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ANNEX A

Calculation of Payments

1. The payments in respect of Additional Capacity will be based on the Allocated Cost of constructing the related Additional Facilities. The "Allocated Cost" of such Additional Facilities means the pro rata portion of the total actual cost of constructing such Additional Facilities, based on a ratio of the number of fibers included in such Additional Facilities to the total number of fibers included in the plant containing such Additional Facilities, plus the Permitting Fee to be assessed as provided in paragraph 4 below if such Additional Facilities are all or a portion of new plant construction by the Licensor.

2. The first payment shall be in an amount equal to 50% of Licensor's good faith estimate of the Allocated Cost of such Additional Facilities as specified on the Cost Estimate Schedule. The second payment shall be in an amount equal to the actual Allocated Cost of such Additional Facilities (calculated in accordance with the assumptions set forth in this Annex A) specified on the Final Cost Schedule, less the amount of the first payment.

3. In calculating Allocated Cost, the cost of construction shall be deemed to include direct labor and materials costs, whether incurred by use of Licensor employees or through the use of subcontractors, (which term shall include all new make-ready costs), plus 10% of direct labor and materials costs as reimbursement for supervision and general and administrative costs.

4. In calculating the Allocated Cost of Additional Facilities, a permitting fee (the "Permitting Fee") shall be assessed to Licensee in the amount of \$2,500 per underground route mile for underground construction (which amount shall be fixed for a period of five (5) years from the commencement of this Agreement, at which time the amount shall be subject to renegotiation by the Parties) and 15% of direct labor and materials costs for aerial construction. The Permitting Fee shall be listed as a line item on the Cost Estimate Schedule.

5. In calculating the Allocated Cost of Additional Facilities, the following assumptions shall be made:

(a) With respect to overlashing of Licensee facilities on existing Licensor aerial fiber optic or coaxial sheaths, the cost of the initial permits, make-ready, strand and pole hardware and direct labor attributable to the placement of strand and pole hardware shall be split equally (but without duplication of previous payments thereof by Licensee) between Licensor and Licensee, regardless of the respective numbers of fibers allocated to Licensor and Licensee. These costs shall be based on Licensor's records to the extent available and reflective of such actual costs. However, if such records are not available or do not, in the reasonable judgment of either Licensor or Licensee, accurately reflect such costs, it shall be assumed that these costs total \$1.00 per route foot.

(b) For underground plant, costs shall be allocated between Licensor and Licensee based on the number of fibers allocated to each. For purposes of calculating the

allocation of such costs, the following further assumptions shall be made:

- (i) each of Licensor's trunk and feeder coaxial cables (typically 5/75/1 inch) shall be deemed to be 12 fibers;
- (ii) a conduit shall be deemed to have one innerduct per inch of diameter (e.g., a four inch conduit shall be deemed to have four inner ducts);
- (iii) fibers leased, or the capacity of which is licensed, by Licensor (other than to Licensee) or subleased, or the capacity of which is sublicensed, by Licensee shall be deemed to be fibers of the leasing/licensing or subleasing/sublicensing Party;
- (iv) if the plant that contains the Additional Facilities contains more than two four-inch conduits, only the estimated costs attributable to constructing two conduits shall be included in the calculation, with such costs being allocated to Licensee in the ratio that the number of fibers allocated to Licensee bears to the total number of fibers in such two conduits; and
- (v) Licensor may add a dark or shadow conduit or innerduct to underground Facilities it constructs for Licensee for Licensor's use, and Licensee may request a dark or shadow conduit or innerduct be added to Facilities Licensor constructs for use by Licensee; for purposes of allocating costs, such dark or shadow duct shall be deemed to have twenty-four (24) fibers and the costs to be allocated shall include the cost of constructing both conduits or innerducts.