

PHONE SERVICE TERMS AND CONDITIONS

CONTRACT FOR SERVICE

Grande Communications® provides telecommunications services, including local exchange telephone service, on a month-to-month basis according to residential or small business subscriber agreements (Contract). Once service is installed, you may terminate the Contract by giving Grande no less than 24 hours notice provided by telephone or non-electronic written submission. No fee will be imposed on you for such early termination of the Contract. For the purpose of computing charges, a month is considered to have 30 days. For a description of subscribed services and all applicable rates as they will appear on the bill, please refer to the Contract that summarizes the specific services you have requested. The terms and conditions of all Contracts are subject to the regulations in Grande's Local Exchange Tariff (Tariff) for the particular exchange for which service is to be furnished. The Tariff is on file with the Public Utility Commission of Texas (Commission) and may be viewed on Grande's website at www.mygrande.com. Failure to make payment for charges for telecommunications services incurred under the Contract and Tariff will result in disconnection of service following notification. Failure on your part to observe contractual and tariff regulations may give Grande the right to cancel the Contract and discontinue the furnishing of service without notice. The service is furnished subject to the condition that it will not be used for an unlawful purpose. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such service is being used or will be used in violation of the law. Customer abandonment of equipment or service is regarded as a voluntary termination of the Contract.

AVAILABILITY OF FACILITIES

Grande will use reasonable efforts to make services available to you on or before a particular date, but does not guarantee availability by any such date and will not be liable for any delays in commencing service to any customer. Grande reserves the right to limit or to allocate the use of existing facilities, or of additional facilities, when necessary because of lack of facilities, or due to some other cause beyond the company's control. The furnishing of telecommunications services is subject to the availability on a continuing basis of all the necessary rights and facilities and is limited to the capacity of Grande's facilities as well as facilities Grande may obtain from other carriers to furnish service from time to time as required at its sole discretion.

SPECIAL CONSTRUCTION

Subject to Grande's agreement, special construction of facilities may be undertaken on a reasonable basis at your request. Special construction is construction undertaken: (1) where facilities are not presently available, and where there is no other requirement for the facilities so constructed; (2) of a type other than that which the company would normally utilize in the furnishing of services; (3) over a route other than that which the company would normally utilize in the furnishing of services; (4) in a quantity greater than that which the company would normally construct; (5) on an expedited basis; (6) on a temporary basis until permanent facilities are available; (7) involving abnormal costs; or (8) in advance of normal construction. Grande will contact you within 10 business days of receipt of your request for service and give you an estimated completion date and an estimated cost for all charges to be incurred and an explanation of any construction cost options.

DIGITAL PHONE EQUIPMENT

You must use the Grande EMTA Equipment to access the digital phone service. The Grande EMTA Equipment shall, at all times, remain the property of Grande or its designee. You agree to return the Grande EMTA Equipment to Grande if your service is terminated or cancelled by either you or Grande. You agree not to sell, transfer, lease, encumber or assign all or any part of the Grande EMTA Equipment to any third party. You agree to pay Grande up to \$275.00, depending on the model of your equipment, if any Grande EMTA Equipment or part thereof is lost, stolen, unreturned, damaged (excluding normal wear and tear), sold, transferred, leased encumbered, assigned or if for any other reason you fail to return the Grande EMTA Equipment at the end of your service. You further agree not to tamper with the Grande EMTA Equipment or change its identifier or electronic serial number or address. You acknowledge that the Grande EMTA Equipment is merely a means for Grande to provide you digital phone service and that Grande may remove or change it at Grande's discretion. You agree not to use the Grande EMTA Equipment for any purpose other than to use the service in accordance with this Agreement.

You will not relocate the Grande EMTA Equipment. At your request, we may relocate the Grande EMTA Equipment within the Premises for an additional charge, at a time agreeable to you and to us. If you change service location, you must contact Grande for information on whether the Grande EMTA Equipment and services can be transferred to your new location and what the relocation will cost. If you wish to disconnect the services, you must contact Grande for information on the necessary procedures. If you violate this Agreement by moving the Grande EMTA Equipment from the physical location where it was originally installed, emergency 911/E911 communications may be misdirected to an incorrect emergency services responder or the emergency responder may be directed to the wrong address (see Emergency 911 and E911 Section, below).

The service does not have its own power source and will not work unless the Grande EMTA Equipment is connected to an independent power supply (e.g. active wall socket) provided by Customer. The Grande EMTA Equipment does have an installed backup battery to supply power for digital phone service in the event of a power outage at the Customer's Premises for a limited period of time not to exceed eight (8) hours of stand-by time or four (4) hours of talk time. If service is also being used with Grande's High-Speed Internet ("HSI") service, continued use of the HSI service during a power outage will decrease the battery backup life. Additionally, any battery included in Grande EMTA Equipment may enable backup service for a limited period of time or not at all, depending on the circumstances, and that inclusion of the battery does not ensure that the service will be available in all circumstances. Under certain circumstances, including if the electrical power and/or cable network or facilities of the Company are not operating, the service, including the ability to access emergency 911, alarm and security services, and medical monitoring services, will not be available. The Company will not be responsible for any losses or damages arising as a result of the unavailability of the service.

EMERGENCY 911 AND E911 SERVICES

Grande's phone service provides 911 or E911 emergency calling access to police, fire and medical services. With E911 service, when you dial 911, your telephone number and registered address is simultaneously sent to the local emergency center assigned to your location, and emergency operators have access to the information they need to send help and

call you back if necessary. Customers in locations where the emergency center is not properly equipped to receive your telephone number and address have basic 911. With basic 911, the local emergency operator answering the call will not have your call back number or your location, so you must be prepared to give them this information. Until you give the operator your phone number, they may not be able to call you back or dispatch help if the call is not completed, dropped or disconnected.

If Customer has call forwarding, do not disturb, or other features programmed and in use at the time Customer dials a 911 call and Customer's 911 call is interrupted, the emergency dispatcher may not be able to call Customer back at the phone from which Customer dialed the call. Existing emergency response systems are not always technically capable of receiving and/or passing routing information properly. Accordingly, emergency personnel may not be able to identify your phone number in order to call you back if your call is not completed, dropped or disconnected, or if you are unable to speak to tell the emergency dispatcher or operator your phone number and/or if the service is not operational for any reason.

Additional 911/E911 information for Grande digital phone service Customers: If you do not provide the correct address when you register for the services or if you relocate your Grande EMTA Equipment to a new address and do not register the new address with Grande, 911/E911 may fail in two ways: (i) 911/E911 calls may be misdirected to the wrong emergency authorities, and (ii) emergency authorities will be given the wrong address for the origin of your E911 calls. Do not relocate the Grande EMTA Equipment for any reason without contacting Grande Communications and following the procedures outlined in the section describing Grande EMTA Equipment.

During service outage, service suspension, power failure or disruption, 911/E911 will not function in the event of a power failure that extends beyond exhaustion of the Grande EMTA Equipment battery or other disruption in service, such as termination or suspension of your account or service by Grande for nonpayment or your breach of the Agreement.

ADVANCE PAYMENTS

When applying for service, you will be required to make advance payment of recurring and non-recurring charges, estimated usage charges, and other charges and guarantees in such amount as may be deemed necessary by Grande. In addition, where special construction is involved, advance payment of the quoted construction charges may be required at the time of application. Service may be denied or discontinued for failure to furnish advance payment.

CANCELLATION OF SERVICE BY CUSTOMER

If you cancel service for any reason other than service interruption, you are obligated to pay the unpaid balance of charges owed to Grande. Such charges will become due and owing as of the effective date of the cancellation.

NUMBER PORTABILITY

At your request, Grande will "port," or transfer, your current telephone number upon transferring service from another carrier in the same service area. You must have the previous carrier's balance paid in full in order to port your number. It is not necessary to change telephone numbers when transferring service, unless you request a new telephone number.

CUSTOMER PAYMENT OF BILL

You are responsible for payment of all charges for services furnished by Grande that appear on your monthly bill, including charges for telecommunications services originated and/or charges accepted at your telephone. Bills for local exchange service will normally be rendered monthly, will show the period of time covered by the billings, the bill due date, and a clear listing of all charges due and payable. Recurring charges will be billed monthly, in advance of the month in which service is provided, except for usage sensitive charges, which will be billed monthly for the preceding billing period. Bills are due by the close of business on the payment due date printed on your bill. If the due date shown on the bill falls on a holiday or weekend, the due date is extended to the next business day. Grande will impose a late payment fee to any payment that is not received by the due date on the bill.

ADMINISTRATIVE FEES

Grande reserves the right to impose on its customer's reasonable administrative fees in order to safeguard interests in providing service to the general public, and as a result of failure to make prompt payment on bills by customers.

DEPOSITS

Grande will not request a deposit from residential or small business customers subscribing to basic local exchange service. Grande may request a deposit for all other services provided by the company when serving a customer with low creditworthiness or bad payment history. The deposit will be based on two months estimated usage of the subscribed service, such as long distance service.

LATE PAYMENT FEE

If the whole or a portion of your payment is received after the payment due date, Grande will impose a late payment fee of \$5.00.

RETURNED CHECK CHARGE

You will be assessed a charge of \$25.00 for each check, bank draft, or electronic funds transfer which a financial institution refuses to honor.

COLLECTION FEES

Grande may use various means to collect delinquent accounts including but not limited to appropriate legal action and/or collection agencies. In the event Grande incurs fees or expenses, including collection agency and/or attorney's fees and court costs, due to the collection of delinquent debt, you agree to reimburse Grande for all such fees and expenses that are reasonably incurred, up to the maximum permitted by applicable law.

REGULATORY FEES AND TAXES

You are responsible for the payment of line items on your bill associated with regulatory and non-regulatory assessments and surcharges, franchise fees, privilege and license fees, and local, state and federal taxes assessed upon Grande by governmental jurisdictions, all of

which are separately designated on your bill. Any taxes imposed by a local jurisdiction (i.e., county and municipality) are recovered only from those customers residing in the affected jurisdictions.

MUNICIPAL FRANCHISE FEE

Residential, non-residential and point-to-point access lines provided to customers according to the Contract and Tariff are subject to a monthly municipal franchise fee as established by the Commission for the city in which the end user of the access lines is located. The Commission has approved a monthly recurring fee for each municipality in the state. The fees are subject to annual review based on growth of access lines in each municipality. Municipal franchise fees are assessed in order to compensate municipalities for the use of public rights of way necessary to deliver telecommunications services to customers. The fee is assessed as a per-line-charge on the customer bill.

TEXAS UNIVERSAL SERVICE FUND (TUSF) FEE

Charges for local exchange services provided to customers according to the Contract and Tariff are subject to an annual TUSF contribution. The Commission establishes an annual contribution factor that is assessed on all providers of telecommunications services based on taxable receipts. The TUSF supports affordable local telephone service to high-cost rural customers, funds the Relay Texas and Specialized Telecommunications Assistance programs for the hearing-disabled, and funds telecommunications services discounts to low-income customers (Tel-Assistance and Lifeline). Consistent with Commission regulations, Grande recovers this contribution through the TUSF fee on customer bills. Eligible tax exempt entities are entitled to a waiver of the TUSF fee.

FEDERAL UNIVERSAL SERVICE FUND (FUSF) FEE

FUSF is a federal fee for a fund that helps bring affordable basic phone service to all Americans, including schools, libraries and rural health care providers. All telecommunication companies, including long distance, local, wireless and pay phone providers, add this charge to cover their required support for the fund. The fee is set by the FCC.

SUBSCRIBER LINE CHARGE

The Subscriber Line Charge is a fee imposed by Grande on each local exchange service access line, in addition to all other applicable fees and charges. Local telephone companies recover a portion of the costs of telephone lines connected to your home or business through this monthly charge on your local telephone bill.

9-1-1 EMERGENCY SERVICE FEE

This fee funds the provision of 9-1-1 emergency telecommunications services, and also may be appropriated to fund emergency medical services and trauma care. The Texas Commission on State Emergency Communications sets this fee based on the cost of providing 9-1-1 service in regions where local authorities have not exercised jurisdiction. In regions where local authorities have exercised jurisdiction, municipalities or regional councils of governments set the fees. The fee is assessed by Grande on a monthly basis. Eligible tax exempt entities are entitled to a waiver of the 9-1-1 fee.

GROSS RECEIPTS ASSESSMENT FEE

State law requires all providers of telecommunications to the ultimate consumer to contribute one-sixth of

one percent of gross receipts to the State's General Revenue Fund. The annual contribution is made to the Texas Comptroller of Public Accounts. Revenues generated from this fee are used to appropriate funds to the Commission and the Office of Public Utility Counsel. Amounts generated, but not appropriated to those agencies, remain in the General Revenue Fund. Grande recovers its contribution through a monthly customer assessment.

FEDERAL EXCISE TAX

The federal excise tax was originally initiated as a luxury tax to pay for the Spanish-American War in 1898, and according to federal law, is levied on the provision of telecommunications service. Today, all proceeds from the tax go directly to the U.S. General Revenue Fund. Grande collects the federal excise tax on a monthly basis and passes the proceeds to the federal government. Eligible tax exempt entities are entitled to a waiver of the federal excise tax. STATE SALES TAX AND LOCAL SALES AND USE TAXES

According to state law, state and local taxes are levied on tangible personal property and taxable services, including amusement services, cable television services, personal services, repair and remodeling services, aircraft services, telecommunications services, real property services, and data processing services. These taxes are considered a part of the total sales price of the telecommunications services provided by Grande. State sales taxes, and local sales and use taxes are collected by Grande on a monthly basis and the proceeds are passed on to the appropriate state or local governmental entity. Eligible tax exempt entities are entitled to a waiver of state sales taxes, and local sales and use taxes.

METROPOLITAN TRANSIT AUTHORITY (MTA) TAX

According to state law, some local authorities are permitted to levy the MTA tax on the provisions of telecommunications service to defray the cost of public transportation. Grande will assess the MTA tax on a monthly basis only to the customers subject to the jurisdiction of local authorities that levy the MTA tax on telecommunications services. Eligible tax exempt entities are entitled to a waiver of the MTA tax.