will take place on what they view as a "level playing field." The grant of Verizon's franchise application will serve a public need.

B. Likelihood That Verizon Will Fulfill the Terms of the Franchise

10. Similarly, none of the participants in this matter questioned Verizon's ability (in terms of capital, operational experience, or "corporate" character) to fulfill the terms of the finally approved franchise. Verizon may be new to the cable or video services market but it is no start-up company; it is the incumbent telecommunications provider in this State. And the FTTP platform it will construct is not simply a cable or video system; it is a delivery platform for its upgraded telecommunications and broadband services. The Commission has no reason to question that Verizon has the financial, technical, and operational capabilities to provide its video services in accord with the terms of the approved franchise.

¹⁸See PSC Dckt. No. 36-79, Findings & Opinion of the Commission at ¶ 16 (Dec. 9, 1980) (PSC Order No. 2163).

C. Service Areas and Expansion

11. As noted earlier, with just a few exceptions, all the participants support Verizon's entry into the consumer video services market. Rather, the flash-point between Verizon and many participants is what should be the extent of this entry. Some members of the public ask that their neighborhoods be included in Verizon's "initial service area" so that they will have the option of choosing one or another video provider. Similarly, several public officials question Verizon's choice of the initial wire center areas, suggesting that any franchise should be withheld until Verizon can say when it will serve their particular County. And several (including the cable entities and City Council President Blunt) call upon the Commission to compel Verizon to commit to a schedule for the phased "build-out" of its FTTP network throughout all the unincorporated areas of the State, so that within a reasonable period of time, all consumers will have the ability to choose between competing "over-built" video and cable providers. They say that if such ex ante build-out schedules are not imposed, Verizon will be able to focus its services on "wealthy areas" and leave consumers in poorer neighborhoods with neither "choice," "advanced offerings," or the lower prices wrought by head-to-head cable competition.

12. After careful consideration of the issue (and the various comments), the Commission will accept Verizon's franchise provisions related to service expansion, as amended by Verizon on October 31, and as modified by Staff's recommendations for particular reporting requirements. Accordingly, under its franchise, Verizon is obligated

to expand its video services in its initial service area of nine wire centers consistent with its 35 homes per mile line extension policy. Within five years, Verizon shall have its video services available throughout the entire initial service area - except in those areas where the residential density was insufficient under the line extension policy to compel expansion.¹⁹ Thereafter, Verizon can exercise its business judgment to determine the locale and scope of expansion beyond the "initial service area."²⁰

13. The Commission's decision to accept Verizon's expansion terms is driven by the desire to promote competitive entry into the video services market so that real competition (and the effect such can have on prices and service) will become a reality. But it is also informed by how the Commission has historically dealt with requirements related to cable network expansions. In the past, in almost all instances, the Commission has not imposed on cable operators ex ante time schedules for when they must expand their delivery networks to fully "fill-out" newly granted franchise areas. Instead, the Commission has looked to "line extension policies" as the appropriate benchmarks for obligatory build-outs within a franchise area, thus allowing economic feasibility to dictate when service expansions are required.²¹ Verizon's franchise terms related to

¹⁹Final Franchise §§ 3.2.1, 3.2.2.1. As noted earlier, under Verizon's amended line extension policy, it cannot exclude homes served by another cable provider in calculating the number of homes per mile.

²⁰Final Franchise § 3.2.3.

²¹See e.g., PSC Orders Nos. 2977 (Sept. 6, 1988) ("Commission will require all cable television companies to serve all their franchise areas under the terms of their effective line extension policies"); 3108 (Nov. 7,

service expansion, particularly in light of the modified line extension policy, are consistent with the Commission's traditional views about when operators should be required to expand their service footprint.

14. However, Verizon's choices about where it will offer its services are not without a constraint. Since 1984, federal law has empowered this Commission to ensure that a cable operator does not deny any group of potential residential cable subscribers access to its cable services because of the income of the residents of the local area in which such group resides.²² The Commission believes that this statutory "anti-redlining" obligation is an enforceable part of Verizon's larger franchise duty not to unreasonably discriminate in the availability of its video services.²³ Staff's reporting requirements, now endorsed by the Commission and accepted by Verizon,

1989) (cable operator "will at all times serve all its franchise area under the terms of its line extension policy on file with the Commission"); 3110 (Nov. 7, 1989) (same condition but also asking Staff recommendations on whether cable companies' line extension policies should be modified to require the "counting" of homes served by another cable system). It might be asserted that this use of line extension policies, rather than ex ante construction schedules, to govern franchise area build-outs is consistent with the statutory dictates of the State Cable Act. Section 603(11) does speak of including such phased construction schedules in a franchise application. But, section 604(3) links the need for such schedules with fixed dates for the extension of construction and service "when and to the extent required by the Federal Communications Commission." No one has suggested that any federal statute, or FCC regulation, compels a local franchising authority to impose pre-set construction schedules that obligate the operator to fully fill-out its franchise area. The Commission believes that franchising authorities have discretion to decide how to deal with obligatory service expansions and the Commission's long-standing choice to rely on line extension policies remains consistent with both federal and state requirements.

²²See 47 U.S.C. § 541(a)(3).

²³Final Franchise § 3.2.4.

will provide a means for the Commission to monitor whether Verizon's expansions - both within the initial service area and in any later additional service areas - are consistent with these statutory and contractual duties. If the Commission, either through complaint or its own review, suspects that Verizon's decision about network expansion have, or will, run afoul of these anti-discrimination principles, the Commission stands ready to undertake an investigation. And if a breach is indeed found, the Commission will direct Verizon to take specific acts to comply with its anti-discrimination duties.²⁴ Of course, the Commission expects that Verizon will adhere to its obligations so that such an inquiry is never needed.

D. PEG Channel Obligations

15. At the October 31 hearing, Verizon offered to amend its original draft franchise to delete its originally proposed PEG channel commitments in favor of PEG provision terms mirroring those contained in Comcast New Castle County's current cable franchise (PSC Order No. 6775 (Nov. 22, 2005)). Given that the Commission just accepted those PEG provisions in renewing Comcast New Castle County's franchise, the Commission sees no reason to reject Verizon's adoption of such PEG channel commitments.²⁵

²⁴See 26 Del. C. §§ 605(1), 606.

²⁵Some have suggested that it might be problematic to allow Verizon - with a franchise stretching throughout the State - to have the same PEG contribution level (\$100,000) as a cable operator serving only a portion of one county. However, given that PEG access has not been active under any of the Commission's franchises, it is difficult for the Commission to have a benchmark to judge the "adequacy" of any PEG contribution amount.

16. However, as Staff suggests, the comments focusing on what PEG channel obligations Verizon should bear highlight a somewhat larger issue. The Commission has traditionally included PEG channel obligations in all its cable franchises. However, according to Staff, the use of such PEG channels has been somewhat of a "non-starter" in the context of service to the unincorporated areas. County Executive Coons reports that New Castle County is currently exploring launching a PEG channel for the unincorporated areas with that County. But until this recent report, the Commission Staff cannot recall any other request made to this Commission to utilize the PEG channel obligations in any current franchise issued by this Commission.

17. The Commission endorses Staff's proposal that the Commission pursue the opportunity to revisit - sometime after 2012 - the PEG channel obligations under all the cable franchises it has issued, including the one now issued to Verizon. Things might change by then, and the public, educational institutions, and governmental units might then be demanding increased access to PEG channels. If so, the Commission would want the opportunity to seek renegotiations of current PEG channel obligations (including channel capacity and production facility contributions) in light of that increased demand. The Commission cannot now say what new commitments it might seek in such later renegotiations. What it desires now is the ability, if PEG access demand does indeed change, to renegotiate each franchise holder's PEG channel commitments.

18. Verizon has agreed in its franchise to such a PEG channel review after 2012. Of course, the Commission believes that Verizon

should be held to that term, only if all other cable franchise holders now agree to modify their current franchises to include similar terms allowing for similar renegotiations of PEG commitments after 2012. Other cable system operators should promptly notify the Commission whether they would agree to modify their franchises to allow for PEG channel renegotiations after 2012.

E. Miscellaneous

19. The Cable Association has suggested that Verizon's original application was mortally deficient in that it did not include, on a publicly available basis, plats of its proposed receiving antennas, head-end equipment, studio, office, maintenance facilities, and truck routes for its cables. See 26 Del. C. § 602(8). Verizon's response was that it is willing to provide such type of information to the Commission, but given that its emerging FTTP network serves both as a telecommunications network as well as a video services platform - it is extremely reluctant to make such information about the location of its network facilities "public." In these post-September 11, 2001 times, there can indeed be significant and legitimate security concerns about whether information related to the operation and location of telecommunications networks should be publicly available from State agencies.²⁶

20. In this context, the Commission finds that any failure to submit a public copy of the plats required by 26 Del. C. § 602(8) is

²⁶See 29 Del. C. § 10002(g)(16)a.2. (defining as "non-public" records diagrams related to telecommunications' network facilities and switching equipment where disclosure would reveal the building's or structure's "specific location" and such record could facilitate the planning of a terrorist attack).

not grounds to reject either Verizon's application or its proposed franchise. Verizon has identified the nine wire centers that will be included within its initial service area. At this juncture, the exact location of Verizon's office and its other facilities, or the routes for its new FiOS network trunks, does not seem to be the kind of information that would make any material difference in deciding whether to grant Verizon a video service franchise. However, the Commission expects that if it (or its Staff) requires such facilities information in order to monitor Verizon's performance under its franchise or for some other legitimate purpose, then Verizon will promptly file it with the Commission, accompanied by any appropriate confidentiality claims.

Now, therefore, **IT IS ORDERED:**

1. That, pursuant to 26 Del. C. § 601 and for the reasons set forth in the body of this Order, Verizon Delaware Inc. is hereby granted a franchise to construct and operate a cable television or video service system in the unincorporated areas of the State of Delaware.

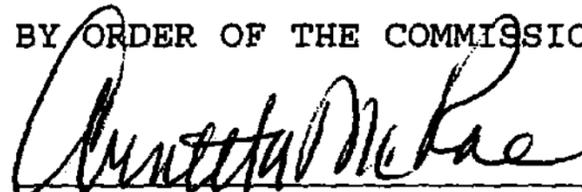
2. That Verizon Delaware Inc. shall operate such system and provide its cable television and video services under the terms of the Franchise Agreement attached hereto as Exhibit "A."

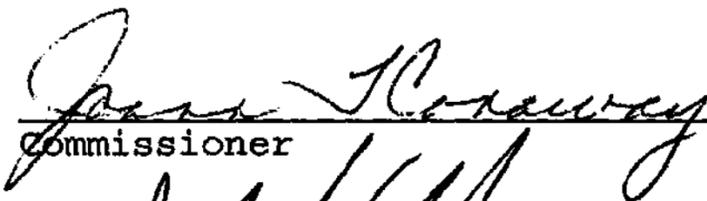
3. That the Commission retains the power and jurisdiction to monitor and enforce the terms of the above franchise under the provisions of 26 Del. C. §§ 605-610.

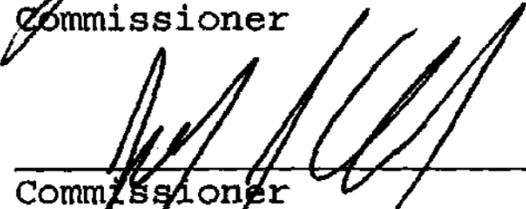
4. That the franchise here granted and the franchise agreement attached hereto shall be effective upon acceptance by Verizon Delaware Inc.

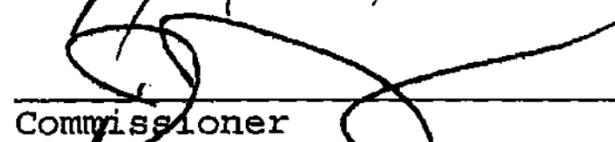
5. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

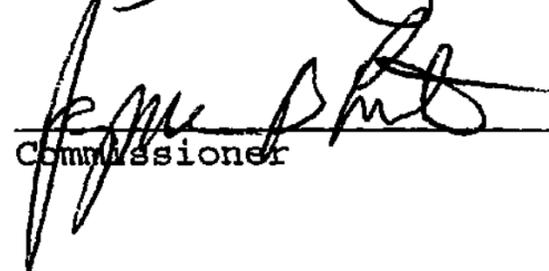
BY ORDER OF THE COMMISSION:


Chair


Commissioner


Commissioner


Commissioner


Commissioner

ATTEST:


Secretary

E X H I B I T "A"

THIS ORDER constitutes the NON-EXCLUSIVE FRANCHISE AGREEMENT (the "Franchise" or "Agreement") entered into November 20 2006, 2006 by and between THE DELAWARE PUBLIC SERVICE COMMISSION (the "Commission") and Verizon Delaware LLC (the "Franchisee"), a corporation duly organized under the applicable laws of the State of Delaware whose principal place of business is 901 Tatnall Street, Wilmington, Delaware, 19801.

WHEREAS, the Commission wishes to grant Franchisee a non-exclusive franchise to operate a Cable System in the Franchise Area as designated in this Franchise;

WHEREAS, the Commission is a "franchising authority" in accordance with Title VI of the Communications Act (*see* 47 U.S.C. §522(10)) and is empowered to grant one or more non-exclusive cable franchises to cable operators providing Cable Service in the unincorporated areas of the State of Delaware pursuant to 26 Del. C. subchapter VI.

WHEREAS, Franchisee is in the process of installing a Fiber to the Premises Telecommunications Network ("FTTP Network") in the Franchise Area for the transmission of Non-Cable Services pursuant to authority granted by Title 26, Section 901 of the Delaware Code.

WHEREAS, the FTTP Network will occupy the public rights-of-way within the Franchise Area, and Franchisee desires to use portions of the FTTP Network once installed to provide Cable Services (as hereinafter defined) in the Franchise Area;

WHEREAS, the Commission has identified the future cable-related needs and interests of the community, has considered the financial, technical and legal qualifications of Franchisee, and has determined that Franchisee's plans for its Cable System are adequate, in a full public proceeding affording due process to all parties, and has found Franchisee to be financially, technically and legally qualified to operate the Cable System;

WHEREAS, the Commission has determined that the grant of a non-exclusive franchise to Franchisee is consistent with the public interest, and the Commission and Franchisee have reached agreement on the terms and conditions set forth herein and the parties have agreed to be bound by those terms and conditions.

NOW, THEREFORE, in consideration of the Commission's grant of a franchise to Franchisee, Franchisee's promise to provide Cable Service to residents of the Franchise Area of the Commission pursuant to and consistent with the provisions of Subchapter VI of Chapter 1 of Title 26 of the Delaware Code, the Communications Act (as hereinafter defined) and the terms and conditions set forth herein.

1. DEFINITIONS

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

1.1. *Access Channel*: A video Channel, which Franchisee shall make available without charge for non-commercial Public, Educational, or Governmental use for the transmission of video programming as specified in this Agreement.

1.2. *Additional Services Areas*: Shall mean any such portion of the Service Area added pursuant to Section 3.2.3 of this Agreement.

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

1.4. *Annual Basic Service Regulated Revenue*: Shall mean and only include revenue related to Franchisee's provision of Cable Service over the Cable System as set forth in 26 Del. C. § 610(a)(4).

1.5. *Basic Service*: Any service tier, which includes the retransmission of local television broadcast signals as well as the Public, Educational and Governmental ("PEG") Channels required by this Franchise.

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

1.7. *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). The Cable System shall be limited to the optical spectrum wavelength(s), bandwidth or future technological capacity that is used for the transmission of Cable Services directly to Subscribers within the Service Area and shall not include the tangible network facilities of a common carrier subject in whole or in part to Title II of the Communications Act or of an Information Services provider.

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

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

1.10. *Effective Date*: Shall be the day that this Agreement is executed by Franchisee and the Commission.

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

1.12. *Force Majeure* An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances, lockouts, war or act of war (whether an actual

declaration of war is made or not), insurrection, riots, act of public enemy, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which Franchisee is not primarily responsible, fire, flood, or other acts of God, or work delays caused by waiting for utility providers to service or monitor utility poles to which Franchisee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.13. *Franchise Area*: The unincorporated areas of the State of Delaware.

1.14. *Franchisee*: Verizon Delaware LLC and its lawful and permitted successors, assigns and transferees.

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

1.16. *Initial Service Area*: Franchisee shall offer Cable Service on a telephone wire center exchange boundary and service area basis. The Initial Service Area shall be defined as those parts of the Franchise Area traditionally served by the Franchisee from the following wire centers: Angola, Dover, Hockessin, Holly Oak, Middletown, Newark, Talleyville, Penn Rose, Wrangle Hill. A map defining wire center exchange boundaries in the Franchise Area is provided in Exhibit A.

1.17. *Non-Cable Services*: Any service that does not constitute the provision of Video Programming directly to multiple Subscribers in the Franchise Area including, but not limited to, Information Services and Telecommunications Services as provided over Franchisee's Telecommunications Facilities.

1.18. *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.

1.19. *Normal Operating Conditions*: Those service conditions that are within the control of the Franchisee. Those conditions that are not within the control of the Franchisee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. 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).

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

1.21. *Service Area*: All portions of the Franchise Area where Cable Service is being offered including the Initial Service Area and Additional Service Areas.

1.22. *Service Date*: The date that Franchisee first provides Cable Service on a commercial basis directly to any Subscribers in the Franchise Area, which date shall not be more

than ninety (90) days after the Effective Date. Franchisee shall memorialize the Service Date by notifying the Commission in writing of the same.

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

1.24. *Subscriber:* A Person who lawfully receives Cable Service over the Cable System with Franchisee's express permission.

1.25. *Telecommunications Facilities:* Franchisee's existing Telecommunications Services and Information Services facilities and its FTTP Network facilities.

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

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

1.28. *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

2.1. *Grant of Authority:* Subject to the terms and conditions of this Agreement, 26 Del. C. subchapter VI, and the Communications Act, the Commission hereby grants Franchisee the right to operate a Cable System along the public rights-of-way within the Franchise Area, in order to provide Cable Service.

2.2. *Competitive Neutrality.* Franchisee acknowledges and agrees that the Commission reserves the right to grant one or more additional franchises to provide cable service within the Franchise Area; provided, however, Franchisee and the Commission acknowledge that no such franchise agreement shall contain terms or conditions more favorable or less burdensome to the competitive entity than the material terms and conditions herein. If any such additional or competitive franchise is granted by the Commission which, in the reasonable opinion of the Franchisee, contains more favorable or less burdensome terms or conditions than this Agreement, the Commission agrees that it shall not unreasonably withhold its consent to amend this Agreement to include any more favorable or less burdensome terms or conditions.

2.3. *Regulation of Telecommunications:* The Commission's regulatory authority under Title VI of the Communications Act is not applicable to the construction, installation, maintenance or operation of Franchisee's FTTP Network with respect to the provision of Non-Cable Services.

2.4. *No Waiver:*

2.4.1. The failure of the Commission on one or more occasions to exercise a right or to require compliance or performance under this Franchise, the Communications Act or any other applicable State or Federal law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the Commission,

nor to excuse Franchisee from compliance or performance, unless such right or such compliance or performance has been specifically waived in writing.

2.4.2. The failure of 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 Commission from performance, unless such right or performance has been specifically waived in writing.

2.5. Construction of Agreement:

2.7.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives. Nothing herein shall be construed to limit the scope or applicability of Section 625 Communications Act, 47 U.S.C. § 545, regarding modification of franchise obligations.

3. FRANCHISE TERMS

Effective as hereinafter provided, Franchisee is granted a non-exclusive franchise to provide Cable Service in the Franchise Area, in accordance with 26 Del. C. subchapter VI Section 604, with said grant being expressly subject to the following terms and conditions, as described in 26 Del. C. § 604, which Franchisee agrees to accept:

3.1 *Station Signals Carried, Local Origination, Services and Facilities.* All station signals carried by Franchisee, locally originated Video Programming, Cable Services and facilities shall be subject to applicable state and federal laws and regulations.

3.2 *Designation of Area Franchised.*

3.2.1 *Initial Service Area.* Franchisee shall offer Cable Service to significant numbers of Subscribers in residential areas in the Initial Service Area and may make Cable Service available to businesses in such areas within twenty-four (24) months of the Effective Date of this Franchise, and shall offer Cable Service throughout the Initial Service Area within five (5) years of the Effective Date of the Franchise, except: (A) for periods of Force Majeure; (B) for periods of delay caused by the Commission; (C) for periods of delay resulting from Franchisee's inability to obtain authority to access rights-of-way in the Service Area; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in areas, developments or buildings where Franchisee cannot access under reasonable terms and conditions after good faith negotiation, as determined by Franchisee; and (F) 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; and (G) in areas where the occupied residential household density does not meet the density requirements set forth in Section 3.2.2 below. Individual maps of the nine (9) wire centers serving the Initial Service Area are provided in Exhibit D.

3.2.1.1. Franchisee shall file a status report with the Commission one year from the Service Date and biennially thereafter that shall include (A) the status of competition in the Franchise Area; (B) a description of Franchisee's progress towards providing

Cable Service in the Initial Service Area pursuant to Section 3.2.1; and (C) a description of the demographics of the areas to which Franchisee is providing Cable Service

3.2.2 *Line Extension.*

3.2.2.1 Franchisee shall make Cable Services available in areas of the Initial Service Area where the average density is equal to or greater than 35 occupied residential dwelling units per mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line. Should, through new construction, an area within the Initial Service Area meet the density requirements after the time stated for providing Cable Service as set forth in Section 3.2.1, Franchisee shall provide Cable Service to such area within twelve (12) months of receiving notice from the Commission that the line extension requirements have been met.

3.2.2.2 In areas of lesser density within the Initial Service Area, Franchisee shall make available Cable Service to such potential Subscriber if the Subscriber agrees to: (i) pay a "one-time upfront fee" for the initial cost estimate; and (ii) subsequently agrees to pay a one-time charge equivalent to Franchisee's cost of delivering Cable Service to that Subscriber. Franchisee's "one-time upfront fee" includes all costs required to extend Cable Service, including, but not limited to, total construction, engineering, capital, and administrative costs,

3.2.2.3. A potential Subscriber or group of Subscribers must reside in an area which, in the event the extension is built, may be served out of an existing wire center.

3.2.3 *Additional Service Areas.* Except for the Initial Service Area, Franchisee shall not be required to extend its Cable System or to provide Cable Services to any other areas within the Franchise Area during the term of this Franchise or any Renewals thereof. If Franchisee desires to add an Additional Service Area within the Franchise Area, Franchisee shall notify the Commission in writing of such Additional Service Area at least thirty (30) days prior to providing Cable Services in such areas and, at such time, the provisions of Sections 3.2.1 and 3.2.2 shall apply to such Additional Service Area. Not later than four (4) years after the Effective Date, Franchisee shall file with the Commission Franchisee's plans to provide Cable Service to Additional Service Areas during the five (5) years following submission of such plans.

3.2.4 *Non-Discrimination.* Franchisee shall not unreasonably discriminate between or among any individuals in the availability of Cable Service. Franchisee shall not deny access to Cable Service to any group of potential residential cable subscribers because of the income of the residents of the local area in which such group resides.

3.3. *Dates for Commencement of Construction.* Franchisee commenced construction of the FTTP Network in January 2005.

3.4 *Term.*

3.4.1 This term ("Term") of this Franchise shall be fifteen (15) years from the Effective Date and this Franchise shall not be automatically renewed. Franchisee shall have the option within the last thirty-six (36) months of the Term, but no later than 6 months

prior to the expiration of the Term, to request renewal for an additional period not to exceed fifteen (15) years.

3.4.2 Should Franchisee seek a renewal of this Franchise, the Commission shall conduct a full, open, and public renewal proceeding upon prior notice and shall provide an opportunity for all interested persons to be heard. Should this Franchise be renewed by the Commission, all of the terms and provisions contained herein shall be controlling during the renewal period except to the extent that such terms and conditions are modified by the Commission or unless this Franchise is superseded by a new Franchise Agreement.

3.5 *Insurance.*

3.5.1 Franchisee shall maintain property damage and liability insurance with the minimum amount of such insurance for bodily injury, death and property damage being one (1) million dollars for each person and three (3) million dollars for each occurrence. The failure to carry and maintain such insurance in the requisite amounts may result in termination of this Franchise, provided that the Commission provides Franchisee with written notice of default and gives Franchisee a reasonable time, in no event to exceed thirty (30) days to cure such default.

3.5.2 Proof of insurance shall be filed with the Commission within ninety (90) days after the date hereof. Certification of the effectiveness of such insurance shall be filed annually with the Commission during the Term.

3.6 *Interruption of Service.* Franchisee shall only interrupt Cable Service for good cause and shall be required to make any repairs in accordance with Commission Order No. 3660.

3.7 *Local Office Requirement.* Franchisee shall open an office in New Castle County that will be open during Normal Business Hours in accordance with the requirements set forth in PSC Regulation Docket No. 31, Order No. 3660 (Aug. 24, 1993) ("Order No. 3660") on or before the Service Date of this Franchise. At any time during the Term after Franchisee maintains five thousand (5,000) or more Subscribers in Kent County or five thousand (5,000) in Sussex County, the Commission shall require Franchisee to open one (1) additional office in each such county.

3.8 *Customer Service.* Franchisee's customer service standards shall be as set forth in Exhibit B hereto.

3.9 *Complimentary Basic Service.* Pursuant to 26 Del. C. §604(9) and to the extent that Franchisee is providing Cable Service, Franchisee shall provide within the Initial Service Area and any Additional Service Area, without charge and upon request, one (1) standard service outlet activated for Basic Service to (a) each public school and/or public building in the Franchise Area and (b) a reasonable number of locations designated by the Commission for the monitoring of performance of the Cable System; provided, however, that if it is necessary to extend Franchisee's trunk or feeder lines more than one hundred twenty five (125) feet solely to provide service to any such public school or public building, any such public school or public building shall have the option either of paying Franchisee's direct costs for such

extension in excess of one hundred twenty five (125) feet, or of releasing Franchisee from the obligation to provide service to such building. Furthermore, Franchisee shall be permitted to recover, from any school or other public building owner entitled to complimentary Basic Service, the direct cost of installing, when requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than one hundred twenty five (125) feet of drop cable; provided, however, that Franchisee shall charge for the provision of Basic Service to the additional service outlets once installed. Franchisee shall only be required to provide complimentary Basic Service to public schools and/or public buildings in the Franchise Area to the extent that the Commission requires all other cable operators in the Franchise Area to provide such service. Cable Service may not be resold or otherwise used in contravention of Franchisee's rights with third parties respecting programming. Equipment provided by Franchisee, if any, shall be replaced at retail rates if lost, stolen or damaged.

3.10 *Emergency Access System Capability.* Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC in order that the Commission or its designee may distribute emergency messages over the Cable System.

3.11 *Installation of Cables, Wires, Fixtures.* Franchisee shall install and maintain the Cable System in accordance with the National Electrical Safety Code promulgated by the National Bureau of Standards and the National Electrical Code of the National Board of Fire Underwriters.

3.12 *Head-End, Studio, Office, Maintenance, and Construction Facilities.* Attachment IV to Franchisee's Application to provide Cable Service (Commission Docket No. 06-40) ("Franchisee's Application") contains a description of Franchisee's FTTP Network and Cable System architecture.

3.13 *Schedule of Maximum Rates and Charges.* Attachment III to Franchisee's Application contains a sample schedule of rates for Franchisee's Cable Service.

3.14 *Commission Approval for Rates.* The Commission acknowledges that Franchisee is an additional competitive provider of Cable Service within the Franchise Area and the Commission's authority to regulate the rates for Basic Service is governed by 47 U.S.C. § 543.

3.15 *Maps and Plats.* Upon request, Franchisee shall make available to the Commission maps or plats showing all existing streets or subdivisions in the Service Area served by the Cable System.

3.16 *Franchise Separate and Severable.* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of the Franchise.

4. PUBLIC, EDUCATION AND GOVERNMENT ACCESS CHANNELS

4.1 *PEG Channels:* Franchisee shall provide on the Basic Service Tier up to three (3) dedicated Access Channels for Public, Educational and Government programming (the "PEG Channels") available for use by any requesting party. Franchisee shall be required to provide such PEG Channels only to the extent that Franchisee is providing Cable Service in the Initial Service Area and/or Additional Service Areas. The PEG Channels shall be made available on a first-come, first-served basis during the Term; provided, however, that one hundred eighty (180) days prior to the requested date of PEG Channel access, any such requesting party shall be required to submit to Franchisee a detailed business/operation plan providing sufficient information about the administration, programming, and operation of the requested the requested PEG Channel(s). Any such requesting party's business/operation plan shall provide for the cablecast of any such PEG Channel(s) for a period of not less than eight (8) continuous hours of original programming per calendar week for not less than four (4) such consecutive weeks. Franchisee shall retain the discretion to deny any such requesting party's use of the Cable System to cablecast a PEG Channel for either the requesting party's failure to meet the requirements of this Section 4.1 or in the event that Franchisee's cablecast of such PEG Channel programming will be commercially impracticable. Franchisee shall not be obligated to provide any PEG Channel that will require either a redesign of the Cable System or the elimination of any existing Video Programming or other service.

4.2. *Retransmission of PEG:* The Commission hereby authorizes Franchisee and any requesting party to transmit PEG Channel programming within the Commission jurisdictional boundaries. Franchisee specifically reserves its right to make or change channel assignments in its sole discretion. If PEG Channels provided pursuant to this Article are not being utilized during the Term, Franchisee may utilize such PEG Channels, in its sole discretion, during the Term until such time as the PEG Channels are utilized.

4.3. *Interconnection:* Nothing in this Agreement prohibits Franchisee from interconnecting with cable operators in the Franchise Area to cablecast, on a live basis, PEG Channels subject to the provisions of Section 4.1.

4.4. *PEG Grant:* In order to develop and promote public, educational, and governmental access programming for the system within the Franchise Area, the Franchisee agrees to provide upon request funding for production equipment or the equipment itself in an amount not-to-exceed \$100,000 in total during the term of the Franchise, to be used by the Franchisee throughout the franchise area for such purposes. As a part of this undertaking, the Franchisee agrees to offer reasonable training for responsible personnel from PEG groups in the operation and use of such production equipment.

4.5 The Commission 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 and the Commission 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.

4.6. To the extent permitted by federal law, Franchisee shall be allowed to recover the costs of the PEG Grant or any other costs arising from the provision of PEG services from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may externalize, line item, or otherwise pass-through interconnection costs to Subscribers.

4.7 At any time following the seventh (7th) anniversary of the Effective Date and upon reasonable written notice from the Commission, Franchisee shall meet with the Commission to discuss the sufficiency of PEG obligations as set forth in Section 4 herein.

5. COMMISSION FEES

5.1. *Payment to the Commission:* All fees and charges to the Franchisee by the Commission shall be limited to and not exceed the amount permissible under 26 Del. C. § 610 or 47 U.S.C. § 542, whichever is lesser. Franchisee shall be entitled to recover any such fees and charges from Subscribers.

5.2. *Bundled Services:* If Cable Services subject to the Commission fee required under this Franchise are provided to Subscribers in conjunction with Non-Cable Services, all Commission fees applicable to Cable Services shall be applied only to the value of such Cable Services, as reflected on the books and records of Franchisee in accordance with FCC or Commission rules, regulations, standards or orders.

6. REPORTS AND RECORDS

6.1 *Books and Records:* Upon reasonable written notice to Franchisee and subject to the provisions of 29 Del. C. §§5806(g), 10003(a), and 26 Del. C. §605(3), the Commission shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the Commission. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than three (3) years. Access by the Commission to any of Franchisee's books and records shall not be denied on the grounds that such books and records are alleged by Franchisee to contain proprietary or confidential information; provided, however, that this requirement shall not be deemed to constitute a waiver of Franchisee's right to assert that the proprietary information contained in such books and records, or other information, shall not be disclosed, and to withhold such information upon the agreement of the Commission. In order to determine the validity of such assertion and withholding by Franchisee, the Commission agrees to review the alleged proprietary information at the Franchisee's premises and, in connection with such review, to limit access to the alleged proprietary information to those individuals who require the information in the exercise of the Commission's rights under this Agreement. If the Commission

concur with Franchisee's assertion regarding the proprietary nature of such information, the Commission will not disclose such information to any Person and will not remove from Franchisee's premises the proprietary portion of any document or tangible thing that contains such proprietary information. If the Commission does not concur with such assertion, then Franchisee shall promptly provide such documents, including the alleged proprietary portion thereof, to the Commission; provided, however, that Franchisee shall not be required to provide the proprietary portion thereof during the pendency of any court challenge to such provision.

7. MISCELLANEOUS PROVISIONS

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

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

7.3 *Preemption:* In the event that federal or state law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent, and for the time, but only to the extent and for the time, required by law. In the event such federal or state law, rule or regulation is subsequently repealed, rescinded, amended or otherwise changed so that the provision hereof that had been preempted is no longer preempted, such provision shall thereupon return to full force and effect, and shall thereafter be binding on the parties hereto, without the requirement of further action on the part of the Commission.

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

7.5 *Entire Agreement:* This Agreement and the Exhibits hereto constitute the entire agreement between Franchisee and the Commission, and supersedes all prior or contemporaneous agreements, representations or understanding (whether written or oral) of the parties regarding the subject matter hereof.

7.6 *Amendments:* Amendments to this Franchise shall be mutually agreed to in writing by the parties.

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

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

7.9 Modification: This Franchise shall not be modified except by written instrument executed by both parties.

7.10 Performance Bond

7.10.1 Prior to the Service Date, Franchisee shall file with the Commission a performance bond as security for the performance of its obligations under this agreement in the amount of One Hundred Thousand Dollars (\$100,000). The form of this security may, at Franchisee's option, be a performance bond, letter of credit, cash deposit, cashier's check, or any other security acceptable to the Commission.

7.10.2 If Franchisee posts a performance bond, it shall be substantially in the form of Exhibit C.

7.10.3 In the event that a performance bond provided pursuant to the Agreement is not renewed or is cancelled, Franchisee shall provide new security pursuant to this Article with thirty (30) days of such cancellation or failure to renew.

7.10.4 Neither the cancellation, nor termination, nor refusal by a surety to extend the performance bond, nor the inability of Franchisee to file a replacement bond or replacement security for its obligations, shall constitute a loss to the Commission recoverable under the bond.

7.10.5 Notwithstanding any provision in this Agreement to the contrary, Franchisee shall not be required to maintain a performance bond unless all other cable operators providing cable service in the Franchise Area are also required to maintain a performance bond.:

7.11 Remedies.

7.11.1 Material Breach. A material breach of the Franchise, determined after notice and a due process hearing, may be grounds for a revocation of the Franchise, provided, however, the Commission has issued written notice to the Franchisee of its determination of such material breach and either (i) the Franchisee has failed to cure the same within thirty (30) days of the receipt of such notice, or (ii) in the event that, by its nature, such noncompliance cannot be cured within such thirty (30) day period, Franchisee has not initiated reasonable steps to remedy such noncompliance and has not notified the Commission of the steps being taken and the date by which cure is projected to be completed within thirty (30) days of the receipt of such notice.

7.11.2 Liquidated Damages: In the event that the Cable System fails to meet an applicable FCC technical or FCC performance standard set forth in 47 C.F.R. §§ 76.601 through 76.640 (the "FCC standards"), and such failure adversely affects picture and/or audio quality to Subscribers in the Franchise Area, Franchisee agrees that the Commission may require Franchisee to reduce Basic Service charges for affected Subscribers by up to twenty-five percent (25%) until Franchisee complies with the applicable FCC standard subject to Section 7.12.3 below.

7.11.3 Franchisee's Right to Cure. Following the Commission's written notice to Franchisee of a failure to meet an applicable FCC standard, Franchisee shall have ninety (90) days to cure an alleged failure to meet an applicable FCC standard. If Franchisee fails to cure such failure within the ninety (90) days following notice of the same and/or Franchisee is not excused from such failure by Force Majeure, the reduction in basic cable service charges shall be applied to the bills of all Subscribers affected by such failure at the beginning of the first month following the expiration of the ninety (90) day period. Such reduction in Basic Service charges shall continue until Franchisee has resolved the failure to meet an applicable FCC standard; provided, however, that the Commission agrees any such reduction in Basic Service charges shall be held in abeyance if Franchisee disputes in good faith the existence of a failure to meet an applicable FCC standard. This remedy shall be in addition to any other remedies that may be available to the Commission. Notwithstanding the foregoing, Franchisee does not waive any of its rights to challenge the Commission's imposition of a reduction of Basic Service charges in a court of competent jurisdiction.

7.12 Subscriber Privacy. Franchisee shall at all times be and remain in strict compliance with § 631 of the Cable Act [47 U.S.C. § 551], the same may from time to time be amended, regarding the protection of Subscriber privacy. Any willful violation thereof shall, in addition to any penalties or remedies available to the subscriber, be deemed to be a material breach of this renewed Franchise, which may result in the initiation of proceedings to consider termination of the Franchise.

7.13 Parental Control. Franchisee shall provide to any Subscriber who so requests a parental control or lock-out device enabling Subscriber to lock out the audio and/or the video portion of any Channel provided by the Franchisee over the Cable System. Franchisee shall make such device available, at its option, either by lease (rental) or purchase to its Subscribers.

7.14 Further Orders. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

SIGNATURE PAGE FOLLOWS

AGREED TO THIS 22nd DAY OF November, 2006.

DELAWARE PUBLIC SERVICE COMMISSION

By: Connie S. McDowell
Print: CONNIE S. McDowell
Title: Chief of Technical Services

VERIZON DELAWARE LLC

By: [Signature]
William Allan
President, Verizon Delaware LLC

FORM APPROVED
Attorney [Signature]
Date 11/21/06

EXHIBITS

- Exhibit A: Service Area
- Exhibit B: Customer Service Standards
- Exhibit C: Franchise Bond

EXHIBIT A

FRANCHISE AREA

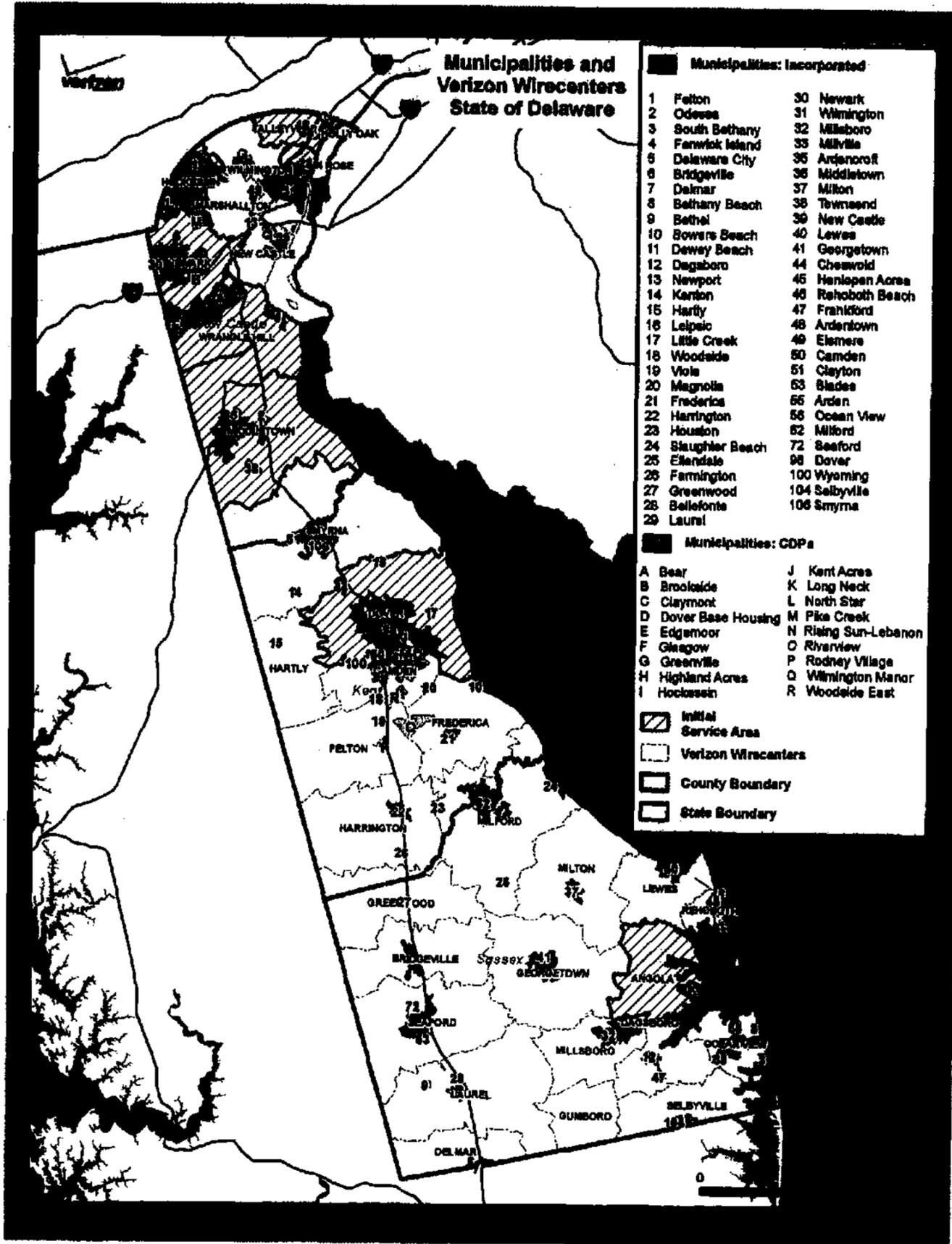


EXHIBIT B

CUSTOMER SERVICE STANDARDS

These standards shall apply to Franchisee to the extent it is providing Cable Services over the Cable System in the Franchise area. In addition to these standards, Franchisee acknowledges that it is subject to the standards set forth in Order No. 3660 to the extent it is providing Cable Services over the Cable System in the Franchise area; provided, however, that Franchisee shall comply with the reporting requirements associated with Rule Numbers 2(D) and 2(E) starting six months after the Service Date.

SECTION 1: DEFINITIONS

- A. **Respond**: Franchisee's investigation of a Service Interruption by receiving a Subscriber call and opening a trouble ticket, if required.
- B. **Significant Outage**: A significant outage of the Cable Service shall mean any Service Interruption lasting at least four (4) continuous hours that affects at least ten percent (10%) of the Subscribers in the Service Area.
- C. **Service Call**: The action taken by Franchisee to correct a Service Interruption the effect of which is limited to an individual Subscriber.
- D. **Standard Installation**: Installations where the subscriber is within one hundred twenty five (125) feet of trunk or feeder lines.

SECTION 2: TELEPHONE AVAILABILITY

- A. Franchisee shall maintain a toll-free number to receive all calls and inquiries from Subscribers in the Franchise Area and/or residents regarding Cable Service. Franchisee representatives trained and qualified to answer questions related to Cable Service in the Service Area must be available to receive reports of Service Interruptions twenty-four (24) hours a day, seven (7) days a week, and other inquiries at least forty-five (45) hours per week. Franchisee representatives shall identify themselves by name when answering this number.
- B. Franchisee's telephone numbers shall be listed, with appropriate description (e.g. administration, customer service, billing, repair, etc.), in the directory published by the local telephone company or companies serving the Service Area, beginning with the next publication cycle after acceptance of this Franchise by Franchisee.
- C. Franchisee may use an Automated Response Unit ("ARU") or a Voice Response Unit ("VRU") to distribute calls. If a foreign language routing option is provided, and the Subscriber does not enter an option, the menu will default to the first tier menu of English options.

After the first tier menu (not including a foreign language rollout) has run through three times, if customers do not select any option, the ARU or VRU will forward the call to a queue

for a live representative. Franchisee may reasonably substitute this requirement with another method of handling calls from customers who do not have touch-tone telephones.

D. Under Normal Operating Conditions, calls received by Franchisee shall be answered within thirty (30) seconds. If the call needs to be transferred, transfer time shall not exceed an additional thirty (30) seconds. Franchisee shall meet these standards for ninety percent (90%) of the calls it receives at all call centers receiving calls from Subscribers, as measured on a cumulative quarterly calendar basis. Measurement of these standards shall include all calls received by Franchisee at all call centers receiving calls from Subscribers, whether they are answered by a live representative, by an automated attendant, or abandoned after 30 seconds of call waiting.

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

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

SECTION 3: INSTALLATIONS AND SERVICE APPOINTMENTS

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

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

Franchisee shall meet this standard for ninety-five percent (95%) of the Standard Installations it performs, as measured on a calendar quarter basis, excluding customer requests for connection later than seven (7) days after ONT placement or later than seven (7) days after an order is placed if the ONT is already installed on the customer's premises.

C. 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 during appropriate daylight available hours, usually beginning at 8:00 AM unless it is deemed appropriate to begin earlier by location exception. At Franchisee's discretion, Franchisee may offer Subscribers appointment arrival times other than these four (4) hour time blocks, if agreeable to the Subscriber. These hour restrictions do not apply to weekends.

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

SECTION 4: SERVICE INTERRUPTIONS AND OUTAGES

A. Franchisee shall promptly notify the Commission of any Significant Outage of the Cable Service.

B. Franchisee shall exercise commercially reasonable efforts to limit any Significant Outage for the purpose of maintaining, repairing, or constructing the Cable System. Except in an emergency or other situation necessitating a more expedited or alternative notification procedure, Franchisee may schedule a Significant Outage for a period of more than four (4) hours during any twenty-four (24) hour period only after the Commission and each affected Subscriber in the Service Area have been given fifteen (15) days' prior notice of the proposed Significant Outage.

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

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

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

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

E. Under Normal Operating Conditions, Franchisee shall provide a credit upon Subscriber request when all Channels received by that Subscriber are out of service for a period of four (4) consecutive hours or more. The credit shall equal, at a minimum, a proportionate amount of the affected Subscriber(s) current monthly bill. In order to qualify for the credit, the Subscriber must promptly report the problem and allow Franchisee to verify the problem if requested by Franchisee. If Subscriber availability is required for repair, a credit will not be provided for such time, if any, that the Subscriber is not reasonably available.

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

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

G. With respect to service issues concerning cable services provided to the Commission facilities, Franchisee shall Respond to all inquiries from the Commission within four (4) hours and shall commence necessary repairs within twenty-four (24) hours under Normal Operating Conditions. If such repairs cannot be completed within twenty-four (24) hours, Franchisee shall notify the Commission in writing as to the reason(s) for the delay and provide an estimated time of repair.

SECTION 5: CUSTOMER COMPLAINTS

Under Normal Operating Conditions, Franchisee shall investigate Subscriber complaints referred by the Commission within seventy-two (72) hours. Franchisee shall notify the Commission of those matters that necessitate an excess of seventy-two (72) hours to resolve, but those matters must be resolved within fifteen (15) days of the initial complaint. The Commission may require reasonable documentation to be provided by Franchisee to substantiate the request for additional time to resolve the problem. For purposes of this Section, "resolve" means that Franchisee shall perform those actions which, in the normal course of business, are necessary to investigate the Subscriber's complaint and advise the Subscriber of the results of that investigation. Franchisee shall maintain records pertaining to Subscriber complaints for a period of twelve (12) months from the date of the complaint and shall record thereon the action taken on the complaint.

SECTION 6: BILLING

A. Subscriber bills must be itemized to describe Cable Services purchased by Subscribers and related equipment charges. Bills shall clearly delineate activity during the billing period, including optional charges, rebates, credits, and aggregate late charges. Franchisee shall, without limitation as to additional line items, be allowed to itemize as separate line items, Franchise fees, taxes, and/or other governmentally imposed fees. Franchisee shall maintain records of the date and place of mailing of bills.

B. Every Subscriber with a current account balance sending payment directly to Franchisee shall be given at least twenty (20) days from the date statements are mailed to the Subscriber until the payment due date. Franchisee shall charge Subscribers a late payment charge of one and a half percent (1.5%) of any account balance that is past due in accordance with this Section. Franchisee shall notify Subscribers of any change to the late payment charge policy set forth in this Section.

C. A specific due date shall be listed on the bill of every Subscriber whose account is current. Delinquent accounts may receive a bill that lists the due date as upon receipt; however, the current portion of that bill shall not be considered past due except in accordance with Subsection 6.B. above.

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

- (1) The Subscriber pays all undisputed charges;

(2) The Subscriber provides notification of the dispute to Franchisee within five (5) days prior to the due date; and

(3) The Subscriber cooperates in determining the accuracy and/or appropriateness of the charges in dispute.

(4) It shall be within Franchisee's sole discretion to determine when the dispute has been resolved.

E. Under Normal Operating Conditions, Franchisee shall initiate investigation and resolution of all billing complaints received from Subscribers within five (5) business days of receipt of the complaint. Final resolution shall not be unreasonably delayed.

F. Franchisee shall provide a telephone number and address on the bill for Subscribers to contact Franchisee.

G. Franchisee shall forward a copy of any Cable Service related billing inserts or other mailing sent to Subscribers to the Commission upon request.

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

SECTION 7: DEPOSITS, REFUNDS, AND CREDITS

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

B. Franchisee shall refund or credit the Subscriber for the amount of the deposit collected for equipment, which is unrelated to poor credit or poor payment history, after one year and provided the Subscriber has demonstrated good payment history during this period. Franchisee shall pay interest on other deposits if required by law.

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

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

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

SECTION 8: RATES, FEES, AND CHARGES

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

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

SECTION 9: DISCONNECTION /DENIAL OF SERVICE

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

B. Franchisee shall not terminate Cable Service for non-payment until at least thirty (30) days after the due date of the bill for which service termination is contemplated. The thirty (30) day period shall include ten (10) days written notice to the delinquent Subscriber of the intent to terminate. Such notice shall also specify the steps required to avoid termination of Cable Service.

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

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

E. Charges for cable service will be discontinued at the time of the requested termination of service by the subscriber, except equipment charges may be applied until equipment has been returned. No period of notice prior to requested termination of service can be required of Subscribers by Franchisee. No charge shall be imposed upon the Subscriber for or related to total disconnection of Cable Service or for any Cable Service delivered after the effective date of the disconnect request, unless there is a delay in returning Franchisee equipment or early termination charges apply pursuant to the Subscriber's service contract. If the Subscriber fails to specify an effective date for disconnection, the Subscriber shall not be responsible for Cable Services received after the day following the date the disconnect request is received by Franchisee. For purposes of this Subsection, the term "disconnect" shall include Subscribers who elect to cease receiving Cable Service from Franchisee and to receive Cable Service or other multi-channel video service from another Person or entity.

SECTION 10: COMMUNICATIONS WITH SUBSCRIBERS

A. All Franchisee personnel, contractors, and subcontractors contacting Subscribers or potential Subscribers outside the office of Franchisee shall wear a clearly visible identification card bearing their name and photograph. Franchisee shall make reasonable effort to account for all identification cards at all times. In addition, all Franchisee representatives shall wear appropriate clothing while working at a Subscriber's premises. Every service vehicle of Franchisee and its contractors or subcontractors shall be clearly identified as such to the public. Specifically, Franchisee vehicles shall have Franchisee's logo plainly visible. The vehicles of those contractors and subcontractors working for Franchisee shall have the contractor's/subcontractor's name plus markings (such as a magnetic door sign) indicating they are under contract to Franchisee.

B. All contact with a Subscriber or potential Subscriber by a Person representing Franchisee shall be conducted in a courteous manner.

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

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

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

(2) A separate electronic notification.

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

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

- (1) Products and Cable Service offered;
- (2) Prices and options for Cable Services and condition of subscription to Cable Services. Prices shall include those for Cable Service options, equipment rentals, program guides, installation, downgrades, late fees, and other fees charged by Franchisee related to Cable Service;
- (3) Installation and maintenance policies including, when applicable, information regarding the Subscriber's in-home wiring rights during the period Cable Service is being provided;
- (4) Channel positions of Cable Services offered on the Cable System;
- (5) Complaint procedures, including the name, address, and telephone number of the Commission, but with a notice advising the Subscriber to initially contact Franchisee about all complaints and questions;
- (6) Procedures for requesting Cable Service credit;
- (7) The availability of a parental control device;
- (8) Franchisee practices and procedures for protecting against invasion of privacy; and
- (9) The address and telephone number of Franchisee's office to which complaints may be reported.

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

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

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

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

- (1) The name and address of the Subscriber whose account is delinquent;
- (2) The amount of the delinquency for all services billed;
- (3) The date by which payment is required in order to avoid termination of Cable Service; and
- (4) The telephone number for Franchisee where the Subscriber can receive additional information about their account and discuss the pending termination.

EXHIBIT C

Franchise Bond
Bond No. _____

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

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

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

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

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

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

1. In the event of default by the Principal, Obligee shall deliver to Surety a written statement of the details of such default within 30 days after the Obligee shall learn of the same, such notice to be delivered by certified mail to address of said Surety as stated herein.
2. This Bond shall be effective _____, 2006, and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than sixty (60) days advance written notice of its intent not to renew this Bond or unless the Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon sixty (60) days advance written notice from the Surety to the Obligee.

3. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its obligations under said Agreement, shall constitute a loss to the Obligee recoverable under this bond.
4. No claim, action, suit or proceeding shall be instituted against this bond unless same be brought or instituted and process served within one year after termination or cancellation of this bond.
5. No right of action shall accrue on this bond for the use of any person, corporation or entity other than the Obligee named herein or the heirs, executors, administrators or successors of the Obligee.
6. The aggregate liability of the surety is limited to the penal sum stated herein regardless of the number of years this bond remains in force or the amount or number of claims brought against this bond.
7. This bond is and shall be construed to be strictly one of suretyship only. If any conflict or inconsistency exists between the Surety's obligations as described in this bond and as may be described in any underlying agreement, permit, document or contract to which this bond is related, then the terms of this bond shall supersede and prevail in all respects.

This bond shall not bind the Surety unless it is accepted by the Obligee by signing below.

IN WITNESS WHEREOF, the above bounded Principal and Surety have hereunto signed and sealed this bond effective this _____ day of _____, 2006.

Principal

Surety

By: _____

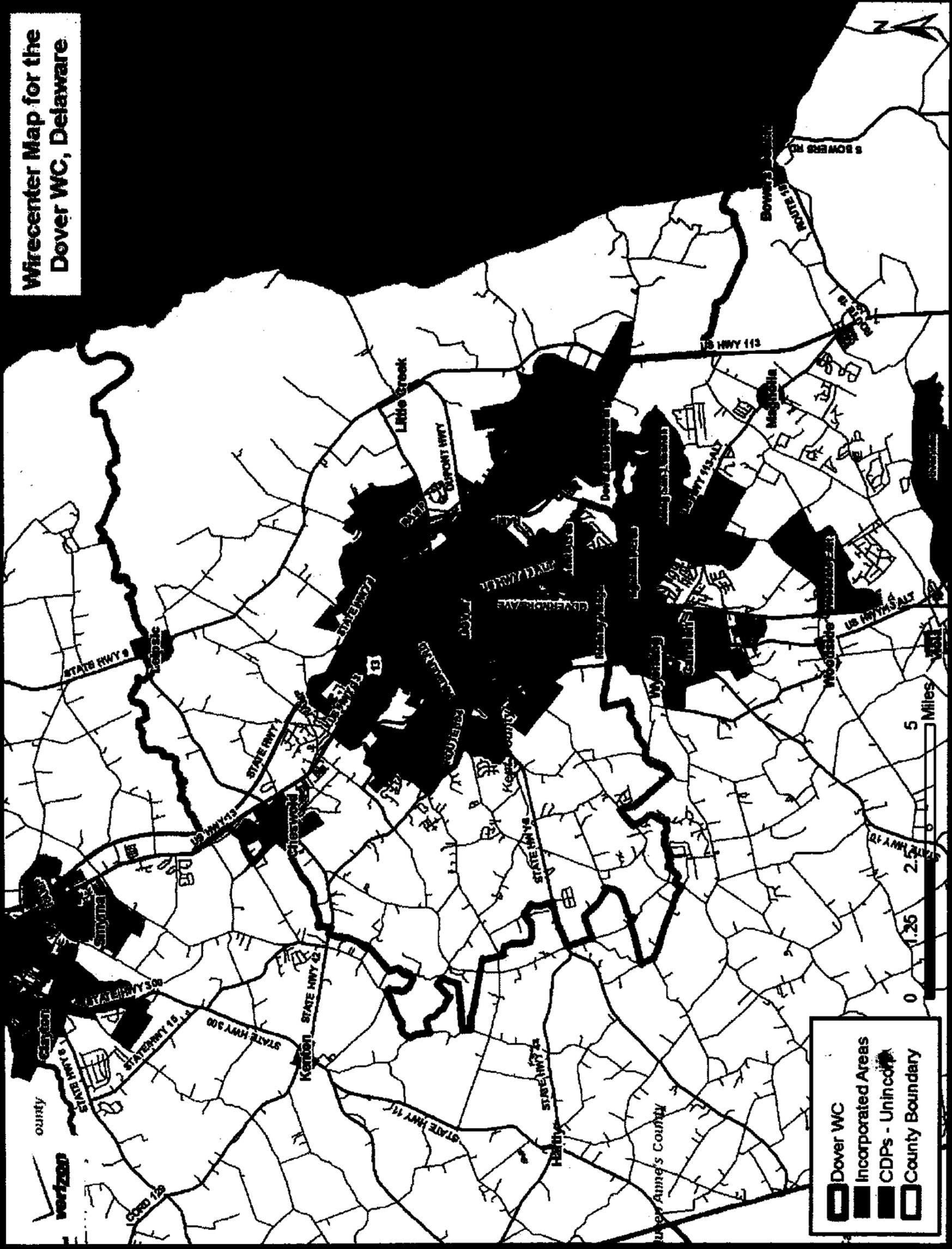
By: _____
 , Attorney-in-Fact

Accepted by Obligee: _____
 (Signature & date above - Print Name, Title below)

EXHIBIT D

Wire Center Service Area Maps

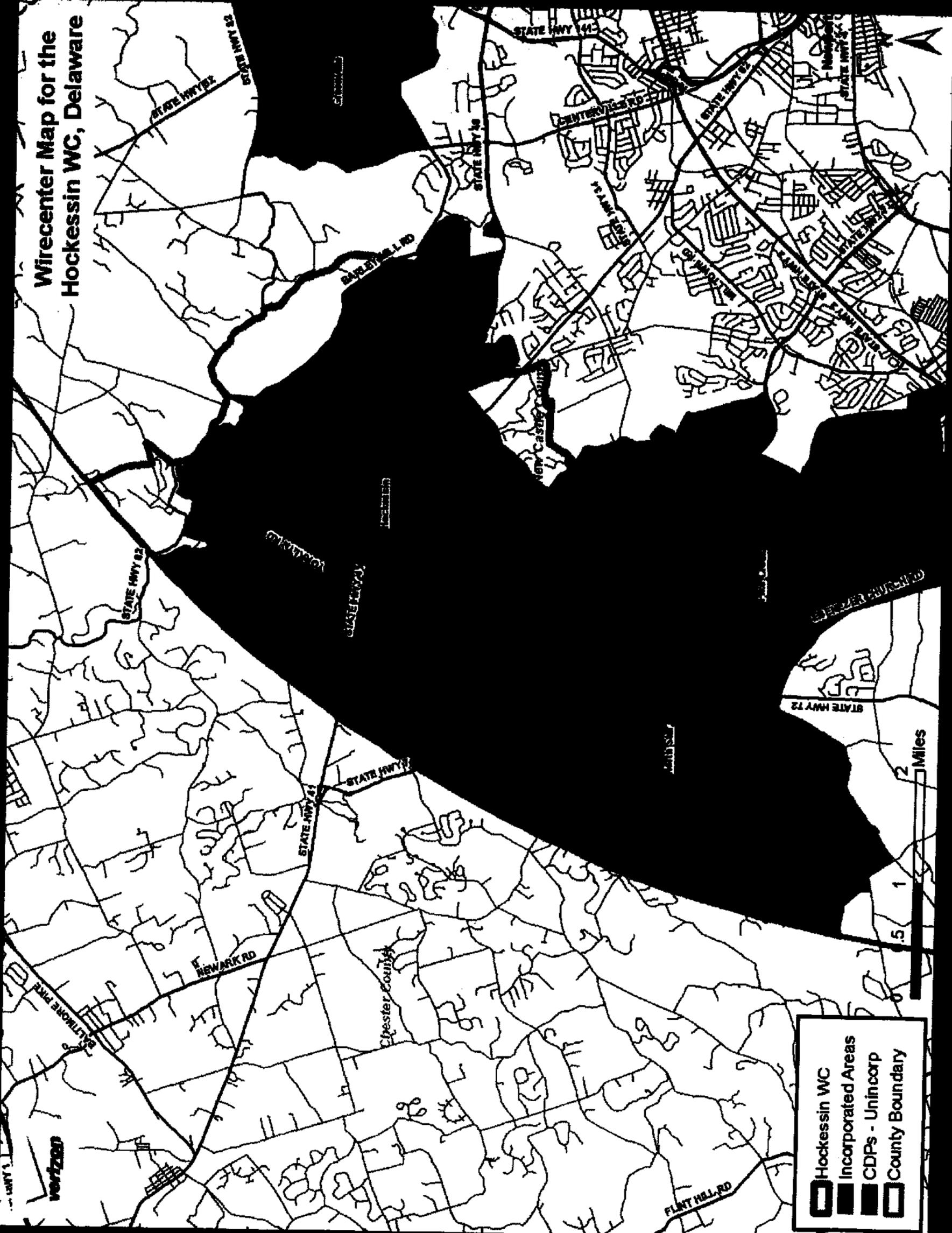
**Wirecenter Map for the
Dover WC, Delaware**



-  Dover WC
-  Incorporated Areas
-  CDPs - Unincorp
-  County Boundary



Wirecenter Map for the Hockessin WC, Delaware



- Hockessin WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary

0.5 1 2 Miles

Wirecenter Map for the Holly Oak WC, Delaware



Salem County

Dorchester County



STATE HWY 92

GRUBB RD

STATE HWY 26

BOVERDIE RD

WILSON RD

STATE HWY 3

0.25 0.5 Miles

- Holly Oak WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary

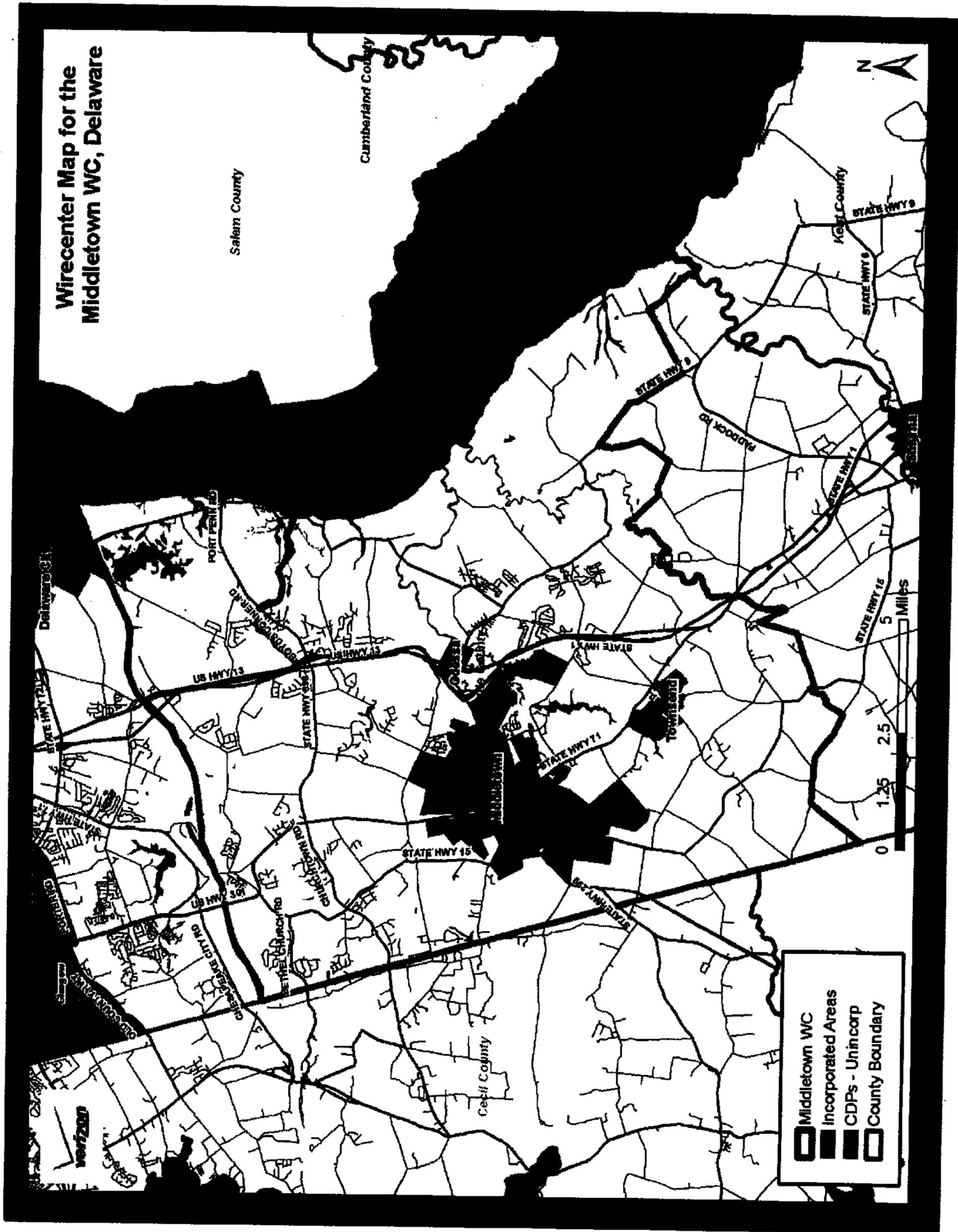


Wirecenter Map for the Middletown WC, Delaware

Salem County

Cumberland County

- Middletown WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary



Wirecenter Map for the Newark WC, Delaware



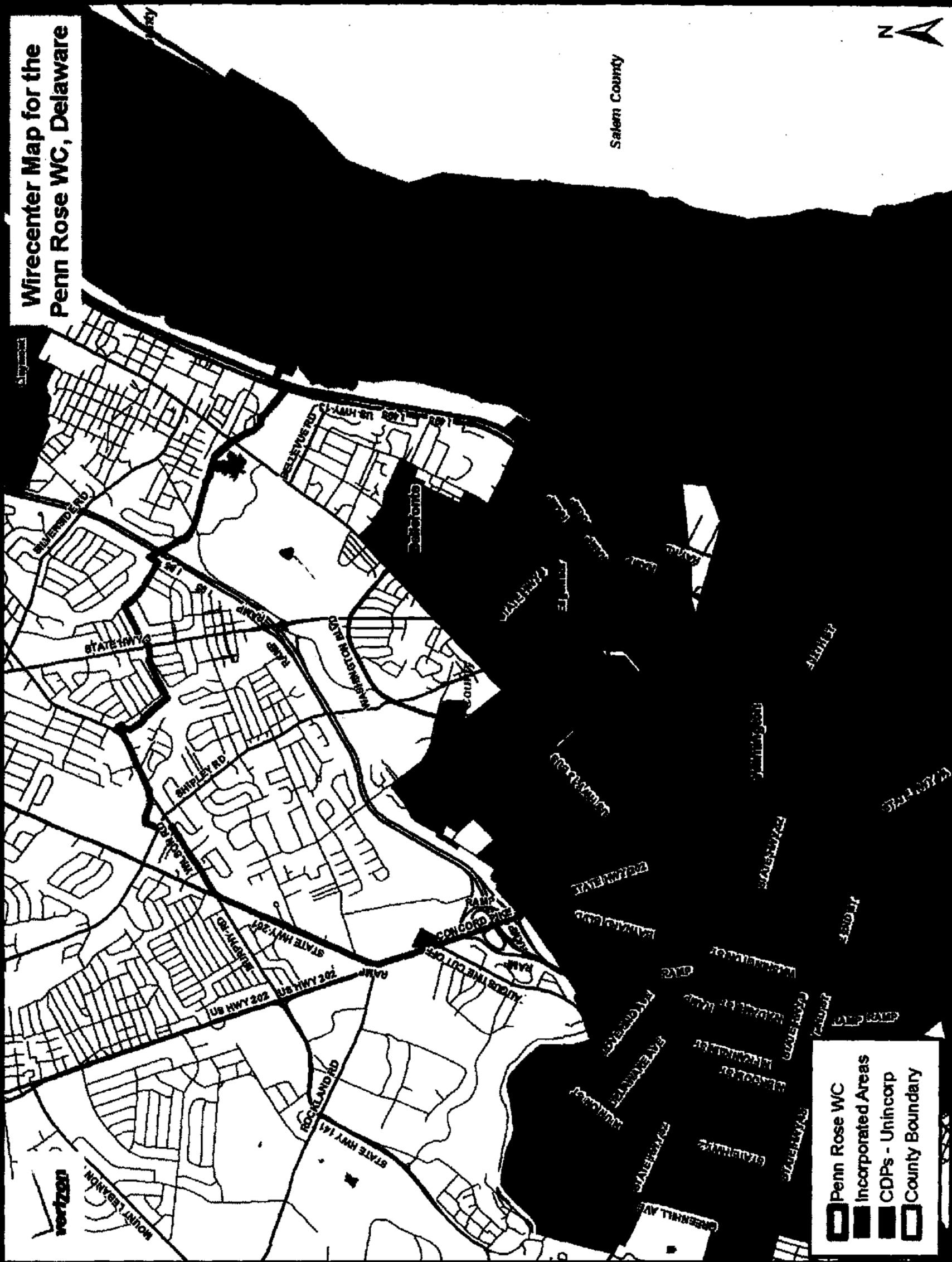
- Newark WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary

verizon

Wirecenter Map for the Penn Rose WC, Delaware



Salem County



- Penn Rose WC
- Incorporated Areas
- CDIPs - Unincorp
- - - County Boundary

Wirecenter Map for the Talleyville WC, Delaware

verizon



- Talleyville WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary

Miles

Wirecenter Map for the Wrangle Hill WC, Delaware

Salem County



- Wrangle Hill WC
- Incorporated Areas
- CDPs - Unincorp
- County Boundary