

FRANCHISE AGREEMENT

This Franchise Agreement ("Franchise") is between the City of Redlands, hereinafter referred to as "City" and TCI Cablevision of California, Inc., hereinafter referred to as "Grantee."

Provided that Grantee complies with the provisions of this Franchise, City has determined that the financial, legal, and technical abilities of Grantee are reasonably sufficient to provide services, facilities, and equipment necessary to meet the future cable-related needs of the community, and desires to enter into this Franchise with Grantee for the construction and operation of a Cable System on the terms set forth herein.

SECTION 1 Definitions

For the purpose of this Franchise, the following terms, phrases, words, and abbreviations shall have the meanings ascribed to them below. When not inconsistent with the context, words used in the present tense include the future tense, words in the plural number include the singular number, and words in the singular number include the plural number:

"**Cable Act**" means the Communications Act of 1934, as amended by the Cable Act of 1984, the Cable Television Consumer Protection and Competition Act of 1992, the Telecommunications Act of 1996, and as may be further amended from time to time.

"**Cable Services**" shall mean (A) the one-way transmission to Customers of (i) video programming, or (ii) other programming service, and (B) Customer interaction, if any, which is required for the selection or use of such video programming or other programming service.

"**Cable System**" shall mean 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 Customers within a community, but such term does not include (A) a facility that serves only to retransmit the television signals of one or more television broadcast stations; (B) a facility that serves Customers without using any Public Way; (C) a facility of a common carrier which is subject, in whole or in part, to the provisions of title II of the Cable 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 transmission of video programming directly to Customers 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 title VI of the Cable Act; or (E) any facilities of any electric utility used solely for operating its electric utility system.

"**Channel**" means a portion of the frequency band capable of carrying a video signal or combination of video signals on a twenty-four (24) hour per day basis.

"**Customer**" means a Person who lawfully receives Cable Service with Grantee's express permission.

"FCC" means Federal Communications Commission, or successor governmental entity thereto.

"Franchise" shall mean the initial authorization, or renewal thereof, issued by City, whether such authorization is designated as a franchise, permit, license, resolution, contract, certificate, or otherwise, to construct and operate the Cable System.

"City" means the City of Redlands, or the lawful successor, transferee, or assignee thereof.

"Grantee" means TCI Cablevision of California, Inc., or the lawful successor, transferee, or assignee thereof.

"Gross Revenues" mean any revenue received by Grantee from the operation of the Cable System to provide Cable Services in the Service Area, provided, however, that such phrase shall not include: (i) any tax, fee, or assessment of any kind imposed by City or other governmental entity on a cable operator, Customer, or both, solely because of their status as such; (ii) any tax, fee or assessment of general applicability which is unduly discriminatory against cable operators or Customers (including any such tax, fee, or assessment imposed, both on utilities and cable operators and their services), (iii) any other special tax, assessment, or fee such as a business, occupation, or entertainment tax, and (iv) unrecovered monies owed from Customers (bad debt) .

"Person" means an individual, partnership, association, joint stock company, trust, corporation, or governmental entity.

"Public Way" shall mean the surface of, and the space above and below, any public street, highway, freeway, bridge, land path, alley, court, boulevard, sidewalk, parkway, way, lane, public way, drive, circle, or other public right-of-way, including, but not limited to, public utility easements, dedicated utility strips, or rights-of-way dedicated for compatible uses and any temporary or permanent fixtures or improvements located thereon now or hereafter held by City in the Service Area which shall entitle City and Grantee to the use thereof for the purpose of installing, operating, repairing, and maintaining the Cable System. Public Way shall also mean any easement now or hereafter held by City within the Service Area for the purpose of public travel, or for utility or public service use dedicated for compatible uses, and shall include other easements or rights-of-way as shall within their proper use and meaning entitle City and Grantee to the use thereof for the purposes of installing and operating Grantee's Cable System over poles, wires, cables, conductors, ducts, conduits, vaults, manholes, amplifiers, appliances, attachments, and other property as may be ordinarily necessary and pertinent to the Cable System.

"Service Area" means the present municipal boundaries of City, and shall include any additions thereto by annexation or other legal means.

SECTION 2

Nature and Term of Grant

2.1 Grant. City hereby grants to Grantee a nonexclusive Franchise which authorizes Grantee to construct and operate a Cable System in, along, among, upon, across, above, over, under, or in any manner connected with Public Ways within the Service Area and for that purpose to erect, install, construct, repair, replace, reconstruct, maintain, or retain in, on, over, under, upon, across, or along any Public Way and all extensions thereof and additions thereto, such poles, wires, cables, conductors, ducts, conduits, vaults, manholes, pedestals, amplifiers, appliances, attachments, and other related property or equipment as may be necessary or appurtenant to the Cable System. Nothing in this Franchise shall be construed to prohibit Grantee from offering any service over its Cable System that is not prohibited by federal or state law.

2.2 Term. The Franchise granted hereunder shall be for a term of fifteen (15) years commencing on the effective date of the Franchise as set forth in Section 12.8, unless otherwise lawfully terminated in accordance with the terms of this Franchise.

2.3 Compliance with Ordinances. Grantee shall comply with any and all lawful actions of City which affect Grantee's operations under this Franchise, whether prior to or subsequent to the effective date of this Franchise, so long as such actions do not materially affect the rights or obligations of Grantee hereunder. Except for ordinances and regulatory actions promulgated for the protection of the public health, safety and welfare, in the event of a direct conflict between any ordinance or regulatory action of City and the terms of this Franchise, the Franchise shall prevail.

SECTION 3

General Street Use, Construction, and Technical Standards

3.1 Conditions of Street Occupancy. All transmission and distribution structures, poles, other lines, and equipment installed or erected by Grantee pursuant to the terms hereof shall be located so as to cause a minimum of interference with the proper use of Public Ways and with the rights and reasonable convenience of property owners who own property that adjoins any of such Public Ways.

3.2 Restoration of Public Ways. If during the course of Grantee's construction, operation, or maintenance of the Cable System there occurs a disturbance of any Public Way by Grantee, Grantee shall, at its expense, replace and restore such Public Way to a condition reasonably comparable to the condition of the Public Way existing immediately prior to such disturbance.

3.3 Relocation or Removal at Request of City. Upon its receipt of reasonable advance notice, not to be less than five (5) business days, Grantee shall, at its own expense, protect, support, temporarily disconnect, relocate in the Public Way, or remove from the Public Way, any property of Grantee when lawfully required by City by reason of traffic conditions, public safety, street abandonment, freeway and street construction, change or establishment of street grade, installation of sewers, drains, gas or water pipes, or any other type of structures or improvements by City. If public funds are available to any Person using such street, easement, or right of way for the purpose of defraying the cost

of any of the foregoing, City shall make application for such funds on behalf of Grantee. Grantee shall reimburse City for all administrative costs associated therewith.

3.4 Relocation at Request of Third Party. Grantee shall, on the request of any Person holding a building moving permit issued by City, temporarily raise or lower its wires to permit the moving of such building, provided: (a) the expense of such temporary raising or lowering of wires is paid by said Person, including, if required by Grantee, making such payment in advance; and (b) Grantee is given not less than ten (10) business days advance written notice to arrange for such temporary wire changes.

3.5 Trimming of Trees and Shrubbery. Grantee shall not trim trees or other natural growth in the Service Area without obtaining the appropriate permits required by the City. Grantee shall use proper arboricultural practices and compensate City for any damages caused by such trimming, or shall, at its own cost and expense, replace any trees or shrubs damaged as a result of any construction of the Cable System undertaken by Grantee. Such replacement shall satisfy any and all obligations Grantee may have to City pursuant to the terms of this Section and City laws. Grantee shall trim any tree or other natural growth which poses an imminent danger to the public in accordance with City's established procedures for such activity.

3.6 Safety Requirements. Construction, installation, and maintenance of the Cable System shall be performed in an orderly and workmanlike manner. All such work shall be performed in substantial accordance with applicable FCC or other federal, state, and local regulations and the National Electric Safety Code. The Cable System shall not unreasonably endanger nor interfere with the safety of Persons or property in the Service Area.

3.7 Aerial and Underground Construction. In those areas of the Service Area where all of the transmission or distribution facilities of the respective public utilities providing telephone communications and electric services are underground, Grantee shall construct, operate, and maintain all of its transmission and distribution facilities underground. Grantee may construct aerial plant in underground utility areas only when Grantee and City agree that the existing facilities are not capable of receiving Grantee's cable and other equipment without technical degradation of the Cable System's signal quality. In those areas of the Service Area where the transmission or distribution facilities of the respective public utilities providing telephone communications and electric services are both aerial and underground, Grantee shall have the sole discretion to construct, operate, and maintain all of its transmission and distribution facilities, or any part thereof, aerially or underground. Existing poles, conduits and other related structures shall be used whenever reasonably possible. Grantee shall not construct nor install additional poles, conduits or other structures in the Public Way without obtaining the appropriate permits required by City. Nothing contained in this Section shall require Grantee to construct, operate, and maintain underground any ground-mounted appurtenances such as taps, line extenders, system passive devices (splitters, directional couplers), amplifiers, power supplies, pedestals, or other related equipment. Notwithstanding anything to the contrary contained in this Section, in the event that all of the transmission or distribution facilities of the respective public utilities providing telephone communications and electric services are placed underground after the effective date of this Franchise, Grantee shall only be required to construct, operate, and maintain all of its transmission and distribution facilities

underground if it is given reasonable notice and access to the public utilities' facilities at the time that such are placed underground.

3.8 New Developments. City shall use its best efforts to provide Grantee with written notice of the issuance of building or other development permits for planned commercial/residential developments within the Service Area requiring undergrounding of cable facilities. City agrees to require as a condition of issuing the permit that developer give Grantee access to open trenches for deployment of cable facilities and written notice of the date of availability of trenches. City agrees to require that such notice must be received by Grantee at least ten (10) business days prior to availability. Developer shall be responsible for the digging and backfilling of all trenches. Grantee shall be responsible for engineering, deployment labor, and cable facilities. Installation from utility easements to individual homes or other structures shall be at the cost of the home/building owner or developer unless otherwise provided.

3.9 Required Extensions of Service. Grantee shall extend its Cable System along the Public Ways at no cost to Customers other than the usual installation fees charged to Customers, whenever there are at least fifty (50) residences per mile of cable-bearing strand for trunk or distribution cable (or a proportionate number of residences over a lesser distance).

3.10 Customer Charges for Extensions of Service. No Customer shall be refused service arbitrarily. However, for unusual circumstances, such as a Customer's request to locate a cable drop underground in an area normally serviced by aerial plant, existence of more than 125 feet of distance from distribution cable to connection of service to a Customer, or a density of less than fifty (50) residences per mile of cable-bearing strand for trunk or distribution cable, service may be made available on the basis of a capital contribution in aid of construction, including cost of material, labor, and easements.

For the purpose of determining the amount of capital contribution in aid of construction to be borne by Grantee and Customers in the event that trunk and/or distribution plant must be extended to a point from which a standard installation is possible, Grantee shall contribute an amount equal to the construction and other costs per foot, multiplied by 105 for each residence. Customers who request service hereunder shall bear the remainder of the construction and other costs on a *pro rata* basis. [Example: Two homes in a rural area request service. The first is 300 feet from the distribution cable (not including up to 125 feet of drop cable) and the second is 200 feet further (not including up to 125 feet of drop cable), for a total of 500 feet. The construction cost is equal to \$3 per foot. So the total cost of the first extension is \$900, and the cost of the second is \$600. Grantee shall contribute the cost of construction per foot x 105 per home, or $\$3 \times 105 = \315 per home. Therefore, the customer shall pay $\$900 - \$315 = \$585$ and $\$600 - \$315 = \$285$ respectively.] Grantee may require that the payment of the capital contribution in aid of construction borne by such potential Customers be paid in advance.

3.11 Service to Public Buildings. Grantee shall, upon request, provide without charge one outlet of Basic Service to those City offices, fire stations, police stations, other emergency service centers, and public school buildings that are passed by its Cable System, and additional outlets as necessary to provide Basic Service specifically to the offices of the Mayor, City Manager, City Attorney and the Public Works Director. Grantee

shall not be required to provide an outlet to such buildings where the drop line from the feeder cable to said buildings or premises exceeds 125 feet unless the appropriate governmental entity agrees to pay the incremental cost of labor and materials for the installation beyond 125 feet. If the appropriate government entity provides open trench or conduit to the facility, Grantee shall provide all materials without charge.

City shall not use the Cable Service provided by Grantee to these public buildings for any commercial purpose, nor shall the City distribute the Cable Service to any additional buildings or outlets without Grantee's permission and appropriate payment. If additional outlets besides those specifically named above are desired within public buildings, the building owner shall pay the usual installation costs associated therewith, including, but not limited to, labor and materials. City shall take reasonable precautions to prevent any use of Grantee's Cable System in any manner that results in any significant loss or damage to the Cable System. Users of such outlets shall hold Grantee harmless from any and all liability or claims arising out of their use of such outlets, including but not limited to, those arising from copyright liability.

3.12 Technical Standards and Performance Testing. Grantee shall comply with all applicable FCC rules and regulations regarding technical standards and performance testing for cable systems. Grantee shall, at its own expense, repair, renew, change and/or improve its Cable System from time to time as is necessary to meet or exceed these standards.

3.13 Standby Power. The Cable System's headend, satellite earth stations and any hubs or nodes shall be equipped with an emergency power system to maintain continuous power in the event of a local power outage for a minimum of three (3) hours.

3.14 Emergency Alert System. Grantee shall comply with all applicable FCC regulations regarding emergency alert systems, including equipment standards and procedures for alerting capabilities. Except to the extent expressly prohibited by law, City shall hold Grantee, its employees, officers and assigns harmless from any claims arising out of the emergency use of its facilities by City, including, but not limited to, reasonable attorneys' fees and costs.

3.15 Construction Notification to City. At ninety (90) day intervals during any major construction of the Cable System, Grantee shall provide City with a general description of the activities to be undertaken during the following ninety (90) days including the geographical area of the Service Area which will be affected by such activities. Such a report must be filed prior to undertaking any major construction activities. Major construction is defined as work which affects twenty-five percent (25%) or more of the Cable System and takes six (6) months or more to complete.

3.16 Construction Inspection. All design and construction plans and work may be inspected by City. If the construction does not meet all applicable standards and laws, City may order corrective measures at Grantee's expense. City shall give Grantee at least twenty-four (24) hours advance notice that inspection is requested.

3.17 Stop Work Notice. Whenever construction is being performed in a manner contrary to City's applicable rules and ordinances, City may order the work stopped by written

notice served on any Person engaged in or causing the construction. Any work stopped shall not resume until authorized in writing by City.

3.18 Construction Notification to Residents. In the event of any major construction of the Cable System, Grantee shall provide a general summary of the construction activities, including the type of cable equipment to be installed, to be published in a newspaper of general circulation in the Service Area, at least sixty (60) days prior to construction and again approximately thirty (30) days prior to construction. These notices shall also provide Grantee's telephone number which may be called for information.

Grantee shall provide timely notification, but in no case less than seven (7) days in advance of construction, to all residents who may be affected by any major construction activity in their area, by direct mail, door hangers, or other effective means, and provide a copy of such notice to City. Each such notice shall also generally describe the time of work and the nature of the potential impact on such residents.

3.19 Construction Hours. All construction shall be conducted during the hours and days as provided in City's applicable rules and ordinances, unless otherwise authorized in writing by appropriate representative of City.

3.20 Location of Utilities. It shall be Grantee's responsibility to verify the location of all existing utilities in the Public Way to ensure that such utilities are not damaged during construction, and to repair any properly located utilities damaged during construction. Any location marks made in the Public Way by Grantee shall be non-permanent.

3.21 Mitigation of Visual Impact. Grantee shall take necessary and reasonable steps to reduce the visual impact of all above-ground cable equipment, including maintaining the cable equipment in good condition, complying with any City rules and ordinances regarding graffiti, and placing overhead drops as close as possible to other utility drops. If City requires such from all users of the Public Way, Grantee shall install reasonable landscaping or barriers to conceal equipment placed in the Public Way from public view. Ongoing maintenance of any landscaping installed for mitigation of visual impacts shall be the responsibility of the property owner.

3.22 Removal of Deactivated Cable Equipment. Within one hundred eighty (180) days following deactivation, Grantee shall remove all deactivated cable equipment from the Public Way, whether overhead or underground, except in instances where City has given prior written approval allowing Grantee to abandon in place specified underground equipment.

SECTION 4 **Channel Capacity**

4.1 Initial Channel Capacity. From the effective date of this Franchise, Grantee shall offer a minimum of forty-two (42) Channels to Customers.

4.2 Additional Channel Capacity. Grantee shall increase the number of Channels programmed and offered to all Customers in the Service Area to at least seventy-five (75) as soon as possible, but no later than December 31, 2000. The technical manner in which

additional Channels are made available is within the sole discretion of Grantee, as long as the technical standards required in Section 3.12 are consistently maintained.

4.3 Return Channel Capacity. Activation of a return or upstream path on the Cable System shall not be required until such time as mutually agreed to by both City and Grantee.

4.4 Quarterly Reports. Grantee shall provide City with a quarterly report on its plans to increase the Channel capacity of the Cable System. Such report will be filed with the City within 30 days after the end of each quarter beginning with the quarter ending September 30, 1997, until the quarter ended December 31, 2000, or until the additional Channel capacity described in Section 4.2 is available to all Customers, whichever is sooner.

SECTION 5 **Access Channels and Support**

5.1 Initial Education and Government Access Channels. City shall give written notice to Grantee at such time as it desires to activate one Channel on the Cable System for non-commercial educational programming and/or one Channel for non-commercial governmental programming. Within fifteen (15) days of receiving such notice, Grantee shall inform City of the estimated time needed to make the desired Channel(s) available, including an explanation of any expected delays. In no instance will the time between receipt of the initial notice and the activation of the desired Channel(s) be greater than one hundred eighty (180) days. City or its designee shall administer the educational and/or governmental programming offered on these Channels.

5.2 Additional Education and Government Access Channels. At such time that the Cable System is capable of delivering at least sixty (60) Channels to all Customers in the Service Area, City may request that one additional Channel for non-commercial educational programming and one additional Channel for non-commercial governmental programming be provided (for a cumulative maximum of two (2) channels for governmental programming and two (2) channels for educational programming) by giving one hundred eighty (180) days advance written notice of such to Grantee. City or its designee shall administer the programming offered on these Channels.

5.3 Use of Education and Government Access Channel(s) by Grantee. Grantee reserves the right to program the education and government Channel(s) during the hours not used by City or its designee.

5.4 Indemnification for Education and Government Access Channels. City agrees to indemnify, save and hold harmless Grantee from and against any liability resulting from the use of the education and government access channel(s) by City or its designee.

5.5 Capital Support for Education and Government Programming. At any time during the first ten (10) years of the Franchise term, City may request capital support from Grantee for educational and governmental programming. Such support may be in the form of cameras and other video production equipment needed to tape City Council meetings, Cable System extensions or interconnections necessary to facilitate live origination feeds from government or educational buildings, or field equipment for taping community events

to show on the education and government access channel(s). Upon determination that such support is desirable, City shall notify Grantee in writing of these needs and the amount of capital support required. Grantee shall provide the capital funds or in-kind capital contributions requested in a timely manner, up to a maximum cumulative value of \$100,000.

SECTION 6

Customer Service and Consumer Protection

6.1 Definitions. For purposes of this Section, the following definitions shall apply:

A. "Normal Business Hours" means those hours during which most similar businesses in the community are open to serve Customers. In all cases, "Normal Business Hours" shall include some evening hours at least one night per week and/or some weekend hours. Grantee shall notify its Customers and City of its Normal Business Hours.

B. "Normal Operating Conditions" means those service conditions which are within the control of Grantee. Those conditions which are not within the control of Grantee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, permit delays, and severe or unusual weather conditions. Those conditions which are are ordinarily within the control of Grantee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or upgrade of the Cable System.

C. "Service Interruption" means the loss of picture and/or sound on one or more channels.

6.2 Office Hours and Telephone Availability.

A. Grantee shall maintain a local, toll-free or collect call telephone access line which shall be available to Customers twenty-four (24) hours a day, seven (7) days a week. Trained customer service representatives of Grantee shall be available to respond to Customer telephone inquiries during Normal Business Hours, as defined herein. After Normal Business Hours, an access line shall be available to be answered by a service or an automated response system, including a phone answering system. Inquiries received after Normal Business Hours shall be responded to by a trained customer service representative of Grantee on the next business day.

B. Under Normal Operating Conditions, as defined herein, the following standards shall be met no less than ninety percent (90%) of the time, as measured by Grantee on a quarterly basis:

(i) Telephone answer time by a customer service representative, including wait time, shall not exceed thirty (30) seconds from when the connection is made.

(ii) If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds.

C. Under Normal Operating Conditions, as defined herein, Customers shall receive a busy signal less than three percent (3%) of the time, as measured by Grantee on a quarterly basis.

D. Grantee shall not be required to acquire equipment or perform surveys to measure compliance with the telephone answering standards set forth above unless a historical record of complaints indicates a clear failure to comply with such standards.

E. Customer service center and bill payment locations shall be open at least during Normal Business Hours and shall be conveniently located within a ten (10) mile radius of City Hall and within the Service Area.

6.3 Installations, Outages and Service Calls.

A. Under Normal Operating Conditions, each of the following four standards shall be met no less than ninety-five percent (95%) of the time, as measured by Grantee on a quarterly basis:

(i) Standard installations shall be completed within a maximum of seven (7) business days after an order has been placed. "Standard" installations are those that are located up to 125 feet from the existing Cable System.

(ii) Non-standard installations (those over 125 feet from the existing Cable System) shall be completed within a maximum of sixty (60) days after the Customer has met all the terms and conditions for payment required by Grantee.

(iii) Grantee shall begin working on Service Interruptions, as defined herein, promptly and in no event later than twenty-four (24) hours after the interruption becomes known. Grantee shall begin actions to correct other service problems the next business day after notification of the service problem.

(iv) Grantee shall provide "appointment window" alternatives for installations, service calls, and other installation activities, which shall be either a specific time or, at maximum, a four-hour time block during Normal Business Hours. This requirement does not preclude Grantee from offering additional alternative appointment windows to the Customer which are longer than four hours, as long as at least one four-hour maximum appointment window is offered to the Customer within the prescribed time limit.

B. Grantee shall not cancel an appointment with a Customer after the close of business on the business day prior to the scheduled appointment.

C. If a representative of Grantee is running late for an appointment with a Customer and will not be able to keep the appointment as scheduled, the Customer shall be contacted. The appointment shall be rescheduled, as necessary, at a time which is convenient for the Customer.

6.4 Communication Between Grantee and Customers.

A. Grantee shall provide written information on each of the following areas at the time of installation of service, at least annually to all Customers, and at any time upon request:

- (i) Name, address and telephone number of Grantee;
- (ii) Products and services offered;
- (iii) Prices and options for services and conditions of subscription to programming and other services, including any reduced rates for senior citizens or other classes of Customers;
- (iv) Installation and service maintenance policies;
- (v) Instructions on how to use the service, including the availability of parental control devices and any special operating procedures;
- (vi) Customer privacy rights;
- (vii) Channel positions of programming carried on the Cable System;
- (viii) Billing and credit practices, including late fees, grounds for termination of service, resolution of billing disputes, and reconnection after involuntary termination; and
- (ix) Complaint procedures, including the address and telephone number of City for the filing of complaints unresolved by Grantee.

B. Customers shall be notified of any changes in rates, programming services or channel positions as soon as possible using any reasonable written means. Notice shall be given to Customers a minimum of thirty (30) days in advance of such changes if the change is within the control of Grantee. In addition, Grantee shall notify Customers thirty (30) days in advance of any significant changes in the other information required by Section 6.4 (A).

6.5 Billing.

A. Customer bills shall be clear, concise and understandable. Bills shall be fully itemized, with itemizations including, but not limited to, basic and premium service charges and equipment charges. Bills shall also clearly delineate all activity during the billing period, including optional charges, rebates and credits.

B. In case of a billing dispute, Grantee shall acknowledge a complaint from a Customer within fifteen (15) days from receipt of the complaint, and respond within thirty (30) days.

C. Refund checks shall be issued promptly, but no later than either (i) the Customer's next billing cycle following resolution of the request or thirty (30) days, whichever is earlier, or (ii) the return of the equipment supplied by Grantee if service is terminated.

D. Credits for service shall be issued no later than the Customer's next billing cycle following the determination that a credit is warranted.

E. Grantee's late fee policies and practices shall be in compliance with California Government Code Article 4.6.

6.6 Credits for Outages. Except for planned Service Interruptions for which Grantee provides previous notice to City, in the event that Cable Service is interrupted to any Customer for a minimum of six (6) consecutive hours, and the Customer notifies Grantee either verbally or in writing of said Service Interruption within twenty-four (24) hours of Customer's discovery thereof, Grantee shall provide a credit of 1/30th of the Customer's monthly fee for the services affected for each day of the Service Interruption. [Example: If a Customer experiences an outage which affects HBO for 12 hours, and HBO costs \$10 per month, they shall be entitled to a credit of 1/30th of \$10, or \$.33. If an outage affects all of their services for at least six (6) hours per day on two (2) different days, and the Customer's total regular monthly fee is \$40, then the credit would be 2/30th of \$40, or \$2.66.]

6.7 Free Reconnect If Improperly Disconnected. Where Grantee has improperly disconnected Cable Service, it shall provide free reconnection to the affected Customer.

6.8 Customer Complaints. Grantee shall maintain a record of all Customer complaints referred by City and how such complaints were resolved, and submit a summary thereof to City upon written request. Such request shall be made no more often than quarterly.

6.9 Customer Satisfaction Surveys. Grantee shall provide the results of any Customer satisfaction surveys conducted in the Service Area to City upon written request.

6.10 Employee and Contractor Identification. All field representatives of Grantee shall wear photo identification when dealing with the public outside of Grantee's offices.

6.11 Entry on Private Property. Grantee shall provide written or oral notice to affected property owners prior to entering their property.

SECTION 7 **Compensation and Auditing**

7.1 Franchise Fee. As compensation for the benefits and privileges under this Franchise and in consideration of permission to use the Public Ways, Grantee shall pay to City, throughout the duration of this Franchise, a franchise fee equal to five percent (5%) of Gross Revenues. The franchise fee shall be due and payable forty-five (45) days after the close of the preceding quarter. Each payment shall be accompanied by a report from a financial representative of Grantee showing the basis for the computation.

7.2 Interest on Late Payments. Payments not received within forty-five (45) days from the quarter ending date shall be assessed interest compounded at the rate of one percent (1%) per month from the due date.

7.3 Financial Audits and Reviews. City may arrange for and conduct audits or reviews of the financial records of Grantee for the purpose of verifying franchise fee payments or other financial obligations of Grantee. All such audits or reviews shall be completed within five (5) years from the date on which payment by Grantee was due.

City shall notify Grantee in writing at least seven (7) days prior to the date of an audit or review and, to the best of City's ability, identify the records it wants to review. The reasonable costs to City of the audit or review shall be borne by Grantee if the audit reveals that Grantee has underpaid franchise fees or other financial obligations by four percent (4%) or more during the period in question, otherwise the cost shall be borne by City.

Grantee shall pay to City, or City shall pay to Grantee, any undisputed amounts that are due to City or due to be refunded to Grantee as determined by any audit or review. Such payment or refund shall be made regardless of whether the obligations arose before or after the effective date of this Franchise. If Grantee is determined to have made an underpayment in an amount that exceeds five percent (5%) of the total amount due at the time such payment was due, Grantee shall pay simple interest to City on the amount of the underpayment at a rate of two percent (2%) per annum above the prime rate of interest printed in the Wall Street Journal on the date of the audit, from the date on which payment was due until the date on which full payment of the interest charge is received by City.

SECTION 8

Insurance, Other Financial Surety and Indemnification

8.1 Insurance. At its own cost and expense, Grantee shall maintain in full force and effect during the term of the Franchise public liability and property damage insurance that protects City from any and all claims against it for damages or personal injury (including death) arising from any and all activities and operations under this Franchise or in connection therewith. The insurance shall provide coverage at all times for not less than \$1,000,000 combined single limit for bodily injury and property damage. The insurance shall be equal to or better than commercial general liability insurance. City shall be designated as additional insured and such insurance shall be primary with respect to City and non-contributing to any insurance or self-insurance maintained by City. Such insurance shall not be canceled or materially altered except upon thirty (30) days prior written notice to City. Grantee shall provide City with a Certificate of Insurance certifying coverage as required above, or, as an alternative, Grantee may provide City with a statement regarding its self-insurance. Grantee's self-insurance shall provide the same amount and level of protection for Grantee and City as otherwise required under this Section. The adequacy of the self-insurance shall be subject to the review and approval of City.

8.2 Security for Performance. Grantee shall provide upon the execution of this Franchise Agreement a performance bond in the amount of \$25,000 to secure the faithful performance by Grantee of its obligations under this Franchise Agreement. This guarantee, however, shall not limit the liability of Grantee for any failure to perform its obligations under this Franchise.

8.3 Indemnification. Grantee shall indemnify, save and hold harmless, and defend City, its elected officials, officers, boards and employees, from and against any liability for damages and for any liability or claims resulting from property damage or bodily injury (including accidental death), which arise out of Grantee's construction, operation, or maintenance of its Cable System, including, but not limited to, reasonable attorneys' fees and costs, provided that City shall give Grantee written notice of its obligation to indemnify City within ten (10) days of receipt of a claim or action pursuant to this Section. If City determines that it is necessary for it to employ separate counsel, the costs for such separate counsel shall be the responsibility of City.

SECTION 9 **Records and Reports**

9.1 Open Records. City shall have the right to review all books and records of Grantee at Grantee's business office, during normal business hours and upon reasonable notice, as is reasonably necessary to ensure compliance with the terms hereof. Such records shall include, but shall not be limited to, any public records required to be kept by Grantee pursuant to the rules and regulations of the FCC. Notwithstanding anything to the contrary set forth herein, Grantee shall not be required to disclose information which it alleges to be proprietary or confidential in nature. Grantee shall provide City with written notice of the reason for not disclosing any particular information. City agrees to treat any information disclosed by Grantee 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. Grantee shall not be required to provide Customer information in violation of Section 631 of the Cable Act.

9.2 General Reports. Grantee shall prepare and furnish to City upon written request such reports with respect to its operations, affairs, transactions or property as is reasonably necessary or appropriate to the performance of City's rights, functions or duties under this Franchise. City shall consult with Grantee as to the form, detail, and due dates of the reports requested, and accept copies of reports generated by Grantee in the normal course of business whenever possible.

SECTION 10 **Regulation by City**

10.1 Rates and Charges. City may regulate rates and charges for Cable Services to the full extent authorized by applicable law. Grantee shall inform City in writing of any change in Cable Service rates and charges at least thirty (30) days in advance. Promotional discounts or the ending thereof shall not be considered a change to Cable Service rates and charges. Notwithstanding laws and regulations governing rates, Grantee shall offer a five percent (5%) discount on Basic Service to a maximum of one hundred (100) very-low income, disabled residents of City. Residents applying for this very-low income discount shall be qualified by City at its expense.

10.2 Notification of Programming Changes. Grantee shall inform City in writing of any programming or channel lineup changes at least thirty (30) days in advance.

10.3 Renewal of Franchise. City and Grantee agree that any proceedings undertaken by City that relate to the renewal of Grantee's Franchise shall be governed by and comply with the provisions of Section 626 of the Cable Act, as amended, unless the procedures and substantive protections set forth therein shall be deemed to be preempted and superseded by the provisions of any subsequent provision of federal or state law.

In addition to the procedures set forth in said Section 626(a), City agrees to notify Grantee of all of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of Grantee under the then current Franchise term. City further agrees that such preliminary assessments shall be provided to Grantee promptly so that Grantee has adequate time to submit a proposal under Section 626(b) of the Cable Act and complete renewal of the Franchise prior to expiration of its term. Notwithstanding anything to the contrary set forth in this Section, Grantee and City agree that at any time during the term of the then current Franchise, while affording the public appropriate notice and opportunity to comment, City and Grantee may agree to undertake and finalize informal negotiations regarding renewal of the then current Franchise and City may grant a renewal thereof. Grantee and City consider the terms set forth in this Section to be consistent with the express provisions of Section 626 of the Cable Act.

10.4 Conditions of Sale. If a renewal or extension of Grantee's Franchise is denied or the Franchise is lawfully terminated, and City either lawfully acquires ownership of the Cable System or by its actions lawfully effects a transfer of ownership of the Cable System to another party, any such acquisition or transfer shall be at the price determined pursuant to the provisions set forth in Section 627 of the Cable Act.

Grantee and City agree that in the case of a final determination of a lawful revocation of the Franchise, at Grantee's request, which shall be made in its sole discretion, Grantee shall be given a reasonable opportunity to effectuate a transfer of its Cable System to a qualified third party. City further agrees that during such a period of time, it shall authorize Grantee to continue to operate pursuant to the terms of its prior Franchise; however, in no event shall such authorization exceed a period of time greater than six months from the effective date of such revocation. If, at the end of that time, Grantee is unsuccessful in procuring a qualified transferee or assignee of its Cable System which is reasonably acceptable to City, Grantee and City may avail themselves of any rights they may have pursuant to federal or state law; it being further agreed that Grantee's continued operation of its Cable System during the six month period shall not be deemed to be a waiver, nor an extinguishment of, any rights of either City or Grantee.

10.5 Transfer of Franchise. Grantee's right, title, or interest in the Franchise shall not be sold, transferred, assigned, or otherwise encumbered, other than to an entity controlling, controlled by, or under common control with Grantee, without the prior consent of City, such consent not to be unreasonably withheld. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, or by assignment of any rights, title, or interest of Grantee in the Franchise or Cable System in order to secure indebtedness. Within 30 days of receiving the request for transfer, City shall, in accordance with FCC rules and regulations, notify Grantee in writing of the information it requires to determine the legal, financial and technical qualifications of the transferee. If City has not taken action on Grantee's request for transfer within one hundred twenty (120) days after receiving such request, consent by City shall be deemed given.

10.6 Performance Reviews. Performance reviews providing opportunities to address the provisions of this Franchise shall occur at intervals determined by City during the term of this Franchise. These reviews shall not involve a reexamination of the Franchise itself, but may include consideration of the following:

- A. Grantee's compliance with the terms and conditions of this Franchise.
- B. The nature and extent of Customer complaints and Grantee's effectiveness in responding to the complaints.
- C. The operation, adequacy and quality of services offered by Grantee.
- D. Changes in cable communication technologies and services and an evaluation of the degree to which the Cable System and related services compare to "state-of-the-art," taking into account economic and technical feasibility factors.
- E. Changes in state and federal laws and regulations which impact the operation of the Cable System.

SECTION 11 **Enforcement and Termination of Franchise**

11.1 Notice of Violation. In the event that City believes that Grantee has not complied with the terms of the Franchise, it shall notify Grantee in writing of the exact nature of the alleged noncompliance.

11.2 Grantee's Right to Cure or Respond. Grantee shall have thirty (30) days from receipt of the notice described in Section 11.1:

- A. To respond to City, contesting the assertion of noncompliance, or
- B. To cure such default, or
- C. In the event that, by the nature of default, such default cannot be cured within the thirty (30) day period, initiate reasonable steps to remedy such default and notify City of the steps being taken and the projected date that they shall be completed.

11.3 Public Hearing. In the event that Grantee fails to respond to the notice described in Section 11.1 pursuant to the procedures set forth in Section 11.2, or in the event that the alleged default is not remedied within thirty (30) days or the date projected pursuant to Section 11.2 (C) above, City shall schedule a public hearing to investigate the default. City shall cause to be served upon Grantee, at least ten (10) days prior to such public meeting, a written notice specifying the time, place and purpose of such meeting. At the designated meeting, City shall give Grantee an opportunity to state its position on the matter.

11.4 Enforcement. Subject to applicable federal and state law, in the event City, after the public hearing described in Section 11.3, determines that Grantee is in default of any provision of the Franchise, City may:

- A. Seek specific performance of any provision, which reasonably lends itself to such remedy, as an alternative to damages;
- B. Assess fines under this Franchise;
- C. Commence an action at law for monetary damages or seek other equitable relief; or
- D. In the case of a substantial default of a material provision of the Franchise, declare the Franchise Agreement to be revoked in accordance with the following:

City shall give written notice to Grantee of its intent to revoke the Franchise on the basis of a pattern of noncompliance by Grantee, including one or more instances of substantial noncompliance with a material provision of the Franchise. The notice shall set forth the exact nature of the noncompliance. Grantee shall have ninety (90) days from such notice to object in writing and to state its reasons for such objection. In the event City has not received a satisfactory response from Grantee, it may then seek termination of the Franchise at a public meeting. City shall cause to be served upon Grantee, at least ten (10) days prior to such public meeting, a written notice specifying the time and place of such meeting and stating its intent to request such termination.

At the designated meeting, City shall give Grantee an opportunity to state its position on the matter, after which it shall determine whether or not the Franchise shall be revoked. Grantee may appeal such determination to an appropriate court, which shall have the power to review the decision of City "de novo" and to modify or reverse such decision as justice may require. Such appeal to the appropriate court must be taken within sixty (60) days of the issuance of the determination of City.

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

11.5 Damages. City shall be empowered to impose fines for each instance of non-compliance with this Franchise by Grantee, subject to the notice, opportunity to cure, and public hearing provisions of this Section. The following maximum fines may be imposed for the following acts of noncompliance:

- A. Failure to comply with the customer service standards set forth in Section 6 of this Franchise, up to \$500 per day for each day the violation continues.
- B. Failure to provide additional Channel capacity as set forth in Section 4.2 of this Franchise, up to \$500 per day until the Channels are available.
- C. Failure to comply with any other requirement, up to \$250 per day for each day the violation continues.

In determining the amount of appropriate damages, City shall consider the specific nature and extent of the violation, whether Grantee has a history of similar violations, and the damage suffered by the public and cost of remedying the violation.

11.6 Remedies Cumulative. All remedies prescribed in this Franchise shall be cumulative and the use of one or more remedies by City shall not bar the use of any other remedy for the purpose of enforcing this Franchise.

11.7 Force Majeure. Grantee 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 (including termination, cancellation or revocation of the Franchise), where such noncompliance or alleged defaults occurred or were caused by strike, riot, war, earthquake, flood, tidal wave, unusually severe rain or snow storm, hurricane, tornado or other catastrophic act of nature, labor disputes, governmental, administrative or judicial order or regulation or other event that is reasonably beyond Grantee's ability to anticipate and control. This provision also covers work delays caused by waiting for utility providers to service or monitor their own utility poles on which Grantee's cable and/or equipment is attached, as well as unavailability of materials and/or qualified labor to perform the work necessary.

11.8 Technical Violations. The parties hereby agree that it is not City's intention to subject Grantee to penalties, fines, forfeitures or revocation of the Franchise for so-called "technical" breaches or violations of the Franchise, which shall include but are not limited to the following:

A. In instances or for matters where a violation or breach by Grantee of the Franchise was a good faith error that resulted in no or minimal negative impact on Customers and/or other members of the public within the Service Area; or

B. Where there existed circumstances reasonably beyond the control of Grantee and which precipitated a violation by Grantee of the Franchise, or which were deemed to have prevented Grantee from complying with a term or condition of the Franchise.

11.9 Failure of the City to Enforce Franchise Does Not Constitute Waiver. Grantee shall not be excused from complying with any of the provisions of the Franchise, including applicable local, state and federal laws, due to any failure of City to insist upon or seek compliance with the Franchise or other law.

SECTION 12 **Miscellaneous Provisions**

12.1 Actions of Parties. In any action by City or Grantee 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.

12.2 Entire Franchise, Modification. This Franchise constitutes the entire agreement between the parties relating to the subject matter of this Franchise, and this Franchise may be modified only by written addendum signed by both parties.

12.3 Governing Law and Attorneys' Fees. Any disputes regarding this Franchise shall be resolved according to the laws of the State of California and the United States. The prevailing party in any action brought to enforce the terms of this Franchise, or in any

action arising out of this Franchise, may recover the costs and attorneys' fees incurred in the action from the other party.

12.4 Equal Protection. In the event City enters into a Franchise, permit, license, authorization, or other agreement of any kind with any other Person or entity other than Grantee to enter into City's Public Ways for the purpose of constructing or operating a Cable System or providing Cable Service to any part of the Service Area, the material provisions thereof shall be reasonably comparable to those contained herein, in order that one operator not be granted an unfair competitive advantage over another, and to provide all parties equal protection under the law.

12.5 Notice. Unless expressly otherwise agreed between the parties, every notice or response required by this Franchise to be served upon City or Grantee shall be in writing, and shall be deemed to have been duly given to the required party five (5) business days after having been posted in a properly sealed and correctly addressed envelope when hand delivered or sent by certified or registered mail, postage prepaid.

The notices or responses to City shall be addressed as follows:

City Clerk
City of Redlands
35 Cajon Street, Suite 4
Post Office Box 3005
Redlands, CA 92373

The notices or responses to Grantee shall be addressed as follows:

General Manager
TCI Cablevision of California, Inc.
1722 Orange Tree Lane
Redlands, CA 92374

with a copy to: Tele-Communications, Inc.
Attention: Legal Department/Franchising
5619 DTC Parkway
Englewood, CO 80111

City and Grantee may designate such other address or addresses from time to time by giving notice to the other.

12.6 Descriptive Headings. The captions to Sections contained herein are intended solely to facilitate the reading thereof. Such captions shall not affect the meaning or interpretation of the text herein.

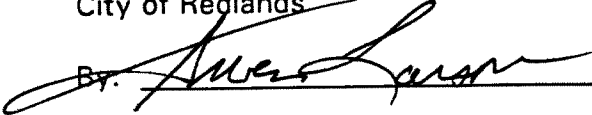
12.7 Severability. If any Section, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other Section, sentence,

paragraph, term or provision hereof, all of which shall remain in full force and effect for the term of the Franchise, or any renewal or renewals thereof.

12.8 Effective Date. The effective date of this Franchise is August 5, 1997, pursuant to the provisions of applicable law.

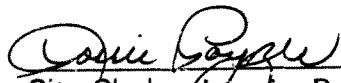
Passed and adopted this 5th day of August, 1997, subject to applicable federal, state and local law.

City of Redlands

By: 

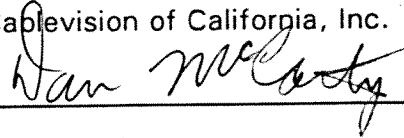
Title: Mayor, Swen Larson

ATTEST:


City Clerk, Lorrie Poyzer
City of Redlands, California

Accepted this 26th day of September, 1997, subject to applicable federal, state and local law.

TCI Cablevision of California, Inc.

By: 

Title: President



xc: City Attorney, City Council, City Clerk
ccxc: Files, Press

December 15, 1999

Gary Luebbbers
City Manager
City of Redlands
PO Box 3005
Redlands, CA 92373



Dear Gary:

Please allow this correspondence to serve as an official notice that the Century/TCI of California L.P. transaction has closed as of December 7, 1999. As you may already know, Adelphia Communications is the parent company of Century and the majority owner of the limited partnership. We will be operating in your area under the Adelphia brand.

We at Adelphia are truly excited to be a part of your community in Southern California. We are in the process of quickly assessing both current projects and upcoming schedules for a variety of improvements in customer service, fiber system upgrades, and the deployment of new products such as digital cable television, high speed internet access cable modems, paging, and long distance telephone services. We plan to keep you and our customers apprised of new developments on a regular basis.

Our commitment to building positive relationships with our local franchise representatives and the residents of Redlands is a top priority.

Please feel free to contact my office at any time if I may be of further assistance.

Kindest Regards,

Lee A. Perron
Vice President Corporate Affairs

