

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

Docket No. 09A-740T

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IN THE MATTER OF THE APPLICATION OF BROADVIEW NETWORKS, INC., FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES AND FOR A LETTER OF REGISTRATION TO PROVIDE EMERGING COMPETITIVE TELECOMMUNICATIONS SERVICES (4 CCR 723-2-2103).

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**STIPULATION AND SETTLEMENT AGREEMENT**

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This Stipulation and Settlement Agreement (“Stipulation”) is entered into by and between Staff of the Colorado Public Utilities Commission (“Staff”) and Broadview Networks, Inc. (“Broadview”). Staff and Broadview collectively are referred to as Parties, and individually as Party.

**INTRODUCTION AND BACKGROUND**

1. Broadview is a corporation and wholly-owned subsidiary of Broadview Networks Holdings, Inc. with its principal office located at 800 Westchester Avenue, Suite N-501, Rye, NY 10573.
2. On October 16, 2009, Broadview initiated this docket by filing its Application for Certificate of Public Convenience and Necessity (“CPCN”) to Provide Local Exchange Telecommunications Services and for a Letter of Registration (“LOR”) to Provide Emerging Competitive Telecommunications Services (“Application”).
3. On October 21, 2009, Staff sent a letter to Broadview seeking additional information. Broadview filed a response dated November 2, 2009.
4. Staff timely filed its Notice of Intervention in this matter on November 17, 2009. Staff is the only intervener in this Docket.

5. The Parties now stipulate and agree that the Commission should approve the Application on the terms set forth in this Stipulation.

#### TERMS OF STIPULATION AND SETTLEMENT

6. Pursuant to Section 40-15-503.5, C.R.S., Broadview shall maintain a bond for a period of three (3) years from the date that its initial tariff to provide regulated telecommunications service to any customer in Colorado becomes effective, which shall occur after the CPCN becomes effective. Such bond must be renewed annually by Broadview for a period of three (3) years. Concurrent with the filing of an Advice Letter and initial tariff to provide such telecommunications services in Colorado, Broadview shall file with the Commission a verified statement, signed by an officer of Broadview, attaching the original and two copies of the bond to the verified statement. The beneficiary of the bond shall be the Colorado Public Utilities Commission.

7. Initially, the bond shall be in the amount of fifty thousand dollars (\$50,000), which will be the minimum amount required for the duration of the bond. The formula used to calculate the amount of the bond is attached to this Stipulation as Exhibit A and incorporated herein. Broadview expressly acknowledges that it will not require customer deposits.

8. The issuer of the bond shall be rated "Secure" by A.M. Best Company, Inc.

9. Within thirty (30) calendar days of the calendar date that the number of Broadview's revenue producing lines<sup>1</sup> reaches one thousand (1,000) lines, Broadview shall recalculate the amount of the bond that will be required and shall file a report with the Commission that clearly shows the number of revenue producing lines and the recalculated amount of the bond that is then required, using the same formula used for determining the initial amount of the bond, which is found in and is attached

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<sup>1</sup> The term "revenue producing lines" shall mean lines that have been activated and for which customers are being billed. In the event Broadview sells systems that serve multiple lines, the calculation of "revenue producing lines" or the equivalent shall be made pursuant to Federal Communications Commission Form 477, "Instructions for the Local Competition and Broadband Reporting Form."

as Exhibit A. Within thirty (30) calendar days of the day after the thirty-day report period set forth above in this same Paragraph No. 8 has expired, an officer of Broadview shall file with the Commission a verified statement that the bond has been increased to the required amount, clearly identifying the new amount and the new term of the bond and attaching the original and two copies of the bond to the verified statement. Once Broadview has increased the amount of its bond to the obligation for 1,000 lines, it will not need to increase its bond obligation until the number of access lines increases to the level where the bond obligation is 20% or higher than the amount of the existing bond.

10. Broadview shall file a report with the Commission no later than December 31 of each year that the bond is required, beginning in the year that Broadview offers regulated telecommunications services to its customers under its effective tariff. This report shall include the following:

- (a) The total number of revenue producing lines of Broadview for regulated telecommunications services to end user customers in Colorado for the six (6) months preceding the date of the report;
- (b) Any change in the number of revenue producing lines of Broadview for regulated telecommunications services to end user customers in Colorado for the six (6) months preceding the date of the report;
- (c) the amount of the existing bond; and
- (d) any recalculation of the amount of the bond that may be required.

11. The monies from the bond shall be disbursed as set forth in this paragraph in the event of the issuance of an order by the Commission resulting from a formal complaint pursuant to paragraph

14 below. Disbursement shall be made on a percentage basis, which percentages are included in Exhibit A. Disbursement of the bond shall be made as described below:

- a. To funds mandated by the Commission and Colorado statute, including the Colorado High Cost Support Mechanism, the Low Income Telephone Assistance Program, the Fixed Utilities Fund, 9-1-1, and the Telecommunications Relay Service;
- b. To wholesale telecommunications provider(s), specifically for services provided to Broadview for which payment has not yet been received on undisputed amounts; and for the wholesale telecommunications provider's costs of providing notice to customers if Broadview fails to do so due to Broadview's discontinuance of providing service, after verification of those costs by Staff;
- c. To refund prepayments for telecommunications services not yet received in the event that Broadview discontinues service to its customers. Upon attestation by an officer of Broadview that all refunds owed to customers for payment for services not yet received has been rendered and the disbursement of the funds to all other parties has been completed, the Commission shall disburse to Broadview any remaining proceeds from the bond up to the amount of the refunds Broadview issued to customers; and
- d. For Commission-incurred costs for items including, but not limited to, notices mailed by the Commission or the designated default provider if Broadview discontinues service and fails to mail notice to customers, as required by 4 Code of Colorado Regulations (CCR) 723-2-2108 ("Rule 2108"); any Commission-incurred costs associated with the transitioning of customers to another provider; and any Commission-incurred bankruptcy court costs.

12. At any time any portion of the bond is disbursed, Broadview shall obtain an addition to the current bond or a new bond for the amount required based on the formula set forth in Exhibit A.

13. Broadview shall be considered in default of the bond in the following circumstances:

- a. If Broadview
  - i. untimely (late by more than thirty (30) calendar days which period shall begin on the first day after the due date) remits or fails to remit payments to statutory funds (including the Colorado High Cost Support Mechanism, the Low Income Telephone Assistance Program, the Fixed Utilities Fund, 9-1-1, and the Telecommunications Relay Service);
  - ii. untimely remits or fails to submit undisputed payments to wholesale providers;
  - iii. untimely pays or fails to pay any refunds, credits or deposits owed to customers; and
- b. untimely files or fails to file Commission-required reports including, but not limited to:
  - i. annual reports;
  - ii. line count report when the number of revenue-producing lines first exceed one thousand (1,000) lines for the first time;
  - iii. verified annual statements of line counts and bond amounts;
  - iv. verified statements of bond renewal or modification;
  - iv. and/or violation of any Commission rules concerning regulated telecommunication providers.

14. Occurrence of any or all of the items described in Paragraph No. 13(a) and (b) above shall be cause for Staff to request that the Commission issue a formal complaint concerning the actions of or failure to act by Broadview as well as to make recommendations to the Commission concerning Broadview's bond and the status of Broadview's CPCN. In the event the Commission issues an order resulting from a formal complaint that finds Broadview is in breach of any or all of the items described

in Paragraph No. 13(a) and (b) above, the Commission may authorize its representatives to draw on the bond. No demand for a draw on the bond shall be honored by the issuing financial institution, absent an order resulting from a formal complaint issued by the Commission authorizing its representative to draw on the bond.

15. Broadview agrees that it will not discontinue service to customers for any reason unless the Commission has granted its application to discontinue pursuant to Rule 2108. For so long as Broadview is obligated to provide the bond, in the event that Broadview files an application pursuant to Rule 2108, Broadview shall file with the Commission, and serve a copy on Staff, the following: (a) the number of business lines affected by such discontinuance; (b) a customer list, including the name, address and telephone number of each customer; (c) the amount of any refund due to each individual customer for payment of service not received by the customer; and (d) the identity of all underlying providers supporting the regulated telecommunications services affected by such discontinuance.

16. Broadview expressly acknowledges that, in accordance with Section 40-5-105, C.R.S. (2004), as amended, it cannot sell, assign, or otherwise transfer its Colorado assets that are used in the provision of regulated telecommunications services, including, without limitation, Billing Account Numbers, customers, Interconnection Agreements, and its CPCN, without first having obtained Commission approval.

17. In this docket, Broadview shall provide Staff notice, within thirty days' of its execution, of any agreement between Broadview and a third party for the provision of marketing, customer service, or customer acquisition services in connection with Broadview's regulated telecommunications service in Colorado. If such third party agreement is entered into with a party that is affiliated with Broadview and over whom Broadview exercises substantial oversight, Broadview shall provide notice of such agreement within seven (7) days of its entry into the agreement. This

requirement does not include employment agreements with Broadview employees who may be hired to perform inside sales, marketing or customer service or acquisition activities.

18. For the three (3) year period that Broadview is required to maintain a bond pursuant to Paragraph No. 5, above, Broadview shall file a report with the Commission in writing within ten (10) calendar days of any of the following occurrences in connection with the regulated telecommunications services provided by Broadview or one of its regulated affiliates:

- a. Assessment of civil penalties by any court or regulatory body;
- b. Assessment of criminal penalties by any court or regulatory body;
- c. Injunctive relief awarded by any court or regulatory body;
- d. Any corrective action taken by any court or regulatory body;
- e. Any refund of more than one hundred dollars (\$100) in any individual case, or any refund of two hundred fifty dollars (\$250) or more to any class of customers awarded by any court or regulatory body;
- f. Reparations to any party awarded by any court or regulatory body;
- g. Initiation of a show cause or formal complaint proceeding by any court or regulatory body;
- h. Initiation of disciplinary proceedings by any court or regulatory body, including proceedings to limit or to place restrictions on any authority to operate a CPCN or offer any service;
- i. Refusal to grant authority to operate or provide a service by any court or regulatory body;
- j. Revocation of authority to operate or to provide a service by any court or regulatory body;

k. Voluntary surrender of any certificate or authority to operate in lieu of any action by a court or regulatory body; or

l. Any combination of the foregoing sanctions, penalties, corrective actions, or other proceedings.

19. If Broadview fails to perform any or all of the obligations set forth in this Stipulation including, but not limited to, failing to obtain and maintain a bond according to the terms outlined in this Stipulation and/or fails to timely report to the Commission any events set forth in Paragraph 18 above, Staff shall consider Broadview to have breached this Stipulation. In that event, Staff may request that the Commission issue a formal complaint to determine whether the Commission should take action against Broadview's CPCN. In the event the Commission issues an order resulting from a formal complaint that finds Broadview is in breach of any or all of the obligations set forth in this Stipulation, the Commission may authorize its representatives to draw on the bond. No demand for a draw on the bond shall be honored by the issuing financial institution, absent an order resulting from a formal complaint issued by the Commission authorizing its representative to draw on the bond.

#### **GENERAL SETTLEMENT TERMS AND CONDITIONS**

20. This Stipulation is made for settlement purposes only. No Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Stipulation. Furthermore, this Stipulation does not constitute agreement, by any Party, that any principle or methodology contained within this Stipulation may be applied to any situation other than the above-captioned case. No precedential effect or other significance, except as may be necessary to enforce this Stipulation or a Commission order concerning the Stipulation, shall attach to any principle or methodology contained in the Stipulation.

21. This Stipulation shall not become effective until the Commission issues a final order approving the Stipulation, which order does not contain any modification of the terms and conditions of this Stipulation that is unacceptable to the Parties hereto. In the event the Commission modifies this Stipulation in a manner unacceptable to either Party, that Party shall have the right to withdraw from this Stipulation and proceed to hearing on some or all of the issues that may be appropriately raised by that Party in this Docket under a new procedural schedule. The withdrawing Party shall notify the Commission and the other Party to this Stipulation in writing within ten (10) days of the date of the Commission order that the Party is withdrawing from the Stipulation ("Notice"). A Party who properly serves a Notice shall have and be entitled to exercise all rights the Party would have had in the absence of the Party's agreeing to this Stipulation.

22. In the event this Stipulation is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Stipulation shall not be admissible into evidence in this or any other proceeding. Moreover, in such an event, except as may be specifically provided for herein, neither anything said, admitted or acknowledged in the negotiations leading up to the execution of this Stipulation, nor the settlement terms and conditions contained herein, nor the Stipulation itself may be used in this or any other administrative or court proceeding by any of the Parties hereto, or otherwise.

23. The Parties state that they have reached this Stipulation by means of a negotiated process that is in the public interest, and that the results reflected in this Stipulation are just, reasonable, and in the public interest. Each Party pledges its support of this Stipulation and urges the Commission to approve same, without modification.

24. Except as otherwise specifically agreed in this Stipulation, nothing contained herein shall be deemed as constituting either a settled practice or precedent for the purposes of any other

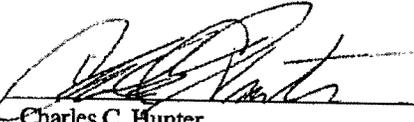
proceeding, and by entering into this Stipulation, no Party shall be deemed to have agreed to any specific principles of ratemaking. The Parties expressly reserve the right to advocate positions different from those stated in this Stipulation in any proceeding other than one necessary to obtain approval of, or to implement, this Stipulation or its terms and conditions. Nothing in this Stipulation shall constitute a waiver by any Party with respect to any matter not specifically addressed in this Stipulation.

25. This Stipulation may be executed in separate counterparts, including facsimile. The counterparts taken together shall constitute the Stipulation and Settlement Agreement.

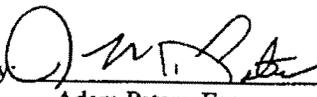
26. The signatories represent that the signatories to this Stipulation have full authority to bind their respective Parties to the terms of this Stipulation.

Dated this 29<sup>th</sup> day of December 2009.

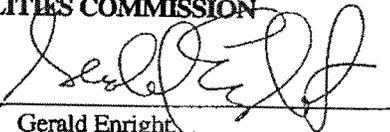
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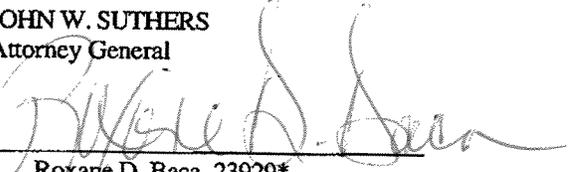
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EXHIBIT A

Bond

Calculation

Estimated Number of Customers: 500

Average Revenue per customer per month: \$ 25.00 Monthly Revenue per customer

Fixed Utilities Fund (FUF): 1.433% of Intrastate revenues

911 Fund: \$0.50 per line per month

Colorado High Cost Support Mechanism (CHCSM): 2.7% of revenues

Low Income Fund: \$ .07 per line per month

TRS Relay Fund: \$ .12 per line per month

PUC Administrative Costs .In the event Broadview does not perform customer transition obligations, calculated at \$1.82 per customer.

Prepayments - Assume each customer prepays one month of service ((\$25X1)X 500 customers)

Customer deposits – Assume that 5% of retail customers will need to place a two month deposit of \$50.00.

Wholesale Supplier Regulatory Obligation is to cover payment obligations if a Provider curtails and/or discontinues service and the Commission orders the underlying wholesale provider to continue service until customers are transitioned to other providers. It is calculated as the product of two months of retail service (\$50) and the number of line provided by the wholesale provider(s).

	500	<u>% of Total</u>	
Number of Lines			
Annual Revenues	\$150,000		
FUF		\$2150	4.30%
911		3000	6.00%
CHCSM		4050	8.10%
Low Income		420	0.84%
TRS Fund		720	1.44%
PUC Administrative Costs		910	1.82%
Customer deposits		1250	2.50%
Customer Prepayments		12,500	25.00%
Wholesale Supplier Obligation		<u>25,000</u>	<u>50.00%</u>
Total Deposit/BOND Requirement		\$50,000	100.00%