

CABLE FRANCHISE AGREEMENT
BETWEEN
THE CITY OF REDMOND, WASHINGTON
AND
VERIZON NORTHWEST INC.

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THIS CABLE FRANCHISE AGREEMENT (the “Franchise” or “Agreement”) is entered into by and between the City of Redmond, a duly organized municipal corporation under the applicable laws of the State of Washington (the Local Franchising Authority or “LFA” or “City”) and Verizon Northwest Inc., a corporation duly organized under the applicable laws of the State of Washington (the “Franchisee”).

WHEREAS, the LFA wishes to grant Franchisee a nonexclusive franchise to construct, install, maintain, extend and operate a cable communications system in the Franchise Area as designated in this Franchise;

WHEREAS, the LFA is a “franchising authority” in accordance with Title VI of the Communications Act (*see* 47 U.S.C. § 522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to Washington state law;

WHEREAS, Franchisee is in the process of installing a Fiber to the Premise Telecommunications Network (“FTTP Network”) in the Franchise Area for the transmission of Non-Cable Services pursuant to authority granted by the State of Washington;

WHEREAS, Franchisee intends to construct, install, maintain, and extend the FTTP Network pursuant to Title II of the Communications Act (*see* 47 U.S.C. § 201 *et seq.*), and has requested a cable franchise from the City to operate a Cable System over, under, and along the Public Rights-of-Way within the LFA's jurisdiction, in accordance with Title VI of the Communications Act (*see* 47 U.S.C. § 521 *et seq.*);

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way within the LFA, and Franchisee desires to use portions of the FTTP Network once installed to provide Cable Services (as hereinafter defined) in the Franchise Area;

WHEREAS, the LFA has identified the future cable-related needs and interests of the LFA and its community, has considered the financial, technical and legal qualifications of Franchisee, and has determined that Franchisee’s plans for its Cable System are adequate, in a full public proceeding affording due process to all parties;

WHEREAS, the LFA desires to protect and manage the Public Rights-of-Way, require high standards of customer service, receive financial compensation for Franchisee's use of the Public Rights-of-Way as provided by federal law, obtain educational and governmental channels, establish certain reporting and record access requirements, and provide for the future cable-related needs of its residents;

WHEREAS, the LFA has found Franchisee to be financially, technically and legally qualified to operate the Cable System;

WHEREAS, the LFA has determined that the grant of a nonexclusive franchise to Franchisee is consistent with the public interest; and

WHEREAS, the LFA and Franchisee have reached agreement on the terms and conditions set forth herein and the parties have agreed to be bound by those terms and conditions.

NOW, THEREFORE, in consideration of the LFA's grant of a franchise to Franchisee, Franchisee's promise to provide Cable Service to residents of the Franchise/Service Area of the LFA pursuant to and consistent with the Communications Act (as hereinafter defined), pursuant to the terms and conditions set forth herein, the promises and undertakings herein, and other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. **DEFINITIONS**

Except as otherwise provided herein, the definitions and word usages set forth in the Communications Act (as hereinafter defined) are incorporated herein and shall apply in this Agreement. In addition, the following definitions shall apply:

1.1. *Access Channel*: A video Channel, which Franchisee shall make available to the LFA without charge for non-commercial Public, Educational, or Governmental use for the transmission of video programming as directed by the LFA.

1.2. *Additional Service Area*: Shall mean any such portion of the Service Area added pursuant to Section 3.1.3 of this Agreement.

1.3. *Affiliate*: Any Person who, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, the Franchisee.

1.4. *Basic Service*: Any service tier, which includes the retransmission of local television broadcast signals as well as the PEG Channels required by this Franchise.

1.5. *Cable Operator*: Shall be defined herein as it is defined under Section 602 of the Communication Act, 47 U.S.C. § 522(5) but does not include direct broadcast satellite providers.

1.6. *Cable Service* or *Cable Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(6).

1.7. *Cable System* or *System*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(7), which currently states, "a facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide cable service which includes video programming and which is provided to multiple subscribers within a community, but such term does not include (A) a facility that serves only to retransmit the television signals of 1 or more television broadcast stations; (B) a facility that serves subscribers without using any public right-of-way; (C) a facility of a common carrier which is subject, in whole or in part, to the provisions of title II of this Act, except that such facility shall be considered a cable system (other than for purposes

of section 621(c)) to the extent such facility is used in the transmission of video programming directly to subscribers, unless the extent of such use is solely to provide interactive on-demand services; (D) an open video system that complies with section 653 of this title; or (E) any facilities of any electric utility used solely for operating its electric utility systems.” The Cable System shall be limited to the optical spectrum wavelength(s), bandwidth or future technological capacity that is used for the transmission of Cable Services directly to Subscribers within the Franchise/Service Area and shall not include the tangible network facilities of a common carrier subject in whole or in part to Title II of the Communications Act or of an Information Services provider.

1.8. *Channel*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(4).

1.9. *Communications Act*: The Communications Act of 1934, as amended by, among other things, the Cable Communications Policy Act of 1984, the Cable Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996, as it may be further amended from time to time.

1.10. *Control*: The ability to exercise *de facto* or *de jure* control over day-to-day policies and operations or the management of Franchisee’s affairs.

1.11. *Educational Access Channel*: An Access Channel available for the use solely of the local schools in the Franchise Area.

1.12. *FCC*: The United States Federal Communications Commission or successor governmental entity thereto.

1.13. *Fiber to the Premise Telecommunications Network (“FTTP Network”)*: The Franchisee's network that transmits Non-Cable Services pursuant to the authority granted under the laws of the State of Washington and under Title II of the Communications Act (which Non-Cable Services are not subject to Title VI of the Communications Act), and that supports the Cable System.

1.14. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances, lockouts, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, actions or inactions of any government instrumentality or public utility that affects this Franchise including condemnation, accidents for which the Franchisee is not primarily responsible, fire, flood, or other acts of God, or work delays caused by waiting for utility providers to service or monitor utility poles to which Franchisee’s FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.15. *Franchise Area*: The incorporated area (entire existing territorial limits) of the LFA and such additional areas as may be included in the corporate (territorial) limits of the LFA during the term of this Franchise.

1.16. *Franchisee*: Verizon Northwest Inc., and its lawful and permitted successors, assigns and transferees.

1.17. *Government Access Channel*: An Access Channel available for the use solely of the LFA.

1.18. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee and/or its Affiliates from the operation of the Cable System to provide Cable Service in the Service Area. Gross Revenue shall include but may not be limited to the following items so long as all other Cable Operators in the Service Area include the same in Gross Revenues for purposes of calculating franchise fees:

- (a) fees charged for Basic Service;
- (b) fees charged to Subscribers for any service tier other than Basic Service;
- (c) fees charged for premium Channel(s), *e.g.* HBO, Cinemax, or Showtime;
- (d) fees charged to Subscribers for any optional, per-channel, or per-program services;
- (e) charges for installation, additional outlets, relocation, disconnection, reconnection, and change-in-service fees for video or audio programming;
- (f) fees for downgrading any level of Cable Service programming;
- (g) fees for service calls;
- (h) fees for leasing of Channels;
- (i) rental of customer equipment, including converters (e.g. set top boxes, high definition converters, and digital video recorders) and remote control devices;
- (j) advertising revenue as set forth herein;
- (k) revenue from the sale or lease of access Channel(s) or Channel capacity;
- (l) revenue from the sale or rental of Subscriber lists;
- (m) revenues or commissions received from the carriage of home shopping channels;
- (n) fees for any and all music services that are deemed to be a Cable Service over a Cable System;
- (o) revenue from the sale of program guides;
- (p) late payment fees;

- (q) forgone revenue that Franchisee chooses not to receive in exchange for trades, barter services, or other items of value;
- (r) revenue from NSF check charges;
- (s) revenue received from programmers as payment for programming content cablecast on the Cable System; and
- (t) Franchise Fees hereunder.

Advertising commissions paid to independent third parties shall not be deducted from advertising revenue included in Gross Revenue. Advertising revenue is based upon the ratio of the number of Subscribers as of the last day of the period for which Gross Revenue is being calculated to the number of Franchisee's Subscribers within all areas covered by the particular advertising source as of the last day of such period, *e.g.*, Franchisee sells two ads: Ad "A" is broadcast nationwide; Ad "B" is broadcast only within Washington. Franchisee has one hundred (100) Subscribers in the Franchise Area, five hundred (500) Subscribers in Washington, and one thousand (1,000) Subscribers nationwide. Gross Revenue as to LFA from Ad "A" is ten percent (10%) of Franchisee's revenue therefrom. Gross Revenue as to the LFA from Ad "B" is twenty percent (20%) of Franchisee's revenue therefrom.

Notwithstanding the foregoing, Gross Revenue shall not include:

1.18.1. Revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System;

1.18.2. Bad debts written off by Franchisee in the normal course of its business, provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected;

1.18.3. Refunds, rebates or discounts made to Subscribers or other third parties;

1.18.4. Any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law including, without limitation, revenue received from Telecommunications Services; revenue received from Information Services, including, without limitation, Internet Access service, electronic mail service, electronic bulletin board service, or similar online computer services; and any other revenues attributed by Franchisee to Non-Cable Services in accordance with FCC or state public utility regulatory commission rules, regulations, standards or orders, provided that if any such services are Cable Services at any future time pursuant to applicable law, revenues derived from such services shall be included in Gross Revenues;

1.18.5. Payments by Subscribers for merchandise purchased from any home shopping channel offered as part of the Cable Services; provided, however, that commissions or other compensation paid to Franchisee by such home shopping channel for the promotion or exhibition of products or services shall be included in Gross Revenue;

1.18.6. Revenues from the sale of Cable Services on the Cable System to a reseller, when the reseller pays the cable franchise fees on the resale of Cable Services;

1.18.7. Any tax of general applicability imposed upon Franchisee or upon Subscribers by a city, state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity (including, but not limited to, sales/use tax, gross receipts tax, excise tax, utility users tax, public service tax, communication taxes and non-cable franchise fees), provided however, as set forth in Section 1.18(t), Franchise Fees under this Agreement are included in Gross Revenues;

1.18.8. Any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise; provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue;

1.18.9. Sales of capital assets or sales of surplus equipment;

1.18.10. Reimbursement by programmers of marketing costs incurred by Franchisee for the introduction of new programming pursuant to written marketing agreements;

1.18.11. Directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing;

1.18.12. Any fees or charges collected from Subscribers or other third parties for PEG Grant.

1.19. *Information Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. §153(20).

1.20. *Initial Service Area*: The portion of the Franchise Area as outlined in Exhibit A.

1.21. *Internet Access*: Dial-up or broadband access service that enables Subscribers to access the Internet.

1.22. *Local Franchise Authority (LFA)*: The City of Redmond or the lawful successor, transferee, or assignee thereof.

1.23. *Non-Cable Services*: Any service that does not constitute the provision of Video Programming directly to multiple Subscribers in the Franchise Area including, but not limited to, Information Services and Telecommunications Services.

1.24. *Normal Operating Conditions*: Those service conditions which are within the control of the Franchisee. Those conditions which are not within the control of the Franchisee include, but are not limited to, natural disasters, civil disturbances, power outages,

telephone network outages (that are outside of the control of Franchisee), and severe or unusual weather conditions. Those conditions which are ordinarily within the control of the Franchisee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or rebuild of the Cable System. See 47 C.F.R. § 76.309(c)(4)(ii).

1.25. *PEG*: Public, Educational, and Governmental.

1.26. *Person*: An individual, partnership, association, joint stock company, trust, corporation, or governmental entity.

1.27. *Public Access Channel*: An Access Channel for which the public is the primary user.

1.28. *Public Rights-of-Way*: The surface and the area across, in, over, along, upon and below the surface of the public streets, roads, bridges, sidewalks, lanes, courts, ways, alleys, and boulevards, including, public utility easements and public lands and waterways (to the extent the City has authority to grant the use of such waterways) used as Public Rights-of-Way, as the same now or may thereafter exist, which are under the jurisdiction or control of the LFA. Public Rights-of-Way do not include the airwaves above a right-of-way with regard to cellular or other nonwire communications or broadcast services, nor do Public Rights-of-Way include real property owned in fee by the City unless such property is a public right-of-way.

1.29. *Service Area*: All portions of the Franchise Area where Cable Service is being offered, including the Initial Service Area and any Additional Service areas.

1.30. *Service Date*: The date that the Franchisee first provides Cable Service on a commercial basis directly to multiple Subscribers in the Franchise Area. The Franchisee shall memorialize the Service Date by notifying the LFA in writing of the same, which notification shall become a part of this Franchise.

1.31. *Service Interruption*: The loss of picture or sound on one or more cable channels.

1.32. *Subscriber*: A Person who lawfully receives Cable Service over the Cable System with Franchisee's express permission.

1.33. *Telecommunications Facilities*: Franchisee's existing Telecommunications Services and Information Services facilities and its FTTP Network facilities.

1.34. *Telecommunication Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(46).

1.35. *Title II*: Title II of the Communications Act.

1.36. *Title VI*: Title VI of the Communications Act.

1.37. *Video Programming*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(20).

2. **GRANT OF AUTHORITY; LIMITS AND RESERVATIONS**

2.1. *Grant of Authority*: Subject to the terms and conditions of this Agreement and the Communications Act, the LFA hereby grants the Franchisee the right to own, construct, operate and maintain a Cable System along the Public Rights-of-Way within the Franchise Area, in order to provide Cable Service. No privilege or power of eminent domain is bestowed by this grant; nor is such a privilege or power bestowed by this Agreement.

2.2. *LFA's Regulatory Authority*: The parties recognize that Franchisee's FTTP Network is being constructed and will be operated and maintained as an upgrade to and/or extension of its existing Telecommunications Facilities for the provision of Non-Cable Services. The jurisdiction of the LFA over such Telecommunications Facilities is governed by federal and state law, and the LFA shall not assert jurisdiction over Franchisee's FTTP Network in contravention of those laws. Therefore, as provided in Section 621 of the Communications Act, 47 U.S.C. § 541, the LFA's regulatory authority under Title VI of the Communications Act is not applicable to the construction, installation, maintenance, or operation of Franchisee's FTTP Network to the extent the FTTP Network is constructed, installed, maintained, or operated for the purpose of upgrading and/or extending Verizon's existing Telecommunications Facilities for the provision of Non-Cable Services. Nothing in this Agreement shall affect the LFA's authority, if any, to adopt and enforce lawful regulations with respect to Franchisee's Telecommunications Facilities in the Public Rights-Of-Way.

2.3. *Term*: This Franchise shall become effective on _____, 2008 (the "Effective Date"). The term of this Franchise shall be twelve (12) years from the Effective Date unless the Franchise is earlier revoked as provided herein.

2.4. *Grant Not Exclusive*: The Franchise and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and LFA reserves the right to grant other franchises for similar uses or for other uses of the Public Rights-of-Way, or any portions thereof, to any Person, or to make any such use themselves, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under this Franchise.

2.5. *Franchise Subject to Federal and State Law*: Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal and state law as they may be amended, including but not limited to, the Communications Act and any applicable rules, regulations and orders of the FCC as amended.

2.6. No Waiver:

2.6.1. The failure of the LFA on one or more occasions to exercise a right or to require compliance or performance under this Franchise, the Communications Act or any other applicable State or Federal law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the LFA nor to excuse Franchisee from complying or

performing, unless such right or such compliance or performance has been specifically waived in writing.

2.6.2. The failure of the Franchisee on one or more occasions to exercise a right under this Franchise or applicable law, or to require performance under this Franchise, shall not be deemed to constitute a waiver of such right or of performance of this Agreement, nor shall it excuse LFA from performance, unless such right or performance has been specifically waived in writing.

2.7. Construction of Agreement:

2.7.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives.

2.7.2. Nothing herein shall be construed to limit the scope or applicability of Section 625 Communications Act, 47 U.S.C. § 545.

2.8. *Police Powers:* In executing this Franchise Agreement, the Franchisee acknowledges that its rights hereunder are subject to the lawful police powers of LFA. Franchisee agrees to comply with all lawful and applicable general laws and ordinances enacted by LFA pursuant to such power. Nothing in the Franchise shall be construed to prohibit the reasonable, necessary and lawful exercise of LFA's police powers. However, if the reasonable, necessary and lawful exercise of LFA's police power results in any material alteration of the terms and conditions of this Franchise, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on the Franchisee of the material alteration. Any modifications shall be in writing and signed by both parties. If the parties cannot reach agreement on the above-referenced modification to the Franchise, the parties agree to submit the matter to mediation. The matter submitted to mediation shall be limited to what effect, if any, the LFA's exercise of police powers has on the terms of the Franchise. In the event mediation does not result in an agreement, then the Franchisee may terminate this Agreement without further obligation to the LFA or, at Franchisee's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association (but not necessarily administered by the American Arbitration Association), or as otherwise mutually agreed by the parties. The matter submitted to arbitration shall be limited to what effect, if any, the LFA's exercise of police powers has on the terms of the Franchise. Nothing in this provision shall require the City to pay for the relocation of Telecommunications Facilities. Such matters are outside the scope of this provision and both parties reserve their rights with respect to such matters.

2.9. *Termination of Telecommunications Services:* Notwithstanding any other provision of this Agreement, if Franchisee ceases to provide Telecommunications Services over the FTTP Network at any time during the Term and is not otherwise authorized to occupy the Public Rights-of-Way in the Franchise Area, the LFA may regulate the FTTP Network as a cable system to the extent permitted by Title VI.

3. **PROVISION OF CABLE SERVICE**

3.1. *Service Area:*

3.1.1. *Initial Service Area:* Franchisee shall offer Cable Service to significant numbers of Subscribers in residential areas of the Initial Service Area and may make Cable Service available to businesses in the Initial Service Area, within twelve (12) months of the Service Date of this Franchise, and shall offer Cable Service to all residential areas in the Initial Service Area within three (3) years of the Service Date of the Franchise, except: (A) for periods of Force Majeure; (B) for periods of delay caused by LFA; (C) for periods of delay resulting from Franchisee's inability to obtain authority to access rights-of-way in the Service Area; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in areas, developments or buildings where Franchisee cannot access under reasonable terms and conditions after good faith negotiation, as determined by Franchisee; and (F) in developments or buildings that Franchisee is unable to provide Cable Service for technical reasons or which require non-standard facilities which are not available on a commercially reasonable basis; and (G) in areas where the occupied residential household density does not meet the density requirements set forth in Sub-section 3.1.2.

3.1.2. *Density Requirement:* Franchisee shall make Cable Services available to residential dwelling units in all areas of the Service Area where the average density is equal to or greater than 25 residential dwelling units per mile, for which an occupancy permit has been issued, as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line. Should, through new construction, an area within the Initial Service Area meet the density requirements after the time stated for providing Cable Service as set forth in Subsections 3.1.1 and 3.1.3 respectively, Franchisee shall provide Cable Service to such area within six (6) months of receiving notice from the LFA that the density requirements have been met and receipt from the LFA of a permit to perform any construction necessary to provide such Cable Service.

3.1.3. *Additional Service Areas:* Except for the Initial Service Area, Franchisee shall not be required to extend its Cable System or to provide Cable Services to any other areas within the Franchise Area during the term of this Franchise or any Renewals thereof except as set forth in this Section 3.1.3. The parties agree that if any land is annexed by the LFA during the term of this Agreement, such annexed areas shall become part of the Franchise Area and Franchisee shall be required to extend Cable Service within a reasonable time to such annexed area (subject to the exceptions in Section 3.1.1 above), provided that such annexed area: (a) is contiguous to the LFA, (b) is within Franchisee's Title II service territory, and (c) is served by the video-enabled FTTP Network. If Franchisee intends to serve Additional Service Areas within the Franchise Area, Franchisee shall notify the LFA in writing of such Additional Service Area at least ten (10) days prior to providing Cable Services in such areas.

3.2. *Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units and may make Cable Service available to businesses within the Service Area in conformance with Section 3.1 and Franchisee shall not discriminate between or among any individuals in the availability of Cable Service. Franchisee shall not deny access to

any group of potential residential Subscribers because of the income of the residents of the local area in which the group resides. In the areas in which Franchisee shall provide Cable Service, Franchisee shall be required to connect, at Franchisee's expense, other than a standard installation charge, all residential dwelling units that are within one hundred twenty five (125) feet of trunk or feeder lines not otherwise already served by Franchisee's FTTP Network. Franchisee shall be allowed to recover, from a Subscriber that requests such connection, actual costs incurred for residential dwelling unit connections that exceed one hundred twenty five (125) feet and actual costs incurred to connect any non-residential Subscriber.

3.3. *Cable Service to Municipal Buildings:* Subject to Section 3.1, Franchisee shall provide, within 180 days of the Effective Date, without charge within the Service Area, one service outlet activated for Basic Service to each of the locations listed in Exhibit B so that Cable Service can be viewed at these two locations at no cost for the purpose of monitoring broadcasts over the PEG Channels. At LFA's request, Franchisee shall also provide one service outlet activated for Basic Service to one mutually-acceptable additional location within the Service Area; provided however, that if it is necessary to extend Franchisee's trunk or feeder lines more than one hundred twenty five (125) feet solely to provide service to such location, the LFA shall have the option either of paying Franchisee's direct costs for such extension in excess of one hundred twenty five (125) feet, or of releasing Franchisee from the obligation to provide service to such building. For each location, Franchisee shall be entitled to recover the direct cost of installing, if requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than one hundred twenty five (125) feet of drop cable; provided, however, that Franchisee shall charge for the provision of Basic Service to the additional service outlets once installed. Cable Service may not be resold or otherwise used in contravention of Franchisee's rights with third parties respecting programming. Equipment provided by Franchisee, if any, shall be replaced at retail rates if lost, stolen or damaged due to the negligence or other wrongful acts of the LFA.

4. **SYSTEM OPERATION**

As provided in Section 2.2, the parties recognize that Franchisee's FTTP Network is being constructed and will be operated and maintained as an upgrade to and/or extension of its existing Telecommunications Facilities. The jurisdiction of the LFA over such Telecommunications Facilities is restricted by federal and state law and LFA does not and will not assert jurisdiction over Franchisee's FTTP Network in contravention of those limitations.

5. **SYSTEM FACILITIES**

5.1. *Technical Requirement:* Franchisee shall operate, maintain, construct and extend the Cable System so as to provide high quality signals and reliable delivery of one-way and two-way Cable Services for all cable programming services. The Cable System shall meet or exceed any and all applicable technical performance standards of the FCC, the National Electrical Safety Code, the National Electrical Code and any other applicable federal law and the laws of the State of Washington to the extent not in conflict with federal law and regulations.

5.2. *System Characteristics:* Franchisee's Cable System shall meet or exceed the following requirements:

5.2.1. The System shall be designed with an initial digital carrier passband between 50 and 860 MHz.

5.2.2. The System shall be designed, constructed and maintained to be an active two-way plant for subscriber interaction, if any, required for selection or use of Cable Service.

5.3. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area. Interconnection of systems may be made by direct cable connection, microwave link, satellite, or other appropriate methods.

5.4. *Emergency Alert System:*

5.4.1. Franchisee shall comply with the Emergency Alert System (“EAS”) requirements of the FCC and state law in order that emergency messages may be distributed over the System in video and audio formats as required by state and federal law.

5.5. *Cable System Performance Testing:*

5.5.1. Franchisee shall, at its expense, perform all tests on its Cable System required by the FCC and shall maintain written records of its test results. Copies of such test results will be provided to the LFA upon request.

5.5.2. All required technical performance or other System tests shall be at the expense of the Franchisee and may be witnessed by an employee of the LFA. Upon request, Franchisee will notify the LFA before any required technical proof-of-performance or other testing occurs.

6. **PEG SERVICES**

6.1. *PEG Set Aside:*

6.1.1. In order to ensure availability of public, educational and government programming, Franchisee shall provide at no charge to LFA, on the Basic Service Tier, three dedicated Public, Educational and Governmental Access Channels (collectively, “PEG Channels”), of which the City intends to use one as an Educational Access Channel and two as Government Access Channels.

6.1.2. Franchisee will reserve one (1) additional PEG Channel dedicated exclusively to PEG purposes and will make available such additional PEG Channel pursuant to the following criteria:

6.1.2.1. Either, such additional PEG Channel will be used as a Public Access Channel, or LFA must provide Franchisee written documentation (e.g., programming schedules for the existing PEG Channel(s)) of its need for additional programming capacity that cannot be fulfilled by existing PEG Channel(s). Such need may be demonstrated by the use of the existing PEG Channel(s) for PEG programming within the LFA for at least six

(6) hours per day, which programming for purposes of this calculation shall not include repeat or character-generated programming;

6.1.2.2. All Cable Operators within the Franchise Area similarly provide such PEG Access Channel; and

6.1.2.3. Subject to the conditions in Section 6.2.1 that are applicable to the PEG Source Locations, as long as the origination point is an existing one within the Service Area, any additional PEG Channel to be provided under this subsection shall be made available by Franchisee within one hundred eighty (180) days following the LFA's written request and verification of compliance with each of the foregoing conditions. If the origination point is not an existing one within the Service Area, Franchisee's obligations under this Section 6.1.2 shall be subject to the same conditions that are applicable to the PEG Source Locations in Section 6.2.1 and the timing of the availability and other conditions will be by mutual agreement of the parties. In no event shall the origination point be located outside the Franchise Area, unless otherwise mutually agreed upon.

6.1.3. The general nature of the programming to be carried on each of the PEG Channels set aside by Franchisee are reflected in Exhibit B. LFA hereby authorizes Franchisee to transmit PEG programming within and without LFA jurisdictional boundaries. Franchisee specifically reserves its right to make or change channel assignments in its sole discretion. Franchisee will use reasonable efforts to minimize the movement of PEG Channel assignments. Franchisee shall provide to LFA a minimum of sixty (60) days notice, and shall provide ninety (90) days notice if commercially reasonable, prior to any relocation of a PEG Channel, unless the change is outside of Franchisee's control in which case Franchisee shall give the City the maximum notice that is commercially reasonable. Franchisee shall reimburse the LFA up to three thousand dollars (\$3,000) in any year for the necessary cost of replacing printed materials in the event that the PEG Channels are moved. If a PEG Channel provided under this Section is not being utilized by the LFA, Franchisee may utilize such PEG Channel, in its sole discretion, until such time as LFA elects to utilize the PEG Channel for its intended purpose.

6.1.4. In addition to the PEG Channels described above, Franchisee shall endeavor to carry the college channel which originates on the campus of Bellevue Community College, 3000 Landerholm Circle SE, Bellevue, WA on one additional PEG Channel.

6.1.5. In the event Franchisee makes any change in the Cable System and related equipment and facilities or in signal delivery technology, which change directly affects the signal quality or transmission of any PEG Channel, the Franchisee shall, at its own expense, take necessary technical steps and acquire new equipment to ensure that delivery of PEG Channel signals is not diminished or adversely affected, including so that live and taped programming can be cablecast with as good or better signal quality than existed prior to such change.

6.1.6. LFA may authorize designated access providers to control, operate, and manage the use of any and all PEG Channels provided by Franchisee under this Franchise. LFA or its designee may formulate rules for the operation of the PEG Channels, consistent with this Franchise, the FCC, and federal law. Nothing herein shall prohibit LFA from authorizing

itself to be a designated access provider. Franchisee shall cooperate with LFA and designated access providers in the use of the Cable System for the provision of PEG Channels.

6.2. *PEG Channel Origination:*

6.2.1. Franchisee shall obtain the PEG Channel programming via a dedicated connection to the source locations listed in Exhibit B (the “PEG Source Location(s)”). Franchisee’s obligations under this Section 6.2.1, including its obligation to provide upstream equipment and facilities necessary to transmit signals, shall be subject to the provision by the LFA, without charge to the Franchisee, of: (1) access to the PEG Source Location facilities; (2) access to any required PEG equipment within the PEG Source Location facilities and suitable required space, environmental conditions, electrical power supply, access and pathways within the PEG Source Location facilities; (3) video signals in a mutually agreed upon format suitable for PEG Access Channel programming; (4) any third-party consent that may be necessary to transmit PEG signals (including, without limitation, any consent that may be required with respect to third-party facilities, including the facilities of the incumbent cable provider used to transmit PEG content to the PEG Source Locations from auxiliary locations); and (5) any other cooperation and access to facilities as are reasonably necessary for the Franchisee to fulfill the obligations stated herein. The Franchisee shall, within one hundred eighty (180) days of the Service Date or delivery of suitable video signals, whichever is later, provide, install, and maintain in good working order the equipment and facilities necessary for transmitting such signals to Subscribers.

6.3. *PEG Grant:*

6.3.1. Franchisee shall provide a grant to the LFA to be used in support of the production of local PEG programming (the “PEG Grant”). Such grant shall be used by the LFA, for PEG access equipment, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, or for renovation or construction of PEG access facilities.

6.3.2. The PEG Grant provided by Franchisee hereunder shall initially be the sum of \$1.00, per month, per Subscriber in the Service Area to Franchisee’s Basic Service Tier, so long as all other Cable Operators provide the same amount on a per Subscriber basis. The amount of the PEG Grant may be modified by the City Council no more than once each year, shall be no greater than \$1.00 per month, per Subscriber, and shall be the same amount required of all other Cable Operators in the Service Area. The PEG Grant payment, along with a brief summary of the Subscriber information upon which it is based, shall be delivered to the LFA in quarterly installments no later than forty-five (45) days following the end of each calendar quarter during the Franchise Term. Calculation of the PEG Grant will commence with the first calendar month during which Franchisee obtains its first Subscriber in the Service Area. LFA shall give Franchisee sixty (60) days prior written notice if it modifies or ceases to collect the same financial support as is required of Franchisee hereunder from any new or existing Cable Operators within the Franchise Area.

6.3.3. The LFA shall have discretion to allocate the PEG Grant in accordance with applicable law, provided that LFA provides Franchisee with a complete summary annually of the distribution of funds granted pursuant to this Section 6.3.

6.4. LFA shall require all local producers and users of any of the PEG facilities or Channels to agree in writing to authorize Franchisee to transmit programming consistent with this Agreement and to defend and hold harmless Franchisee and the LFA, from and against any and all liability or other injury, including the reasonable cost of defending claims or litigation, arising from or in connection with claims for failure to comply with applicable federal laws, rules, regulations or other requirements of local, state or federal authorities; for claims of libel, slander, invasion of privacy, or the infringement of common law or statutory copyright; for unauthorized use of any trademark, trade name or service mark; for breach of contractual or other obligations owing to third parties by the producer or user; and for any other injury or damage in law or equity, which result from the use of a PEG facility or Channel. LFA shall establish rules and regulations for use of PEG facilities, consistent with, and as required by, 47 U.S.C. §531.

6.5. To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs of the PEG Grant and any other costs arising from the provision of PEG services from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the foregoing, if allowed under state and federal laws, Franchisee may externalize, line-item, or otherwise pass-through interconnection costs to Subscribers. The reference to the line item on the bill shall accurately describe its purpose.

7. **FRANCHISE FEES**

7.1. *Payment to LFA:* Franchisee shall pay to the LFA a Franchise Fee of five percent (5%) of annual Gross Revenue ("Franchise Fee"). In accordance with Title VI of the Communications Act, the twelve (12) month period applicable under the Franchise for the computation of the Franchise Fee shall be a calendar year. Such payments shall be made no later than forty-five (45) days following the end of each calendar quarter. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise Fee remittances within 90 days following the close of the calendar year for which such payments were applicable.

7.2. *Supporting Information:* Each Franchise Fee payment shall be accompanied by a brief report prepared by a financial manager of Franchisee showing the basis for the computation on a form substantially similar to that set forth in Exhibit C. No later than ninety (90) days after the end of each calendar year, Franchisee shall furnish to the LFA an annual summary of Franchise Fee calculations.

7.3. *Limitation on Franchise Fee Actions:* The parties agree that the period of limitation for recovery of any Franchise Fee payable hereunder shall be six (6) years from the date on which payment by Franchisee is due.

7.4. *Bundled Services*: If Cable Services subject to the Franchise Fee required under this Section 7 are provided to Subscribers in conjunction with Non-Cable Services, the Franchise Fee shall be applied only to the value of the Cable Services, as reflected on the books and records of Franchisee in accordance with FCC or state public utility regulatory commission rules, regulations, standards or orders. Franchisee shall not allocate revenue between Cable Services and Non Cable Services with the purpose of evading or substantially reducing the Franchisee's Franchise Fee obligations to the LFA.

7.5. *Interest Charge on Late Payments*. Late payments for any (i) Franchise Fees due pursuant to Section 7, (ii) PEG Grant due pursuant to Section 6, (iii) Franchise Grant due pursuant to Section 14, and (iv) liquidated damages due pursuant to Section 13 shall be subject to the interest at the then-current rate set forth in RCW 19.52.020, which as of the date of execution of this Agreement is twelve percent (12%) per annum from the due date to the date that such payment is made.

7.6. *PEG Grant and Franchise Grant Not Franchise Fees*: Franchisee agrees that the PEG Grant set forth in Section 6 and the Franchise Grant set forth in Section 14 shall in no way modify or otherwise affect Franchisee's obligation to pay Franchise Fees to the LFA. Franchisee agrees that although the sum of Franchise Fees and the PEG Grant and Franchise Grant may total more than five percent (5%) of Franchisee's Gross Revenues in any twelve-month (12) period, the PEG Grant and Franchise Grant are not to be offset or otherwise credited in any way against any Franchise Fee payments under this Franchise.

7.7. *No Limitation on Taxing Authority*: Nothing in this Franchise shall be construed to limit any authority of the LFA to impose any tax, fee, or assessment of general applicability. Nothing in this Franchise is intended to preclude Franchisee from exercising any right it may have to challenge the lawfulness of any tax, fee, or assessment imposed by the LFA or any state or federal agency or authority, or intended to waive any rights the Franchisee may have under 47 U.S.C. § 542.

7.8. *Audit of Fee Payments*.

7.8.1. The parties shall make every effort to informally consult and resolve any questions or issues regarding Franchise Fee or PEG Grant payments and nothing herein shall be construed to preclude such informal consultations or review of Franchisee's books. Acceptance of any Franchise Fee payment shall not be construed as an accord that the amount paid is, in fact, the correct amount. The LFA may conduct an audit in relation to payments made by Franchisee no more than once every three (3) years during the Term. As a part of the audit process, the LFA may inspect Franchisee's books of accounts relative to the Franchise Area at any time during regular business hours and after thirty (30) calendar days prior written notice. All records deemed by the LFA to be reasonably necessary for such audit shall be made available by Franchisee in a mutually agreeable format and location. Franchisee agrees to give its full cooperation in any audit. Franchisee shall not be required to provide responses to written inquiries within less than thirty (30) calendar days of such request. Provided Franchisee cooperates in making all relevant records available in a timely manner, LFA will in good faith attempt to complete any audit within six (6) months.

7.8.1.1. If the results of any audit indicate that Franchisee (i) paid the correct Franchise Fee, (ii) overpaid the Franchise Fee and is entitled to a refund or credit, or (iii) underpaid the Franchise Fee by five percent (5%) or less, then the LFA shall pay its costs of the audit. If the results of the audit indicate Franchisee underpaid the Franchise Fee by more than five percent (5%), then Franchisee shall pay the reasonable, documented, third-party costs of the audit, up to Fifteen Thousand Dollars (\$15,000). The LFA agrees that any audit shall be performed in good faith. If the results of an audit indicate an overpayment of Franchise Fees, the parties agree that any undisputed overpayment shall be offset against future payments, if applicable. If the results of an audit indicate an underpayment of Franchise Fees, the parties agree that any undisputed underpayment shall be paid within forty-five (45) days along with interest as set forth in Section 7.5.

7.8.2. Any auditor employed by the LFA shall not be compensated on a success based formula, e.g., payment based on a percentage of underpayment, if any. Franchisee shall be provided a reasonable opportunity to review the results of any audit and to dispute any audit results which indicate an underpayment to the LFA.

7.9. *Alternative Fees:* In the event that Franchise Fees are prohibited by any law or regulation, Franchisee agrees to pay any substitute fee allowed by law up to a maximum amount of five percent (5%) of Gross Revenues, so long as the substitute fee is imposed on all other Cable Operators in the Franchise Area and Franchisee is given thirty (30) days notice of the substitute fee by the LFA.

8. **CUSTOMER SERVICE**

Customer Service Requirements are set forth in Exhibit D., which shall be binding unless amended by written consent of the parties.

9. **REPORTS AND RECORDS**

9.1. *Open Books and Records:* Upon reasonable written notice to the Franchisee and with no less than thirty (30) business days written notice to the Franchisee, the LFA shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during normal business hours and on a nondisruptive basis, at a mutually agreed upon location in the Franchisee's Title II territory in Washington, as are reasonably necessary to ensure compliance with the terms of this Franchise, including those records listed in Section 9.3 below. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the LFA. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than six (6) years; provided that, if as a result of reviewing Franchisee's records, LFA identifies specific records and requests that such records be retained beyond the six (6) year period, Franchisee shall retain those records for an additional twelve (12) months. Notwithstanding anything to the contrary set forth herein, Franchisee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature, nor disclose any of its or an Affiliate's books and records not relating to the provision of Cable Service in the Service Area. The LFA shall treat any information disclosed by Franchisee as confidential and only to disclose

it to employees, representatives, and agents thereof that have a need to know, or in order to enforce the provisions hereof unless otherwise required by law whereupon the LFA will notify Franchisee pursuant to Section 9.2. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. §551.

9.2. *Public Disclosure:* If, in the course of enforcing this Franchise or for any other reason, the LFA believes it must disclose any Franchisee confidential information pursuant to Washington law, the LFA shall provide reasonable advance notice of such disclosure so that Franchisee can take appropriate steps to protect its interests.

9.3. *Records Required:* Franchisee shall at all times maintain:

9.3.1. Records of all written complaints for a period of three (3) years after receipt by Franchisee. The term “complaint” as used herein refers to complaints about any aspect of the Cable System or Franchisee’s cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

9.3.2. Records of outages for a period of three (3) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

9.3.3. Records of service calls for repair and maintenance for a period of three (3) years after resolution by Franchisee, indicating the date and time service was required, the date of acknowledgment and date and time service was scheduled (if it was scheduled), and the date and time service was provided, and (if different) the date and time the problem was resolved;

9.3.4. Records of installation/reconnection and requests for service extension for a period of three years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended; and

9.3.5. A map showing the area of coverage for the provisioning of Cable Services and estimated timetable to commence providing Cable Service.

10. **INSURANCE AND INDEMNIFICATION**

10.1. Insurance:

10.1.1. Franchisee shall maintain in full force and effect, at its own cost and expense, during the Franchise Term, the following insurance coverage:

10.1.1.1. Commercial General Liability Insurance in the amount of two million dollars (\$2,000,000) combined single limit each occurrence and five million dollars (\$5,000,000) in the aggregate for property damage and bodily injury. Such insurance shall cover the construction, operation and maintenance of the Cable System and the conduct of Franchisee’s Cable Service business in the LFA.

10.1.1.2. Automobile Liability Insurance in the amount of two million dollars (\$2,000,000) combined single limit each accident and five million dollars (\$5,000,000) in the aggregate for bodily injury and property damage.

10.1.1.3. Workers' Compensation Insurance meeting all legal requirements of the State of Washington.

10.1.1.4. Employers' Liability Insurance in the following amounts: (A) Bodily Injury by Accident: \$1,000,000; and (B) Bodily Injury by Disease: \$1,000,000 employee limit; and \$2,000,000 policy limit.

10.1.2. The LFA shall be included as an additional insured under each of the insurance policies required in this Article 10 except Worker's Compensation and Employer's Liability Insurance. Franchisee shall provide to the LFA a copy of the blanket additional insured endorsements for General and Auto liability, or similar documentation demonstrating compliance. Receipt by an LFA of any certificate showing less coverage than required is not a waiver of Franchisee's obligations to fulfill the requirements.

10.1.3. Franchisee shall not cancel any required insurance policy without obtaining alternative insurance in conformance with this Agreement.

10.1.4. Each of the required insurance policies shall be with insurers authorized or permitted to do business in the State of Washington, with an A.M. Best Financial Strength rating of A- or better.

10.1.5. Within fifteen (15) days of the Effective Date, Franchisee shall provide and maintain on file with the City, evidence of insurance coverage with minimum coverage limits of liability specified above.

10.1.6. The limits required above may be satisfied with a combination of primary and excess coverage.

10.2. Indemnification:

10.2.1. Franchisee agrees to indemnify, save and hold harmless, and defend the LFA, its elected officials, officers, agents, boards and employees, from and against any liability, damages or claims, settlements approved by Franchisee, or judgments, arising out of or resulting from the Franchisee's activities pursuant to this Franchise, provided that the LFA shall give Franchisee written notice of its obligation to indemnify the LFA within ten (10) days of receipt of a claim or action pursuant to this subsection (or up to thirty (30) days as long as such notice causes no prejudice to Franchisee). Notwithstanding the foregoing, Franchisee shall not indemnify the LFA, for any damages, liability or claims resulting from the willful misconduct, negligence, or breach of obligation of the LFA, its officers, agents, employees, attorneys, consultants, or independent contractors for which the LFA is legally responsible, or for any activity or function conducted by any Person other than Franchisee in connection with PEG Access Channels or EAS.

10.2.2. With respect to Franchisee's indemnity obligations set forth in Subsection 10.2.1, Franchisee shall provide the defense of any claims or actions brought against the LFA by selecting counsel of Franchisee's choice to defend the claim, subject to the consent of the LFA, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the LFA from cooperating with the Franchisee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the LFA, Franchisee shall have the right to defend, settle or compromise any claim or action arising hereunder, and Franchisee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the terms of any such proposed settlement includes the release of the LFA, and the third party is willing to accept the settlement, but the LFA does not consent to the terms of any such settlement or compromise, Franchisee shall not settle the claim or action but its obligation to indemnify the LFA shall in no event exceed the amount of such settlement.

11. TRANSFER OF FRANCHISE

11.1. Transfer of the Franchise means:

11.1.1. Any transaction in which:

11.1.1.1. an ownership or other interest in Franchisee, the Franchise or the Cable System is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons, so that Control of Franchisee is transferred; or

11.1.1.2. the rights held by Franchisee under the Franchise are transferred or assigned to another Person or group of Persons.

11.1.2. However, notwithstanding Sections 11.1.1.1 and 11.1.1.2 above, a Transfer of the Franchise shall not include transfer of an ownership or other interest in Franchisee to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee.

11.1.3. Subject to section 617 of the Communications Act, 47 U.S.C. § 537, no Transfer of the Franchise shall occur without the prior written consent of the LFA, provided that such consent shall not be unreasonably withheld, delayed or conditioned so long as the transferee assumes the obligations of the Franchisee hereunder. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness, or otherwise for transactions otherwise excluded under Section 11.1.2 above.

12. RENEWAL OF FRANCHISE

12.1. The LFA and Franchisee agree that any proceedings undertaken by the LFA that relate to the renewal of this Franchise shall be governed by and comply with the provisions of Section 626 of the Communications Act, 47 U.S.C. § 546.

12.2. In addition to the procedures set forth in said Section 626 of the Communications Act, the LFA shall notify Franchisee of all of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of Franchisee under the then current Franchise term. The LFA further agrees that such assessments shall be provided to Franchisee promptly so that Franchisee has adequate time to submit a proposal under 47 U.S.C 546 and complete renewal of the Franchise prior to expiration of its term.

12.3. Notwithstanding anything to the contrary set forth herein, Franchisee and the LFA agree that at any time during the term of the then current Franchise, while affording the public appropriate notice and opportunity to comment, the LFA and Franchisee may agree to undertake and finalize informal negotiations regarding renewal of the then current Franchise and the LFA may grant a renewal thereof.

12.4. Franchisee and the LFA consider the terms set forth in this Section 12 to be consistent with the express provisions of 47 U.S.C. § 546.

13. **ENFORCEMENT AND TERMINATION OF FRANCHISE**

13.1. *Security:* Within thirty (30) days following the Effective Date of this Agreement, Franchisee shall provide to LFA security for the faithful performance by Franchisee of all material provisions of this Agreement, provided that the LFA shall require all other Cable Operators in the Franchise Area to provide competitively equitable security in any renewal or initial granting of franchises after the Effective Date. Franchisee shall maintain the Security at Twenty Five Thousand Dollars (\$25,000) throughout the term of this Agreement. The form of the security may, at Franchisee's option, be a performance bond, letter of credit, cash deposit, cashier's check or any other security acceptable to LFA (the "Security"). Nothing in this security provision is intended to impair or alter any Title II security fund rights which the City may have.

13.1.1. If Franchisee posts a performance bond, it shall be substantially in the form of Exhibit E.

13.1.2. In the event the Security provided pursuant to the Agreement is not renewed, is cancelled, is terminated or is otherwise impaired, Franchisee shall provide new security pursuant to this Article within 60 days of notice. Upon request of the LFA, Franchisee shall confirm that the Security has been appropriately renewed and is in full force and effect.

13.1.3. Neither cancellation, nor termination nor refusal by surety to extend the bond, nor inability of Franchisee to file a replacement bond or replacement security for its obligations, shall constitute a loss to LFA recoverable under the bond.

13.2. *Liquidated Damages:*

13.2.1. In the event the LFA determines that Franchisee has breached this Agreement, after following the procedures in Sections 13.3 and 13.4, the LFA may assess the following as liquidated damages, provided that the LFA shall require all other Cable Operators in

the Franchise Area to be subject to competitively equitable liquidated damages in any renewal or initial granting of such franchises after the Effective Date:

13.2.1.1. Two Hundred Fifty dollars (\$250) per day for failure to provide PEG Access Channels as set forth herein;

13.2.1.2. One Hundred Fifty dollars (\$150) per day for material breach of the customer service standards set forth in Exhibit D;

13.2.1.3. One Hundred dollars (\$100) per day for failure to provide reports as required by the Franchise; or

13.2.1.4. Up to Two Hundred Fifty dollars (\$250) per day for any other material breaches or defaults of this Agreement.

13.2.2. Franchisee shall pay any liquidated damages assessed by LFA within thirty (30) days after they are assessed. Liquidated damages shall accrue starting on the first date of the occurrence of the noncompliance. If liquidated damages are not paid within the thirty (30) day period, LFA may proceed against the Security. Total liquidated damages shall not exceed Twenty Thousand dollars (\$20,000) in any twelve-month (12) period.

13.2.3. Assessment of liquidated damages shall not constitute a waiver by LFA of any other right or remedy it may have under this Franchise or applicable law except as set forth in this Agreement, including without limitation its right to recover from Franchisee such additional damages, losses, costs and expenses, as may have been suffered or incurred by City by reason of or arising out of such breach of this Franchise. Notwithstanding the foregoing, if LFA elects to assess liquidated damages pursuant to this Section, such election shall constitute LFA's exclusive remedy for the violation for which the liquidated damages were assessed for a period of sixty (60) days. Thereafter, the remedies provided for in this Agreement are cumulative and not exclusive; the exercise of one remedy shall not prevent the exercise of another remedy, or the exercise of any rights of the LFA at law or equity, provided that the cumulative remedies may not be disproportionate to the magnitude and severity of the breach for which they are imposed.

13.2.4. Subject to Sections 13.3 and 13.4, and subject to the assessment of any liquidated damages pursuant to Section 13.2, LFA may elect to pursue other legal and equitable remedies at any time during the term of this Franchise.

13.3. *Notice of Violation:* In the event LFA believes that Franchisee has not complied with the terms of the Franchise, failed to perform any obligation under this Agreement or has failed to perform in a timely manner, LFA shall informally discuss the matter with Franchisee. If these discussions do not lead to resolution of the problem within twenty (20) days, LFA shall notify Franchisee in writing, stating with reasonable specificity the nature of the alleged violation (the "Noncompliance Notice").

13.4. *Franchisee's Right to Cure or Respond:* Franchisee shall have thirty (30) days from receipt of the Noncompliance Notice to: (i) respond to the LFA, if Franchisee contests (in whole or in part) the assertion of noncompliance; (ii) cure such noncompliance; or (iii) in the event that, by its nature, such noncompliance cannot be cured within such thirty (30) day period,

initiate reasonable steps to remedy such noncompliance and notify the LFA of the steps being taken and the date by which cure is projected to be completed. Upon cure of any noncompliance, LFA shall provide written confirmation that such cure has been effected.

13.5. *Remedies:* Subject to applicable federal and state law, in the event the LFA, after the procedures set forth in Sections 13.3 and 13.4, determines that Franchisee is in default of any material provision of this Franchise, the LFA may take the following actions:

13.5.1. Seek specific performance of any provision, which reasonably lends itself to such remedy, as an alternative to damages;

13.5.2. Seek liquidated damages as set forth herein;

13.5.3. Commence an action at law for monetary damages or seek other equitable relief;

13.5.4. In the case of a substantial material default of the Franchise, seek to revoke the Franchise in accordance with Section 13.6.

13.6. *Revocation:*

13.6.1. As set forth in this Section 13.6, the LFA may seek to revoke this Franchise in the event of a substantial material default of this Franchise. Should the LFA seek to revoke this Franchise after following the procedures set forth in Sections 13.3 and 13.4, the LFA shall give written notice to Franchisee of such intent to revoke this Franchise. This notice of intent to revoke is in addition to the Noncompliance Notice pursuant to Section 13.3. The notice shall set forth with reasonable specificity the reasons for revocation. The Franchisee shall have thirty (30) days to object in writing and to state its reasons for such objection. In the event the LFA has not received a satisfactory response from Franchisee, it may then seek termination of the Franchise at a public hearing. The LFA shall notify the Franchisee in writing of the time and place of the public hearing at least thirty (30) days prior to the public hearing.

13.6.2. At the revocation hearing, Franchisee shall be provided a fair opportunity for full participation, including the right to be represented by legal counsel, to introduce relevant evidence, to compel the testimony of persons as permitted by law, and to question and/or cross examine witnesses. The revocation hearing shall be a public hearing at which members of the public may testify under oath. A complete verbatim record shall be made of the revocation hearing by a court reporter. The costs of such court reporter shall be shared equally by the parties.

13.6.3. Following the public hearing, Franchisee may submit its proposed written findings and conclusions within twenty (20) days of the close of the public hearing. Thereafter, the LFA shall determine: (i) whether an event of default has occurred; (ii) whether such event of default should be excused; and (iii) whether such event of default has been cured or will be cured by the Franchisee; and (iv) whether to revoke the Franchise based on the information presented, or, where applicable, grant additional time to the Franchisee to effect any cure. If the LFA determines that the Franchise shall be revoked, the LFA shall promptly provide Franchisee with a written decision setting forth its reasoning. Franchisee may appeal such

determination of the LFA to an appropriate court within thirty (30) days of notice of the LFA's decision.

13.6.4. The LFA may, at its sole discretion, take any lawful action which it deems appropriate to enforce the LFA's rights under the Franchise in lieu of revocation of the Franchise.

13.7. *Franchisee Termination:* Franchisee shall have the right to terminate this Franchise and all obligations hereunder within ninety (90) days after the third anniversary of the Service Date of this Franchise, if at the end of such three (3) year period Franchisee does not then in good faith believe it has achieved a commercially reasonable level of Subscriber penetration on its Cable System. Franchisee may consider subscriber penetration levels outside the Franchise Area but within the Puget Sound metropolitan area in this determination. Notice to terminate under this Section 13.7 shall be given to the LFA in writing, with such termination to take effect no sooner than one hundred and twenty (120) days after giving such notice. Franchisee shall also be required to give its then current Subscribers not less than ninety (90) days prior written notice of its intent to cease Cable Service operations.

13.8. The LFA specifically does not by any provision of this Franchise, waive any immunity or limitation of liability under state or federal law, including but not limited to, Section 635 A of the Communications Act.

14. **MISCELLANEOUS PROVISIONS**

14.1. *Actions of Parties:* In any action by the LFA or Franchisee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner. Furthermore, in any instance where approval or consent is required under the terms hereof, such approval or consent shall not be unreasonably withheld, delayed or conditioned. Franchisee will timely provide to the City the security specified in Section 13.1 and the evidence of insurance coverage specified in Section 10.1.5.

14.2. *Binding Acceptance:* This Agreement shall bind and benefit the parties hereto and their respective successors and assigns, and the promises and obligations herein shall survive the expiration date hereof.

14.3. *Preemption:* In the event that federal or state law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent, and for the time, but only to the extent and for the time, required by law. In the event such federal or state law, rule or regulation is subsequently repealed, rescinded, amended or otherwise changed so that the provision hereof that had been preempted is no longer preempted, such provision shall thereupon return to full force and effect, and shall thereafter be binding on the parties hereto, without the requirement of further action on the part of the LFA or Franchisee.

14.4. *Force Majeure:* Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by a Force Majeure.

14.5. *Good Faith Error*: The parties hereby agree that it is not the LFA's intention to subject Franchisee to liquidated damages, forfeitures or revocation of the Franchise for violations of the Franchise where the violation was a good faith error that resulted in no or minimal negative impact on Subscribers.

14.6. *Notices*: Unless otherwise expressly stated herein, notices required under the Franchise shall be deemed effective three (3) days after having been deposited by first class, postage prepaid, registered or certified mail, return receipt requested, or one (1) day after having been deposited with any nationally recognized overnight courier for next day delivery and addressed to the addressees below. Each party may change its designee by providing written notice to the other party.

14.6.1. Notices to Franchisee shall be mailed to:

Verizon Northwest Inc.
Attn: Tim McCallion, President
112 Lakeview Canyon Road, CA501GA
Thousand Oaks, CA 91362

14.6.2. with a copy to:

Mr. Jack H. White
Senior Vice President & General Counsel - Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097

14.6.3. Notices to the LFA shall be mailed to:

City of Redmond, Washington
15670 NE 85th Street
Redmond, WA 98073-9710
Attn: City Clerk

14.6.4. with a copy to:

City of Redmond, Washington
15670 NE 85th Street
Redmond, WA 98073-9710
Attn: Cable Franchise Manager

14.7. *Franchise Grant*: Franchisee shall pay LFA a Franchise Grant of Fifty-One Thousand Eight Hundred Dollars (\$51,800.00) (the "Franchise Grant") which may be used for any lawful purpose. The Franchise Grant shall be payable within forty-five (45) days of the Effective Date of this Franchise. To the extent permitted by federal law, Franchisee shall be allowed to recover the Franchise Grant from Subscribers and may line-item or otherwise pass-

through this amount to Subscribers. The reference to the line item on the bill shall accurately describe its purpose.

14.8. *Entire Agreement:* This Franchise and the Exhibits hereto constitute the entire agreement between Franchisee and the LFA, and it supersedes all prior or contemporaneous agreements, representations or understanding (whether written or oral) of the parties regarding the subject matter hereof. Any ordinances or parts of ordinances that conflict with the provisions of this Agreement are superseded by this Agreement.

14.9. *Amendments:* Amendments to this Franchise shall be mutually agreed to in writing by the parties. No amendment will take effect if it will impair the Security set forth in Section 13, unless otherwise agreed to by the parties.

14.10. *Captions:* The captions and headings of sections and subsections throughout this Agreement are intended solely to facilitate reading and reference to the sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement.

14.11. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of the Franchise.

14.12. *Equal Employment Opportunity.* Franchisee shall comply with all applicable federal and state laws affording non-discrimination in employment to all individuals regardless of their race, color, religion, age, sex, national origin, sexual orientation or physical disability.

14.13. *Recitals:* The recitals set forth in this Agreement are incorporated into the body of this Agreement as if they had been originally set forth herein.

14.14. *Modification:* This Franchise shall not be modified except by written instrument executed by both parties.

14.15. *FTTP Network Transfer Prohibition:* Under no circumstance including, without limitation, upon expiration, revocation, termination, denial of renewal of the Franchise or any other action to forbid or disallow Franchisee from providing Cable Services, shall Franchisee or its assignees be required to sell any right, title, interest, use or control of any portion of Franchisee's FTTP Network including, without limitation, the Cable System and any capacity used for Cable Service or otherwise, to the LFA or any third party. Franchisee shall not be required to remove the FTTP Network or to relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Services. This provision is not intended to contravene leased access requirements under Title VI or PEG requirements set out in this Agreement.

14.16. *Independent Review*: LFA and Franchisee each acknowledge that they have received independent legal advice in entering into this Agreement. In the event that a dispute arises over the meaning or application of any term(s) of this Agreement, such term(s) shall not be construed by the reference to any doctrine calling for ambiguities to be construed against the drafter of the Agreement.

14.17. *Venue*: The venue for any dispute related to this Franchise shall be in the United States District Court for the Western District of Washington in Seattle, provided it has subject matter jurisdiction; if no jurisdiction exists, then venue shall be in the Superior Court for King County.

14.18. *Attorneys' Fees*: If any action or suit arises between Franchisee and LFA for breach of this Franchise, the prevailing party, either the LFA or Franchisee, as the case may be, shall be entitled to recover all of its reasonable attorneys' fees, costs and expenses in connection therewith along with such other relief as the court deems proper.

14.19. *Singular and Plural*: Except where the context indicates otherwise, words used herein, regardless of the number specifically used, shall be deemed and construed to include any other number, singular or plural as is reasonable in the context.

14.20. *Publication Costs*: Franchisee shall pay for all costs of publication of this Franchise and any and all notices prior to any public meeting or hearing provided for pursuant to this Franchise.

14.21. *Governing Laws*: This Franchise shall be governed, construed and enforced in accordance with the laws of the State of Washington, federal laws including the Communications Act, and any applicable rules, regulations and orders of the FCC.

14.22. *No Joint Venture*: Nothing herein shall be deemed to create a joint venture or principal-agent relationship between the parties, and neither party is authorized to, nor shall either party act toward third persons or the public in any manner that would indicate any such relationship with the other.

14.23. *Acceptance*: By signing this Agreement, Franchisee accepts and agrees to abide by the Franchise and, to the extent consistent with the Franchise, the terms and conditions of Redmond Municipal Code Chapter 5.60.

SIGNATURE PAGE FOLLOWS

AGREED TO THIS ____ DAY OF _____, 2008.

CITY OF REDMOND, WASHINGTON

By: _____
[Title]

VERIZON NORTHWEST INC.

By: _____
Tim McCallion, President

EXHIBITS

Exhibit A: Service Areas

Exhibit B: PEG Channels

Exhibit C: Remittance Form

Exhibit D: Customer Service Standards

Exhibit E: Performance Bond

EXHIBIT A

Service Areas

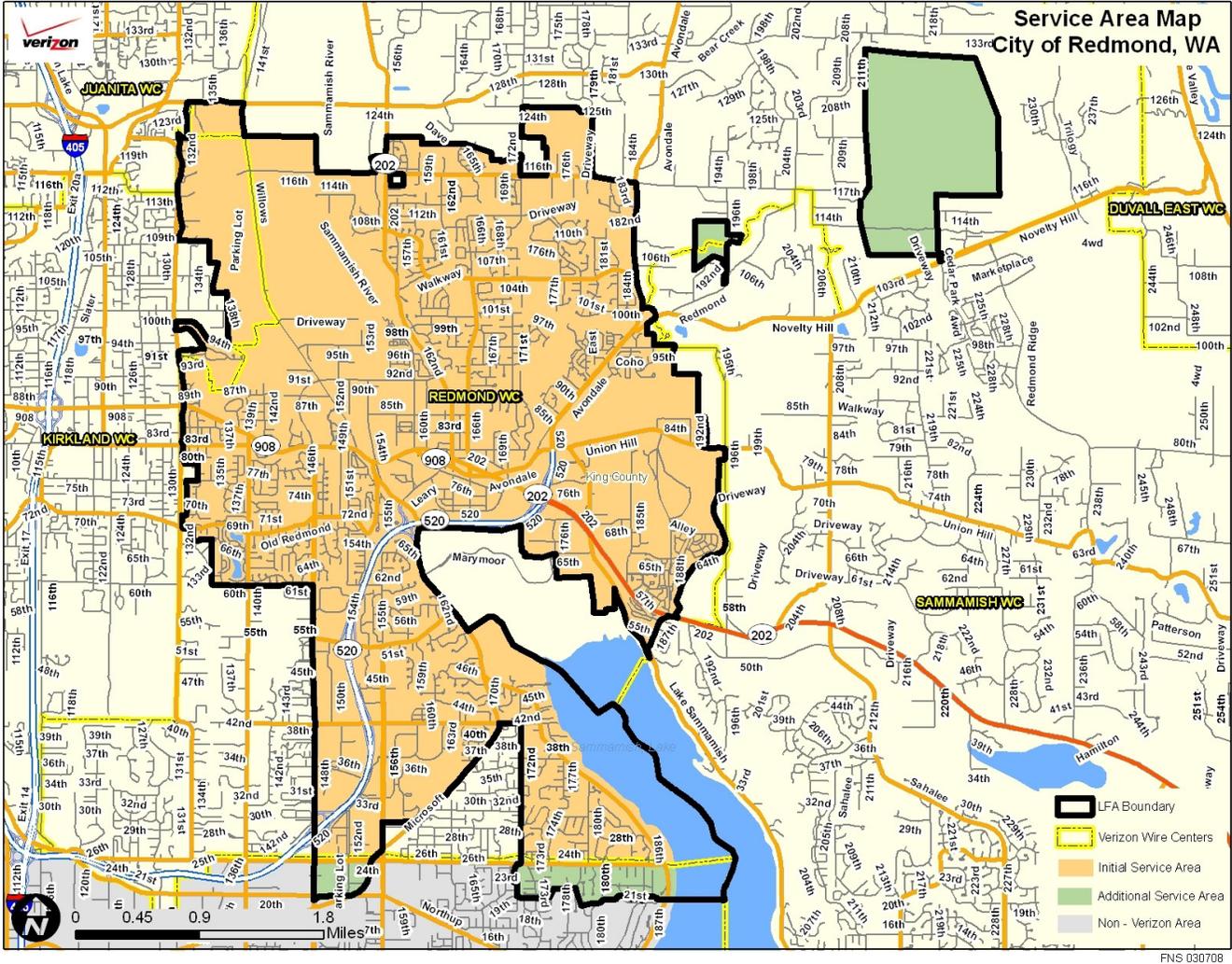


EXHIBIT B

SOURCE LOCATIONS FOR PEG CHANNELS

Government Access Channels (2):

Redmond City Television
15670 NE 85th Street
Redmond, WA 98052

Educational Access Channel:

Lake Washington School District
16250 NE 74th Street
Redmond, WA 98052

Note: The parties agree that, for purposes of Section 3.3, these two locations satisfy the criteria of 3.1.1(G).

**EXHIBIT C
FRANCHISE FEE REMITTANCE FORM**

Franchise Fee Schedule/Report (Quarter and Year)

City of XXXX

Verizon - fGTE

Washington

Franchise Fee Rate: 5.00%

	Month 1	Month 2	Month 3	Quarter Total
Monthly Recurring Cable Service Charges (e.g. Basic, Enhanced Basic, Premium and Equipment Rental)	\$0.00	\$0.00	\$0.00	\$0.00
Usage Based Charges (e.g. PayPer View, Installation)	\$0.00	\$0.00	\$0.00	\$0.00
Advertising	\$0.00	\$0.00	\$0.00	\$0.00
Home Shopping	\$0.00	\$0.00	\$0.00	\$0.00
Late Payment	\$0.00	\$0.00	\$0.00	\$0.00
Other Misc. (Leased Access & Other Misc.)	\$0.00	\$0.00	\$0.00	\$0.00
Franchise Fee Billed	\$0.00	\$0.00	\$0.00	\$0.00
PEG Fee Billed	\$0.00	\$0.00	\$0.00	\$0.00
Less:				
Bad Debt				
Total Receipts Subject to Franchise Fee Calculation	\$0.00	\$0.00	\$0.00	\$0.00
Franchise Fee Due	\$0.00	\$0.00	\$0.00	\$0.00

Verizon Northwest Inc. is hereby requesting that this information be treated as confidential and proprietary commercial trade secret information and financial statements and not disclosed in accordance with section XXXX and the Cable Television Franchise Agreement granted to Verizon Northwest Inc. This information is not otherwise readily ascertainable or publicly available by proper means by other persons from another source in the same configuration as provided herein, would cause substantial harm to competitive position of Verizon in the highly competitive video marketplace if disclosed, is intended to be proprietary confidential business information and is treated by Verizon as such.

EXHIBIT D
CUSTOMER SERVICE STANDARDS

These standards shall, starting six (6) months after the Service Date, apply to Franchisee to the extent it is providing Cable Services over the Cable System in the Franchise area. For the first six (6) months after the Service Date, Franchisee shall use best efforts to comply with the Customer Service Standards provided herein; it being agreed, however, that LFA will not impose liquidated damages during this first six (6) month period if Franchisee using best efforts fails to meet the Customer Service Standards.

SECTION 1: DEFINITIONS

A. Normal Operating Conditions: Those service conditions which are within the control of Franchisee, as defined under 47 C.F.R. § 76.309(c)(4)(ii). Those conditions which are not within the control of Franchisee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages that are not within the control of the Franchisee, and severe or unusual weather conditions. Those conditions which are ordinarily within the control of Franchisee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or rebuild of the Cable System.

B. Respond: The start of Franchisee's investigation of a Service Interruption by receiving a Subscriber call, and opening a trouble ticket, and begin working, if required.

C. Service Call: The action taken by Franchisee to correct a Service Interruption the effect of which is limited to an individual Subscriber.

D. Service Interruption: The loss of picture or sound on one or more cable channels.

E. Significant Outage: A significant outage of the Cable Service shall mean any Service Interruption lasting at least four (4) continuous hours that affects at least ten percent (10%) of the Subscribers in the Service Area.

F. Standard Installation: Installations where the Subscriber is within one hundred fifty (150) feet of trunk or feeder lines.

SECTION 2: TELEPHONE AVAILABILITY

A. Franchisee shall maintain a toll-free number to receive all calls and inquiries from Subscribers in the Franchise Area and/or residents regarding Cable Service. Franchisee representatives trained and qualified to answer questions related to Cable Service in the Service Area must be available to receive reports of Service Interruptions twenty-four (24) hours a day, seven (7) days a week, all other inquiries at least forty-five (45) hours per week. Franchisee representatives shall identify themselves by name when answering this number.

B. Franchisee's telephone numbers shall be listed, with appropriate description (e.g. administration, customer service, billing, repair, etc.), in the directory published by the local

telephone company or companies serving the Service Area, beginning with the next publication cycle after acceptance of this Franchise by Franchisee.

C. Franchisee may use an Automated Response Unit (“ARU”) or a Voice Response Unit (“VRU”) to distribute calls. If a foreign language routing option is provided, and the Subscriber does not enter an option, the menu will default to the first tier menu of English options.

After the first tier menu (not including a foreign language rollout) has run through three times, if customers do not select any option, the ARU or VRU will forward the call to a queue for a live representative. Franchisee may reasonably substitute this requirement with another method of handling calls from customers who do not have touch-tone telephones.

D. Under Normal Operating Conditions, calls received by the Franchisee shall be answered within thirty (30) seconds. The Franchisee shall meet this standard for ninety percent (90%) of the calls it receives at call centers receiving calls from Subscribers, as measured on a cumulative quarterly calendar basis. Measurement of this standard shall include all calls received by the Franchisee at all call centers receiving calls from Subscribers, whether they are answered by a live representative, by an automated attendant, or abandoned after thirty (30) seconds of call waiting. If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds.

E. Under Normal Operating Conditions, callers to the Franchisee shall receive a busy signal no more than three (3%) percent of the time during any calendar quarter.

F. Upon request from the LFA, but in no event more than once a quarter, forty-five (45) days following the end of each quarter, the Franchisee shall report to the LFA the following for all call centers receiving calls from Subscribers except for temporary telephone numbers set up for national promotions:

(1) Percentage of calls answered within thirty (30) seconds as set forth in Section 2.D; and

(2) Percentage of time customers received a busy signal when calling the Franchisee’s service center as set forth in Section 2.E.

Subject to consumer privacy requirements, underlying activity will be made available to the LFA for review upon reasonable request.

G. At the Franchisee’s option, the measurements and reporting above may be changed from calendar quarters to billing or accounting quarters one time during the term of this Agreement. Franchisee shall notify LFA of such a change not less than thirty (30) days in advance.

SECTION 3: INSTALLATIONS AND SERVICE APPOINTMENTS

A. All installations will be in accordance with FCC rules, including but not limited to, appropriate grounding, connection of equipment to ensure reception of Cable Service, and the

provision of required consumer information and literature to adequately inform the Subscriber in the utilization of Franchisee-supplied equipment and Cable Service.

B. The Standard Installation shall be performed within seven (7) business days after an order is placed if the Optical Network Terminal (“ONT”) is already installed on the customer’s premises. The Standard Installation shall be performed within fourteen (14) business days where there is no ONT at the time of service order. Franchisee shall meet this standard for ninety-five percent (95%) of the Standard Installations it performs, as measured on a calendar quarter basis, excluding those requested by the customer outside of these time periods.

C. The Franchisee shall provide the LFA with a report upon request from the LFA, but in no event more than once a quarter, noting the percentage of Standard Installations completed within the time periods provided in Section 3.B. Subject to consumer privacy requirements, underlying activity will be made available to the LFA for review upon reasonable request.

D. At Franchisee’s option, the measurements and reporting above may be changed from calendar quarters to billing or accounting quarters one time during the term of this Agreement. Franchisee shall notify LFA of such a change not less than thirty (30) days in advance.

E. Franchisee will offer Subscribers “appointment window” alternatives for arrival to perform installations, Service Calls and other activities of a maximum four (4) hours scheduled time block during appropriate daylight available hours, usually beginning at 8:00 AM unless it is deemed appropriate to begin earlier by location exception. At Franchisee’s discretion, Franchisee may offer Subscribers appointment arrival times other than these four (4) hour time blocks, if agreeable to the Subscriber. These hour restrictions do not apply to weekends.

(1) Franchisee may not cancel an appointment window with a customer after the close of business on the business day prior to the scheduled appointment.

(2) If Franchisee's representative is running late for an appointment with a customer and will not be able to keep the appointment as scheduled, the customer will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the customer.

F. Franchisee must provide for the pick up or drop off of equipment free of charge in one of the following manners: (i) by having a Franchisee representative going to the Subscriber’s residence, (ii) by using a mailer, or (iii) by establishing a local business office within the Franchise Area. If requested by a mobility-limited customer, the Franchisee shall arrange for pickup and/or replacement of converters or other Franchisee equipment at Subscriber’s address or by a satisfactory equivalent.

SECTION 4: SERVICE INTERRUPTIONS AND OUTAGES

A. Franchisee shall promptly notify LFA of any Significant Outage of the Cable Service.

B. Franchisee shall exercise commercially reasonable efforts to limit any Significant Outage for the purpose of maintaining, repairing, or constructing the Cable System. Except in an emergency or other situation necessitating a more expedited or alternative notification procedure, Franchisee may schedule a Significant Outage for a period of more than four (4) hours during any twenty-four (24) hour period only after LFA and each affected Subscriber in the Service Area have been given fifteen (15) days prior notice of the proposed Significant Outage. Notwithstanding the foregoing, Franchisee may perform modifications, repairs and upgrades to the System between 12:01 a.m. and 6 a.m. which may interrupt service, and this Section's notice obligations respecting such possible interruptions will be satisfied by notice provided to Subscribers upon installation and in the annual Subscriber notice.

C. Franchisee representatives who are capable of responding to Service Interruptions must be available to Respond twenty-four (24) hours a day, seven (7) days a week.

D. Under Normal Operating Conditions, Franchisee must Respond to a call from a Subscriber regarding a Service Interruption or other service problems within the following time frames:

(1) Within twenty-four (24) hours, including weekends, of receiving Subscriber calls about Service Interruptions in the Service Area.

(2) Franchisee must begin actions to correct all other Cable Service problems the next business day after notification by the Subscriber or LFA of a Cable Service problem.

E. Under Normal Operating Conditions, Franchisee shall complete Service Calls within seventy-two (72) hours of the time Franchisee commences to Respond to the Service Interruption, not including weekends and situations where the Subscriber is not reasonably available for a Service Call to correct the Service Interruption within the seventy-two (72) hour period.

F. Franchisee shall meet the standard in Section E of this Section for ninety percent (90%) of the Service Calls it completes, as measured on a quarterly basis.

G. Franchisee shall provide LFA with a report upon request from the LFA, but in no event more than once a quarter, forty-five (45) days following the end of each calendar quarter, noting the percentage of Service Calls completed within the seventy-two (72) hour period not including Service Calls where the Subscriber was reasonably unavailable for a Service Call within the seventy-two (72) hour period as set forth in this Section. Subject to consumer privacy requirements, underlying activity will be made available to LFA for review upon reasonable request. At the Franchisee's option, the above measurements and reporting may be changed from calendar quarters to billing or accounting quarters one time during the term of this Agreement. Franchisee shall notify the LFA of such a change at least thirty (30) days in advance of any implementation.

H. Under Normal Operating Conditions, Franchisee shall provide a credit upon Subscriber request when all Channels received by that Subscriber are out of service for a period of four (4) consecutive hours or more. The credit shall equal, at a minimum, a proportionate amount of the affected Subscriber(s) current monthly bill. In order to qualify for the credit, the

Subscriber must promptly report the problem and allow Franchisee to verify the problem if requested by Franchisee. If Subscriber availability is required for repair, a credit will not be provided for such time, if any, that the Subscriber is not reasonably available.

I. Under Normal Operating Conditions, if a Significant Outage affects all Video Programming Cable Services for more than twenty-four (24) consecutive hours, Franchisee shall issue an automatic credit to the affected Subscribers in the amount equal to their monthly recurring charges for the proportionate time the Cable Service was out, or a credit to the affected Subscribers in the amount equal to the charge for the basic plus enhanced basic level of service for the proportionate time the Cable Service was out, whichever is technically feasible or, if both are technically feasible, as determined by Franchisee provided such determination is non-discriminatory. Such credit shall be reflected on Subscriber billing statements within the next available billing cycle following the outage.

J. With respect to service issues concerning Cable Services provided to LFA facilities, Franchisee shall Respond to all inquiries from LFA within four (4) hours and shall commence necessary repairs within twenty-four (24) hours under Normal Operating Conditions and shall diligently pursue to completion. If such repairs cannot be completed within twenty-four (24) hours, Franchisee shall notify LFA in writing as to the reason(s) for the delay and provide an estimated time of repair.

SECTION 5: CUSTOMER COMPLAINTS REFERRED BY LFA

Under Normal Operating Conditions, Franchisee shall begin investigating Subscriber complaints referred by LFA within seventy-two (72) hours. Franchisee shall notify the LFA of those matters that necessitate an excess of five (5) business days to resolve, but Franchisee must make all necessary efforts to resolve those complaints within ten (10) business days of the initial complaint. LFA may require Franchisee to provide reasonable documentation to substantiate the request for additional time to resolve the problem. Franchisee shall inform LFA in writing, which may be by an electronic mail message, of how and when referred complaints have been resolved within a reasonable time after resolution. For purposes of this Section, “resolve” means that Franchisee shall perform those actions, which, in the normal course of business, are necessary to (a) investigate the Customer’s complaint; (b) advise the Customer of the results of that investigation; and (c) implement and complete steps to bring resolution to the matter in question.

SECTION 6: BILLING

A. Subscriber bills must be itemized to describe Cable Services purchased by Subscribers and related equipment charges. Bills will comply with applicable federal and state laws, and shall clearly delineate activity during the billing period, including optional charges, rebates, credits, and aggregate late charges. Franchisee shall, without limitation as to additional line items, be allowed to itemize as separate line items, Franchise Fees, taxes and/or other governmental-imposed fees. Franchisee shall maintain records of the date and place of mailing of bills.

B. Every Subscriber with a current account balance sending payment directly to Franchisee shall be given at least twenty (20) days from the date statements are mailed to the Subscriber until the payment due date.

C. A specific due date shall be listed on the bill of every Subscriber whose account is current. Delinquent accounts may receive a bill which lists the due date as upon receipt; however, the current portion of that bill shall not be considered past due except in accordance with Section 6.B. above.

D. Any Subscriber who, in good faith, disputes all or part of any bill shall have the option of withholding the disputed amount without disconnect or late fee being assessed until the dispute is resolved, provided that:

(1) The Subscriber pays all undisputed charges;

(2) The Subscriber provides notification of the dispute to Franchisee within five (5) days prior to the due date; and

(3) The Subscriber cooperates in determining the accuracy and/or appropriateness of the charges in dispute.

(4) It shall be within Franchisee's sole discretion to determine when the dispute has been resolved.

E. Under Normal Operating Conditions, Franchisee shall initiate investigation and resolution of all billing complaints received from Subscribers within five (5) business days of receipt of the complaint. Final resolution shall not be unreasonably delayed.

F. Franchisee shall provide a telephone number and address clearly and prominently on the bill for Subscribers to contact Franchisee.

G. Franchisee shall forward a copy of any rate-related or customer service-related billing inserts or other mailings related to Cable Service, but not promotional materials, sent to Subscribers, to LFA.

H. Franchisee shall provide all Subscribers with the option of paying for Cable Service by check or an automatic payment option where the amount of the bill is automatically deducted from a checking account designated by the Subscriber. Franchisee may in the future, at its discretion, permit payment by using a major credit card on a preauthorized basis. Based on credit history, at the option of Franchisee, the payment alternative may be limited.

SECTION 7: DEPOSITS, REFUNDS AND CREDITS

A. Franchisee may require refundable deposits from Subscribers 1) with a poor credit or poor payment history, 2) who refuse to provide credit history information to Franchisee, or 3) who rent Subscriber equipment from Franchisee, so long as such deposits are applied on a non-discriminatory basis. The deposit Franchisee may charge Subscribers with poor credit or poor payment history or who refuse to provide credit information may not exceed an amount equal to

an average Subscriber's monthly charge multiplied by six (6). The maximum deposit Franchisee may charge for Subscriber equipment is the cost of the equipment which Franchisee would need to purchase to replace the equipment rented to the Subscriber.

B. Franchisee shall refund or credit the Subscriber for the amount of the deposit collected for equipment, which is unrelated to poor credit or poor payment history, after one year and provided the Subscriber has demonstrated good payment history during this period. Franchisee shall pay interest on deposits if required by law.

C. Under Normal Operating Conditions, refund checks will be issued within the next available billing cycle following the resolution of the event giving rise to the refund, (e.g. equipment return and final bill payment).

D. Credits for Cable Service will be issued no later than the Subscriber's next available billing cycle, following the determination that a credit is warranted, and the credit is approved and processed. Such approval and processing shall not be unreasonably delayed.

E. Bills shall be considered paid when appropriate payment is received by Franchisee or its authorized agent. Appropriate time considerations shall be included in Franchisee's collection procedures to assure that payments due have been received before late notices or termination notices are sent.

SECTION 8: RATES, FEES AND CHARGES

A. Franchisee shall not, except to the extent expressly permitted by law, impose any fee or charge for Service Calls to a Subscriber's premises to perform any repair or maintenance work related to Franchisee equipment necessary to receive Cable Service, except where such problem is caused by a negligent or wrongful act of the Subscriber (including, but not limited to a situation in which the Subscriber reconnects Franchisee equipment incorrectly) or by the failure of the Subscriber to take reasonable precautions to protect Franchisee's equipment (for example, a dog chew).

B. Franchisee shall provide reasonable notice to Subscribers of the possible assessment of a late fee on bills or by separate notice.

C. All of Franchisee's rates and charges shall comply with applicable federal and state law. Franchisee shall maintain a complete current schedule of rates and charges for Cable Services on file with the LFA throughout the term of this Franchise.

SECTION 9: DISCONNECTION /DENIAL OF SERVICE

A. Franchisee shall not terminate Cable Service for nonpayment of a delinquent account unless Franchisee mails a notice of the delinquency and impending termination prior to the proposed final termination. The notice shall be mailed to the Subscriber to whom the Cable Service is billed. The notice of delinquency and impending termination may be part of a billing statement.

B. Cable Service terminated in error must be restored without charge within twenty-four (24) hours of notice. If a Subscriber was billed for the period during which Cable Service was terminated in error, a credit shall be issued to the Subscriber if the Service Interruption was reported by the Subscriber.

C. Nothing in these standards shall limit the right of Franchisee to deny Cable Service for non-payment of previously provided Cable Services, refusal to pay any required deposit, theft of Cable Service, damage to Franchisee's equipment, abusive and/or threatening behavior toward Franchisee's employees or representatives, or refusal to provide credit history information or refusal to allow Franchisee to validate the identity, credit history and credit worthiness via an external credit agency.

D. Charges for cable service will be discontinued at the time of the requested termination of service by the Subscriber, except equipment charges may be applied until equipment has been returned. No period of notice prior to requested termination of service can be required of Subscribers by Franchisee. No charge shall be imposed upon the Subscriber for or related to total disconnection of Cable Service or for any Cable Service delivered after the effective date of the disconnect request, unless there is a delay in returning Franchisee equipment or early termination charges apply pursuant to the Subscriber's service contract. If the Subscriber fails to specify an effective date for disconnection, the Subscriber shall not be responsible for Cable Services received after the day following the date the disconnect request is received by Franchisee. For purposes of this Section, the term "disconnect" shall include Subscribers who elect to cease receiving Cable Service from Franchisee.

SECTION 10: COMMUNICATIONS WITH SUBSCRIBERS

A. Each employee of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her employment with the Franchisee. The photograph on the identification card shall prominently show the employee's name and/or identification number. Such employee shall prominently display such identification card and shall show it to all such members of the public. Each employee of any contractor or subcontractor of the Franchisee who routinely comes into contact with members of the public at their places of residence must wear a picture identification card clearly indicating his or her name, the name of such contractor or subcontractor and the name of the Franchisee.

B. All contact with a Subscriber or potential Subscriber by a Person representing Franchisee shall be conducted in a courteous manner.

C. Franchisee shall send annual notices to all Subscribers informing them that any complaints or inquiries not satisfactorily handled by Franchisee may be referred to LFA. A copy of the annual notice required under this Section 10.C will be given to LFA at least fifteen (15) days prior to distribution to Subscribers.

D. All notices identified in this Section shall be by either:

(1) A separate document included with a billing statement or included on the portion of the monthly bill that is to be retained by the Subscriber; or

(2) A separate electronic notification.

E. Franchisee shall provide reasonable notice to Subscribers and LFA of any pricing changes or additional changes (excluding sales discounts, new products or offers) and, subject to the forgoing, any changes in Cable Services, including channel line-ups. Such notice must be given to Subscribers a minimum of thirty (30) days in advance of such changes if within the control of Franchisee. Franchisee shall provide a copy of the notice to LFA including how and where the notice was given to Subscribers.

F. Upon request by any Subscriber, Franchisee shall make available a parental control or lockout device to enable a Subscriber to control access to both the audio and video portions of any or all Channels. Franchisee shall inform its Subscribers of the availability of the lockout device at the time of their initial subscription and periodically thereafter.

G. Franchisee shall provide information to all Subscribers about each of the following items at the time of installation of Cable Services, annually to all Subscribers, at any time upon request, and, subject to Section 10.E., at least thirty (30) days prior to making significant changes in the information required by this Section if within the control of Franchisee:

(1) Products and Cable Service offered;

(2) Prices and options for Cable Services and condition of subscription to Cable Services. Prices shall include those for Cable Service options, equipment rentals, program guides, installation, downgrades, late fees and other fees charged by Franchisee related to Cable Service;

(3) Installation and maintenance policies including, when applicable, information regarding the Subscriber's in-home wiring rights during the period Cable Service is being provided;

(4) Channel positions of Cable Services offered on the Cable System;

(5) Complaint procedures, including the name, address, and telephone number of LFA, but with a notice advising the Subscriber to initially contact Franchisee about all complaints and questions;

(6) Procedures for requesting Cable Service credit;

(7) The availability of a parental control device;

(8) Franchisee practices and procedures for protecting against invasion of privacy; and

(9) The address and telephone number of Franchisee's office to which complaints may be reported.

A copy of notices required in this Section 10.G. will be given to LFA at least fifteen (15) days prior to distribution to Subscribers if the reason for notice is due to a change that is within the control of Franchisee and as soon as possible if not within the control of Franchisee.

H. Notices of changes in rates shall indicate the Cable Service new rates and old rates, if applicable.

I. Notices of changes of Cable Services and/or Channel locations shall include a description of the new Cable Service, the specific channel location, and the hours of operation of the Cable Service if the Cable Service is only offered on a part-time basis. In addition, should the Channel location, hours of operation, or existence of other Cable Services be affected by the introduction of a new Cable Service, such information must be included in the notice.

J. Every notice of termination of Cable Service shall include the following information:

- (1) The name and address of the Subscriber whose account is delinquent;
- (2) The amount of the delinquency for all services billed;
- (3) The date by which payment is required in order to avoid termination of Cable Service; and
- (4) The telephone number for Franchisee where the Subscriber can receive additional information about their account and discuss the pending termination.

K. Franchisee will comply with privacy rights of Subscribers in accordance with applicable federal and state law, including 47 U.S.C. §551.

EXHIBIT E

Performance Bond

Bond No. _____

KNOW ALL MEN BY THESE PRESENTS: That (name & address) (hereinafter called the Principal), and (name and address) (hereinafter called the Surety), a corporation duly organized under the laws of the State of (state), are held and firmly bound unto (name & address) (hereinafter called the Obligee), in the full and just sum of _____ Dollars (\$ _____), the payment of which sum, well and truly to be made, the said Principal and Surety bind themselves, their heirs, administrators, executors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal and Obligee have entered into a Franchise Agreement dated _____ which is hereby referred to and made a part hereof.

WHEREAS, said Principal is required to perform certain obligations under said Agreement.

WHEREAS, the Obligee has agreed to accept this bond as security against default by Principal of performance of its obligations under said Agreement during the time period this bond is in effect.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH that if the Principal shall perform its obligations under said Agreement, then this obligation shall be void, otherwise to remain in full force and effect, unless otherwise terminated, cancelled or expired as hereinafter provided.

PROVIDED HOWEVER, that this bond is executed subject to the following express provisions and conditions:

In the event of default by the Principal, Obligee shall deliver to Surety a written statement of the details of such default within 30 days after the Obligee shall learn of the same, such notice to be delivered by certified mail to address of said Surety as stated herein.

This Bond shall be effective _____, 20____, and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than sixty (60) days advance written notice of its intent not to renew this Bond or unless the Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon sixty (60) days advance written notice from the Surety to the Obligee.

Bond No. _____

