

Issued: December 15, 2015

FACILITIES FOR INTERSTATE ACCESS

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Title Pages 1 to 3 and Pages 1 to 24-10 inclusive, of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement Nos. 1, 2, 5, 6, 7, 8, and 10 contain all changes from the original tariff that are in effect on the date shown.

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39

(N)

(A) Scope

Contract Tariff Option 39 (**Option 39**) provides discounts, to be effected by the issuance of Quarterly Credits (as defined in Section (G) following) on certain services offered by the Telephone Company pursuant to its tariffs. In consideration for such discounts and credits, Customer agrees to abide by the requirements set forth in this Option 39. All references to amounts represented in dollars followed by the letter "M" shall refer to such number in millions (e.g., \$17.25M shall mean \$17,250,000).

(B) Definitions

The following terms are used in this Option 39:

- (1) **BANs** shall mean Billing Account Numbers of Customer.
- (2) **Billed Qualifying Service Revenue** has the meaning set forth in Section (E)(2) following (subject to the exclusions set forth in Section (E)(3) following).
- (3) **Disputed Amount** shall mean any amount (or portion thereof) billed by the Telephone Company and disputed and/or not paid when due by Customer.
- (4) **Grooms** shall mean a change in the connecting facility assignment (**CFA**) or termination point of a DS1 Service or a DS3 Service, and shall include, by way of example, any of the following types of moves, rearrangements, re-terminations, and disconnection and subsequent reconnection, to the DS1 Service or DS3 Service: (i) a change in the CFA or termination point within a single Telephone Company wire center; (ii) a change in the CFA or termination point from one Telephone Company wire center to CFA in another Telephone Company wire center (CFA can be a Telephone Company provided facility or a collocation). Solely for the purposes of defining the term Groom(s) and using such term in Section (H) following: **DS1 Service** as used above includes (in addition to the services captured by the definitions of **DS1 Service** and **DS3 Service** set forth in Qualifying SPA Services following) Switched Transport DS1 Service as described in The Verizon Telephone Companies FCC Tariff No. 1 (FCC 1) (Section 6), The Verizon Telephone Companies FCC Tariff No. 11 (FCC 11) (Section 6), and The Verizon Telephone Companies FCC Tariff No. 14 (FCC 14) (Section 4) and **DS3 Service** as used above includes Switched Transport DS3 Service as described in the FCC 1 (Section 6), FCC 11 (Section 6), and FCC 14 (Section 4).

(x)
(x)

(N)(x)

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(B) Definitions (Cont'd)

- (5) **Special Access Minimum Annual Revenue Commitment (SPAMARC)** means the following amounts of Billed Qualifying Service Revenue (before application of Quarterly Credits) for the annual periods indicated, as revised from time to time, if applicable, pursuant to Section (J) or (K) following (**SPAMARC Amounts**):

Plan Year	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5*	Plan Year 6*
SPAMARC Amounts	\$445M	\$356M	\$238M	\$178M	\$135M	\$110M

* Plan Years 5 and 6 will occur only upon mutual agreement by the Parties pursuant to Section (D)(2)-(3) following.

- (6) **Plan Year** shall mean each of the following periods during the Service Period: (1) Plan Year 1 shall commence on January 1, 2016 (the **Effective Date**) and end on December 31, 2016; (2) Plan Year 2 shall commence on January 1, 2017 and end on December 31, 2017; (3) Plan Year 3 shall commence on January 1, 2018 and end on December 31, 2018; and (4) Plan Year 4 shall commence on January 1, 2019 and end on December 31, 2019. In the event of any extension(s) of the Service Period pursuant to Section (D)(2) – (3) following, Plan Year may also be used to refer to an applicable calendar year (i.e., January 1 through December 31) subsequent to Plan Year 4.
- (7) **Quarter** shall mean either of the following periods, as applicable: (i) the first Quarter of each Plan Year is the period beginning with the first date of the applicable Plan Year and ending on the last day of the second calendar month after the month in which the first date occurs (i.e., approximately ninety (90) calendar days thereafter, depending on the number of days in the applicable calendar months); or (ii) each consecutive three (3) month period thereafter commencing on the first day of the calendar month following the end of the prior Quarter and ending on the last day of the second calendar month after the month in which the first day occurs.
- (8) **Quarterly Credit** means the quarterly credits described in Section (G) following.

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(N)

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(C) Eligibility

Customer must meet all of the criteria set forth in this Section (C) to be eligible to receive the rates, terms, and conditions under this Option 39:

- (1) The customer must subscribe to Option 39 in a manner designated by the Telephone Company no later than thirty (30) days following the effective date of Option 39. Such subscription must include a list of the customer's access customer name abbreviations (Customer ACNAs) that the Telephone Company agrees to, in writing, for inclusion in this Option 39. Subscription to Option 39 shall be an automatic subscription to Option 71 of FCC 1 and Option 71 of FCC 11. (x)
- (2) During the twelve (12) month period ending on October 1, 2015 (**Eligibility Measuring Period**), Customer must have achieved a minimum of \$620M in aggregate monthly billed recurring charges for all Qualifying Services purchased by Customer from the Telephone Company.
- (3) Customer (a) must be concurrently subscribed as of the Effective Date and must remain concurrently subscribed during the Service Period, to the same DS1 and DS3 Commitment Discount Plans under Section 25.1 of FCC1 and FCC 11 for the same commitment periods to which Customer was subscribed as of October 1, 2015, and the Ten-Year DS1 Term Volume Plan (**ETTVP**) under Section 5.6.14 of this tariff (**Existing Plans**), and (b) unless already subscribed as of October 1, 2015, may not be subscribed, as of the Effective Date or at any time during the Service Period, to a DS3 Term Volume Plan under Section 5.6.19 of this tariff. To the extent Customer, as of the Effective Date or at any time during the Service Period, fails to comply with any of the requirements set forth in the immediately preceding sentence, Customer shall not be eligible to receive the Quarterly Credits set forth in Section (G) following. (x)

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(C) Eligibility (Cont'd)

- (4) To receive the Quarterly Credits described in Section (G) following without incurring Shortfall Payments, Customer must (a) continue to achieve Billed Qualifying Service Revenue of no less than the SPAMARC Amounts specified in Section (B)(5) preceding, and (b) comply with the subscription provisions under Section (C)(3) preceding.
- (5) Except for the Existing Plans and any FMS Services to which Customer subscribes as of the Effective Date, Customer may not concurrently subscribe to any other tariff arrangement, contract tariff option, special service arrangement, or Individual Case Basis (ICB) arrangement offered by the Telephone Company under this tariff, FCC 1, or FCC 11 and available to Customer either currently or at any time during the Service Period, which tariff arrangement, contract tariff option, special service arrangement, or ICB provides a discount, credit, or other reduction in rates or terms based on achievement of revenue or volume targets/levels by Customer for any of the Qualifying Services. For the avoidance of any doubt, this provision does not apply to services not covered by Option 39.
- (6) Except as set forth herein, nothing herein shall modify the terms and conditions of the tariffs, including by way of example under any Commitment Discount Plan (CDP) and/or ETTVP plans.

(D) Service Period

- (1) Subject to the terms of Section (D)(2)-(3) following and all other applicable terms in this Option 39 (including, by way of example, terms regarding early termination of this Option 39), the Service Period for the purchase of all DS1 and DS3 Qualifying Services under this Option 39 shall commence on the Effective Date (as defined above) and end on December 31, 2019 (except that the Service Period shall include any extensions that take effect pursuant to Section (D)(2)-(3) following).
- (2) At the expiration of Plan Year 4, and unless this Option 39 is otherwise terminated, the Parties in their sole discretion might, but shall have no obligation to, mutually agree in writing to up to two (2) additional extensions of one (1) year each. If Customer wishes to request the Telephone Company's consent to such an extension(s), Customer must notify the Telephone Company in writing of such request at least ninety (90) calendar days prior to the date on which Option 39 will expire.
- (3) If FCC approval is required but not received for any extension described in Section (D)(2) preceding, this Option 39 shall terminate as of the expiration date that would apply in the absence of such extension.

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services

(1) The following Special Access services are Qualifying Services under this Option 39:

- (a) Special Access DS1 Services (collectively, DS1 Services) of 1.544 Mbps bandwidth, as described in this tariff (Section 5.3.6, FCC 1 (Section 7.2.9), FCC 11 (Section 7.2.9), and FCC 16 (Section 7.11.1); (x)
- (b) Special Access DS3 Services (collectively, DS3 Services) of 44.736 Mbps bandwidth, as described in this tariff (Section 5.3.6), FCC 1, (Section 7.2.9), FCC 11 (Section 7.2.9), and FCC 16 (Section 7.11.1); (x)
- (c) Special Access Facilities Management Service (DS1 (only bandwidth of 1.544 Mbps) and DS3 (only bandwidth of 44.736 Mbps)), as described in this tariff (Section 7.2.13) and FCC 11 (Section 7.2.16) (collectively, FMS Services); and (x)
- (d) IntelliLight Entrance Facilities Service (only DS3 (bandwidth of 44.736 Mbps) as described in this tariff (Section 20.4), FCC 1 (Section 7.2.15), FCC 11 (Section 26.1.4), and FCC 16 (Section 20.4) (collectively, IEF Services). (x)

Any services other than the services explicitly listed above (including, by way of example, any SONET entrance facility service provided by the Telephone Company pursuant to an agreement or arrangement other than the tariffs) are not included herein as a Qualifying Service. Qualifying Services do not include any Switched Access services.

The tariffs are as amended from time to time, and such amended rates, terms and conditions for the Qualifying Services shall apply to this Option 39 upon the effectiveness of such change to the tariff(s) except as set forth in this Option 39, and subject to any termination of Option 39 (and/or customer's subscription thereto).

For purposes of this Option 39: (i) all Qualifying Service volumes and revenues are quantified according to three categories (DS1, DS3 CLF, and DS3 CLS) as described further following; and (ii) subject to Section (E)(2)(b)(iii) and Section (E)(5) following, the CoS-USOC combinations set forth in Section (E)(2) following reflect the entire list of CoS-USOC combinations included in the definition of Qualifying Services and counted as contributory toward Billed Qualifying Service Revenue. (N)

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(2) Revenues included in Calculation of Billed Qualifying Service Revenue

Subject to the exceptions and requirements set forth below in Section (E)(2) and in Section (E)(3) following, Billed Qualifying Service Revenue includes monthly recurring charges billed to Customer, under the ACNAs provided in accordance with Section (C)(1) preceding (Qualifying ACNAs) for Billed Qualifying Services under the tariffs (including both price flex and price cap MSAs) in the following CoS-USOC combinations:

- (a) With respect to DS1 Services, Billed Qualifying Service Revenue includes only monthly recurring charges (MRCs) billed in the following CoS-USOC combinations:

CoS: XDH1X, XZH18, XZH1H, XZH1R.

USOCs: 1A4YS, 1A5ZS, 1CF21, 1CF22, 1CF23, 1CF25, 1CF33, 1CF35, 1CF3W, 1CF41, 1CF42, 1CF43, 1CF45, 1CF51, 1CF52, 1CF53, 1CF55, 1CF61, 1CF62, 1CF63, 1CF65, 1CF71, 1CF72, 1CF73, 1CF75, 1CF81, 1CF82, 1CF83, 1CF85, 1CF91, 1CF92, 1CF93, 1CF95, 1CFA1, 1CFA2, 1CFA3, 1CFA5, 1CFB1, 1CFB2, 1CFB3, 1CFB5, 1CFC1, 1CFC2, 1CFC3, 1CFC5, 1CFR8, 1CFRJ, 1CFS8, 1CFSJ, 1CFT8, 1CFTJ, 1CFU8, 1CFUJ, 1CFV8, 1CFVJ, 1CKDF, 1CKDX, 1J53S, 1J54S, 1L5LS, 1L5XX, 1LFMX, 1LFSX, 1OX1X, 1OX2X, 1OX3X, 1OX5X, 1OXTX, 1T58S, 1X7VX, 1XCDX, 1Y3AC, 1YWPS, A1VA1, A1VXZ, AVY, C2X9A, C6H6X, C6H7X, CCO, CTG, DVA, EU4DF, EU4DX, EU7VX, EUU21, EUU22, EUU23, EUU25, EUU33, EUU35, EUU3W, EUU41, EUU42, EUU43, EUU45, EUU51, EUU52, EUU53, EUU55, EUU61, EUU62, EUU63, EUU65, EUU71, EUU72, EUU73, EUU75, EUU81, EUU82, EUU83, EUU85, EUU91, EUU92, EUU93, EUU95, EUUA1, EUUA2, EUUA3, EUUA5, EUUB1, EUUB2, EUUB3, EUUB5, EUUC1, EUUC2, EUUC3, EUUC5, EUUR8, EUURJ, EUUS8, EUUSJ, EUUT8, EUUTJ, EUUU8, EUUUJ, EUUV8, EUUVJ, EUW, HGV1X, HGVTX, MQ1, MQK, MXN12, MXN13, MXN15, MXN17, PR9PX, PR9SX, QMU, TJ4DX, TJ4DY, TJ4DZ, TMECS, TNJZX, TNT3X, TNT4X, TNT8X, TQ2KM, TRG, TSP, TWTF6, TYF1X, TZGHX, VPQSP.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(2) Revenues included in Calculation of Billed Qualifying Service Revenue (Cont'd)

- (b) With respect to DS3 Services, Billed Qualifying Service Revenue includes only MRCs billed in the CoS-USOC combinations shown in Sections (E)(2)(b) (i) and (ii) following:

(i) DS3 CLF:

CoS: EGC FX, XDH3X, XZH38, XZH3H, XZH3R, XDH1X, XZH18, XDH3X, XSHDX, XSHHX, XSWWX.

USOCs: 1A4ZS, 1A59S, 1A5LX, 1A5YS, 1A87S, 1A88S, 1A89S, 1C4A3, 1C4A5, 1C4A7, 1C4B3, 1C4B5, 1C4B7, 1C4C3, 1C4C5, 1C4C7, 1C4D3, 1C4D5, 1C4D7, 1C4E3, 1C4E5, 1C4E7, 1C4F3, 1C4F5, 1C4F7, 1C4G3, 1C4G5, 1C4G7, 1C4H3, 1C4H5, 1C4H7, 1C4J3, 1C4J5, 1C4J7, 1C4K3, 1C4K5, 1C4K7, 1CFD1, 1CFD3, 1CFD5, 1CFD7, 1CFE1, 1CFE3, 1CFE5, 1CFE7, 1CFF1, 1CFF3, 1CFF5, 1CFF7, 1CFG1, 1CFG3, 1CFG5, 1CFG7, 1CFH1, 1CFH3, 1CFH5, 1CFH7, 1CFJ1, 1CFJ3, 1CFJ5, 1CFJ7, 1CFK1, 1CFK3, 1CFK5, 1CFK7, 1CFL1, 1CFL3, 1CFL5, 1CFL7, 1CFM1, 1CFM3, 1CFM5, 1CFM7, 1CFN1, 1CFN3, 1CFN5, 1CFN7, 1CKMF, 1CKNX, 1CKPF, 1CKSX, 1L5LS, 1L5RS, 1L5XX, 1LFSX, 1U5PS, 1Y3AD, 1YA8S, 1YAMS, 1YWQS, A1VXG, ABVBA, B2CDP, B2CDV, B2CEP, B2CEV, B2CFP, BXCQX, C2X8A, CCO, DVA, EQUA3, EQUA5, EQUA7, EQUB3, EQUB5, EQUB7, EQU3, EQU5, EQU7, EQU93, EQU95, EQU97, EQUH3, EQUH5, EQUH7, EQUJ3, EQUJ5, EQUJ7, EUK3, EUK5, EUK7, EU4MF, EU4NX, EU4PF, EU4SX, EUUD1, EUUD3, EUUD5, EUUD7, EUUE1, EUUE3, EUUE5, EUUE7, EUUF1, EUUF3, EUUF5, EUUF7, EUUG1, EUUG3, EUUG5, EUUG7, EUUH1, EUUH3, EUUH5, EUUH7, EUUJ1, EUUJ3, EUUJ5, EUUJ7, EUUK1, EUUK3, EUUK5, EUUK7, EUUL1, EUUL3, EUUL5, EUUL7, EUUM1, EUUM3, EUUM5, EUUM7, EUUN1, EUUN3, EUUN5, EUUN7, FQYU1, FQYU2, FQYU3, FQYU4, FQYU5, FQYU6, GMGX3, HKTJS, HKTJX, HKTLS, MKM, MQ3, MQ6, MXNF3, MXNF5, MXNFX, MXNM3, MXNM5, MXNMX, MXNRX, N2M, P8T33, P8T35, PR9SX, SLHA1, SLHA3, SLHA5, SLHA7, SLHB1, SLHB3, SLHB5, SLHB7, SLHC1, SLHC3, SLHC5, SLHC7, SLHD1, SLHD3, SLHD5, SLHD7, SLHE1, SLHE3, SLHE5, SLHE7, T8XJ5, TJ4EX, TJ4EY, TJ4EZ, TJ59X, TKTPX, TNW3X, TNW5X, TNWZX, TQ2LM, TRG, TSP, TUPX, TWBNX, TWBPX, TWTF7, TYF3S, TYF3X, TYF8S, TYF8X, TYFLS, TYFLX, TYFMS, TYFMX, TYFNX, TYFOX, TYFPX, TYFQX, TYFRX, TYFSX, TYFTX, TYFUX, TYFVS, TYFVX, TYFWS, TYFWX.

IEF USOCs mapped to the above DS3 Services will be included in Billed Qualifying Service Revenue.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(2) Revenues included in Calculation of Billed Qualifying Service Revenue (Cont'd)

(b) (Cont'd)

(ii) DS3 CLS:CoS: EGCFX, XDH3X, XZH38, XZH3H, XZH3R, XDH3X, XSHDX, XSHHX, XSWWX.

USOCs: 1A4ZS, 1A5LX, 1A87S, 1A88S, 1A89S, 1C4A3, 1C4A5, 1C4A7, 1C4B3, 1C4B5, 1C4B7, 1C4C3, 1C4C5, 1C4C7, 1C4D3, 1C4D5, 1C4D7, 1C4E3, 1C4E5, 1C4E7, 1C4F3, 1C4F5, 1C4F7, 1C4G3, 1C4G5, 1C4G7, 1C4H3, 1C4H5, 1C4H7, 1C4J3, 1C4J5, 1C4J7, 1C4K3, 1C4K5, 1C4K7, 1CFD1, 1CFD3, 1CFD5, 1CFD7, 1CFE1, 1CFE3, 1CFE5, 1CFE7, 1CFF1, 1CFF3, 1CFF5, 1CFF7, 1CFG1, 1CFG3, 1CFG5, 1CFG7, 1CFH1, 1CFH3, 1CFH5, 1CFH7, 1CFJ1, 1CFJ3, 1CFJ5, 1CFJ7, 1CFK1, 1CFK3, 1CFK5, 1CFK7, 1CFL1, 1CFL3, 1CFL5, 1CFL7, 1CFM1, 1CFM3, 1CFM5, 1CFM7, 1CFN1, 1CFN3, 1CFN5, 1CFN7, 1CKMF, 1CKNX, 1CKPF, 1CKSX, 1L5LS, 1L5RS, 1L5XX, 1LFSX, 1U5PS, 1Y3AD, 1YA8S, 1YAMS, 1YWQS, A1VXG, ABVBA, B2CDP, B2CDV, B2CEP, B2CEV, B2CFP, BXCQX, C2X8A, CCO, DVA, EQUA3, EQUA5, EQUA7, EQUB3, EQUB5, EQUB7, EQUC3, EQUC5, EQUC7, EQUD3, EQUD5, EQUD7, EQU3, EQU5, EQU7, EUF3, EUF5, EUF7, EUG3, EUG5, EUG7, EUH3, EUH5, EUH7, EUJ3, EUJ5, EUJ7, EUK3, EUK5, EUK7, EU4MF, EU4NX, EU4PF, EU4SX, EUUD1, EUUD3, EUUD5, EUUD7, EUUE1, EUUE3, EUUE5, EUUE7, EUUF1, EUUF3, EUUF5, EUUF7, EUUG1, EUUG3, EUUG5, EUUG7, EUUH1, EUUH3, EUUH5, EUUH7, EUUJ1, EUUJ3, EUUJ5, EUUJ7, EUUK1, EUUK3, EUUK5, EUUK7, EUUL1, EUUL3, EUUL5, EUUL7, EUUM1, EUUM3, EUUM5, EUUM7, EUUN1, EUUN3, EUUN5, EUUN7, FQYU1, FQYU2, FQYU3, FQYU4, FQYU5, FQYU6, GMGX3, HKTJS, HKTJX, HKTLS, N2M, P8T33, P8T35, PR9SX, SLHA1, SLHA3, SLHA5, SLHA7, SLHB1, SLHB3, SLHB5, SLHB7, SLHC1, SLHC3, SLHC5, SLHC7, SLHD1, SLHD3, SLHD5, SLHD7, SLHE1, SLHE3, SLHE5, SLHE7, T8XJ5, TJ4EX, TJ4EY, TJ4EZ, TJ59X, TKTPX, TNW3X, TNW5X, TNWZX, TQ2LM, TRG, TSP, TUTPX, TWBNX, TWBPX, TWTF7, TYF3S, TYF3X, TYF8S, TYF8X, TYFLS, TYFLX, TYFMS, TYFMX, TYFNX, TYFOX, TYFPX, TYFQX, TYFRX, TYFSX, TYFTX, TYFUX, TYFVS, TYFVX, TYFWS, TYFWX.

IEF USOCs mapped to the above DS3 Services will be included in Billed Qualifying Service Revenue.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(2) Revenues included in Calculation of Billed Qualifying Service Revenue (Cont'd)

(b) (Cont'd)

(iii) If any of the USOCs listed in Sections (E)(2)(b)(i)-(ii) preceding bill both MRCs and/or other charges (e.g., NRCs), then only the MRC amounts (i.e., only those amounts appearing in the MRC section of the invoice) of such USOCs shall be counted towards the calculation of Billed Qualifying Service Revenue.

(3) Examples of Revenues Not Included in Calculation of Billed Qualifying Service Revenue. Billed Qualifying Service Revenue does not include (among other possible items, the following list being illustrative only) any of the following:

- (a) any non-recurring charges (**NRCs**), surcharges, taxes, late payment charges, credits (including, by way of example, any credits provided under the Contract Tariffs), fractional debit/credit amounts, adjustments, minimum period charges, termination liabilities, or any other billings other than billed amounts that are applied on a recurring monthly basis for the applicable Quarter or Plan Year of the Service Period;
- (b) taxes, or other charges imposed by a federal, state, local, or other governmental entity (e.g., Federal Universal Service Fund);
- (c) service or administrative fees or charges imposed by the Telephone Company (e.g. interest penalty, late payment penalty);
- (d) any amount that appears in the "Other Charges and Credits" section of the Telephone Company's invoice;
- (e) any other charges that are not applied on a recurring monthly basis and/or do not appear in the MRC section (typically labeled "Monthly Access Charges") of the Telephone Company's invoice;
- (f) Disputed Amounts, except as set forth in Section (E)(4) following;
- (g) any amount billed under a particular invoice for services provided outside of the service period that is ordinarily covered by such invoice;
- (h) shortfall or overage charges associated with term plan true-ups (e.g., for failure to satisfy commitment levels pursuant to a CDP);

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(3) (Cont'd)

- (i) billed amounts associated with any service (or any portion of a service) that is not a Qualifying Service (including, but not limited to, any service provided under a private carriage arrangement);
- (j) any Quarterly Credits or Existing Plan True-up Credits that Customer receives in connection with this Option 39; and
- (k) any Shortfall Payments under Section (G)(2) following.

(4) Disputed Amounts

- (a) The Telephone Company shall not include in Billed Qualifying Service Revenue for a particular Plan Year any amounts that are unpaid and disputed by Customer as of the forty-fifth (45th) day following the end of that Plan Year (**Year End Resolution Period**). For any Disputed Amounts that Customer has paid prior to the end of the Year End Resolution Period, such amounts will be included in Billed Qualifying Service Revenue for the Plan Year that just ended, subject to Section (E)(4)(d) following.

Example: Assume that the Telephone Company billed Customer MRCs totaling \$50,000,000 for Qualifying Services in October of Plan Year 1. Assume further that Customer disputed and did not pay \$2,000,000 of such billed MRCs as of the end of the Year End Resolution Period for Plan Year 1. Thus, in determining whether Customer met the SPAMARC Amount required to avoid a Shortfall Payment under Section (G)(2) following for Plan Year 1, the Telephone Company would exclude \$2,000,000 from Customer's Achieved Annual Revenue.

Example #2: Assume that the Telephone Company billed Customer MRCs totaling \$50,000,000 for Qualifying Services in October of Plan Year 1. Assume further that Customer disputed but paid the \$2,000,000 of such billed MRCs as of forty-five (45) days after the end of Plan Year 1. Thus, in determining whether Customer met the SPAMARC Amount required to avoid a Shortfall Payment under Section (G)(2) following for Plan Year 1, the Telephone Company would include the disputed but paid \$2,000,000 in Customer's Achieved Annual Revenue.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(4) Disputed Amounts (Cont'd)

- (b) Except as set forth in Sections (E)(4)(e) and (f) following, for purposes of the annual true-up under Section (G)(2) following, the Telephone Company shall exclude from Billed Qualifying Service Revenue any credits or debits for Services billed during Plan Years prior to the Plan Year that is the subject of the true-up (regardless of whether such credits or debits were the result of a valid dispute by Customer or were the result of a billing error by the Telephone Company).

Example: Assume that the Telephone Company billed Customer MRCs totaling \$50,000,000 for Qualifying Services in October of Plan Year 1. Assume further that Customer disputed and did not pay \$2,000,000 of such billed MRCs, and the dispute remains unresolved as of February 20 of Plan Year 2. Thus, in determining whether Customer met the SPAMARC Amount required to avoid a Shortfall Payment under Section (G)(2) following for Plan Year 1, the Telephone Company would exclude \$2,000,000 from Customer's Achieved Annual Revenue. Assume

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(4) Disputed Amounts (Cont'd)

(b) Example (Cont'd)

further that in March of Plan Year 2, the Telephone Company and Customer agree that such billing was partially in error; and the dispute is resolved by Customer paying \$1,800,000 and the Telephone Company issuing Customer a credit of \$200,000 for the applicable Qualifying Services in March of Plan Year 2. For purposes of the Plan Year 2 true-up under Section (G)(2) following, the \$1,800,000 payment by Customer would be included in Customer's Billed Qualifying Service Revenue for Plan Year 2, but the \$200,000 credit by the Telephone Company would not be included in Customer's Billed Qualifying Service Revenue for Plan Year 2 or any other Plan Year in the Service Period.

- (c) Claim Period. To the extent that Customer disputes any amount billed for any Special Access services that are Qualifying Services as defined in Section (E)(1) preceding (or any portion of such a billed amount), Customer must submit such disputes to the Telephone Company no later than three hundred sixty five (365) days after the date of the invoice on which the Disputed Amount first appeared (such 365-day period, the Claim Period). Each dispute must be submitted on a claim description form as provided by the Telephone Company, must describe in detail Customer's basis for the dispute, and must clearly state next to the circuit ID and amount under dispute the following: "Dispute Associated with 2016 Contract Tariff." For the avoidance of any doubt, the Telephone Company shall not be required to consider any dispute regarding any Disputed Amount not submitted within the Claim Period, and Customer shall be deemed to waive any disputes not submitted prior to the end of the Claim Period. Customer (using a Claim Description Form or otherwise) may not: (i) retroactively dispute any amounts that first appeared on an invoice more than three hundred sixty five (365) days prior to the date on which Customer submits the dispute to the Telephone Company or (ii) prospectively dispute amounts to be billed in future invoices. Customer shall pay, on or before the due date that applies under the tariffs, all amounts that are not subject to a bona fide dispute that Customer has submitted in accordance with the terms of this Section (E)(4)(c). To the extent that the terms of FCC 16 conflict with the Claim Period terms set forth in this Section (E)(4)(c) with respect to amounts billed for Qualifying Services under FCC 16, the terms of FCC 16 shall apply instead of the conflicting term(s) of this Section (E)(4)(c).

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(4) Disputed Amounts (Cont'd)

- (d) If any Disputed Amounts that were billed during a particular Plan Year remain disputed and unpaid as of the end of the Year End Resolution Period for that Plan Year, then such Disputed Amounts shall be excluded from Billed Qualifying Service Revenue for purposes of the annual true-up for that Plan Year under Section (G)(2) following, regardless of whether the Claim Period for the subject amount has expired as of the end of the Year End Resolution Period. If the dispute is resolved and Customer pays the Disputed Amount prior to the end of the Year End Resolution Period, then the Telephone Company will include the amount paid by Customer in Billed Qualifying Service Revenues for purposes of the annual true-up under Section (G)(2) following for the just-concluded Plan Year, in which case Customer may not thereafter raise any further disputes regarding the Disputed Amounts (regardless of whether there would otherwise still be time remaining for Customer to raise such a dispute under the Claim Period, other provisions of the tariffs, applicable law or elsewhere).
- (e) If a Disputed Amount is excluded from Billed Qualifying Service Revenue for a given Plan Year because the Disputed Amount remained unpaid as of the Year-End Resolution Period, and if Customer, in a subsequent Plan Year, withdraws or settles the dispute and pays any withheld Disputed Amount (the amount of the Disputed Amount with respect to which Customer withdraws or settles the dispute and pays any withheld Disputed Amount may be referred to as a **Resolved Disputed Amount**), then that Resolved Disputed Amount (if it otherwise qualifies to be treated as Billed Qualifying Service Revenue) will be included in Billed Qualifying Service Revenue for the Plan Year in which the dispute is withdrawn or settled and Customer pays any withheld Disputed Amount; provided, however, that in no event shall Billed Qualifying Service Revenue for a given Plan Year include more than five million U.S. Dollars (\$5M) in Resolved Disputed Amounts from a previous Plan Year (**Resolved Disputed Amount Cap**), and any excess Resolved Disputed Amount above the Resolved Disputed Amount Cap shall be carried over and included in Billed Qualifying Service Revenue in the next Plan Year (but not beyond that next Plan Year) and shall count toward the Resolved Disputed Amount Cap for that next Plan Year. If a Resolved Disputed Amount is included in Billed Qualifying Service Revenue pursuant to the preceding sentence (or was a Resolved Disputed Amount in excess of the Resolved Disputed Amount Cap and, therefore, carried over to the next Plan Year), then Customer may not at any time thereafter raise, and Customer shall waive, any further claims or disputes regarding the Disputed Amount (regardless of whether there would otherwise still be time remaining for Customer to raise such a dispute under the Claim Period, other provisions of the tariffs, applicable law or elsewhere).

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(4) Disputed Amounts (Cont'd)

(e) (Cont'd)

Example: Assume that the Telephone Company billed Customer MRCs totaling \$50,000,000 for Qualifying Services in October of Plan Year 1. Assume further that Customer disputed and did not pay \$6,000,000 of such billed MRCs and the dispute remains unresolved as of February 20 of Plan Year 2. Thus, in determining whether Customer met the SPAMARC Amount required to avoid a Shortfall Payment under Section (G)(2) following for Plan Year 1, the Telephone Company would exclude \$6,000,000 from Customer's Achieved Annual Revenue. Assume further that in March of Plan Year 2, the Telephone Company and Customer agree that such billing was partially in error; and the dispute is resolved by Customer paying \$5,500,000 and the Telephone Company issuing Customer a credit of \$500,000 for the applicable Qualifying Services in March of Plan Year 2. For purposes of the Plan Year 2 true-up under Section (G)(2) following, \$5,000,000 of the \$5,500,000 paid by Customer in March of Plan Year 2 would be included in Customer's Billed Qualifying Service Revenue for Plan Year 2, but the remaining \$500,000 paid by Customer exceeds the Resolved Disputed Amount Cap and will not be included in Customer's Billed Qualifying Service Revenue for Plan Year 2 but will be carried over and included in Billed Qualifying Service Revenue for Plan Year 3 (subject to the Resolved Disputed Amount Cap for Plan Year 3. Also, the \$500,000 credit by the Telephone Company would be subtracted from Customer's Billed Qualifying Service Revenue for Plan Year 2 pursuant to Section (E)(4)(f) following.

- (f) If a Disputed Amount is included in Billed Qualifying Service Revenue for a given Plan Year because Customer paid the Disputed Amount pending resolution of the dispute, and if Customer later prevails in the dispute (because the Telephone Company allows the claim in the claims process or Customer prevails through dispute resolution) and the Telephone Company issues Customer a credit in a subsequent Plan Year (the amount of such credit, the Resolution Credit Amount), then that Resolution Credit Amount (if it otherwise qualifies to be treated as Billed Qualifying Service Revenue) will be subtracted from Billed Qualifying Service Revenue for the Plan Year in which the Telephone Company issues the credit.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(E) Qualifying Services (Cont'd)

(4) Disputed Amounts (Cont'd)

- (g) In the event that Customer withholds payment of any amounts billed for Qualifying Services, then, except as otherwise agreed in writing by the parties, the Telephone Company shall offset (i.e., withhold) such amounts from any Quarterly Credits owed to Customer until such time as Customer pays the disputed amount or the dispute is resolved in Customer's favor. For the avoidance of any doubt, Customer shall be liable for late payment charges as set forth in the tariffs with respect to any billed amounts that Customer does not pay by the date on which payment is due.

(5) USOC Updates

If, during the Service Period of this Option 39, a tariff is revised to include a USOC that is a replacement or substitution, in part or in whole, for one of the USOCs set forth in Section (E)(2) preceding or to include a USOC that was inadvertently omitted from such tariff, then (effective as of the date on which such revision to the tariff becomes effective) such new USOC shall be included in the definition of the applicable Qualifying Service(s) and such new USOC, provided it otherwise qualifies to be contributory under Sections (E)(2) and (E)(3) preceding and all other terms of this Option 39, will be counted as contributory towards Billed Qualifying Service Revenue.

(F) Serving Area

Notwithstanding any other provision of this Option 39, any Quarterly Credits will be provided only in the Metropolitan Statistical Areas (**MSAs**) that have achieved Phase I or Phase II pricing flexibility under the Telephone Company's tariffs in accordance with applicable law. Wire centers for the Phase II MSAs are listed in Section 19.1 of this tariff, Section 14.7 of FCC 1, and Section 15.3 of FCC 11. Any additions of, or changes to, the MSAs (including changes to wire centers or Level 1/Level 2 pricing status as described in the tariff) that occur during the Service Period will apply. For the avoidance of doubt, no Quarterly Credits will be provided in the operating territories of FCC 16.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(G) Quarterly Credits and Annual True-up

(1) Quarterly Credits

- (a) If Customer satisfies the eligibility criteria set forth in Section (C) preceding, and subject to the annual true-up described in Section (G)(2) following and any withholding by the Telephone Company under Section (E)(4)(f) preceding (and subject further to any termination of this Option 39), Customer shall receive quarterly billing credits in amounts to be calculated as set forth in Table 1 below (**Quarterly Credits**). The Telephone Company will provide the Quarterly Credits on Customer's bills within one hundred twenty (120) calendar days after the end of the applicable Quarter. The Quarterly Credits are calculated using the formulas set forth in Table 1 following based on the **Quarterly Credit Revenue Basis**, which is defined as the amount of Billed Qualifying Service Revenue, as defined in Sections (E)(2) and (E)(3) preceding, but excluding revenue for DS1 Services as defined in Section (E)(2)(a), that Customer achieved during the period from (and including) July 2014 through June 2015. The Quarterly Credits are provided for Customer's collective subscription to this Option 39, Option 71 of FCC 1, and Option 71 of FCC 11 (i.e., Customer may not receive Quarterly Credits under more than one of the three Options).

Table 1					
Plan Year 1 – Per Quarter	Plan Year 2 – Per Quarter	Plan Year 3 – Per Quarter	Plan Year 4 – Per Quarter	Plan Year 5 – Per Quarter*	Plan Year 6 – Per Quarter*
Quarterly Credit Revenue Basis multiplied by 9.68%.	Quarterly Credit Revenue Basis multiplied by 8.34%.	Quarterly Credit Revenue Basis multiplied by 6.85%.	Quarterly Credit Revenue Basis multiplied by 4.25%.	Quarterly Credit Revenue Basis multiplied by 1.31%.	Quarterly Credit Revenue Basis multiplied by 1.31%.

* Plan Years 5 and 6 will occur only upon mutual agreement by the parties pursuant to Section (D)(2)-(3) preceding.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(G) Quarterly Credits and Annual True-up (Cont'd)

(2) Annual True-up

At the end of each Plan Year the Telephone Company shall determine the total amount of Billed Qualifying Service Revenue (as determined under Section (E) preceding) that Customer achieved for the just-concluded Plan Year (**Achieved Annual Revenue**). If Customer's Achieved Annual Revenue is equal to or greater than the SPAMARC Amount for the Plan Year being reviewed, then Customer will owe no Shortfall Payment. If Customer's Achieved Annual Revenue is less than the SPAMARC Amount, then Customer will owe a shortfall payment equal to the difference between the SPAMARC Amount for the applicable plan year and Customer's Achieved Annual Revenue for that Plan Year (**Shortfall Payment**) and the Telephone Company shall issue a debit to account for such payment obligation and Customer shall pay such debited amount.

Example: Assume that in Plan Year 1, the SPAMARC Amount is \$445,000,000 and in Plan Year 2, the SPAMARC Amount is \$356,000,000. Also assume that, Customer achieved \$446,000,000 in Billed Qualifying Service Revenue in Plan Year 1. Customer would not owe a Shortfall Payment at the end of Plan Year 1 because Customer's Achieved Annual Revenue was greater than the Plan Year 1 SPAMARC Amount. Assume further that, in Plan Year 2, Customer achieved \$355,000,000 in Billed Qualifying Service Revenue. Customer would owe a Shortfall Payment of \$1,000,000 (the difference between Customer's Achieved Annual Revenue and the Plan Year 2 SPAMARC Amount of \$356,000,000).

(H) Limitation on Grooms

- (1) During each Plan Year, Customer shall not order more than a total of twenty-four thousand eight hundred (24,800) Grooms of DS1 Services and DS3 Services (**Maximum Annual Grooms**). The Telephone Company shall be required to accommodate the Maximum Annual Grooms in any Plan Year if requested by the Customer in accordance with the Agreed Throughput Volumes (as defined following). Customer (if it has not already done so prior to the Effective Date), upon determination of the need to initiate a groom project, shall provide the Telephone Company with a written notice indicating how Customer wishes to allocate the Maximum Annual Grooms according to (i) DS1, DS3, special access, and switched access services, (ii) per day order volumes, (iii) order volumes per each Telephone Company ordering center region, and (iv) order volumes per each Telephone Company ordering center (**Customer Groom Notice**). The Parties, no later than sixty (60) days after the Telephone Company's receipt of the Customer Groom Notice, shall discuss Customer's proposed allocation and arrive at a written mutually-agreed allocation (collectively, the **Agreed Throughput Volumes** (which will not be any more than 2,250 Grooms in a given month and up to the Maximum Annual Grooms of 24,800 for the full Plan Year), and, together with the Annual Maximum

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)(H) Limitation on Grooms (Cont'd)
(1) (Cont'd)

Grooms limit, the **Groom Limitations**). This same process shall be used throughout the Plan Year to manage Customer's Grooms up to the Maximum Annual Grooms. The Groom volumes will be paced so as to be spread evenly over the Plan Year unless the Parties mutually agree in writing to a different pace. The Telephone Company will make a good faith effort to accommodate Customer's requested volumes by Telephone Company ordering center. The Telephone Company shall reject any Groom orders that are not placed in accordance with the Groom Limitations. The Maximum Annual Grooms are specific to each Plan Year; thus, for example, if in a particular Plan Year Customer ordered 500 fewer Grooms than would be allowed by the Grooms Limitations for that Plan Year, Customer could not carry forward those 500 unused Groom orders to the next Plan Year. Any Grooms that Customer requested but were not completed prior to the Service Period are not exempt from the Maximum Annual Grooms and any such Grooms that Customer wishes to complete during a Plan Year in the Service Period shall count toward the Maximum Annual Grooms for that Plan Year.

- (2) ACNAs Subject to Limitation on Grooms. The Groom Limitations shall apply to all ACNAs provided in accordance with Section (C)(1) preceding. When determining whether Customer has exceeded the Groom Limitations, the Telephone Company shall count all Grooms ordered during the applicable time period (day or Plan Year) in any of the operating territories for such ACNAs.

(3) Exceptions to the Grooms Limitations

The following types of Grooms shall not be included in the Grooms Limitations and shall be performed by the Telephone Company in accordance with its normal business practices:

- (a) Any Groom initiated by the Telephone Company and not requested by Customer;
- (b) Any Grooms where a DS3 Service rides a Verizon optical service provided to Customer, which optical service terminates at or, originates from, a Customer Point-of-Presence (**PoP**);
- (c) Any other Grooms that the Parties mutually agree in writing to not include in the count of Maximum Daily Grooms or Maximum Annual Grooms.

- (4) Other than as set forth herein, all Grooms shall remain subject to the terms of the tariffs.

(N)

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(I) Existing Plan True-Up Credits

(1) Existing Plan True-Up Credits

During the Service Period and unless this Option 39 is terminated earlier, Customer may qualify to receive Existing Plan True-Up Credits (as defined below) as described in this Section (I)(1).

- (a) If, as a result of the true-up process for Qualifying Services set forth in Section 5.6.14 of this tariff, Section 25.1.7 of FCC 1 and FCC 11, Customer is billed a shortfall adjustment or charge-up adjustment or a shortfall penalty (collectively, a **True-Up Adjustment Charge**), then the Telephone Company will issue a credit equal to the amount of the True-Up Adjustment Charge for the applicable true-up period (**Existing Plan True-Up Credit**). Any such credits owed for any true-up periods in a particular Plan Year shall be made within one hundred twenty (120) days after the end of that Plan Year in conjunction with the annual true-up under Section (G)(2) preceding.
- (b) If Customer does not pay a True-Up Adjustment Charge for a particular true-up period, then Customer will not receive an Existing Plan True-Up Credit for that true-up period.
- (c) If Customer receives an Existing Plan True-Up Credit for a particular true-up period, Customer may not thereafter dispute the amount of True-Up Adjustment Charge or the Existing Plan True-Up Credit.
- (d) For the avoidance of any doubt, this Section (I)(1) does not affect Existing Plan provisions except as expressly set forth preceding (thus, for example, Existing Plan provisions regarding minimum periods and early termination liability, and charges associated with each, shall continue to apply as set forth in the tariffs, and Customer shall receive no credits with respect to any such charges under this Section (I)(1)).

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(l) Existing Plan True-Up Credits (Cont'd)

(2) Other Tariff Provisions

All other tariff provisions applicable to the Existing Plans (including, by way of example, discounts and minimum period requirements) remain unchanged by this Section (l); provided, however, that:

- (a) Except where the Parties otherwise agree in writing in the event that any Acquired Properties are included in Option 39 pursuant to Section (K)(3) following) Customer may not consolidate or combine the Existing Plans with any other CDPs or term plans (including, by way of example, by adding to the Existing Plans any companies, assets or ACNAs acquired by the Telephone Company after the Effective Date) in cases where such consolidation or combination is optional under the applicable tariff terms; thus, among other things, any such other CDPs and term plans shall remain subject to any true-up and shortfall/overage payment provisions contained therein, and such provisions are not affected by Section (l)(1) preceding; and
- (b) In cases where a tariff requires (i.e., non-optional, thus not covered by Section (l)(2)(a) preceding) Customer to include Acquired Properties in an Existing Plan, then the Existing Plan True-up Credits under Section (l)(1) preceding shall cease until such time as the Parties agree in writing to include such Acquired Properties in Option 39 pursuant to Section (K)(3) following. In the event the Parties are unable to reach such written agreement within ninety (90) days after the date on which the Acquired Properties were added to an Existing Plan, then either Party may seek dispute resolution to resolve any disagreement regarding the terms and conditions that may be necessary to equitably include the Acquired Properties in this Option 39 based on the proportionality of the Acquired Properties as compared to Customer's then-embedded base of Qualifying Services that contribute to Customer's Billed Qualifying Service Revenue (including, but not limited to, any terms to adjust the SPAMARC Amounts, Quarterly Credits and Grooms Limitations).

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties

(1) Notice of Divestiture

(a) Notice of Customer Divestiture

If Customer sells to an unaffiliated third party, or otherwise transfers to an unaffiliated third party its ownership of (collectively, a **Customer Divestiture**), one or more ACNA(s), or a line of business, division, affiliate, or license to operate in a particular geographic area (e.g., a CMRS license) (collectively, **Customer Sold Properties**), then Customer, prior to closure of the Customer Divestiture, or as expeditiously as practical after such closure, shall notify the Telephone Company of such Customer Divestiture via a written notice (**Customer Divestiture Notice**) that includes the following information:

- (i) the date on which the Customer Divestiture is expected to close or has closed;
- (ii) the affected ACNA(s);
- (iii) the affected state(s) or other relevant geographic area(s); and
- (iv) Information sufficient to begin the identification process of the volumes and circuit identifiers of all Qualifying Services and Billed Qualifying Service Revenues associated with the Customer Sold Properties that Customer will no longer obtain from the Telephone Company as a result of the Customer Divestiture. After sending this notification, Customer will work cooperatively with the Telephone Company (and the third-party carrier, if necessary) to complete the exchange of this information.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties (Cont'd)

(1) Notice of Divestiture (Cont'd)

(a) Notice of Customer Divestiture (Cont'd)

Customer shall also provide such other information that the Telephone Company reasonably requests for purposes of this Section (J) (e.g., for determining an adjustment to the SPAMARC Amounts and Quarterly Credits. For the avoidance of any doubt, any Customer divestiture of its interest in Qualifying Services is subject to the terms of the tariffs applicable to such divestitures (including, by way of example, Section 2.1.2 of this tariff). Upon such a divestiture, any permitted entity that acquires Customer's interest in the Qualifying Services shall purchase such Qualifying Services in accordance with the rates, terms and conditions of the tariffs, and this Option 39 shall cease to apply with respect to such Qualifying Services.

(b) Notice of Telephone Company Divestiture

If the Telephone Company sells all or part of any of its operating telephone companies (a Verizon Sold Property(ies)) that provides Qualifying Services under this Option 39 during the Service Period (a Verizon Divestiture), then the Telephone Company, prior to closure of the Verizon Divestiture or as expeditiously as practical after such closure, shall notify Customer of such Verizon Divestiture via a written notice (Verizon Divestiture Notice), which shall include the date on which the Verizon Divestiture is expected to close (or has closed) and the affected state(s) or other relevant geographic area(s).

The Telephone Company shall also provide thereafter such other information that Customer reasonably requests with respect to the adjustment to the SPAMARC Amounts and Quarterly Credits for purposes of Sections (J)(3) and (J)(4) following. In cases where the Telephone Company assigns its rights and obligations to a third party (Acquiring Third Party) with respect to any Qualifying Services, Customer shall remain obligated to purchase such Qualifying Services from such Acquiring Third Party in accordance with the terms of Option 39 and the tariffs. To the extent Customer's SPAMARC Amount obligation is reduced under Section (J)(3) (SPAMARC Reduction Amount), Customer's obligation with respect to the SPAMARC Reduction Amount shall apply as between Customer and the Acquiring Third Party. Similarly, to the extent the Quarterly Credits are reduced under Section (J)(4) following (Quarterly Credit Reduction Amounts), the Acquiring Third Party would be required to provide Quarterly Credits in amounts equal to the Quarterly Credit Reduction Amounts provided that Customer remains eligible for Quarterly Credits under the terms of this Option 39, and subject to any Shortfall Payment that Customer may owe under such terms (taking account of the adjusted SPAMARC Amounts that apply as between Customer and the Acquiring Third Party). For the avoidance of any doubt, after any assignment implemented in connection with a Verizon Divestiture, the Telephone Company shall have no responsibility for the prospective performance of this Option 39 and/or its obligations hereunder by the assignee or transferee.

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties (Cont'd)

(2) Divestiture Adjustment Factor

In the event of a Customer Divestiture or Verizon Divestiture (which, in either case, may be referred to as a **Party Divestiture**), the Divestiture Adjustment Factor (determined according to the steps set forth following) will be used under Sections (J)(3) and (J)(4) following. As used following: (i) **Sold Qualifying Revenue** refers to the Billed Qualifying Service Revenues generated by Customer Sold Properties (in the case of a Customer Divestiture) or the Verizon Sold Properties (in the case of a Verizon Divestiture) that are the subject of a particular Party Divestiture and that, as a result of the Party Divestiture, the Telephone Company will no longer bill to Customer and (ii) **Sold Properties** refers to the Customer Sold Properties (in the case of a Customer Divestiture) or the Verizon Sold Properties (in the case of a Verizon Divestiture).

Step 1A: Determine the total amount of all Billed Qualifying Service Revenues that Customer achieved for the one (1)-year period ending on the day immediately prior to the date of the closing of the Party Divestiture (**Total Qualifying Revenue**).

Step 2A: Determine the total amount of Sold Qualifying Revenue generated by the Sold Properties for the one (1)-year period ending on the day immediately prior to the date of the closing of the Customer Divestiture (**Sold Qualifying Revenue**).

Step 3A: Divide the Sold Qualifying Revenue determined in Step 2A above by the Total Qualifying Revenue determined in Step 1A above to arrive at a **Divestiture Adjustment Factor**.

Example of the above steps: Assume all Billed Qualifying Service Revenue for the one (1) year period ending on the day immediately prior to the closing date of the Party Divestiture was \$200M. Also assume the Sold Qualifying Revenue over that same time period as \$40M. The Divestiture Adjustment Factor would be 20%.

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties (Cont'd)

(3) SPAMARC Amount Adjustments

In the event of a Party Divestiture, the Telephone Company shall adjust the SPAMARC Amounts set forth in Section (B)(5) preceding as follows:

- (a) For purposes of the annual true-up for the Plan Year in which the Party Divestiture closed (Closing Plan Year):

Step 1B: For the Closing Plan Year, determine the number of days remaining in the period that begins on the Party Divestiture closing date and ends on the last day of the Plan Year (Remaining Plan Year Days).

Step 2B: Divide the number of Remaining Plan Year Days by three hundred sixty five (365) to produce a Closing Plan Year Adjustment Factor.

Step 3B: Multiply the SPAMARC Amount for the subject Plan Year by the Closing Plan Year Adjustment Factor.

Step 4B: Multiply the amount produced by Step 3B by the Divestiture Adjustment Factor.

Step 5B: Subtract the amount resulting from Step 4B above from the SPAMARC Amount for the subject Plan Year to arrive at the Closing Plan Year Adjusted SPAMARC. The Closing Plan Year Adjusted SPAMARC shall then replace the SPAMARC Amount under Section (B)(5) preceding for the purposes of the annual true-up under Section (G)(2) preceding.

Example of the above steps: Assume the following: a Party Divestiture occurs on the 165th day of Plan Year 2, the SPAMARC for Plan Year 2 is \$180M, and the Divestiture Adjustment Factor (as described in Section (J)(2) preceding) is 20%.

Step 1B: The Remaining Plan Year Days = 200 Days.

Step 2B: The Closing Plan Year Adjustment Factor would be 54.8% (200/365).

Step 3B: Multiply 54.8% by \$180M, which produces the result \$98.64M.

Step 4B: Multiply \$98.64M by 20%, which produces the result of \$19.73M.

Step 5B: Subtract \$19.73M from the SPAMARC of \$180M to calculate the Closing Plan Year Adjusted SPAMARC of \$160.17M.

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21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties (Cont'd)

(3) SPAMARC Amount Adjustments (Cont'd)

(b) For purposes of Plan Years subsequent to the Plan Year in which the Party Divestiture closed:

Step 1C: Multiply each of the SPAMARC Amounts (as set forth in Section (B)(5) preceding) for the remaining Plan Year(s) by the Divestiture Adjustment Factor.

Step 2C: For each of the remaining Plan Years, subtract the amount resulting from Step 1C from the SPAMARC Amount (as set forth in Section (B)(5) preceding) for the respective Plan Years.

Step 3C: The amounts resulting from Step 2C are the new SPAMARC Amounts that will be used for purposes of the annual true-ups in the Plan Years subsequent to the Plan Year in which the Party Divestiture occurred.

Example of the above steps: Assume the following: a Party Divestiture occurs on the 165th day of Plan Year 2, the SPAMARC for Plan Year 3 is \$170M, the SPAMARC for Plan Year 4 is \$160M, and the Divestiture Adjustment Factor (as described in 11.2 above) is 20%. The Adjusted SPAMARC for Plan Year 3 will be \$136M (\$170M - \$34M). The Adjusted SPAMARC for Plan Year 4 will be \$128M (\$160M - \$32M).

In the event of a subsequent Party Divestiture, the new SPAMARC Amounts resulting from Step 3C above will be used as the baseline SPAMARC Amounts that will be adjusted in accordance with the above provisions.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(N)

(J) Divestitures by the Parties (Cont'd)

(4) Quarterly Credit Adjustments

In the event of a Party Divestiture, the Telephone Company shall adjust the Quarterly Credits set forth in Section (G) preceding as follows:

- (a) In the event a Party Divestiture that closes on any day of a Quarter other than the last day of a Quarter, the Telephone Company shall adjust the Quarterly Credit that would have applied for that Quarter under Section (G) preceding as follows:

Step 1D: Identify the Quarterly Credit that would be due for the Quarter in which the Party Divestiture occurred (such Quarter, the "Divestiture Closing Quarter").

Step 2D: For the Divestiture Closing Quarter, determine the number of days up to and including the Party Divestiture closing date.

Step 3D: Determine the number of days remaining in the Divestiture Closing Quarter after the Party Divestiture closing date by subtracting the result of Step 2D from 91.

Step 4D: Divide the amount identified in Step 2D by ninety-one (91) to determine the percentage of days before Party Divestiture in the Divestiture Closing Quarter.

Step 5D: Divide the amount identified in Step 3D by ninety-one (91) to determine the percentage of days after Party Divestiture in the Divestiture Closing Quarter.

Step 6D: Multiply the amount from Step 1D by the result of Step 4D to determine the portion of Quarterly Credit due for the period prior to the Party Divestiture.

Step 7D: Multiply the amount from Step 1D by the result of Step 5D to determine the unadjusted portion of Quarterly Credit that would be due for the period after the Party Divestiture.

Step 8D: Multiply the amount from Step 7D by the Divestiture Adjustment Factor.

Step 9D: Subtract the amount resulting from Step 8D from the result of Step 7D.

Step 10D: Add the result of Step 9D to the result of Step 6D to determine the Quarterly Credit due for the Divestiture Closing Quarter.

Example of the above steps: Assume a Party Divestiture occurs on the seventy-fifth (75th) day of the second Quarter of a Plan Year. Also assume that the Quarterly Credit amount for the Plan Year is \$30M. Lastly, assume the Divestiture Adjustment Factor is 20%.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(N)

(J) Divestitures by the Parties (Cont'd)

(4) Quarterly Credit Adjustments (Cont'd)

(a) (Cont'd)

Example of the above steps: (Cont'd)Step 1D: The Quarterly Credit Amount is \$30M.Step 2D: The number of days in the Divestiture Closing Quarter up to and including Party Divestiture Closing Date is 75.Step 3D: 91 days minus 75 days is 16 days.Step 4D: 75 days / 91 days is 82.42%Step 5D: 16 days / 91 days is 17.58%Step 6D: \$30M multiplied by 82.42% = \$24,725,275Step 7D: \$30M multiplied by 17.58% = \$5,274,725Step 8D: \$5,274,725 multiplied by 20% = \$1,054,945Step 9D: \$5,274,725 minus \$1,054,945 = \$4,219,780Step 10D: \$24,725,275 plus \$4,219,780 = \$28,945,055(b) For purposes of Quarterly Credits for any Quarters remaining in the same Plan Year after the Quarter in which the Party Divestiture occurred (Remaining Closing Plan Year Credit Quarters):Step 1E: Total the Quarterly Credits for the Remaining Closing Plan Year Credit Quarters.Step 2E: Multiply the sum resulting from Step 1E by the Divestiture Adjustment Factor.Step 3E: Subtract the amount resulting from Step 2E from the sum resulting from Step 1E.Step 4E: Divide the amount resulting from Step 3E by the number of Remaining Closing Plan Year Credit Quarters. (Thus, for example, if the Party Divestiture closed in the 1st Quarter of a given Plan Year, divide by four. As a further example, if the Party Divestiture closed in the 4th Quarter of a given Plan Year, divide by one.)Step 5E: The amount(s) resulting from Step 4E is the amount(s) of the Quarterly Credits that Customer will receive for the Remaining Closing Plan Year Credit Quarters.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

- (J) Divestitures by the Parties (Cont'd)
 (4) Quarterly Credit Adjustments (Cont'd)
 (b) (Cont'd)

Example of the above steps: Assume a Party Divestiture occurs in the second Quarter of Plan Year 2. Also assume that the unadjusted Quarterly Credit due to Customer in each Quarter of Plan Year 2 is \$20M and the first Quarter credit has been paid. Lastly, assume the Divestiture Adjustment Factor = 20%.

Step 1E: Total of Quarterly Credits for the Remaining Closing Plan Year Credit Quarters= \$60M (3 Quarters x \$20M).

Step 2E: \$60M x 20% = \$12M

Step 3E: \$60M - \$12M = \$48M

Step 4E: \$48M/3 = \$16M

Step 5E: The Quarterly Credit for each of the Remaining Closing Plan Year Quarters is \$16M.

- (i) For purposes of Quarterly Credits for the Quarters of any Plan Years remaining after the Plan Year in which the Party Divestiture closed (Subsequent Plan Year Credit Quarters):

Step 1F: Multiply each of the Quarterly Credit amounts set forth in Section (G)(1) by the Divestiture Adjustment Factor.

Step 2F: For each Subsequent Plan Year Credit Quarter, subtract the amount resulting from Step 1F from the respective Quarterly Credits (as set forth in Section (G)(1) preceding).

Step 3F: The amounts resulting from Step 2F are the new Quarterly Credit Amounts that Customer will receive (if it remains eligible) for the Subsequent Plan Year Credit Quarters.

Example of the above steps: Assume the following: a Party Divestiture occurs on the 165th day of Plan Year 2, the SPAMARC for Plan Year 3 = \$170M with Quarterly Credits of \$42.5M per Quarter, the SPAMARC for Plan Year 4 is \$160M with Quarterly Credits of \$40M per Quarter. Lastly, assume the Divestiture Adjustment Factor (as described in Section (J)(2) preceding) is 20%. The Subsequent Plan Year Quarterly Credit for Plan Year 3 is \$34M (\$42.5M - \$8.5M). The Subsequent Plan Year Quarterly Credit for Plan Year 4 is \$32M (\$40M - \$8M).

In the event of a subsequent Party Divestiture, the new Quarterly Credit amounts resulting from Step 3F preceding will be used as the baseline Quarterly Credit amounts that will be adjusted in accordance with the above provisions.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

- (J) Divestitures by the Parties (Cont'd)
(5) Adjustment to Maximum Annual Grooms

In the event of a Party Divestiture (as defined in Section (J)(2) preceding) the Maximum Annual Grooms limit set forth in Section (H)(1) preceding shall be reduced in accordance with the steps set forth below and the Parties by written mutual agreement will reallocate the Agreed Throughput Volumes accordingly.

Step 1G: For the Divestiture Plan Year, determine the number of days remaining in the period that begins on the Party Divestiture closing date and ends on the last day of the Plan Year (**Remaining Plan Year Days**).

Step 2G: Divide the number of Remaining Plan Year Days by three hundred sixty five (365) to produce a **Closing Plan Year Adjustment Factor**.

Step 3G: Multiply the Maximum Annual Grooms amount for the subject Plan Year by the Closing Plan Year Adjustment Factor.

Step 4G: Multiply the amount produced by Step 3G by the Divestiture Adjustment Factor as defined in Section (J)(2) preceding.

Step 5G: Subtract the amount resulting from Step 4G above from the Maximum Annual Grooms amount for the subject Plan Year to arrive at the **Closing Plan Year Adjusted Grooms Maximum**. The Closing Plan Year Adjusted Grooms Maximum shall then replace the Maximum Annual Grooms amount set forth in Section (H)(1) for the Closing Plan Year.

For purposes of calculating the Maximum Annual Grooms for Plan Years after the Closing Plan Year, the Maximum Annual Grooms amount set forth in Section (H)(1) preceding will be adjusted as follows:

Step 6G: For each Plan Year after the Closing Plan Year, Multiply the Maximum Annual Grooms amount for that Plan Year by the Divestiture Adjustment Factor.

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(J) Divestitures by the Parties (Cont'd)

(5) Adjustment to Maximum Annual Grooms (Cont'd)

Example of the above steps: Assume the following: a Party Divestiture closes on the 151st day of Plan Year 2, the Maximum Annual Grooms amount for Plan Years 2 and 3 is 24,800, and the Divestiture Adjustment Factor (as described in Section (J)(2) preceding) is 20%.

Step 1G: The Remaining Plan Year Days = 214 Days.

Step 2G: The Closing Plan Year Adjustment Factor is 58.6% (214/365).

Step 3G: Multiply 58.6% by 24,800, which produces the result of 14,357.

Step 4G: Multiply 14,357 by the 20% Divestiture Adjustment Factor, which produces the result of 2,871.

Step 5G: Subtract 2,871 from the Maximum Annual Grooms amount of 24,800 to arrive at the Closing Plan Year Adjusted Grooms Maximum amount of 21,921.

Step 6G: Multiply the 20% Divestiture Adjustment Factor by the Plan Year 3 Maximum Annual Grooms amount of 24,800 = 4,960.

Step 7G: Subtract 4,960 from the Plan Year 3 Maximum Annual Grooms amount (24,800 – 4,960), resulting in an adjusted post-divestiture Maximum Annual Grooms amount of 19,840 for Plan Year 3. Repeat this calculation for all subsequent Plan Years to adjust the respective Maximum Annual Grooms amount set forth in Section (H)(1) preceding.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(K) Mergers and Acquisitions

(1) Notice of Customer Merger/Acquisition

In the event that, on or after the Effective Date, Customer merges with another company or acquires a company or a portion of the business of another company (including, but not limited to, any ACNA(s) not provided in accordance with Section (C)(1) preceding) (the company with which Customer merges and the company or portion of the business thereof that Customer acquires (including, but not limited to, an ACNA(s) not provided in accordance with Section (C)(1) preceding) may be referred to collectively as the **Customer Acquired Properties** and such merger or acquisition may be referred to in either case as a **Customer Acquisition**), and the Telephone Company provides any Qualifying Services in connection with such Customer Acquired Properties, then Customer, no later than the closing date of the Customer Acquisition or as expeditiously as possible after the closing date of the Customer Acquisition, shall notify the Telephone Company of the Customer Acquisition (**Customer Acquisition Notice**). Customer shall identify in such notice any Qualifying Services included in the Customer Acquired Properties. If Customer wishes to include the Customer Acquired Properties in this Option 39, then Customer in its Customer Acquisition Notice shall request the Telephone Company's consent to such inclusion.

(2) Notice of Telephone Company Merger/Acquisition

In the event the Telephone Company merges with another company, or acquires a company or a portion of the business of another company (the company with which the Telephone Company merges, and the company or portion of the business thereof that the Telephone Company acquires may be referred to collectively as the **Verizon Acquired Properties** and such merger or acquisition may be referred to in either case as a **Verizon Acquisition**). If the Telephone Company wishes to include the Verizon Acquired Properties in this Option 39, then the Telephone Company may request Customer's consent to such inclusion in a notice to Customer.

(N)

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(K) Mergers and Acquisitions (Cont'd)

- (3) If Customer requests inclusion of the Customer Acquired Properties pursuant to Section (K)(1) preceding, or if the Telephone Company requests inclusion of the Verizon Acquired Properties in accordance with Section (K)(2) preceding, then in either case the other Party, in its sole discretion, may accept or reject such request. If the Parties agree to include in this Option 39 any Customer Acquired Properties or Verizon Acquired Properties (collectively, **Acquired Properties**), such inclusion shall be as set forth in a written agreement between the Parties setting forth the terms and conditions of such inclusion (including, by way of example, any terms to adjust the SPAMARC Amounts, Quarterly Credits, and Grooms Limitations). Absent any such written agreement, Customer's achievement of the SPAMARC Amounts described in Section (B)(5) preceding shall be calculated based solely on Customer's purchase of Qualifying Services from the Telephone Company using the ACNAs provided in accordance with Section (C)(1) preceding as of the Effective Date, without adding any services or revenues attributable to expansion of Customer's purchase of any services from the Telephone Company through an Acquired Property, and the Quarterly Credit amounts and Grooms Limitations shall remain unchanged.
- (4) If Customer violates the provisions of Section (K)(3), then (without limiting any other right of the Telephone Company to terminate Option 39):
- (a) Customer shall notify the Telephone Company promptly upon the occurrence of such violation, and the Telephone Company, upon receipt of such notice or upon discovering the violation on its own (in which case the Telephone Company shall provide Customer written notice of such discovery) (either notice under this Section (K)(4)(a), a **Violation Notice**). Such a violation will be deemed to occur if (i) Customer assigns any Qualifying ACNAs to any existing Qualifying Services purchased through an Acquired Property as of the closing of Customer's acquisition of the Acquired Properties, or (ii) Customer disconnects any Qualifying Services purchased under a non-Qualifying ACNA of the Acquired Property, and then purchases that same Qualifying Service, to the same end-user location, under a Qualifying ACNA; provided, however, that any such activity performed solely to reflect changes in services ordered by Customer's end user shall not be deemed a violation of this provision..

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(K) Mergers and Acquisitions (Cont'd)

(4) (Cont'd)

- (b) Upon a Violation Notice provided by either Party under Section (K)(4)(a) preceding, Customer must promptly, and no later than sixty (60) days after the date of the Violation Notice, complete such activities in cooperation with the Telephone Company to exclude the Acquired Properties from Billed Qualifying Service Revenue and to ensure such exclusion continues prospectively until such time, if at all, as the Parties agree to include the Acquired Properties in this Option 39 in accordance with Section (K)(3).
- (c) In the event of a Violation Notice provided by either Party under Section (K)(4)(a) preceding, the Telephone Company shall calculate the effect of the violation (such effect may include, by way of example, any difference in rates paid by Customer or the Acquired Property as a result of the violation, any avoidance of shortfall or overage charges under the tariffs as a result of the violation, and any avoidance of Shortfall Payments that Customer would have been required to pay had the Acquired Properties been excluded) for the period during which the violation occurred and for such time as the violation continues prospectively until cured (**Unearned Economic Benefit**). Customer, upon being billed by the Telephone Company, shall pay the Telephone Company the amount of such Unearned Economic Benefit plus: (i) in a case where Customer provided the Telephone Company the Violation Notice, interest at one percent (1.0%) per month for any period during which the violation resulted in Customer receiving an Unearned Economic Benefit and (ii) in a case where the Telephone Company provided Customer the Violation Notice, interest at three percent (3.0%) per month for any period during which the violation resulted in Customer receiving an Unearned Economic Benefit.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(L) Termination

(1) Mutual Agreement

The Parties, by mutual written agreement in their sole discretion or as otherwise set forth herein, may terminate this Option 39 (and/or Customer's subscription thereto). Termination of Option 39 shall be deemed to be an automatic termination of Option 71 in FCC 1 and Option 71 in FCC 11. Except as otherwise mutually agreed in writing by the Parties or as set forth herein, any termination under this Section (L)(1) shall be effective as of the date of termination (**Termination Date**). Upon any such termination, (i) the Telephone Company, as set forth in Section (L)(1)(a) following, will calculate and issue to Customer a Quarterly Termination Credit in lieu of the Quarterly Credit that would otherwise have applied for the Quarter in which the termination occurred (**Termination Quarter**), and (ii) the Telephone Company will perform a true-up in accordance with the steps set forth in Section (L)(1)(b) following (**Termination True-Up**):

(a) Termination Credit

The credit that Customer will receive under Section (G)(1) preceding for the Termination Quarter shall be determined according to the following steps:

Step 1H: Divide by three hundred sixty-five (365) the sum total of all Quarterly Credits that would apply under Section (G)(1) preceding for the Plan Year in which the termination occurred (**Termination Year**) to arrive at a daily dollar amount.

Step 2H: Multiply the dollar amount determined in Step 1H by the number of days that elapsed prior to the Termination Date within the Termination Year. The resulting amount may be referred to as the **Annual Termination Credit** to be used for purposes of the calculation in Step 3H below.

Step 3H: Reduce the Annual Termination Credit amount calculated in Step 2H by the sum total of all credits due in previous Quarters prior to the Termination Quarter (but within the Termination Year) to arrive at the Quarterly Termination Credit. Customer will receive no further Quarterly Credits under this Option 39.

Step 4H: The Telephone Company will issue the Quarterly Termination Credit on Customer's bill(s) within one hundred twenty (120) calendar days after the Termination Date upon Customer's written approval of the Quarterly Termination Credit to be issued. Once the Quarterly Termination Credit has been issued after Customer's approval of the amount, Customer may not thereafter dispute or seek adjustment to the Quarterly Termination Credit.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(L) Termination (Cont'd)

(1) Mutual Agreement (Cont'd)

(a) Termination Credit (Cont'd)

Example of the above steps: Assume that on the one hundred ninetieth (190th) day of Plan Year 2, the Telephone Company terminates this Option 39. Also assume that the 190th day of Plan Year 2 is the eighth (8th) day of the 3rd Quarter of Plan Year 2. Assume further that the Quarterly Credit under Section (G)(1) preceding is \$26,500,000.

Step 1H: Quarterly Credit = $\$106,000,000 / 365 \text{ days} = \$290,411$ daily amount.

Step 2H: The amount \$290,411 from Step 1H above multiplied by 190 Days = \$55,178,082.

Step 3H: The amount of \$55,178,082 from Step 2H minus \$53,000,000 (\$26,500,000 x 2 Quarters prior to the Termination Quarter) = Quarterly Termination Credit of \$2,178,082.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(L) Termination (Cont'd)

(1) Mutual Agreement (Cont'd)

(b) Termination True-Up

The Telephone Company will review Customer's performance during the period from the beginning of the Plan Year in which the termination occurred through the Termination Date (**Termination Review Period**) according to the following steps, and Customer shall owe any resulting shortfall payment:

Step 1I: Divide by three hundred sixty five (365) the SPAMARC Amount for the Plan Year in which the termination occurred to arrive at a daily SPAMARC Amount.

Step 2I: Multiply the daily amount resulting from Step 1I by the total number of days in the Termination Review Period to arrive at a **Termination Review SPAMARC Amount**.

Step 3I: Determine the amount of Billed Qualifying Service Revenue that Customer Achieved during the Termination Review Period. For purposes of such determination, any billed amounts that remain Disputed Amounts as of thirty (30) days after the date of the termination shall be excluded from Billed Qualifying Service Revenue.

Step 4I(A): If the amount of Billed Qualifying Service Revenue that Customer Achieved during the Termination Review Period as determined under Step 3I is less than the Termination Review SPAMARC Amount, then Customer shall owe a shortfall payment equal to the difference between the Termination Review SPAMARC Amount and the amount of Billed Qualifying Service Revenue that Customer actually achieved during the Termination Review Period. Upon determining the shortfall amount owed, the Telephone Company shall issue a debit(s) to Customer's bill(s) to account for Customer's payment of the shortfall amount and Customer shall pay such amount.

Step 4I(B): If the amount of Billed Qualifying Service Revenue that Customer achieved during the Termination Review Period as determined under Step 3I is equal to or greater than the Termination Review SPAMARC Amount, then Customer will owe no shortfall payment.

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FACILITIES FOR INTERSTATE ACCESS

21. Contract Tariffs (Cont'd)21.40 Contract Tariff Option 39 (Cont'd)

(L) Termination (Cont'd)

(1) Mutual Agreement (Cont'd)

(b) Termination True-Up

Example of the above steps: Assume that on the one hundred ninetieth (190th) day of Plan Year 2, the Telephone Company terminates this Option 39. Also assume that Customer achieved Billed Qualifying Service Revenue in the amount of \$130.14M for Plan Year 2 through the Termination Date.

Step 1: Plan Year 2 SPAMARC of \$356M divided by 365 days = daily SPAMARC Amount of \$975,342.

Step 2: The daily SPAMARC Amount of \$975,342 multiplied by 190 days = Termination Review SPAMARC Amount of \$185,315,068.

Step 3: Billed Qualifying Service Revenue achieved during the Termination Review Period is \$130.14M.

Step 4: Because the amount of achieved Billed Qualifying Service Revenue during the Termination Review Period is \$55,175,068 less than the Termination Review SPAMARC Amount, Customer owes a shortfall payment of \$55,175,068.

(2) Termination by the Telephone Company for Failure to Achieve Any SPAMARC Amounts

If the Telephone Company wishes to terminate this Option 39 for Customer's failure to achieve the SPAMARC Amount by the end of a Plan Year and Customer's failure to pay the Shortfall Payment(s) owed, which failure shall be deemed a material breach of this Option 39, then (without limiting Customer's obligation to pay the Shortfall Payment(s) owed) the Telephone Company shall provide notice of its termination of Option 39 by no later than ninety (90) calendar days after the end of the applicable Plan Year. Upon such termination Customer shall be entitled to all Quarterly Credits owed for such just-concluded Plan Year (subject to payment of any Shortfall Payments owed), but shall not be eligible for any Quarterly Credits for any period of time after the end of such Plan Year.

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