

SMARTPAYMENT PLANSM**A. Descriptive Summary**

SmartPayment Plan (SPP) is an alternative billing option. The SPP allows customers to pre-pay their monthly charges for certain services for a three or five year service period (Initial Service Period). SPP will be offered with the services listed below.

B. Services Available for SPP

Services offered under SPP are as follows:

Local Exchange Access Line – Business
Plexar® Equivalent Access Lines
SmartTrunk ServiceSM Interface
Digital Loop Service - Digital Transmission Loop Arrangement

C. Regulations

- a. The following rules and regulations are in addition to other rules and regulations as stated in this or other Company Guidebooks. SPP agreements do not supersede or change existing service term agreements of the underlying services. If any terms of the SPP agreement conflict with the terms of the contract for the underlying service, then the terms of the contract of the underlying service (including any applicable service provisions) shall control.
- b. The full payment will be due 30 days from the SPP effective date. When full payment is not received by the due date, the SPP agreement is considered null and void and the services under the SPP agreement will be billed on a monthly rate basis back to the SPP agreement effective date.
- c. At the end of the Initial Service Period, the customer must either extend the Initial Service Period for one 12-month term, establish a new Initial Service Period, start monthly billing or disconnect the service.
- d. The SPP payment will not change as a result of a Company initiated rate increase. However, when a Local Exchange Rate Group Reclassification or an EAS/WACP expansion occurs, as set forth in Part 4, Section 2, an adjustment for the remaining term of the SPP agreement will be made. Also, an adjustment will be made for any rate decrease. When the adjustment results in an amount due the Company the full payment will be due 30 days from the effective date of the change. When the adjustment results in an amount due the customer, an adjustment will be made in the customer's next monthly bill statement.
- e. One-time charges, as set forth in the Company Guidebook, apply as appropriate to all services under SPP.
- f. Optional services may not be placed under the SPP agreement. Optional services may be added, changed or disconnected in accordance with the rules and regulations that apply to the optional service as set forth in the Company Guidebook and will be billed monthly.
- g. As a condition to providing service under the SPP, a customer will be required to sign an SPP agreement.

SMARTPAYMENT PLANSM (cont'd)**D. Changes to SmartPayment Plan**

1. Prior to the expiration of the Initial Service Period or Extended Service Period, as described below (Extension of Initial Service Period), the customer may convert existing SPP services to a new SPP Initial Service Period provided the new Initial Service Period is equal to or greater than the original Initial Service Period. The new SPP payment will be the SPP payment as defined herein less the present value of the existing SPP agreement.
2. If a customer requests existing services under the SPP to be converted to a monthly rate basis at any time prior to the expiration of the Initial Service Period or Extended Service Period, the request will be treated as a discontinuance of the SPP agreement. The customer will receive a SPP Discontinuance Settlement as defined in this Guidebook.

E. Extension of Initial Service Period

1. The customer may elect to extend the SPP Initial Service Period for one additional 12-month service period (Extended Service Period). The SPP payment for the Extended Service Period will be based on the applicable rates in effect at the time of the request for extension excluding any Company initiated rate increase that may have occurred during the SPP Initial Service Period. The SPP Extended Service Period does not extend the service term of the underlying services. If the service term of underlying service expires before the end of the SPP Extended Service Period, the SPP payment will be based on the monthly rate for the applicable number of months.
2. The customer must provide the Company with a written notice of intent to extend an existing SPP Initial Service Period no later than 90 days prior to its expiration. The full payment for the Extended Service Period will be due 30 days from the effective date of the extension.
3. If the customer elects not to extend the SPP or does not notify the Company of its intent to extend, the customer's service will automatically be billed on a monthly rate basis at the rates in effect at the time the SPP Initial Service Period expires.
4. At the end of an Extended Service Period, the customer's service will automatically be billed on a monthly rate basis at the applicable rates in effect at the time the Extended Service Period expires unless the customer negotiates a new SPP Initial Service Period or terminates service.

SMARTPAYMENT PLANSM (cont'd)**F. Additions to Existing SmartPayment Plan**

1. Additional services available to SPP can be added to an existing SPP agreement. The SPP payment for the additions will be the sum of the applicable monthly rates for the remaining service period of the existing SPP agreement less a prepayment offset for the remaining service period.
2. The applicable rates in effect at the time of the service addition will apply in calculating the SPP payment for the addition.
3. The full payment for the addition is due 30 days from the effective date of the addition.
4. There is no limit to the number of additions that can be made during the SPP service period.

G. Moves to a New Location

1. When a customer moves their service under the SPP from one service location to another and the monthly rates are not affected, no adjustment to the existing SPP payment is required. The customer will be responsible for all applicable nonrecurring charges set forth in the Company Guidebook for those services that are under the SPP.
2. When a customer moves service under SPP from one service location to another and the monthly rates are different at the new location, a price adjustment for the remaining term of the SPP agreement will be made. The adjustment will be based on the current monthly rates for the Rate Group of the new location excluding any Company initiated rate increase that may have occurred during the SPP service period. When the adjustment results in an amount due the Company, the full payment will be due 30 days from the date the service location was changed. When the adjustment results in an amount due the customer, an adjustment will be made on the customer's next monthly bill statement.
3. When the customer moves service under the SPP outside the Company's service area, the move will be treated as a reduction to the existing SPP and the rules under the Reductions to Existing SPP paragraph will apply.

SMARTPAYMENT PLANSM (cont'd)**H. Reductions to Existing SmartPayment Plan**

1. The customer can disconnect services under SPP and not terminate the agreement, provided the number of remaining service units does not fall below 80% of the number of service units initially placed under the SPP agreement. The SPP Discontinuance Settlement calculation described below will be used to calculate any settlement for the services disconnected.
2. When the customer disconnects services under SPP and the number of remaining service units is between 50% and 79% of the number of service units initially placed under the SPP agreement, the customer will be allowed a 90-day grace period prior to termination of the agreement. During the 90-day grace period the customer may add services to the SPP agreement that will bring the total quantity of service units to at least 80% of the number of service units initially placed under the SPP agreement. The 90-day grace period cannot extend beyond the ending date of the SPP service term.
3. When the customer disconnects services under SPP and the number of remaining service units is below 50% of the number of service units initially placed under the SPP agreement, the SPP agreement will be terminated and the customer will receive an SPP Discontinuance Settlement as defined below.

I. Conversions to New Company Services and Upgrades in Service

1. If a comparable new service becomes available during the SPP service period, the customer will be able to convert their existing service under SPP to the new service under the existing SPP agreement.
2. The applicable rate for the new service that is in effect at the time the service is converted will be used to calculate an adjustment to the initial SPP payment. All nonrecurring charges associated with the new service's installation will apply.
3. For the purposes of this offering, upgrades in service will be defined to be conversions from one service available for SPP to another service available for SPP excluding conversions to Business Access Lines from other available services.
4. Upgrades to a different Company service will require a new SPP agreement. The existing SPP agreement will be discontinued.
5. If the upgrade in service is to an available service with a service term that is at least as long as the remaining term of the original SPP agreement, the balance of the SPP payment for the original service will be applied to the SPP payment for the new service. The balance of the SPP payment to be applied will be equal to the initial SPP payment reduced by an amount equal to the present value of the sum of the monthly rates for the months expired to the SPP Initial Service Period or of the Extended Service Period as applicable.
6. If the upgrade in service is to an available service on a month-to-month rate basis or with a service term that is shorter than the remaining term of the original SPP agreement, the customer will receive an SPP Discontinuance Settlement as defined below.

SMARTPAYMENT PLANSM (cont'd)**J. SmartPayment Plan Discontinuance Settlement**

1. Customers requesting to discontinue the SPP agreement prior to the expiration of the Initial Service Period or customers who fail to keep the terms of the agreement may be due a Discontinuance Settlement, which will be calculated as follows:

$$\boxed{\text{Prepaid Amount}^{1/}} - \boxed{\text{Months Expired}} \times \boxed{\text{Initial}^{1/2} \text{ Guidebk Rate}} - \boxed{\text{Administrative Charge}} = \text{Discontinuance Settlement}$$

2. Customers requesting to discontinue the SPP agreement during the Extended Service Period, may be due a Discontinuance Settlement, which will be calculated as follows:

$$\boxed{\text{Extended Service Period Payment Amount}^{1/}} - \boxed{\text{Extended Service Period Months Expired}} \times \boxed{\text{Initial}^{1/2} \text{ Guidebk Rate}} - \boxed{\text{Administrative Charge}} = \text{Discontinuance Settlement}$$

3. The Administrative Charge will be equal to the charge to change or rearrange group billing on existing service as found in the Service Charges section of Part 3, Section 1.

/1/ The prepaid amount is the net amount paid during the life of the agreement including any adjustments in accordance with the provisions of this offering.
 /2/ If there is a rate decrease or non-company initiated rate increase during the SPP service period, the rate change will be applied for the number of expired months the changed rate was in effect.

SMARTPAYMENT PLANSM (cont'd)**K. SmartPayment Plan Payment and Prepayment Offset**

1. The SPP payment is the sum of the applicable monthly rates for the services under SPP for the SPP service period less a prepayment offset. The prepayment offset is the difference between the monthly rates for the SPP service period and the present value of the monthly rates for the SPP service period.
2. The prepayment offset will be calculated as follows using the authorized discount rate found in 'Rules and Regulations Applying to All Customers' Contracts' described in Part 2, Section 2.

(Guidebook Rate x Number of Services) = Monthly Payment

$$\boxed{\text{Sum of Monthly Payments}} - \boxed{\text{The present value of an annuity due for the monthly payments at the authorized discount rate for the appropriate number of months}} = \text{Prepayment Offset}$$

3. The authorized discount rate, once established for an SPP agreement, will not change during the term of the agreement, including any extension, and regardless of additions, reductions, moves, conversions or upgrades.