

**CABLE FRANCHISE AGREEMENT
BETWEEN
TOWNSHIP OF MOON
AND
VERIZON PENNSYLVANIA INC.**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| 1. DEFINITIONS..... | 2 |
| 2. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS | 8 |
| 3. PROVISION OF CABLE SERVICE | 10 |
| 4. SYSTEM FACILITIES | 11 |
| 5. PEG SERVICES | 12 |
| 6. FRANCHISE FEES | 15 |
| 7. CUSTOMER SERVICE | 16 |
| 8. REPORTS AND RECORDS | 16 |
| 9. INSURANCE AND INDEMNIFICATION | 17 |
| 10. TRANSFER OF FRANCHISE..... | 18 |
| 11. RENEWAL OF FRANCHISE..... | 19 |
| 12. ENFORCEMENT AND TERMINATION OF FRANCHISE | 19 |
| 13. MISCELLANEOUS PROVISIONS..... | 22 |
| | |
| EXHIBIT A – MUNICIPAL BUILDINGS TO BE PROVIDED FREE CABLE SERVICE | 26 |
| | |
| EXHIBIT B – SERVICE AREA | 28 |
| | |
| EXHIBIT C – CUSTOMER SERVICE STANDARDS | 29 |
| | |
| EXHIBIT D – PERFORMANCE BOND..... | 37 |

THIS CABLE FRANCHISE AGREEMENT (the “Franchise” or “Agreement”) is entered into by and between the TOWNSHIP OF MOON, a validly organized and existing political subdivision of the Commonwealth of Pennsylvania (the “Local Franchising Authority” or “LFA”), and VERIZON PENNSYLVANIA INC., a corporation duly organized under the applicable laws of the Commonwealth of Pennsylvania (the “Franchisee”).

WHEREAS, Franchisee is upgrading its existing telecommunications system under Title II of the Communications Act (*see* 47 U.S.C. § 201 *et seq.*) and is applying for a non-exclusive cable franchise agreement from the Township to operate a Cable System under Title VI of the Communications Act (*see* 47 U.S.C. § 521 *et seq.*);

WHEREAS, the Township wishes to grant Franchisee a nonexclusive franchise to construct, install, maintain, extend, and operate a Cable System in the Township as designated in this Agreement;

WHEREAS, the Franchisee is a “cable operator” and the Township is a “local franchising authority” in accordance with Title VI of the Communications Act (*see* 47 U.S.C. § 522(5),(10)) and the Township is authorized to grant one or more nonexclusive cable franchises pursuant to applicable state law;

WHEREAS, the Franchisee is in the process of installing a Fiber to the Premise Telecommunications Network (“FTTP Network”) in the Township for the transmission of Non-Cable Services pursuant to authority granted by the Commonwealth of Pennsylvania;

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way within the Township, and the Franchisee desires to use portions of the FTTP Network once installed to provide Cable Services in the Township;

WHEREAS, the Township desires to protect and manage the Public Rights-of-Way, require high standards of customer service, receive financial compensation for Franchisee’s use of the Public Rights-of-Way as provided by federal law, obtain complimentary services for its public buildings, obtain public, educational and governmental channels, establish certain reporting requirements, and provide for the future cable-related needs of its residents;

WHEREAS, the Township has found the Franchisee to be financially, technically, and legally qualified to operate the Cable System to provide Cable Services;

WHEREAS, the Township has determined that the grant of a nonexclusive franchise to the Franchisee is consistent with the public interest; and

WHEREAS, the Township and the 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 Township’s grant of a franchise to the Franchisee, the Franchisee’s promise to provide Cable Service to residents of the Township pursuant to and consistent with the Communications Act (as hereinafter defined), pursuant to the

terms and conditions set forth herein, the promises and undertakings herein, and other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. **DEFINITIONS**

Except as otherwise provided herein, the definitions and word usages set forth in 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 that the Franchisee shall make available to the Township without charge for Public, Educational, or Governmental use for the transmission of video programming as directed by the Township.

1.2 *Additional Service Area*: Shall mean any such portion of the Service Area added pursuant to Section 3.1.2 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, the Franchisee.

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

1.5 *Cable Service or Cable Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(6), which currently states: “The one-way transmission to Subscribers of video programming or other programming service, and Subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service.”

1.6 *Cable System or System*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(7), which currently states: “a facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service which includes video programming and which is provided to multiple Subscribers within a community, but such term does not include (A) a facility that serves only to retransmit the television signals of one or more television broadcast stations; (B) a facility that serves Subscribers without using any Public Rights-of-Way; (C) a facility of a common carrier which is subject, in whole or in part, to the provisions of Title II of this Act, except that such facility shall be considered a Cable System (other than for purposes of Section 621(c)) to the extent such facility is used in the transmission of video programming directly to Subscribers, unless the extent of such use is solely to provide interactive on-demand services; (D) an open video system that complies with Section 653 of this title; or (E) any facilities of any electric utility used solely for operating its electric utility systems.” 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 Township 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.

1.7 *Channel*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(4), which currently states “A portion of the electromagnetic frequency spectrum which is used in a Cable System and which is capable of delivering a television channel (as television channel is defined by the FCC by regulation).”.

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

1.9 *Complaint*: Any written communication by a Subscriber, including electronic mail, expressing dissatisfaction with any aspect of Franchisee’s Cable System or cable operations.

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

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

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

1.13 *Fiber to the Premise Telecommunications Network (“FTTP Network”)*: The Franchisee’s network that transmits Non-Cable Services pursuant to the authority granted under the laws of the Commonwealth of Pennsylvania and under Title II of the Communications Act, which Non-Cable Services are not subject to Title VI of the Communications Act, and provides Cable Services from the operation of a Cable System.

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

1.15 *Franchisee*: Verizon Pennsylvania Inc., and its lawful and permitted successors, assigns, and transferees.

1.16 *Government Access Channel*: An Access Channel available for the use of the Township for governmental purposes.

1.17 *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by the Franchisee from the operation of the Cable System to provide Cable Service in the Township, including:

- (1) fees charged for Basic Service;
- (2) fees charged to Subscribers for any service tier other than Basic Service;
- (3) fees charged for premium services, *e.g.* HBO, Showtime, Cinemax;
- (4) fees charged to Subscribers for any optional, per-channel, or per-program services;
- (5) revenue from the provision of any other Cable Services;
- (6) charges for installation, additional outlets, relocation, disconnection, reconnection and change-in-service fees for Cable Service;
- (7) fees for downgrading any level of Cable Service programming;
- (8) fees for service calls;
- (9) fees for leasing of Channels;
- (10) rental of customer equipment, including converters, digital video recorders, and remote control devices;
- (11) foregone revenue that Franchisee chooses not to receive in exchange for trades, barter, services, or other items of value consistent Section 1.17.10 below;
- (12) advertising revenues as set forth herein;
- (13) revenue from the sale or rental of Subscriber lists;
- (14) revenues or commissions received from the carriage of home shopping channels subject to Section 1.16.6 below;
- (15) fees for any and all music services that are deemed to be a Cable Service over a Cable System;
- (16) revenue from the sales of program guides;
- (17) late payment fees;
- (18) NSF check charges;
- (19) fees for video-on-demand; and
- (20) Franchise fees for the provision of Cable Service over the Cable System in the Township.

Advertising commissions paid to independent third parties shall not be deducted from advertising revenue included in Gross Revenue. Advertising revenue is based upon the ratio of the number of Subscribers as of the last day of the period for which Gross Revenue is being calculated to the number of Franchisee's subscribers within all areas covered by the particular advertising source as of the last day of such period. By way of illustrative example, Franchisee sells two ads: Ad "A" is broadcast nationwide; Ad "B" is broadcast only within Pennsylvania. Franchisee has 100 Subscribers in LFA, 500 subscribers in Pennsylvania, and 1000 subscribers nationwide. Gross Revenue as to LFA from Ad "A" is 10% of Franchisee's revenue therefrom. Gross Revenue as to LFA from Ad "B" is 20% of Franchisee's revenue.

Gross Revenue shall not include:

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

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

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

1.17.5 Any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law including, without limitation, revenue received from Telecommunications Services; revenue received from Information Services, including, without limitation, Internet Access service, electronic mail service, internet-derived electronic bulletin board service, or similar online computer services; charges made to the public for commercial or cable television that is used for two-way communication that are classified as Non-Cable Services; and any other revenues attributed by the Franchisee to Non-Cable Services in accordance with applicable federal or state laws or regulations;

1.17.6 Any revenue of the Franchisee or any other Person that is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, notwithstanding that portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System for the sale of such merchandise, which portion shall be included in Gross Revenue;

1.17.7 The sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable franchise fees from purchaser's customer;

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

1.17.9 Any forgone revenue that the Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of the Franchisee and public institutions or other institutions designated in the Agreement; provided, however, that such forgone revenue that the Franchisee chooses not to receive in exchange for trades, barter, services, or other items of value shall be included in Gross Revenue;

1.17.10 Sales of capital assets not used to provide Cable Service over the Cable System or sales of surplus equipment not used to provide Cable Service;

1.17.11 Program launch fees;

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

1.17.13 Any fees or charges collected from Subscribers or other third parties for any PEG Grant.

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

1.19 *Initial Service Area*: The portion of the Township as outlined in Exhibit B.

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

1.21 *Local Franchise Authority (LFA)*: The Township of Moon or the lawful successor, transferee, or assignee thereof.

1.22 *Non-Cable Services*: Any service that is not a Cable Service as defined herein, including, but not limited to, Information Services and Telecommunications Services.

1.23 *Normal Business Hours*: Those hours during which most similar businesses in the community are open to serve customers. In all cases, “normal business hours” must include some evening hours at least one night per week and/or some weekend hours. *See* 47 C.F.R. § 76.309(c)(4)(i).

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

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

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

1.27 *Public Access Channel*: An Access Channel available for use by the residents in the Township.

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

1.29 *Service Area*: All portions of the Township where Cable Service is being offered, as outlined in Exhibit B, including the Initial Service Area and any Additional Service Areas.

1.30 *Service Date*: The date that the Franchisee first provides Cable Service on a commercial basis directly to multiple Subscribers in the Township. The Franchisee shall memorialize the Service Date by notifying the Township in writing of the same, which notification shall become a part of this Agreement.

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

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

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

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

1.35 *Title II*: Title II of the Communications Act, Common Carriers, as amended.

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

1.37 *Township*: The incorporated area (entire existing territorial limits) of the Township and such additional areas as may be included in the corporate (territorial) limits of the Township during the term of this Agreement.

1.38 *Transfer of the Franchise*:

1.38.1 Any transaction in which:

1.38.1.1 an ownership, control or other interest in the Franchisee is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons, so that control of the Franchisee is transferred;

1.38.1.2 at least thirty percent (30%) of the equitable ownership of the Franchisee is transferred or assigned to another Person or group of Persons; or

1.38.1.3 the rights held by the Franchisee pursuant to this Agreement are transferred or assigned to another Person or group of Persons.

1.38.2 However, notwithstanding subsections 1.38.1.1 and 1.38.1.2, a *Transfer of the Franchise* shall not include transfer of an ownership or other interest in the Franchisee to the parent of the Franchisee or to another Affiliate of the Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Agreement to the parent of the Franchisee or to another Affiliate of the Franchisee; any action that is the result of a merger

of the parent of the Franchisee; or any action that is the result of a merger of another Affiliate of the Franchisee.

1.39 *Video Programming*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(20) which currently states: “programming provided by, or generally considered comparable to programming provided by a television broadcast station.”

2. **GRANT OF AUTHORITY; LIMITS AND RESERVATIONS**

2.1 *Grant of Authority*: Subject to the terms and conditions of this Agreement and the Communications Act and applicable laws and regulations, the Township hereby grants the Franchisee the right to own, construct, operate, and maintain a Cable System to provide Cable Services along the Public Rights-of-Way within the Township, in order to provide Cable Service. No privilege or power of eminent domain is bestowed or waived by this grant; nor is such a privilege or power bestowed or waived by this Agreement.

2.2 *LFA’s Regulatory Authority*: The parties recognize that Franchisee’s FTTP Network is being constructed and will be operated and maintained as an upgrade to and/or extension of its existing Telecommunications Facilities for the provision of Non-Cable Services. The jurisdiction of the Township over Franchisee’s Telecommunications Facilities is governed by federal and state law, and the Township shall not assert jurisdiction over Franchisee’s FTTP Network in contravention of those laws. Therefore, as provided in Section 621 of the Communications Act, 47 U.S.C. § 541, the Township’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 to the extent the FTTP Network is constructed, installed, maintained, or operated for the purpose of upgrading and/or extending Verizon’s existing Telecommunications Facilities for the provision of Non-Cable Services. This Agreement shall not be construed to limit the existing regulatory authority the Township has under federal and state law with respect to the FTTP Network facilities.

2.3 *Term*: This Agreement shall become effective on _____, 2007 (the “Effective Date”). The term of this Agreement shall be ten (10) years from the Effective Date unless the Franchise is earlier revoked as provided herein.

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

2.5 *Franchise Subject to Federal and State Law*: Notwithstanding any provision to the contrary herein, this Agreement is subject to and shall be governed by all applicable provisions of federal law including but not limited to the Communications Act and state law and regulations to the extent not in conflict with federal law.

2.6 *No Waiver:*

2.6.1 The failure of the Township on one or more occasions to exercise a right or to require compliance or performance under this Agreement, 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 Township, nor to excuse the Franchisee from complying or performing, unless such right or such compliance or performance has been specifically waived in writing.

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

2.7 *Construction of Agreement:*

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

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

2.7.3 Should any change to state law have the lawful effect of materially altering the terms and conditions of this Agreement making it commercially impracticable for Franchisee to continue in the provision of Cable Service in the Township, then the parties shall modify this Agreement to the mutual satisfaction of both parties to ameliorate the negative effects on the Franchisee of the material alteration. Any modification to this Agreement shall be in writing and signed by both parties. If the parties cannot reach agreement on the above-referenced modification to the Agreement, then the Franchisee may terminate this Agreement without further obligation to the Township or, at either party's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

2.8 *Police Powers:* Nothing in this Agreement shall be construed to prohibit the reasonable, necessary, and lawful exercise of the police powers of the Township. However, if the reasonable, necessary, and lawful exercise of the police power results in any material alteration of the terms and conditions of this Agreement making it commercially impracticable for Franchisee to continue in the provision of Cable Service in the Township, then the parties shall modify this Agreement to the mutual satisfaction of both parties to ameliorate the negative effects on the Franchisee of the material alteration. Any modification to this Agreement shall be in writing and signed by both parties. If the parties cannot reach agreement on the above-referenced modification to the Agreement, then the Franchisee may terminate this Agreement without further obligation to the Township or, at either party's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

3. **PROVISION OF CABLE SERVICE**

3.1 *Service Area:*

3.1.1 *Initial Service Area:* The Franchisee shall offer Cable Service to significant numbers of Subscribers in residential areas of the Initial Service Area and may make Cable Service available to businesses in the Initial Service Area, within twenty-four (24) months of the Effective Date of this Agreement, and shall offer Cable Service to all residential areas in the Initial Service Area within five (5) years of the Effective Date of the Agreement, except: (A) for periods of Force Majeure; (B) for periods of unreasonable delay caused by the Township; (C) for periods of delay resulting from the Franchisee's inability to obtain authority to access rights-of-way in the Township; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in areas, developments, or buildings where the Franchisee cannot access under reasonable terms and conditions after good faith negotiation, as determined by the Franchisee; and (F) in areas, developments or buildings where the 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 subsection 3.1.1.1.

3.1.2 *Additional Service Areas:* Except for the Initial Service Area, the Franchisee shall not be required to extend its Cable System or to provide Cable Services to any other areas within the Township during the term of this Agreement. If the Franchisee desires to add Additional Service Areas within the Township, the Franchisee shall notify the Township in writing of such Additional Service Area at least ten (10) days prior to providing Cable Services in such areas.

3.1.2.1 *Density Requirement:* The Franchisee shall make Cable Services available to residential dwelling units in all areas of the Service Area where the minimum density is equal to or greater than twenty-five (25) 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 Township meet the density requirements after the time stated for providing Cable Service as set forth in subsections 3.1.1 and 3.1.2 respectively, the Franchisee shall provide Cable Service to such area within six (6) months of receiving notice from the Township that the density requirements have been met.

3.2 *Availability of Cable Service:* The Franchisee shall make Cable Service available to all residential dwelling units and may make Cable Service available to businesses within the Township in conformance with Section 3.1, and the Franchisee shall not discriminate between or among any individuals in the availability of Cable Service. In the areas in which the Franchisee shall provide Cable Service, the Franchisee shall be required to connect, at the Franchisee's expense, other than a standard installation charge, all residential dwelling units that are within two hundred (200) feet of trunk or feeder lines not otherwise already served by the Franchisee's FTTP Network. The Franchisee shall be allowed to recover, from a Subscriber that requests such connection, no more than the actual costs incurred for residential dwelling unit

connections that exceed two hundred (200) feet and actual costs incurred to connect any non-residential dwelling unit Subscriber.

3.2.1 *Cable Service to Municipal Buildings*: Subject to Sections 3.1, the Franchisee shall provide, without charge within the Township, one service outlet activated for Basic Service to each municipal building, public and private school as defined in Section 3.2.2 below, and public library as may be designated by the Township, in Exhibit A so long as all such municipal building locations including those designated in Exhibit A are within the Initial Service Area; provided, however, that if it is necessary to extend the Franchisee's trunk or feeder lines more than two hundred (200) feet solely to provide service to any above referenced building, the Township shall have the option either of paying the Franchisee's direct costs for such extension in excess of two hundred (200) feet, or of releasing the Franchisee from the obligation to provide service to such building.

3.2.2 Each public and non-public school in the Township as referenced in Section 3.2.1 above must be a school that (a) receives funding pursuant to Title I of the Elementary and Secondary Education Act of 1965, 20 U.S.C. § 6301 et seq. and (b) is considered a Non-public, Non-Licensed Schools under the Pennsylvania Private Academic Schools Act, 24 P.S. §§ 6702-6721, as designated in Exhibit A.

3.3 Furthermore, the Franchisee shall be permitted to recover, from any school or other municipal building owner entitled to free service, the direct cost of installing, when requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than two hundred (200) feet of drop cable; provided, however, that the Franchisee shall charge for the provision of Basic Service to the additional service outlets, once installed. Cable Service may not be resold or otherwise used in contravention of the Franchisee's rights with third parties respecting programming provided that the Franchisee has made the Township aware of those rights with respect to third parties. Equipment provided by the Franchisee, if any, shall be replaced at retail rates if lost, stolen, or damaged.

3.4 In addition to the locations designated in Exhibit A, Franchisee shall provide, without charge, within the Township one service outlet activated for Basic Service to two (2) additional municipal buildings over the Term of the Agreement subject to the conditions set forth in Section 3.2.1 above and so long as all such municipal building locations including those designated in Exhibit A are within the Initial Service Area.

4. **SYSTEM FACILITIES**

4.1 *Technical Requirement*: Franchisee shall operate, maintain, construct, and extend the Cable System so as to provide high quality signals and reliable delivery of Cable Services throughout the Township. The Cable System shall meet or exceed any and all technical performance standards of the FCC, the National Electrical Safety Code, the National Electric Code and any other applicable federal laws and the laws of the Commonwealth of Pennsylvania, to the extent not in conflict with federal law and regulations, as determined by a court of competent jurisdiction.

4.2 *System Characteristics:* The Franchisee’s Cable System shall meet or exceed the following requirements:

4.2.1 The System shall be designed, constructed, and maintained with an initial analog and digital carrier passband between 50 and 860 MHz.

4.2.2 The System shall be designed, constructed and maintained to be an active two-way plant for Subscriber interaction, if any, required for the selection or use of Cable Service.

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

4.4 *Emergency Alert System:*

4.4.1 The Franchisee shall comply with the Emergency Alert System (“EAS”) requirements of the FCC in order that emergency messages may be distributed over the System.

5. **PEG SERVICES**

5.1 *PEG Set Aside; Interconnection:*

5.1.1 In order to ensure universal availability of Public, Educational, and Government Access programming, the Franchisee shall provide use of capacity on its Basic Service Tier consisting of one (1) dedicated Public, Educational and Government Access Channel (“Initial PEG Access Channel”). The Township shall have the right to reserve from Franchisee, one (1) additional channel (“Additional PEG Access Channel”) that the Township may use for public, educational or governmental purposes. The parties agree that Franchisee shall retain the right to utilize all such Additional Access Channel capacity, in its sole discretion, during the term of this Agreement until such time that the Township begins using the Additional PEG Access Channel pursuant to Section 5.1.2 and/or if the Township ceases to use the Access Channels during the term of this Agreement.

5.1.2 Upon the signing of this Agreement, the Township hereby notifies Franchisee of its intent to provide programming to be carried on the Initial PEG Access Channel set forth in Section 5.1.1. above and subject to Sections 5.1.4. and 5.1.5. below. Such notification shall constitute authorization to Franchisee to transmit such programming within and without the Township. The Township may activate the Additional PEG Access Channel by providing Franchisee written notice one hundred twenty (120) days prior to the date it intends to activate the Additional PEG Access Channel. Such written notice shall authorize Franchisee to transmit the Additional PEG Access Channel within and without the Township. Franchisee shall assign the Access Channel numbers to the extent such channel number assignments do not interfere with Franchisee’s existing or planned channel number line-up and contractual obligations, provided it is understood that Franchisee specifically reserves the right to make such assignments in its sole discretion. The Access Channels shall be used for community

programming related to public, educational and/or governmental activities. The Township shall have complete control over the content, scheduling, and administration of the Access Channels and may delegate such functions, or a portion of such functions, to an appropriate designee. The Township hereby designates Moon Community Access Television (MCATV) as its official designee responsible for content, scheduling, and administration of the Access Channels. Franchisee shall not exercise any editorial control over Access Channel programming. If an Active Access Channel provided under this Article is not being utilized by the Township, Franchisee may utilize such Access Channel, at its sole discretion, after receiving written approval from the Township to do so until such time as the Township elects to utilize the Access Channel for its intended purpose, at which time the Township shall provide Franchisee with ninety (90) days' prior written notice of such request.

5.1.3 The Township shall comply with the law regarding the non-commercial use of PEG Channels and with the Revised Rules and Regulations for MCATV dated March 8, 2004.

5.1.4 The Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Prior to the Service Date, the Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational, and Governmental access programming consistent with this Agreement. Interconnection may be accomplished by direct cable, microwave link, satellite, or other reasonable method of connection. The Franchisee shall negotiate in good faith with existing cable operator(s) respecting reasonable, mutually convenient, cost-effective, and technically viable interconnection points, methods, terms, and conditions. The Township shall support and encourage good faith negotiations between Franchisee and the existing cable operator(s) to provide such interconnection within the Initial Service Area to the Franchisee on reasonable terms and conditions. The Franchisee and the existing cable operator(s) shall negotiate the precise terms and conditions of an interconnection agreement.

5.1.5 If the procedures of Section 5.1.4 do not result in interconnection of Franchisee's Cable System with the existing cable operator(s) for purposes of providing Access Channels, the Township may require Franchisee to provide direct connection video links, no earlier than twelve (12) months after the Service Date of this Agreement, without charge to the Township, to one (1) location within the Initial Service Area where, Public, Government and Educational Access programming is originated, specifically the Moon Township Community Service Center, 1700 Beaver Grade Road, Moon Township, PA for the purpose of cablecasting PEG programming; provided, however, that Franchisee shall not be obligated to provide the Township with either cablecast equipment and facilities or personnel responsible for maintaining and operating such equipment and facilities or generating any Access Channel programming.

5.2 PEG Grant:

5.2.1 The Franchisee shall provide a grant to the Township to be used in support of the production of local PEG programming (the "PEG Grant"). Such grant shall be used by the Township for PEG access equipment and support, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, production of programming or for renovation or construction of PEG access facilities.

5.2.2 The PEG Grant provided by the Franchisee hereunder shall be the sum of \$00.40, per month, per Subscriber in the Township to the Franchisee's Basic Service Tier. The PEG Grant payment, along with a brief summary of the Subscriber information upon which it is based, shall be delivered to the Township within forty-five (45) days following the end of each calendar quarter. Specifically, payments shall be due and payable on or before May 15 (for the first quarter), August 15 (for the second quarter), November 15 (for the third quarter), and February 15 (for the fourth quarter) during the Agreement Term. Calculation of the PEG Grant will commence with the first calendar month during which the Franchisee obtains its first Subscriber in the Township.

5.2.3 The Township shall provide the Franchisee with a complete accounting annually of the distribution of funds granted pursuant to this Section 5.2, if requested by Franchisee.

5.3 *Indemnity for PEG:* The Township shall require all local producers and users of any of the PEG facilities or Channels to agree in writing to authorize the Franchisee to transmit programming consistent with this Agreement and to indemnify and hold harmless the Franchisee, MCATV, and the Township 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 results from the use of a PEG facility or Channel. Such indemnification by local producers and users shall not include the technical signal quality of the Access Channels. As of the Effective Date of this Agreement, the Township has established rules and regulations for the use of PEG facilities. See "Revised Rules and Regulations for Moon Community Access Television," dated March 8, 2004.

5.4 *Recovery of Costs:* To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of a 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 foregoing, if allowed under state and federal laws, the Franchisee may externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

6. **FRANCHISE FEES**

6.1 *Payment to the Township:* The Franchisee shall pay to the Township a Franchise fee of five percent (5%) of annual Gross Revenue. In accordance with Title VI of the Communications Act, the twelve (12) month period applicable under the Agreement for the computation of the Franchise fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. Specifically, payments shall be due and payable on or before May 15 (for the first quarter), August 15 (for the second quarter), November 15 (for the third quarter), and February 15 (for the fourth quarter). In the event that any franchise fee payment is not made on or before the applicable dates, then interest shall be added at the rate of six percent (6%) per year of the amount of franchise fee revenue due to the Township. No acceptance of any payment shall be construed as an accord that the amount paid is the correct amount. The Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise fee remittances within ninety (90) days following the close of the calendar year for which such payments were applicable.

6.2 *Supporting Information:* Each Franchise fee payment shall be accompanied by a brief report that provides line items of revenue sources and is verified by a financial manager of the Franchisee showing the basis for the computation.

6.3 *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise fee payable hereunder shall be five (5) years from the date on which payment by the Franchisee is due.

6.4 Audits:

6.4.1 The Township may audit or conduct a Franchise fee review of Franchisee's books and records no more than once every three (3) years during the Term. All records reasonably necessary for any such audit shall be made available by Franchisee to the Township. Franchisee shall provide copies of such records to the Township upon written request.

6.4.2 Each party shall bear its own costs of an audit; provided, however, that if the results of any audit indicate that Franchisee underpaid the Franchise fees by five percent (5%) or more, then Franchisee shall pay the reasonable, documented, out-of-pocket costs of the audit up to three thousand dollars (\$3,000).

6.4.3 If the results of an audit indicate an overpayment or underpayment of Franchise fees, the parties agree that such overpayment or underpayment shall be returned or offset against future payments if applicable, to the proper party within forty-five (45) days; provided, however, that Franchisee shall be required to remit underpayments to the Township together with annual interest at five percent (5%) of the amount correctly due from the date such underpayment would have been due.

6.4.4 Any entity employed by the Township that performs the audit or Franchise fee review shall be a professional firm with recognized expertise in auditing

Franchise fees and shall not be permitted to be compensated on a success based formula, e.g., payment based on an underpayment of fees, if any.

6.5 *Bundled Services*: If Cable Services subject to the Franchise fee required under this Article 6 are provided to Subscribers in conjunction with Non-Cable Services, the Franchise fee shall be applied only to the value of the Cable Services, as reflected on the books and records of the Franchisee in accordance with generally accepted accounting principles and applicable laws and regulations.

7. **CUSTOMER SERVICE**

Customer Service Requirements are set forth in Exhibit C, which shall be binding on the parties. Such requirements may be amended by written consent of the parties.

8. **REPORTS AND RECORDS**

8.1 *Open Books and Records*: Upon thirty (30) days written notice to Franchisee, the Township shall have the right to inspect Franchisee's books and records pertaining to this Agreement or Franchisee's provision of Cable Service in the Township at any time during Normal Business Hours, as are reasonably necessary to ensure compliance with the terms of this Agreement. Such notice shall specifically reference the section or subsection of the Agreement that is under review, so that Franchisee may organize the necessary books and records for appropriate access by the Township. The books and records to be made available for inspection by the Township shall be made available for inspection at a location in the western region of the Commonwealth of Pennsylvania mutually agreed upon by the parties. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than five (5) years. Notwithstanding anything to the contrary set forth herein, Franchisee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature, nor disclose any of its or an Affiliate's books and records not relating to this Agreement or the provision of Cable Service in the Township. If Franchisee claims any information to be proprietary or confidential, it shall provide an explanation as to the reason it is claimed to be confidential or proprietary. The Township shall treat any information disclosed by Franchisee as confidential so long as it is permitted to do so under applicable law and shall only disclose it to employees, representatives, and agents thereof that have a need to know, or in order to enforce the provisions hereof. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. § 551.

8.2 *Records Required*: The Franchisee shall at all times maintain the following, which may be inspected pursuant to Section 8.1 above:

8.2.1 Records of all Complaints for a period of five (5) years after receipt by the Franchisee. Complaints recorded will not be limited to complaints requiring an employee service call;

8.2.2 Records of outages for a period of five (5) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

8.2.3 Records of service calls for repair and maintenance for a period of five (5) years after resolution by the Franchisee, indicating the date and time service was required, the date of acknowledgment and date and time service was scheduled (if it was scheduled), and the date and time service was provided, and (if different) the date and time the problem was resolved;

8.2.4 Records of installation/reconnection and requests for service extension for a period of five (5) years after the request was fulfilled by the Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended; and

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

9. **INSURANCE AND INDEMNIFICATION**

9.1 *Insurance:*

9.1.1 The Franchisee shall maintain in full force and effect, at its own cost and expense, during the Agreement Term, the following insurance coverage:

9.1.1.1 Commercial General Liability Insurance in the amount of three million dollars (\$3,000,000) combined single limit for property damage and bodily injury. Such insurance shall cover the construction, operation, and maintenance of the Cable System, and the conduct of the Franchisee's Cable Service business in the Township.

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

9.1.1.3 Workers' Compensation Insurance meeting all legal requirements of the Commonwealth of Pennsylvania.

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

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

9.1.3 The Franchisee shall not cancel any required insurance policy without submitting documentation to the Township verifying that the Franchisee has obtained alternative insurance in conformance with this Agreement.

9.1.4 Each of the required insurance policies shall be with sureties qualified to do business in the Commonwealth of Pennsylvania, with an A- or better rating for

financial condition and financial performance by Best's Key Rating Guide, Property/Casualty Edition.

9.1.5 Upon written request, the Franchisee shall deliver to the Township Certificates of Insurance showing evidence of the required coverage.

9.2 *Indemnification:*

9.2.1 Franchisee agrees to indemnify, save, hold harmless, and defend the Township, its officers, agents, boards, and employees, including elected and appointed officials, from and against any and all claims for injury, loss, liability, cost or expense arising in whole or in part from, incident to, or connected with any act or omission of Franchisee, its officers, agents, or employees, including the acts or omissions of any contractor or subcontractor of Franchisee, arising out of Franchisee's construction, operation, upgrade or maintenance of its Cable System. The obligation to indemnify, save, hold harmless and defend the Township shall include the obligation to pay judgments, injuries, liabilities, damages, penalties, Franchisee's expert fees, Franchisee's court costs and Franchisee's own attorneys' fees. The Township shall give the Franchisee timely written notice of a claim or action for which it seeks indemnification pursuant to this sub-section; and in any event, the Township shall provide Franchisee with such written notice within a period of time that allows Franchisee to take action to avoid entry of a default judgment and does not prejudice Franchisee's ability to defend the claim or action. Notwithstanding the foregoing, the Franchisee shall not indemnify the Township for any damages, liability, or claims resulting from, and the Township shall be responsible for, the willful misconduct or negligence of the Township, its officers, agents, and employees.

9.2.2 With respect to the Franchisee's indemnity obligations set forth in subsection 9.2.1, the Franchisee shall provide the defense of any claims brought against the Township by selecting counsel of the Franchisee's choice to defend the claim, subject to the consent of the Township, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the Township from cooperating with the Franchisee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the Township, the Franchisee shall have the right to defend, settle, or compromise any claim or action arising hereunder, and the Franchisee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the terms of any such proposed settlement includes the release of the Township, and the Township does not consent to the terms of any such settlement or compromise, the Franchisee shall not settle the claim or action, but its obligation to indemnify the Township shall in no event exceed the amount of such settlement.

10. **TRANSFER OF FRANCHISE**

10.1 Subject to Section 617 of the Communications Act, 47 U.S.C. § 537, and applicable federal regulations, no Transfer of the Franchise shall occur without the prior consent of the Township, provided that such consent shall not be unreasonably conditioned. Franchisee shall make written application to the Township of any Transfer and shall provide information required by FCC Form 394, and any other applicable federal and state statutes and regulations

regarding transfer and assignment, together with all exhibits. The Township shall have one hundred twenty (120) days from the date of submission of a FCC Form 394 to take action on the Transfer application consistent with federal law or regulations as may be amended from time to time. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness, or for transactions otherwise excluded under Section 1.38 above. Any consent by the Township for any Transfer shall not be effective until the proposed transferee or assignee shall have executed legally binding document stating that it shall assume all the obligations contained in this Agreement.

11. **RENEWAL OF FRANCHISE**

11.1 The Township and the Franchisee agree that any proceedings undertaken by the Township that relate to the renewal of this Franchise shall be governed by and comply with the provisions of Section 626 of the Communications Act, 47 U.S.C. § 546.

12. **ENFORCEMENT AND TERMINATION OF FRANCHISE**

12.1 *Notice of Violation:* If at any time the Township believes that the Franchisee has not complied with the terms of the Agreement, the Township shall informally discuss the matter with the Franchisee. If these discussions do not lead to resolution of the problem in a reasonable time, the Township shall then notify the Franchisee in writing of the exact nature of the alleged noncompliance in a reasonable time (for purposes of this Article, the “Noncompliance Notice”). If the Township does not notify Franchisee of any alleged noncompliance, it shall not operate as a waiver or any rights of the Township hereunder or pursuant to applicable law.

12.2 *The Franchisee’s Right to Cure or Respond:* The Franchisee shall have thirty (30) days from receipt of the Noncompliance Notice to: (i) respond to the Township, if the Franchisee contests (in whole or in part) the assertion of noncompliance; (ii) cure such noncompliance; or (iii) in the event that, by its nature, such noncompliance cannot be cured within such thirty (30) day period, initiate reasonable steps to remedy such noncompliance, diligently pursue such remedy to completion, and notify the Township of the steps being taken and the date by which cure is projected to be completed. Upon cure of any noncompliance, the Township shall provide written confirmation that such cure has been effected.

12.3 *Public Hearing:* In the event that Franchisee fails to respond to the Noncompliance Notice pursuant to the procedures required by Section 12.2, or in the event that the alleged noncompliance is not cured within thirty (30) days or the date projected pursuant to Section 12.2(iii) above, if the Township seeks to continue its investigation into the alleged noncompliance, then Franchisee may request a public hearing. If such a hearing is scheduled, the Township shall provide Franchisee at least thirty (30) days prior written notice of such public hearing, which will specify the time, place, and purpose of such public hearing, and provide Franchisee the opportunity to be heard.

12.4 *Liquidated Damages:* After the time period set forth in Sections 12.2 and 12.3 above, in the event that Township finds that an alleged noncompliance continues to exist

and that Franchisee has not corrected the same in a satisfactory manner or has not diligently pursued correction of such violation, Franchisee agrees that Township may recover liquidated damages from Franchisee in the amounts set forth below following the notice and opportunity to cure provisions set forth in Sections 12.2 above; provided, however, that if Franchisee disputes the assessment of any liquidated damages hereunder, Franchisee may request and Township agrees to schedule a public hearing with regard to such dispute. Following the notice and opportunity to cure periods in Sections 12.2 above, the Township shall provide Franchisee with written notice that it intends to elect the liquidated damage remedies set forth herein. If the Township elects to recover liquidated damages for any item set forth in this Section 12.4, the Township agrees that such recovery shall be its exclusive remedy for the time period in which liquidated damages are assessed; provided, however, once the Township has ceased to assess its liquidated damages remedy as set forth in Section 12.4.2, it may pursue other available remedies.

12.4.1 Pursuant to Section 12.4, the following amounts shall apply as liquidated damages:

For failure to provide Cable Service as set forth in Sections 3.1-3.3: \$100 per day for each day the violation continues;

For failure to maintain the FCC technical standards as set forth in Section 4: \$100 per day for each day the violation continues;

For failure to provide PEG Services to the community specified in Section 5.1: \$100/day for each day the violation continues;

For failure to permit a franchise fee audit within forty-five (45) days of a request as set forth in Section 6.4: \$100/day for each day the violation continues;

For failure to provide the Township with any reports or records required by this Agreement within the time period required: \$100/day for each day the violation continues;

For failure to meet customer service requirements with regard to Sections 2, 3, and 4 of the Customer Service Standards set forth in Exhibit C: \$300 for each quarter in which such standards were not met;

For failure to carry the insurance specified in Section 9.1.1: \$100/day for each day the violation continues;

For a Transfer specified in Section 10 without required approval: \$100/day for each day the violation continues;

For failure to obtain or maintain a Performance Bond specified in Section 12.5: \$100 per day.

12.4.2 The amount of all liquidated damages assessed under this Section per annum shall not exceed \$10,000 in the aggregate. All similar violations or failures from the same factual events affecting multiple subscribers shall be assessed as a single violation, and a violation or a failure may only be assessed under any one of the above-referenced categories. Violations or failures shall not be deemed to have occurred or commenced until they are not cured as provided in Section 12.2.

12.5 *Performance Bond:*

12.5.1 Prior to the Service Date, Franchisee shall provide security for the performance of its obligations under this agreement to the Township in the amount of \$35,000. 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 Township.

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

12.5.3 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 within thirty (30) days of such cancellation or failure to renew.

12.5.4 Cancellation, termination, or refusal by surety to extend the bond, or inability of Principal to file a replacement bond or replacement security for its obligations, shall constitute a non-compliance pursuant to Section 12.4.1 above, but shall not constitute a loss to the Township recoverable under the bond.

12.6 *Revocation:* Should the Township seek to revoke this Franchise after following the procedures set forth above in this Article, including the public hearing described in Section 12.3, and the Township chooses not to impose liquidated damages or ceases to impose liquidated damages, the Township shall give written notice to the Franchisee of such intent. The notice shall set forth the specific nature of the noncompliance. The Franchisee shall have sixty (60) days from receipt of such notice to object in writing and to state its reasons for such objection. In the event that the Township has not received a satisfactory response from the Franchisee, it may then seek termination of the Agreement at a second public hearing. The Township shall cause to be served upon the Franchisee, at least thirty (30) days prior to such public hearing, a written notice specifying the time and place of such hearing and stating its intent to revoke the Franchise.

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

12.6.2 Following the public hearing(s), the Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the Township in writing, and thereafter the Township shall determine (i) whether an event of default has

occurred; (ii) whether such event of default is excusable; and (iii) whether such event of default has been cured by the Franchisee. The Township shall also determine whether to revoke the Franchise based on the information presented or at the discretion of the Township, where applicable, grant additional time to the Franchisee to effect any cure. If the Township determines that the Franchise shall be revoked, the Township shall promptly provide the Franchisee with a written decision setting forth its reasoning. The Franchisee may appeal such determination of the Township to an appropriate court with competent jurisdiction. The Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within the timeframe permitted by law.

12.6.3 The Township may, at its sole discretion, take any lawful action that it deems appropriate to enforce the Township's rights under the Franchise in lieu of revocation of the Franchise.

12.7 *Franchisee Termination:* The Franchisee shall have the right to terminate this Franchise and all obligations hereunder within ninety (90) days after the end of three (3) years from the Service Date of this Agreement, if at the end of such three (3) year period the Franchisee does not then in good faith believe it has achieved a commercially reasonable level of Subscriber penetration on its Cable System making it commercially impracticable for Franchisee to continue the provision of Cable Service in the Township. The Franchisee may consider Subscriber penetration levels outside the Township in this determination. Notice to terminate under this Section 12.7 shall be given to the Township in writing, with such termination to take effect no sooner than one hundred and twenty (120) days after giving such notice. The Franchisee shall also be required to give its then current Subscribers not less than ninety (90) days' prior written notice of its intent to cease Cable Service operations.

13. **MISCELLANEOUS PROVISIONS**

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

13.2 *Binding Acceptance:* This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors, and assigns. This Agreement is authorized by Ordinance No. _____ dated _____, 2007 of the Moon Township Board of Supervisors.

13.3 *Force Majeure:* The Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Agreement, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by a Force Majeure.

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

13.4.1 Notices to the Franchisee shall be mailed to:

President
Verizon Pennsylvania Inc.
1717 Arch Street, Floor 17
Philadelphia, PA 19103

13.4.2 with a copy to:

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

13.4.3 Notices to the Township shall be mailed to:

13.5 *Entire Agreement:* This Agreement and the Exhibits hereto constitute the entire agreement between the Franchisee and the Township and supersedes all prior or contemporaneous agreements, representations, or understanding (whether written or oral) of the parties regarding the subject matter hereof. Any ordinances or parts of ordinances related to the provision of Cable Services over the Cable System in the Township that conflict with the provisions of this Agreement are superseded by this Agreement.

13.6 *Amendments:* Amendments to this Agreement shall be mutually agreed to in writing by the parties.

13.7 *No Third Party Beneficiaries:* Except as expressly provided in this Agreement, this Agreement is not intended to, and does not, create any rights or benefits on behalf of any Person other than the parties to this Agreement.

13.8 *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.

13.9 *Severability:* 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 Agreement.

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

13.11 *Modification*: This Agreement shall not be modified except by written instrument executed by both parties.

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

[SIGNATURE PAGE FOLLOWS]

AGREED TO THIS ____ DAY OF _____, 2007.

TOWNSHIP OF MOON

By: _____

Print: _____

Title: _____

VERIZON PENNSYLVANIA INC.

By: _____

William Petersen
President, Verizon Pennsylvania Inc.

EXHIBITS

Exhibit A: Municipal Buildings to be Provided Free Cable Service

Exhibit B: Service Area

Exhibit C: Customer Service Standards

Exhibit D: Performance Bond

EXHIBIT A

MUNICIPAL BUILDINGS TO BE PROVIDED FREE CABLE SERVICE

Allard Elementary
170 Shafer Rd.
Moon Township, PA 15108

Bon Meade Elementary
1595 Brodhead Rd.
Moon Township, PA 15108

Brooks Elementary
1720 Hassam Rd.
Moon Township, PA 15108

Hyde Elementary
110 Wallridge Dr.
Moon Township, PA 15108

McCormick Elementary
2801 Beaver Grade Road
Moon Township, PA 15108

Moon Area Middle School
8353 University Blvd.
Moon Township, PA 15108

Moon Area High School
904 Beaver Grade Road
Moon Township, PA 15108

Moon Park Office
1350 Ewing Road
Moon Township, PA 15108

Moon Garage
1115 Stevenson Mill Road
Moon Township, PA 15108

Mooncrest Community Building
306 Hemlock Drive
Moon Township, PA

Carnot Fire Station
565 Carnot Road
Moon Township, PA

TOWNSHIP OF MOON PA

Downes Fire Station
1900 Beaver Grade Road
Moon Township, PA

Boggs Fire Station
1321 Spring Run Road Extension
Moon Township, PA

Robin Hill Park
949 Thorn Run Road
Moon Township, PA

Municipal Building and Public Safety Building
1000 Beaver Grade Road
Moon Township, PA

Community Service Center
1700 Beaver Grade Road
Moon Township, PA

EXHIBIT B
SERVICE AREA

The Service Area is shown in the map set forth below.

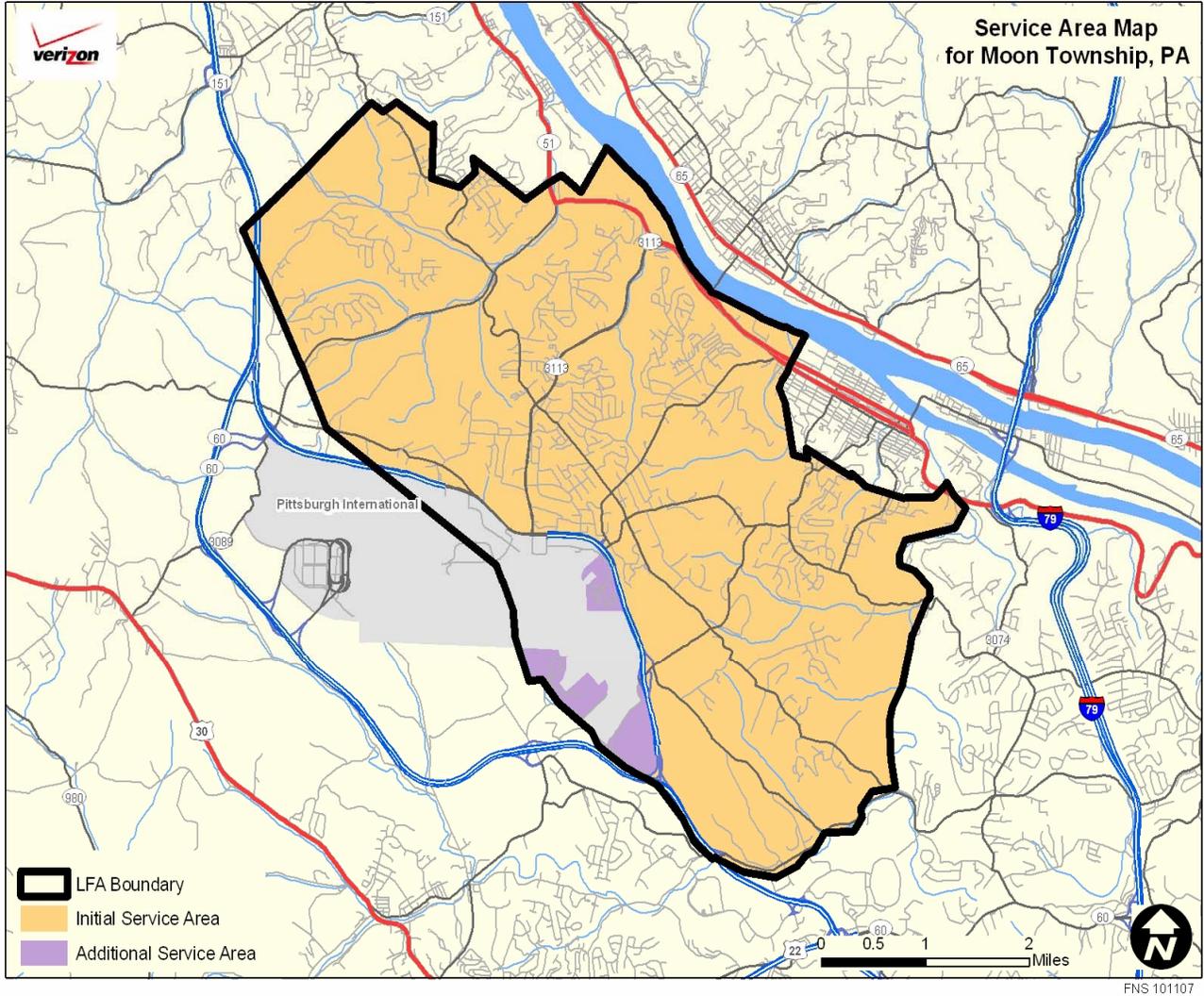


EXHIBIT C

CUSTOMER SERVICE STANDARDS

These standards shall, starting six (6) months after the Service Date, apply to the Franchisee to the extent it is providing Cable Services over the Cable System in the Township.

SECTION 1: DEFINITIONS

A. **Respond:** The Franchisee's investigation of a Service Interruption after receiving a Subscriber call by opening a trouble ticket, if required, and responding to the call.

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 Township.

C. **Service Call:** The action taken by the 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 two hundred (200) feet of trunk or feeder lines.

SECTION 2: TELEPHONE AVAILABILITY

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

B. The 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 Township, beginning with the next publication cycle after acceptance of this Franchise by the Franchisee.

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

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

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

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

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

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

G. At the Franchisee's option, the measurements and reporting above may be changed from calendar quarters to billing or accounting quarters. The Franchisee shall notify the Township 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, the National Electric Code, and the National Electrical Safety Code, 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.

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

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

D. The Franchisee will offer Subscribers "appointment window" alternatives for arrival to perform installations, Service Calls, and other activities of a maximum four (4) hours scheduled time block during Normal Business Hours. 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 the weekends. Franchisee may not cancel an appointment with a Subscriber after the close of business on the business day prior to the scheduled appointment; provided, however, that if a technician is running late for an appointment with a Subscriber and will not be able to keep the appointment as scheduled, the Subscriber will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the Subscriber.

SECTION 4: SERVICE INTERRUPTIONS AND OUTAGES

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

B. The 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, the 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 Township and each affected Subscriber in the Township have been given fifteen (15) days' prior notice of the proposed Significant Outage. Notwithstanding the foregoing, the Franchisee may perform modifications, repairs, and upgrades to the System between 12.01 a.m. and 6 a.m. which may interrupt service, and this Section's notice obligations respecting such possible interruptions will be satisfied by notice provided to Subscribers upon installation and in the annual Subscriber notice.

C. The 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, the Franchisee must Respond to a call from a Subscriber regarding a Service Interruption or other service problems within the following time frames:

(1) Within twenty four (24) hours, including weekends, of receiving Subscriber calls respecting Service Interruptions in the Township and shall diligently pursue to completion.

The Franchisee must begin actions to correct and shall diligently pursue to completion all other Cable Service problems the next business day after notification by the Subscriber or the Township of a Cable Service problem.

E. Under Normal Operating Conditions, the Franchisee shall complete Service Calls within seventy two (72) hours of the time the Franchisee commences to Respond to the Service Interruption.

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

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

H. Under Normal Operating Conditions, the 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 the Franchisee to verify the problem if requested by the 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.

I. Under Normal Operating Conditions, if a Significant Outage affects all Video Programming Cable Services for more than twenty four (24) consecutive hours, the 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. Such credit shall be reflected on Subscriber billing statements within the next available billing cycle following the outage.

SECTION 5: CUSTOMER COMPLAINTS

Under Normal Operating Conditions, the Franchisee shall investigate Subscriber complaints referred by the Township within seventy-two (72) hours. The Franchisee shall notify the Subscriber 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

Township may require reasonable documentation to be provided by the Franchisee to substantiate the request for additional time to resolve the problem. For purposes of this Section, “resolve” means that the 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.

SECTION 6: BILLING

A. Subscriber bills shall be clear, concise, and understandable. Bills must be fully itemized to include all applicable service tiers and, if applicable, all related equipment charges. Bills shall clearly delineate activity during the billing period, including optional charges, rebates, credits, and any late charges. The 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. The Franchisee shall maintain records of the date and place of mailing of bills.

B. 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 until after the specific due date.

C. 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 the 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 the Franchisee’s sole discretion to determine when the dispute has been resolved.

D. Under Normal Operating Conditions, the 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.

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

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

SECTION 7: RATES, FEES, AND CHARGES

A. The Franchisee shall not, except to the extent permitted by law, impose any fee or charge for Service Calls to a Subscriber’s premises to perform any repair or maintenance work

related to the 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 the Franchisee's equipment.

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

SECTION 8: DISCONNECTION /DENIAL OF SERVICE

A. The Franchisee shall not terminate Cable Service for nonpayment of a delinquent account unless the 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. Cable Service terminated in error must be restored without charge within twenty four (24) hours of notice. If a Subscriber was billed for the period during which Cable Service was terminated in error, a credit shall be issued to the Subscriber if the Service Interruption was reported by the Subscriber.

C. Nothing in these standards shall limit the right of the 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 the Franchisee's equipment, abusive and/or threatening behavior toward the Franchisee's employees or representatives, or refusal to provide credit history information or refusal to allow the Franchisee to validate the identity, credit history, and credit worthiness via an external credit agency.

SECTION 9: COMMUNICATIONS WITH SUBSCRIBERS

A. All Franchisee personnel, contractors, and subcontractors contacting Subscribers or potential Subscribers outside the office of the Franchisee shall wear a clearly visible identification card bearing their name and photograph. The 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 the Franchisee and its contractors or subcontractors shall be clearly identified as such to the public. Specifically, Franchisee vehicles shall have the Franchisee's logo plainly visible. The vehicles of those contractors and subcontractors working for the Franchisee shall have the contractor's/subcontractor's name plus markings (such as a magnetic door sign) indicating they are under contract to the Franchisee.

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

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

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

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

E. The 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 and the Township a minimum of thirty (30) days in advance of such changes if within the control of the Franchisee, and the Franchisee shall provide a copy of the notice to the Township including how and where the notice was given to Subscribers.

F. The 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 9.E., at least thirty (30) days prior to making significant changes in the information required by this Section if within the control of the Franchisee:

- (1) Products and Cable Service offered;
- (2) Prices and options for Cable Services and condition of subscription to Cable Services;
- (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 Township, but with a notice advising the Subscriber to initially contact the 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 the Franchisee's office to which complaints may be reported.

A copy of notices required in this Subsection 10.F. will be given to the Township 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 the Franchisee and as soon as possible if not within the control of the 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 the Franchisee where the Subscriber can receive additional information about their account and discuss the pending termination.

J. The Township hereby requests, and Franchisee agrees, that Franchisee publish information specified in 47 C.F.R. 76.952(a) on Subscriber bills.

SECTION 10: PRIVACY

The Franchisee shall protect and abide by the rights of privacy of every Subscriber and shall not violate such rights through the use of any device or signal associated with the Cable System. The Franchisee shall at all times comply with the privacy provisions of Section 631 of the Cable Act and all other applicable federal and state privacy laws and regulations.

EXHIBIT D

PERFORMANCE 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 _____, 20___, and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than sixty (60) days advance written notice of its intent not to renew this Bond or unless the Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon sixty (60) days advance written notice from the Surety to the Obligee.

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)