

AN AGREEMENT BETWEEN THE CITY OF COSTA MESA
AND ADELPHIA CABLEVISION OF ORANGE COUNTY,
L.L.C., A WHOLLY-OWNED SUBSIDIARY OF ADELPHIA
COMMUNICATIONS CORPORATION, GRANTING A NON-
EXCLUSIVE FRANCHISE TO OPERATE A CABLE
TELEVISION SYSTEM IN THE CITY OF COSTA MESA AND
SETTING FORTH TERMS AND CONDITIONS RELATING TO
THE GRANT OF THE FRANCHISE.

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into this ____ day of _____, 2004, at Costa Mesa, California, by the City of Costa Mesa, a municipal corporation of the State of California ("Grantor"), and Adelphia Cablevision of Orange County, L.L.C., a wholly-owned subsidiary of Adelphia Communications Corporation ("Grantee").

RECITALS

A. In accordance with Chapter 1 of Title 19 of the Costa Mesa Municipal Code, California Government Code Section 53066, and the Cable Communications Policy Act of 1984, as amended (47 United States Code Sections 521 et seq.), Grantor is authorized to grant a franchise for the construction, operation, and maintenance of a cable television system within the City of Costa Mesa.

B. The franchise service area described in this Agreement was previously unincorporated county territory. In July 2003, that unincorporated county territory was annexed by the Grantor in accordance with authorization from the Orange County Local Agency Formation Commission as set forth in Resolution Nos. IA 01-18 and IA 01-19 that were adopted on September 16, 2002.

C. An affiliate of the Grantee operated a cable television system within the annexed territory described above in paragraph (B) under the authority of a Franchise Agreement with the County of Orange that had been transferred to Grantee by Comcast Cablevision of Orange County, LLC. That Franchise Agreement was approved by Resolution No. 00-257 of the Orange County Board of Supervisors, as adopted on August 1, 2000. The transfer of that Franchise Agreement by Comcast Cablevision of Orange County, LLC to Adelphia Cablevision of Orange County II, LLC, a wholly-owned subsidiary of Adelphia Communications Corporation and an affiliate of the Grantee, was approved by Resolution No. 00-258 of the Orange County Board of Supervisors, as adopted on August 1, 2000.

D. The Franchise Agreement had a termination date that was three years from its effective date, and the County of Orange had the option to extend the agreement for an additional year.

E. Grantor and Grantee have negotiated the terms of this franchise, which are set forth below, in accordance with applicable law, and Grantee has agreed to comply with the provisions of this Agreement and Chapter 1, as it now exists. A copy of Chapter 1 is attached as Exhibit A and incorporated by this reference.

F. This Agreement is entered into by the parties in recognition of the fact that the designated franchise service area constitutes a small portion of the total area of the City and is occupied by a relatively small number of residents. Consequently, certain provisions of this Agreement are different from, or at variance with, the provisions of the cable television franchise previously awarded to the cable operator that serves the largest portion of the City and the greatest number of residents.

G. Upon its effective date, this Agreement will supplant in its entirety the Franchise Agreement referenced above in paragraph (C), and the respective rights and obligations of the parties will be governed exclusively by the terms and provisions of this Agreement.

H. The Grantor's City Council has reviewed the present and future cable-related needs of the Grantor and its residents, the Grantee's record of service and its ability to carry out its obligations under this Agreement, and the Grantee's financial, legal, and technical qualifications to hold a cable television franchise, and has determined that the public interest would be served by granting a franchise to the Grantee, subject to the terms and conditions of this Agreement and the provisions of Chapter 1.

NOW, THEREFORE, in accordance with the provisions of Chapter 1 and this Agreement, Grantor grants to the Grantee, and Grantee accepts from the Grantor, a cable television franchise.

1. GRANT OF FRANCHISE.

1.1. Parties to the Agreement. The parties to this Agreement are:

(a) Grantor: The City of Costa Mesa, a municipal corporation, having its principal office at 77 Fair Drive, Costa Mesa, California 92628.

(b) Grantee: Adelphia Cablevision of Orange County, L.L.C., a Delaware limited liability company, which is a wholly-owned subsidiary of Adelphia Communications Corporation, a Delaware corporation, with ownership as set forth in the attached Exhibit B that is incorporated by this reference, and having a local office at 3042 E. Miraloma, Anaheim, CA 92806.

1.2. Representatives of the Parties and Service of Notices. The representatives of the parties who are primarily responsible for the administration of this Agreement, and to whom formal notices, demands and communications must be given, are as follows:

(a) The principal representative of the Grantor is:

City Manager
Costa Mesa City Hall
77 Fair Drive
Costa Mesa, California 92628

(b) The principal representative of the Grantee is:

General Manager
Adelphia Communications Corporation
3042 E. Miraloma
Anaheim, California 92806

With a copy to:

Regional Counsel
Law and Public Policy Department
Adelphia Communications Corporation
3100 Ocean Park Boulevard
Santa Monica, California 90405

(c) Formal notices, demands and communications to be given by either party must be in writing and may be effected by personal delivery, by first class mail, by certified mail, return receipt requested, or by overnight delivery service.

(d) If the name of the principal representative designated to receive the notices, demands, or communications, or the address of that person, is changed, written notice must be given at least five working days before that change.

1.3. Definitions. Unless otherwise defined, or if the use or context clearly requires a different definition, certain words, terms, and phrases and their derivations, as used in this Agreement, have the meanings set forth below in Section 14.

1.4. Conflicts. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of Chapter 1, the provisions of this Agreement will control.

1.5. Grant. This franchise confers the authority, right, and privilege to construct, reconstruct, operate, and maintain a cable television system in the "franchise service area," which is more specifically described in the attached Exhibit C that is incorporated by this reference.

1.6. Right of Grantor to Issue Franchise. Grantee expressly acknowledges the right and authority of Grantor to issue the franchise. Similarly, Grantee acknowledges its obligation to pay the annual franchise fee specified in Subsection 2.2(a), which is the maximum percentage amount authorized by the Cable Act.

1.7. Effective Date of Franchise. This franchise will commence on the effective date of the ordinance or resolution authorizing the grant, or on the date specified in that ordinance or resolution as the effective date of the grant. On or prior to its effective date, Grantee must file with the City Clerk a written acceptance of the ordinance or resolution granting the franchise. That acceptance may be in the form of Grantee's signature on the face of the ordinance or resolution. Grantee must have all required performance bonds and insurance policies in place within 60 days after the effective date of this Agreement. Within 60 days after the effective date of this Agreement, Grantee must file with the City Clerk copies of the required performance bonds and insurance policies or insurance certificates. If the filing of these documents does not occur within that 60-day period, or within any authorized extension of that period, the Grantor may declare this franchise to be null and void.

1.8. Duration. The term of the franchise is twelve (12) years from the effective date as specified in Subsection 1.7.

1.9. Franchise Not Exclusive. The cable television franchise granted by this Agreement may not be construed to limit in any manner the right of Grantor, through its authorized officers and in accordance with applicable law, to grant to other individuals or entities, by franchise, permit, license, or otherwise, any rights, privileges or authority similar to or different from the rights, privileges and authority herein set forth, in the same or other streets, public ways, public places, or other property that the Grantee is entitled to occupy; provided, however, that those additional grants will not operate to revoke, terminate, or materially and adversely affect any rights granted to Grantee by this Agreement. If the Grantee determines that the cumulative benefits and burdens of an additional franchise awarded to another cable operator are not comparable to those existing under this Agreement, and the Grantee is thereby placed at a competitive disadvantage, then Grantee may request the Grantor to modify one or more provisions of this Agreement in order to eliminate that competitive disadvantage. The parties will meet and confer for the purpose of reviewing Grantee's request. Any proposed modifications will be subject to the approval of the Grantor's City Council.

1.10. Scope of the Franchise.

(a) Subject to Grantee's compliance with Grantor's permit procedures applicable to construction, encroachments, and pole attachments, Grantee is authorized and obligated to construct, reconstruct, upgrade, erect, install, repair, replace, operate, and maintain in, on, over, under, upon, across and the public streets and rights-of-way such lines, cables, fiber optics, conductors, ducts, conduits, vaults, manholes, amplifiers, appliances, pedestals, enclosures, attachments, and other property and equipment as are necessary and appropriate to the operation of the cable system.

(b) The authority granted under this Agreement includes the privilege to use the Grantee's cable television system in the franchise service area for the provision of cable television service to subscribers occupying residential dwelling units and non-residential structures. Grantor reserves all rights it now has or may later acquire with respect to the authorization and regulation of non-cable services.

(c) At least 30 days before commencing to offer or distribute any non-cable services, Grantee must provide written notice to the Grantor of its intent to offer or distribute such services and a description of those services; provided, however, that such notice confers no jurisdiction or authority upon Grantor to regulate any non-cable services.

(d) After the effective date of this Agreement, if Grantor proposes to award an additional franchise within the Grantee's franchise service area, a noticed public hearing must first be held in accordance with the provisions of Government Code Section 53066.3 to consider, among other relevant matters, the economic feasibility of that additional franchise.

(e) Grantor and Grantee expressly reserve the right to seek a judicial determination on whether any particular service offered by Grantee on its system constitutes cable service for purposes of this franchise.

2. GENERAL REQUIREMENTS.

2.1. Governing Requirements. Grantee must comply with all provisions of this Agreement, the provisions of Chapter 1 in effect on the Effective Date of this Agreement, and all other laws, ordinances, and regulations of general applicability. Grantor will provide prior notice to Grantee of the proposed adoption of new ordinances or resolutions, or the amendment of existing ordinances or resolutions, that may impose new regulatory requirements solely upon cable operators; provided, however, that nothing contained in this subsection may be construed to limit the Grantor's proper exercise of its police powers.

2.2. Franchise Fee.

(a) As compensation for the franchise granted by Grantor, and in consideration for authorization to use the streets and public ways of Grantor for the construction, reconstruction, operation, and maintenance of Grantee's cable television system, the Grantee will pay to the Grantor an annual franchise fee of five percent (5%) of the Annual Gross Receipts, as defined in Section 14 of this Agreement, that Grantee derives from its operation of the cable television system to provide cable services in the Grantee's franchise service area.

(b) Unless otherwise agreed to by the parties, the franchise fee specified above in paragraph (a) must be computed and paid by Grantee to Grantor's Finance Department on a quarterly basis, on or before a due date to be set forth in a schedule prepared by the Grantor's Finance Department; provided that such date shall be no earlier than 45 days following the close of the preceding calendar quarter. Grantee's franchise fee payments must be accompanied by supporting backup information and must actually be received by Grantor's Finance Department no later than 5:00 p.m. on the specified quarterly due date. Postmarks on remittance envelopes will not be deemed to constitute compliance with the quarterly payment deadline. The payment must be accompanied by a report that contains the following information relating to the prior calendar quarter:

1. The total gross receipts collected by Grantee.
2. The number of subscribers to each tier of service that is offered in the franchise service area.

(c) If any franchise fee payment, or recomputed amount, is not made on or before the dates specified in Subsections 2.2 or 2.3, Grantee must pay to Grantor, as additional compensation, interest on the unpaid amount from the date on which the payment first became delinquent until the payment is made. The applicable rate of interest will be the rate existing on the date of delinquency that is paid by the Local Agency Investment Fund for funds deposited by local agencies for investment, plus two percent.

(d) In addition to the interest on late payments provided for in paragraph (c) above, if a payment remains delinquent for 45 days or more after written demand is made upon Grantee under Subsection 11.1(a), then Grantor may treat that delay as a material breach of this Agreement.

(e) Any itemization or pass-through of franchise fees by Grantee on subscribers' bills must be in compliance with federal and state law. Any tax or surcharge billed to Grantee's subscribers that is not required by the Grantor or by any other governmental agency to be imposed upon subscribers must be identified as a tax or surcharge levied solely by the Grantee. Any such tax or surcharge will be subject to the Grantor's franchise fee unless prohibited by federal law.

2.3. Payment to Grantor.

(a) No acceptance of any payment by Grantor may be construed as an accord that the amount is in fact the correct amount, nor may acceptance of payment be construed as a release of any claim the Grantor may have against Grantee for any additional sums payable under the provisions of this Agreement. Any such claim must be asserted within four years after the date that payment is due.

(b) All amounts paid are subject to independent audit and recomputation by Grantor, as provided for in Subsection 10.8 of this Agreement.

2.4. Insurance Requirements.

(a) Upon the effective date of this Agreement, Grantee must obtain, and thereafter maintain for the full term of this Agreement, all of the following insurance coverages:

1. Types of Insurance and Minimum Limits. The coverages required below may be satisfied by any combination of primary liability and excess liability policies.

A. Workers' Compensation and Employer's Liability Insurance in conformance with the laws of the State of California.

B. Grantee's vehicles, including owned, non-owned (i.e., owned by Grantee's employees and used in the course and scope of employment), leased, or hired vehicles, must each be covered with Automobile Liability Insurance in the minimum amount of \$2,000,000 combined single limit per accident for bodily injury and property damage.

C. Grantee must obtain and maintain Comprehensive or Commercial General Liability Insurance coverage in the aggregate annual amount of \$2,000,000

combined single limit, including bodily injury, personal injury, and broad form property damage. This insurance coverage must include, without limitation:

(i) Contractual liability coverage adequate to meet the Grantee's indemnification obligations under this Agreement; and

(ii) a cross-liability clause.

2. All required Automobile Liability Insurance and Comprehensive or Commercial General Liability Insurance policies must contain the following endorsement:

"The City of Costa Mesa is added as an additional insured as respects the operations of the named insured under the cable television franchise granted by the City, and this insurance specifically covers the acts and omissions of Grantee, and its employees, agents, and subcontractors, in the performance of all work thereunder."

3. The insurance required of Grantee under this franchise is primary, and no insurance held by Grantor may be called upon to contribute to a loss under this coverage.

4. All insurance policies must provide that, in the event of material change, reduction, cancellation, or non-renewal by the insurance carrier for any reason, not less than 30 days' written notice will be given to Grantor by registered mail of such intent to cancel, materially change, reduce, or not renew the coverage. An authorized agent of the insurance carrier must provide to the Grantor, on such schedule as is requested by the Grantor, a certification that all insurance premiums have been paid and all coverages are in force. If for any reason Grantee fails to obtain or keep any of the insurance in force, Grantor may (but is not required to) obtain that insurance. In that event, Grantee must promptly reimburse Grantor its premium costs, plus one and one-half percent monthly interest thereon until paid.

5. All insurance must be obtained from companies that are licensed to transact business in California and that have a rating of A-VII or better in Best's Insurance Guide.

6. The deductibles or self-insured retentions are subject to the Grantor's prior approval, which approval will not be unreasonably withheld.

(b) Within 60 days after the effective date of this Agreement, Grantee must provide to Grantor written insurance binders, statements of property coverage, certificates of insurance, or certified copies of policies evidencing the required coverage.

(c) Grantor reserves the right to require Grantee to increase the amount or limits of insurance coverage specified above no more often than every three years during the term of the franchise. Any such increase will be determined in accordance with the then-existing risk management policies and procedures of the Grantor and will be proportionately no greater an increase than is required of any other user of the Grantor's rights-of-way.

2.5. Performance Bonds.

(a) Performance Bond. During the term of this Agreement, Grantee may be required to provide to Grantor a performance bond if Grantor determines that any construction, reconstruction, or upgrade of the cable television system is of sufficient magnitude to warrant a performance bond. The performance bond, which may be a corporate surety bond, must be in a principal sum as agreed upon by the parties and in a form approved by Grantor's City Attorney. The performance bond may be reduced during the course of Grantee's construction, reconstruction, or upgrade of the cable television system, provided that Grantee is not then in material default under any provision of this Agreement.

(b) Performance Bond for Other Obligations. No later than 60 days following the effective date of this Agreement, Grantee must provide to Grantor a performance bond to guarantee the Grantee's performance of its obligations under this Agreement, excluding those obligations relating to construction referenced above in paragraph (a). The performance bond will be in the sum of not less than \$10,000 and will be subject to and in compliance with the following requirements:

1. The performance bond will be available to Grantor to secure and to satisfy any and all claims, penalties, fines, liens, fees, payments, costs, damages, or taxes due Grantor from Grantee that arise by reason of the operation or maintenance of the cable television system.

2. After notice and hearing requirements specified in Section 11 of this Agreement have been satisfied, if the Grantee fails or refuses to pay to the Grantor any amounts due under the terms and provisions of this Agreement, the Grantor may thereafter claim against the performance bond the unpaid amount, plus accrued interest and penalties.

3. Within 30 days after Grantee's receipt of written notice from the Grantor that any amount has been claimed and received by the Grantor under the performance bond in satisfaction of any of Grantee's obligations specified above in Subsection 1, the Grantee must restore the performance bond to the amount required by this Agreement.

4. The rights reserved to the Grantor with respect to this performance bond are in addition to all other rights of the Grantor under this Agreement, including Grantor's rights under the performance bond for construction referenced above in paragraph (a). The Grantor's exercise of rights with respect to this performance bond will not constitute an election of remedies or a waiver of any other rights the Grantor may have.

3. RIGHTS RESERVED TO THE GRANTOR.

3.1. Reservation. Grantor reserves every right it may have in relation to its power of eminent domain over Grantee's franchise and property.

3.2. Delegation of Powers. With the exception of the power to revoke the franchise that is granted by this Agreement, any right or power in, or duty retained by or imposed upon Grantor, or any officer, employee, department, commission, or board of Grantor, may be

delegated by Grantor to any officer, employee, department or board of Grantor, or to such other person or entity as Grantor may designate to act on its behalf.

3.3. Right to Inspect Construction. The Grantor has the right to inspect all construction, installation, or other work performed by Grantee in connection with the franchise, and to make such tests as may be necessary to ensure compliance with the terms of this Agreement, so long as that inspection and testing does not unreasonably interfere with Grantee's operations and is not in conflict with 47 U.S.C. §544(e).

3.4. Right to Require Removal of Property. Consistent with applicable law, at the expiration of the term for which the franchise renewal is granted, or upon its lawful revocation, expiration, or termination, the Grantor has the right to require the Grantee to remove, within a reasonable period of time and at Grantee's expense, all portions of its system and any other property from all streets and public rights-of-way within the franchise service area.

3.5. Right of Intervention. Grantor has the right to intervene in any suit, proceeding, or other judicial or administrative proceeding in which the Grantor has any material interest, and to which the Grantee is made a party.

4. **DESCRIPTION OF THE SYSTEM, FUTURE UPGRADES AND SPECIAL SERVICES.**

4.1. Description of The System. The design and performance characteristics of Grantee's cable television system, as they exist on the effective date of this Agreement, are described in Exhibit D.

4.2. Notices Relating to Cable Television System Upgrades.

(a) **Notices on Local Newscast.** Upon Grantor's request, Grantee will cablecast public service announcements (PSAs) detailing the commencement of any future system upgrade. The first cablecasting of these PSAs will begin not less than 30 days prior to construction. The PSAs must provide a general summary of the upgrade, the type of facilities and equipment to be installed, and a customer service telephone number for additional information.

(b) **Other Notices.**

1. Upon Grantor's written request, Grantee will provide to Grantor at least 30 days prior written notice of any major upgrade or rebuild of the cable television system. Upon Grantor's written request, Grantee will provide information concerning the proposed locations and types of equipment or facilities to be installed, such as amplifiers, pedestals, and power supplies to the extent that this information is available.

2. Grantee will provide to all residents within a proposed construction area at least 30 days prior written notice of any proposed construction. This notice, which at Grantee's discretion may appear on the customer billing statement, must include a general description of the construction project, estimated start and completion timelines, and a customer service telephone number for additional information. Grantee must address all requests of

residents to the extent that accommodating those requests is not financially prohibitive, does not require more than minimal changes to the construction design and timeline, and does not affect the performance of the network.

3. At least 24 hours prior to the scheduled construction date, Grantee must provide additional notice to residents within the proposed construction area by the use of door hangers that set forth the same information required above in paragraph 2.

4.3. Outlets and Services for Public Buildings.

(a) Upon request and subject to Grantee's line extension policies, Grantee will provide one cable drop and one cable modem for high-speed Internet access in every public and private school within the franchise service area.

(b) Grantee will provide, without charge, basic cable service to one outlet at public facilities, as well as the schools identified above in paragraph (a), provided that such public facilities and schools are located within 125 feet of Grantee's existing distribution plant. If new public facilities are constructed within the franchise service area, then Grantee and Grantor will negotiate the installation of a reasonable number of outlets to be provided with basic cable service.

(c) Upon Grantor's written request, Grantee will submit a proposal for the design, construction, and maintenance of an Institutional Network ("I-Net") which, if accepted, will be the subject of a separate lease agreement between Grantor and Grantee.

(d) Grantor will inform Grantee of the future construction of new public facilities within the franchise service area so that exterior and interior connections can be installed by Grantee at the time of construction in order to minimize costs. These connections will be made by Grantee without cost to Grantor, provided that such facilities are located within 125 feet of Grantee's existing distribution plant.

4.4. Emergency Alert Capability.

(a) Grantee must comply with all FCC rules and regulations relating to the national Emergency Alert System ("EAS"). At no cost to the Grantor, Grantee will provide the cable system with emergency override capability to enable Grantor, acting by and through the Orange County Local Emergency Communications Committee, or any successor agency, to cablecast emergency messages by interrupting and overriding the audio signals of all cable channels using remote coded-access activation devices or comparable technology.

(b) In the event of any conflict between the federally-mandated EAS and the Grantor's emergency override system, the federally-mandated EAS will have priority.

4.5. Parental Control Devices.

(a) Grantee must provide subscribers, upon request, with a remote control PIN code, or similar parental control device that enables a subscriber to block the reception of video

signals from selected channels on the cable television system, including any premium or pay-per-view channel that is scrambled.

(b) Grantee must provide to subscribers written instructions on the methods by which selected channels on the cable television system may be restricted or blocked.

4.6. Technical Standards.

(a) The FCC Rules and Regulations, including Part 76, Subpart K (Technical Standards), and any amendments or supplements thereto, will apply to the Grantee's operations to the extent permitted by applicable law.

(b) The headend of the cable system, satellite earth stations, and any hubs must be equipped with an emergency power system in order to maintain continuous power in the event of a local power outage. The standby emergency power system must be capable of providing emergency power in accordance with industry standards that range between two and four hours.

(c) The cable system must be designed, installed, and operated so as to comply with the following general requirements:

1. Continuous 24-hour daily operation.
2. Avoid causing interference with the reception of off-the-air signals by non-subscribers.
3. Operate in a wide range of outdoor temperatures that typically occur within the franchise service area.
4. Assure that all subscribers will receive standard color and monochrome signals on the FCC-designated Class 1 channels without noticeable picture degradation or visible evidence of color distortion, or other forms of interference that may be attributable to deficiencies in the cable system.

5. SERVICES, PROGRAMMING, AND CONSUMER PROTECTION STANDARDS.

5.1. Rates and Charges for Cable Services and Equipment.

(a) The Grantor may regulate Grantee's rates and charges for cable television services and equipment in the manner and to the extent authorized by law.

(b) Grantee must establish and bill its rates and charges for cable television services and equipment in a manner consistent with all applicable laws and regulations.

(c) Grantee must at all times have on file with Grantor its current schedule of all rates and charges that will be billed to subscribers in the franchise service area.

(d) All increases in Grantee's schedule of rates and charges for cable television services and equipment must be made in compliance with all applicable federal and state laws and regulations. Grantee must provide written notice to Grantor's City Manager simultaneously with notice to its subscribers at least 30 days prior to any change in its schedule of rates and charges or any changes in its programming tiers.

(e) Within 45 days after the effective date of this Agreement, Grantee must submit to the Grantor's City Manager a complete list of each cable television programming package offered by Grantee within the franchise service area, including the expanded basic tier and any new or reconfigured tiers.

5.2. Discounts for Low-Income Residents. Grantee may offer to low-income residents within the franchise service area a discount for the basic service tier.

5.3. Leased Channel Service. If Grantee offers leased channel service, that service must be offered at nondiscriminatory rates, on reasonable terms and conditions, and in accordance with applicable law.

5.4. Nondiscrimination. Grantee may not discriminate between or among subscribers within one type or class with respect to rates or the availability of services, provided that service to multiple dwelling units need be provided only on terms reasonably acceptable to Grantee. No charges may be made for residential services not involving multiple dwelling units except as set forth in published schedules that are available for inspection at Grantee's office, quoted by Grantee on the telephone, or displayed or communicated to existing or prospective subscribers. This section does not apply to commercial establishments.

5.5. Termination of Residential Service.

(a) Grantee may terminate service to a residential subscriber only in compliance with the applicable provisions of California Government Code Section 53088.2. In addition to the required written notice, Grantee must make a good faith attempt to notify the affected residential subscriber of its intent to terminate service. If Grantee improperly terminates service to a residential subscriber, free reconnection must be provided to that subscriber.

(b) Grantee must issue security or subscriber deposit refund checks promptly, but no later than 45 days following the termination of service, less any deductions permitted by law.

5.6. Annual Subscriber Notice. Grantee will provide to all new subscribers and annually to existing subscribers, a notice to customers that is substantially similar to the notice referenced in paragraph 1 of Exhibit E ("Consumer Protection Standards").

5.7. Consumer Protection Standards. Grantee must comply with all applicable FCC and state statutory standards and regulations relating to consumer protection, including those referenced in Exhibit E.

5.8. Service Interruptions. Grantee must provide to its subscribers a minimum of 24 hours advance notice when cable service will be subject to a planned interruption and a

substantial number of subscribers will be affected for more than two hours. This notice may be given by means of character-generated messages on both the governmental access channel and, with the concurrence of the operator, on the public access channel. Notice must also be given, by telephone or by facsimile, to all operators of public, educational, and governmental access channels, and to the Grantor's City Manager. Whenever possible, planned interruptions should occur during periods of minimum use of the cable system, preferably between midnight and 6:00 a.m.

5.9. Privacy Rights of Subscribers. Grantee must at all times protect the privacy of all subscribers in accordance with the provisions of the Cable Act, including 47 U.S.C. §551.

6. SUPPORT OF LOCAL CABLE USAGE.

The obligations of the Grantee that relate to the support of local cable usage, including interconnection with Grantor's public, educational, and governmental access channels, are set forth in the attached Exhibit F.

7. DESIGN AND CONSTRUCTION.

7.1. System Construction and Extension.

(a) Throughout the franchise service area, Grantee is required to extend its cable television system in accordance with the following provisions:

1. Grantee must make its cable television system available to residential dwelling units in all currently unserved or developing areas that have at least 30 dwelling units per cable mile in areas passed by overhead cable, and at least 50 dwelling units per cable mile in areas passed by underground cable. To the extent that it receives prior notification, Grantee must extend the cable television system simultaneously with the installation of utility lines. Where residential dwelling units are located in unserved or developing areas that do not meet these standards for mandatory extension of service, Grantee must provide, upon the written request of a prospective subscriber desiring service, an estimate of the costs of extending service. Grantee may require an advance payment of those costs or an assurance of payment satisfactory to Grantee. The amount paid by the prospective subscriber is nonrefundable. If the unserved or developing area later achieves the density required for mandatory extensions of service, the amounts paid will be deemed to be consideration for early extension.

2. Grantee must extend and make its cable television system available to any resident requesting connection, at the standard connection charge, if that connection requires no more than a standard 125-foot aerial drop line from the main feeder line. If a connection requires more than a standard 125-foot aerial drop line, or an underground service connection, a resident must be given the option of paying the incremental cost for that installation.

3. Grantee may extend and make cable television services available to isolated residential dwelling units, and to any commercial and industrial zones of the franchise service area, based upon demonstrated need of the prospective subscriber and the economic feasibility of that extension.

(b) If additional territory is annexed to the City after the effective date of this Agreement, and an incumbent cable operator is then serving that annexed territory, then the Grantee is not required to overbuild in order to provide cable service to dwelling units in that territory.

(c) Service to prospective subscribers residing in multiple dwelling units need only be provided if, after evaluating the terms and conditions for access that may be imposed by an owner or manager of such multiple dwelling units, the Grantee determines that those terms and conditions are reasonably acceptable.

7.2. Construction Components and Techniques. Construction components and techniques must comply with the terms of this Agreement and all applicable statutes, ordinances, regulations, and pole attachment agreements.

7.3. Technical and Performance Standards. Grantee must construct, reconstruct, upgrade, erect, install, repair, replace, operate, and maintain its system in a manner consistent with all federal, state, and local laws and ordinances, construction standards, construction specifications of general applicability, FCC technical standards, and any additional standards set forth in this Agreement. Without limiting the foregoing, Grantee's system must comply with all FCC regulations that apply to compatibility between cable service and consumer equipment for receiving and recording cable programming.

7.4. Construction Codes. The Grantee must strictly adhere to all building and zoning codes now or hereafter in force and must obtain all necessary permits. Subject to the approval of the Grantor's Public Services Department, the Grantee must arrange its lines, cables, and other appurtenances, on both public and private property, in such a manner as to cause no unreasonable interference with the use of that property by any person. If such interference is caused, the Grantor may require the removal or relocation of the Grantee's lines, cables, and appurtenances from the property in question.

7.5. Construction Default. Upon the failure, refusal or neglect of Grantee to undertake or complete any construction, reconstruction, repair, relocation or other necessary work as required by this Agreement, thereby creating an adverse impact upon the public health, welfare or safety, Grantor may (but is not required to) cause that work to be completed, in whole or in part, and upon so doing will submit to Grantee an itemized statement of costs. Grantee will be given reasonable advance notice of Grantor's intent to exercise this power, and 15 days to cure the default. Grantee must, within 30 days of billing, pay to Grantor the actual costs incurred.

7.6. Vacation or Abandonment. If any street, alley, public highway, or portion thereof used by the Grantee is vacated by the Grantor, or its use is discontinued by the Grantee, then upon reasonable notice the Grantee may be required to remove its facilities, unless otherwise specifically authorized, or unless easements for cable television facilities have previously been reserved. Following that removal, Grantee must restore, repair, or reconstruct the area where that removal has occurred to such condition as may be required by the Grantor, but not in excess of the original condition. Upon any failure, neglect, or refusal of the Grantee, after 30 days' notice by the Grantor, to do such work, Grantor may cause it to be done, and within 30 days of billing, Grantee must pay to Grantor the actual costs incurred.

7.7. Abandonment in Place. Grantor may, upon written application by Grantee, approve the abandonment in place by Grantee of any property, under such terms and conditions as Grantor may approve. Upon Grantor-approved abandonment in place of any property, Grantee must cause to be executed, acknowledged, and delivered to Grantor such instruments as Grantor may prescribe and approve in order to transfer and convey ownership of that property to Grantor.

7.8. Removal of System Facilities. If Grantee's plant is deactivated for a continuous period of 60 days (except for reasons beyond Grantee's control), and without prior written notice to and approval by Grantor, then Grantee must, at Grantor's option and demand, and at the sole expense of Grantee, promptly remove all of Grantee's property from any streets or other public rights-of-way. Grantee must promptly restore the streets or other public areas from which its property has been removed to the condition existing prior to the removal of Grantee's property.

7.9. Movement of Facilities. If Grantor determines it is necessary to move or to relocate any of the Grantee's property because of a conflict with a public project, Grantee, upon reasonable notice, must move, at the expense of Grantee, its property in order to facilitate that public project. No such movement or relocation may be deemed a taking of Grantee's property. If the public project involves Grantor's exercise of its statutory authority to construct and to operate its own cable system, or the cable system of a competitive franchise, the reasonable expenses incurred by Grantee in moving or relocating its property will be reimbursed by the Grantor or by the competitive franchisee.

7.10. Undergrounding of Cable and Facilities. Cables must be installed underground, at Grantee's cost, within any existing or future utility undergrounding district established by Grantor, and in areas where some utilities are already underground and new utilities, in addition to cable, are being installed underground. Previously installed aerial cable will be installed underground at Grantee's sole cost in concert with other utilities whenever those other utilities convert from aerial to underground construction. The installation of new facilities and the replacement of existing above-ground facilities, such as vaults, service boxes, cabinets, pedestals, or similar facilities, will be placed underground where such placement is technologically feasible.

7.11. Facility Agreements. This Agreement does not relieve Grantee of any obligations to obtain pole or conduit space from any department of Grantor, from any utility company, or from others maintaining utilities in Grantor's streets.

7.12. Repair of Public Rights-of-Ways; Permits Required. All public rights-of-ways, and improvements located within those public rights-of-ways, that are disturbed or damaged by the Grantee or its contractors during the construction, reconstruction, operation, or maintenance of the cable system, must be restored at Grantee's expense, and within the time frame and limits specified by Grantor. Grantee must obtain permits from Grantor's Public Services Department for all work within the public rights-of-ways that disturbs the public improvements or requires the closure of one or more traffic lanes. Permits will be issued to Grantee at Grantee's expense.

7.13. Erection of Poles Prohibited. Grantee may not erect any pole on or along any street or public way where there is an existing aerial utility system. If additional poles in an

existing aerial route are required, Grantee must negotiate with the appropriate public utility for their installation. Any such installation requires the advance written approval of the Grantor. Subject to applicable federal and state law, the Grantee must negotiate the lease of pole space and facilities from the existing pole owners for all aerial construction, under mutually acceptable terms and conditions. No pole line may be extended solely for the purpose of accommodating Grantee's facilities. Line extensions beyond any existing pole line must be underground. If an existing pole owner demands unreasonably high compensation for a lease or an attachment, or refuses to provide access to the Grantee, then the parties will meet and confer concerning the application of this subsection and the reasonableness of an exemption or waiver to its provisions.

7.14. Reservation of Street Rights.

(a) Public Improvements. Nothing in this Agreement precludes the Grantor from constructing, repairing, or altering any public work or improvement. That work will be done, insofar as practicable, in such manner as not to unnecessarily obstruct, injure or prevent the use and operation of any property of Grantee. However, if any property of Grantee interferes with the construction, maintenance, or repair of any public improvement, that property must be removed or replaced in such manner as may be directed by Grantor so as not to interfere with the public work or improvement, and that removal or replacement will be at the expense of the Grantee.

(b) Street Cuts and Trenching. Nothing in this Agreement modifies or limits the Grantor's policies, as adopted and implemented by the Grantor's Public Services Department, relating to the cutting or trenching of public streets.

7.15. Miscellaneous Design and Construction Requirements.

(a) New Development-Underground Utility Areas. Where new construction or property development occurs, and utilities are to be placed underground, Grantor will require the developer or property owner to give reasonable notice to Grantee of that new construction or development. Grantee may be involved in all design aspects of the new construction or development that relate to the infrastructure required for cable service, including the provision of specifications and engineering assistance prior to construction. The costs of easements, trenching, and construction of the conduits required to bring cable service to the new construction or development will be borne by the Grantee, the developer, or the property owner, as may be agreed upon between them. Grantee will be notified of any date on which the installation of conduit, pedestals, vaults, or laterals will be available for Grantee's inspection. Grantee will bear all costs of installing cable, amplifiers, and other equipment required to construct and operate the cable system.

(b) Antennas and Towers. Antenna supporting structures, including towers, that are owned by or operated for Grantee must comply with all applicable electrical codes and FCC specifications, and must be erected, illuminated, painted, and maintained in accordance with all applicable rules and regulations of the Federal Aviation Administration, as well as local ordinances and regulations that require the Grantor's approval of the siting of towers or other support structures within the City.

(c) Tree Trimming. Grantee or its designees are authorized to trim trees on public property, at its own expense, as may be necessary to protect its wires, facilities, and cable equipment, subject to the direction and supervision of the Grantor. Trimming trees on private property requires the written consent of the property owner or occupant. Any such authorized tree trimming must be undertaken by a licensed arborist, and the licensed arborist must be in possession of a valid City business license.

(d) Major Roadways. Grantee must install in conduit all cable that passes under any major roadway.

(e) Use of Chalk-Based Paints. Grantee must use only chalk-based paints to mark public rights-of-way in connection with the construction or maintenance of the cable television system.

(f) Vehicle Access to Private Property. In no event may an owner's vehicle access to private property be precluded for more than three hours during any construction, operation, or maintenance of the Grantee's cable system. If such preclusion is reasonably anticipated, Grantee must give 24 hours prior written notice to the owner.

(g) Location of Utilities. Grantee must verify the location of all existing utilities to ensure that they are not damaged during construction or maintenance of the cable system. Grantee must be a member of Underground Service Alert and must contact that entity 48 hours in advance of any underground construction in order to ensure that utilities are not damaged. Grantee is solely responsible for the replacement or repair of any utilities that are damaged during construction or maintenance activities.

8. PERFORMANCE AUDITS AND TECHNICAL DATA.

8.1. Annual Audit of Performance.

(a) At its option, Grantor may require that performance audits of the cable television system be conducted annually by an independent technical consultant selected and employed by Grantor, and at Grantor's expense, to verify that the system complies with all technical standards and other specifications of this Agreement. Grantee must be provided an opportunity to be present during any performance audit, and the Grantor must deliver a copy of the test results to Grantee. If the test results demonstrate that Grantee has materially failed to comply with required technical standards, and such failure is undisputed, the reasonable cost of the performance audit will be borne by Grantee.

(b) Upon completion of a performance audit, the Grantor and Grantee will meet to review the performance of the cable television system. This performance review may include consideration of the following:

1. The test results relating to Grantee's compliance with technical standards and specifications.
2. The reports required by this Agreement that relate to subscriber complaints.

3. The adequacy and quality of services provided by Grantee.
4. The results of any opinion surveys that may be conducted by Grantor or Grantee.
5. Reports submitted by Grantee or any other person that address Grantee's compliance with the terms and conditions of this Agreement granting the franchise.
6. Changes in cable television system technology and services, an evaluation of the degree to which the cable television system and related services conform to state-of-the-art technology, and the economic and technical feasibility of providing interactive, addressable, and security monitoring services.
7. Changes in state and federal laws and regulations that affect the operation of the cable television system.

(c) Within 30 days after the conclusion of a system performance review meeting, Grantor will issue findings with respect to the adequacy of compliance with FCC technical standards. If inadequacies are identified, Grantor may direct Grantee to correct the inadequacies within such period of time that Grantor determines to be reasonable.

(d) Participation by the Grantor and the Grantee in this process does not waive any rights that either may have under applicable federal or state law.

(e) Either in conjunction with or separate from the annual performance audits described above, and upon Grantor's request, Grantee will meet with Grantor's representatives to discuss the technology and services that Grantee is offering to residents of the City and any new technology that Grantee intends to provide over its cable system.

8.2. System Testing and Technical Data.

(a) During any future upgrade of the system, and thereafter, Grantee must conduct periodic performance testing of its cable television system, including its signal quality, in accordance with FCC rules and regulations. Upon Grantor's request, those test results will be provided to Grantor by Grantee.

(b) During any future upgrade of the cable television system, Grantee will incorporate test equipment wherever feasible in order to continuously monitor the system for outages and signal quality.

(c) Upon Grantor's request, Grantee will provide "strand" system drawings and technical documentation in either a printed or electronic data format. Grantor may not disclose this information to third parties without the Grantee's prior written approval.

(d) Grantor must maintain at its local office a file of all documents that are required by the FCC or other governmental agencies to be made available for public inspection during normal business hours and upon reasonable advance notice. Grantee may charge members of the public a reasonable fee for any copies of documents that may be requested.

8.3. Emergency Repair Capability. It is Grantee's responsibility to ensure that its personnel are qualified to make repairs, that they are available at all reasonable times, and that they are supplied with keys, equipment location instructions, and technical information necessary to begin repairs upon notification of the need to maintain or restore continuous service to the system.

9. REVOCAION, TERMINATION, OR FORFEITURE.

9.1. Revocation. Consistent with applicable law, and in addition to all rights set out elsewhere in this Agreement, Grantor reserves the right to revoke, terminate, or declare a forfeiture of the franchise, subject to the procedural guidelines set forth in Section 11 of this Agreement, if the Grantee, whether willfully or negligently, violates any material provision of this Agreement.

9.2. Grounds for Revocation, Termination, or Forfeiture. Where the Grantee's violation is determined to involve any of the following, each of which is deemed to constitute a material provision of this Agreement, the Grantor may revoke, terminate, or declare a forfeiture of this franchise and all rights and privileges associated with it:

(a) Grantee's repeated failure to make any payment of franchise fees on the quarterly due date specified in Subsection 2.2(b), and the delinquency continues for 45 days or more after written demand is made upon Grantee under Subsection 11.1(a).

(b) Grantee's failure to provide or to maintain the insurance coverage in the amounts specified in Subsection 2.4.

(c) Grantee's failure to provide or to maintain the performance bonds specified in Subsection 2.5.

(d) Grantee's failure to honor its indemnification obligations as specified in Subsection 13.4.

(e) Grantee's failure to receive and maintain all required approvals from the Federal Communications Commission in connection with its operation of the cable television system.

(f) Grantee's material violation of any final order or ruling of any regulatory body having jurisdiction over the Grantee relative to the cable television services authorized by the franchise, unless that order or ruling is being contested by the Grantee in a court of competent jurisdiction.

(g) Grantee's willful attempt to evade compliance with any provisions of this Agreement or Chapter 1, or to practice any fraud or deceit upon the Grantor or upon existing or prospective subscribers.

(h) Grantee's cessation of cable television services to its subscribers for reasons within Grantee's control; provided that Grantee will not be determined to be at fault

under any provision of this Agreement in any case where the performance of that provision is excused or excusable under Subsection 13.2.

(i) Grantee's persistent failure or refusal to remedy one or more material violations, defaults, breaches, or incidents of noncompliance for which lesser penalties have previously been imposed.

(j) Grantee's insolvency, inability to pay its debts, or adjudication as a bankrupt.

(k) Grantee's willful falsification of information set forth in any report required to be submitted to Grantor under this Agreement.

9.3. Removal of Property. Upon any termination, revocation, or forfeiture of the franchise, Grantee may be required to remove its structures and property from the Grantor's streets and to restore those streets to their prior condition within a reasonable period of time specified by Grantor. Upon Grantee's failure to do so, the Grantor may perform the work and collect all costs, including direct and indirect costs, from the Grantee. At Grantor's discretion, the cost of that work may be placed as a lien upon all plant, property, or other assets of the Grantee, or a claim may be asserted against the performance bond referenced in Subsection 2.5(b).

10. RECORDS; REPORTS; RIGHT TO INSPECT AND AUDIT; EXPERTS.

10.1. Grantee to Provide Records. All reports and records required under this Section 10 must be furnished at no cost to Grantor.

10.2. Records. Grantee must maintain at its local administrative office, currently located in Santa Ana, and make available for inspection during normal business hours, and not more than 30 calendar days after the request, a separate and complete set of business records for the franchise authorized by this Agreement. To the extent commercially practicable, the Grantee must provide that information in such form as may be reasonably required by the Grantor, so long as that information is reasonably related to the scope of Grantor's rights under this Agreement, or Grantor's regulatory functions.

10.3. Maintenance and Inspection of Records. Grantee must maintain accurate books and records, in conformity with generally accepted accounting principles, showing all receipts, expenses, loans, payments, investments of capital, and other transactions relating to the cable television franchise in the franchise service area. Grantor, upon reasonable notice, has the right to inspect those records to the extent that information is reasonably related to the scope of the Grantor's rights under this Agreement, or Grantor's regulatory functions. In accordance with the provisions of Subsection 10.10, Grantor will protect the confidentiality of information contained in Grantee's business and financial records that are deemed by Grantee to be proprietary.

10.4. Reports of Financial and Operating Activity. Upon Grantor's written request, Grantee must submit to the Grantor the following reports:

(a) A financial report, verified by a designated financial manager of Grantee, for all cable system activity within the franchise service area during the previous fiscal year. The report must set out separately the annual gross receipts from all sources within the franchise service area, the annual gross subscriber revenues derived from each tier of service in the franchise service area, the total amount and basis for the computation of annual franchise fees paid to Grantor, and such other relevant facts as may reasonably be required by Grantor to verify the accuracy of the payment of annual franchise fees.

(b) A summary of Grantee's activities within the franchise service area during the previous year, including, but not limited to, subscriber totals for each tier of cable service, services added or discontinued, and the number of new installations.

(c) A current list of Grantee's officers, directors, and other principals if there has been any change during the previous year.

(d) A summary of written complaints received from subscribers and remedial actions taken.

10.5. Performance Tests and Compliance Reports. Upon Grantor's written request, Grantee must provide a written report of any FCC or other performance tests required or conducted. In addition, Grantee must provide reports of any tests and compliance procedures required by this Agreement not later than 45 days after the completion of those tests and compliance procedures.

10.6. Communications with Regulatory Agencies. Upon Grantor's written request, copies of all non-routine and material communications between the Grantee and the Federal Communications Commission, or any other agency having jurisdiction in respect to any matters affecting the cable communications operations authorized by this Agreement, must be submitted to the Grantor within 10 days after their receipt or submittal by Grantee.

10.7. Inspection of Facilities. Upon reasonable notice, and during normal business hours, Grantee must permit inspection, by any duly authorized representative of Grantor, of all franchise property and facilities of Grantee situated within the franchise service area.

10.8. Right to Audit.

(a) In addition to all other inspection rights under this Agreement, upon 30 days prior written notice, Grantor has the right to inspect and audit, during normal business hours, all documents pertaining to the Grantee that are reasonably related to the Grantor's enforcement of its rights under this Agreement; provided, however, that the Grantor may not exercise this right more frequently than once in any 12-month period nor for any period longer than four years prior to the date of the request. Those documents will be made available at the Grantee's local administrative office, which is currently located in Santa Ana, unless Grantor and Grantee agree otherwise. All documents pertaining to financial matters that may be the subject of an audit by the Grantor, as set forth herein, must be retained by the Grantee for a minimum of

five years following the termination of this Agreement. Access by the Grantor to any documents covered by this subsection may not be denied by the Grantee on grounds that those documents are alleged to contain proprietary information. In accordance with Subsection 10.10, Grantor will protect the confidentiality of Grantee's business and financial records that are deemed by Grantee to be proprietary.

(b) Any audit conducted by Grantor under this subsection will be conducted at the sole expense of Grantor, and Grantor will prepare a written report containing its findings, a copy of which will be mailed to the Grantee; provided, however, that Grantee must reimburse Grantor for the reasonable expense of any such audit if, as the result of that audit, it is determined that there is any shortfall of more than three percent (3%) in the amount of franchise fees or other payments that have been made by Grantee to Grantor under the terms of this Agreement.

10.9. Retention of Experts. In the exercise of its rights under this Agreement, Grantor has the further right to retain technical experts and other consultants on a periodic basis for the purpose of monitoring, testing, and inspecting any construction, operation, or maintenance of the system, and all parts thereof, or to ensure compliance with and enforcement of the provisions of this Agreement. The Grantor will bear the entire cost of retaining those experts, unless the reports of those experts or consultants as submitted to the Grantor reveal that the Grantee has failed to substantially comply with the terms and conditions of this Agreement, in which case Grantor and Grantee will meet and confer for the purpose of determining whether all or some portion of the costs incurred by Grantor will be reimbursed by Grantee.

10.10. Protection of Grantee's Proprietary Information.

(a) **"Proprietary Information" Defined.** For the purpose of this Subsection 10.10, the term "proprietary information" means any written information or data that the Grantee is required under this Agreement to submit to the Grantor, or to make available for inspection by the Grantor, which enables the Grantor to perform its regulatory functions relating to the Grantee's provision of cable services, and which, if disclosed to third parties, would result in unfair competitive disadvantage to the Grantee.

(b) **Identification of Proprietary Information.** Grantor will cooperate with Grantee in an effort to preserve and to protect, to the maximum extent authorized by law, the privileged and confidential nature of all proprietary information that, at the time it is submitted to or inspected by Grantor, is clearly identified by Grantee as being "proprietary, privileged, and confidential."

(c) **California Public Records Act.** If Grantor receives a request under the California Public Records Act (California Government Code Sections 6250 *et seq.*), or under any legal process that may require disclosure of Grantee's information, data, or documents that have been identified as "proprietary, privileged, and confidential," then Grantor will: (i) give Grantee prompt written notice of that request; and (ii) use all reasonable efforts to defer disclosure until Grantee determines to waive compliance with the provisions of this Subsection 10.10, or to seek an appropriate protective order, or to pursue such other legal remedies as may

be necessary to protect the privileged and confidential nature of Grantee's proprietary information.

(d) Resolution of Conflicts. This Subsection 10.10 is in all respects subject to the California Public Records Act, which will supersede the provisions of this subsection in the event of any conflict.

11. ENFORCEMENT PROCEDURES.

11.1. Notice and Hearing upon Grantee's Default.

(a) Unless otherwise provided in this Agreement, prior to formal consideration by Grantor of any termination, revocation, or forfeiture of Grantee's franchise, or the imposition of any fine, penalty or administrative remedy available to Grantor, including liquidated damages, attributable to Grantee's failure, whether willful, negligent, or otherwise, to comply with the terms and conditions of this Agreement, Grantor must make written demand on Grantee to correct the alleged default. Grantor and Grantee will expeditiously meet to discuss the alleged default, at which time Grantee must indicate, in writing, the period of time reasonably required to resolve the problem. Giving due consideration to Grantee's request, Grantor will, in writing, state the period of time Grantor will allow Grantee to resolve the problem, which in no event will be less than 30 days. During this time period, but in no event less than 10 days before the final date for correction, Grantee may request additional time to correct the problem, and Grantor may grant that request if Grantor determines, in its discretion, that such additional time is necessary due to delays beyond Grantee's control. If the default continues for a period of 10 days after the deadline for correction, including any authorized extension of time, a hearing before the City Council will be scheduled by Grantor with regard to franchise termination, revocation, forfeiture, or the imposition of any other appropriate fine, penalty, or administrative remedy.

(b) The City Manager will provide to Grantee written notice of the hearing, including the grounds for the proposed action, not less than 10 days before the hearing. That written notification will also describe the procedures to be followed by the City Council to determine whether cause exists for termination, revocation, forfeiture, or the imposition of fines, penalties, or remedies. At a minimum, those procedures will afford the Grantee adequate notice and a fair opportunity for full participation, including the right to introduce evidence, to require the production of evidence, to question witnesses, and to obtain a transcript of the proceeding at Grantee's expense. At the hearing, the City Council will hear Grantee, and any other person interested in the matter, and will determine, at that or at any continued hearing, an appropriate course of action for enforcement of the franchise. All decisions of the City Council will be in writing and will include findings of fact and conclusions. The decision of the City Council will be final and dispositive, but without prejudice to Grantee's right to pursue any remedies under state or federal law.

11.2. Delegation. The proposed imposition of remedies, such as liquidated damages or monetary penalties, that do not involve termination, revocation, or forfeiture of the franchise may, at Grantor's option, be determined by an officer, employee, or agency of the Grantor to

which it may delegate these administrative decisions, subject to due process and the criteria contained in this section, and subject to appeal to the City Council.

11.3. Stop Work Notice. If any construction is performed by or on behalf of Grantee in a manner that does not comply with the provisions of this Agreement, the Grantor's Public Works Director, or any other designee of the Grantor's City Manager, may order the work to be stopped. That order to stop work may be made by written notice and served upon any person engaged in or responsible for the construction. No work that is stopped may be resumed until authorized by the Public Works Director or other designated representative of the Grantor.

11.4. Authorized Fines, Penalties, and Other Sanctions.

(a) Grantor may impose fines, penalties, and other sanctions as set forth in this Subsection 11.4 for defaults under, or incidents of noncompliance with, the provisions of this Agreement. Grantor must first give Grantee written notice describing with specificity the alleged default or incident of noncompliance in accordance with Subsection 11.1(a) and an opportunity to correct the problem.

(b) Following the expiration of any specified period within which Grantee is directed to cure a default or an incident of noncompliance, the following fines, penalties, and other sanctions may be imposed by Grantor after the hearing required under either Subsections 11.1 or 11.2:

1. For Grantee's failure to comply with any of the design and construction standards set forth in Section 7 of this Agreement, a penalty not to exceed \$250 may be imposed for each day that the incident of noncompliance has not been remedied by the Grantee.

2. For Grantee's failure to comply with the periodic performance testing requirements set forth in paragraph (a) of Subsection 8.2 of this Agreement, a penalty not to exceed \$250 may be imposed for each day that the incident of noncompliance has not been remedied by the Grantee.

3. For Grantee's failure to maintain or to provide any books, records, reports, or other documents in the manner and at the time specified in this Agreement, a penalty not to exceed \$100 may be imposed for each day that the incident of noncompliance has not been remedied by the Grantee.

4. For Grantee's failure to comply with any of the Consumer Protection Standards specified in Exhibit E to this Agreement, excluding violations of the four-hour scheduling requirement for service connections or repairs, a penalty not to exceed \$100 may be imposed for each day that the incident of noncompliance has not been remedied by the Grantee.

5. Subject to the limitations imposed by Section 1722(b) of the California Civil Code, if Grantee fails to commence a service installation or repair within a specified or agreed-upon four-hour period, the Grantee must provide to the subscriber one of the

following: (i) free service connection where an installation had been requested; or (ii) where a repair had been requested, a credit to the subscriber's account in the sum of \$20.

6. For any other default or incident of noncompliance not specified in this Subsection 11.4, a maximum penalty not to exceed \$100 may be imposed upon Grantee by Grantor for each day that the default or incident of noncompliance has not been remedied by the Grantee.

12. CONTINUITY OF CABLE TELEVISION SYSTEM SERVICES.

12.1. Continuity of Service. The parties acknowledge that it is the right of all subscribers to receive all services authorized by this Agreement so long as they honor their financial and other obligations to the Grantee. During any future upgrade of the system by Grantee, and upon any future sale of the system, Grantee must use due diligence and reasonable care to ensure that all subscribers receive continuous, uninterrupted service. In the event of purchase by Grantor, or a change of franchisee, Grantee will cooperate with Grantor or the new franchisee to operate the system for an interim period in order to maintain continuity of service to all subscribers. If Grantee, through its own fault, discontinues system-wide service for 72 continuous hours, and Grantee is in material default of this Agreement, then Grantor may, by resolution, when reasonable cause is deemed to exist, assume operation of the system for the purpose of maintaining continuity of service. Grantor's operation of the system may continue until the circumstances that, in the judgment of the Grantor, threaten the continuity of service are resolved to Grantor's satisfaction. Grantor is entitled to receive all revenues for any period during which it operates the system.

12.2. Operation and Management By Grantor.

(a) During any period when the system is being operated by Grantor under Subsection 12.1 above, Grantor will attempt to minimize the disruption of operations in a manner consistent with the maintenance of continuing service to subscribers. Notwithstanding the foregoing, Grantor may, as it deems necessary, make any changes in any aspect of operations that, in Grantor's sole judgment, are required for the preservation of quality and continuity of service. During that period, Grantor will also maintain the system's records, physical plant, financial integrity, funds, and other elements normally involved in operations.

(b) Grantor may, upon assuming operation of the system, appoint a manager to act for it in conducting the system's affairs. That manager will have such authority as may be delegated by Grantor and will be solely responsible to Grantor for management of the system.

13. MISCELLANEOUS PROVISIONS.

13.1. Assignment, Transfer, Sale, and Change of Control.

(a) As specified in Section 19-05(F) of Chapter 1, consummation of the following transactions related to this franchise, or involving the Grantee of this franchise, requires the prior written consent of the Grantor's City Council expressed by resolution after a public hearing, which consent will not be unreasonably withheld, and then only under such conditions as may be mutually agreed to :

1. The sale, transfer, lease, assignment, or other disposition of the franchise, in whole or in part, whether voluntary or involuntary; provided, however, that such consent is not required for (A) a transfer in trust, mortgage, or other hypothecation for the purpose of securing an indebtedness of the Grantee relating to the construction, reconstruction, operation, or maintenance of the cable television system; or (B) an assignment of the franchise to another business entity in the tier of business entities owned or controlled by Adelphia Communications Corporation, which assignment complies with all applicable conditions set forth below in paragraph (c). A transfer, assignment, or other disposition of the franchise may be made only by an instrument in writing, a duly executed copy of which must be filed in the office of the City Clerk within 30 days after the consummation of that transfer, assignment, or other disposition.

2. Any merger, consolidation, reorganization, business combination, or other transaction wherein or whereby 50 percent or more of the ownership interests in the Grantee will be affected and control of the Grantee will change or be subject to change. As used herein, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Grantee. A duly executed copy of any written instrument evidencing the closing and consummation of any such transaction must be filed in the office of the City Clerk within 30 days after the closing and consummation of that transaction.

(b) In determining whether it will consent to any transfer, assignment, or other disposition of the franchise, or to any transaction affecting the control of the Grantee, the Grantor may evaluate the financial, technical, and legal qualifications of the proposed transferee or controlling person. Grantee must ensure that the proposed transferee or controlling person submits an application, in the form required by Chapter 1, or by any applicable federal law, not less than 120 days prior to the closing date of the proposed transaction. After considering the financial, technical, and legal qualifications of the proposed transferee or controlling person, the City Council may, by ordinance or resolution, authorize the proposed transaction, subject to such conditions as may be in the public interest. Grantor's consent to any such transaction may not be unreasonably denied or delayed.

(c) The requirements of this Subsection 13.1 do not apply to the restructuring of debt or to the transfer of ownership interests in the Grantee to another business entity in the tier of business entities owned or controlled by Adelphia Communications Corporation that: (i) controls the Grantee; or (ii) is controlled by the Grantee; or (iii) is under common control with the Grantee; provided, however, that the Grantee must: (1) provide to Grantor not less than 30 days prior written notice of that proposed transaction; (2) provide information concerning ownership and voting interests in the proposed transferee; (3) provide a list of officers, directors, and any new managing employees of the proposed transferee, and their cable industry-related experience and expertise; (4) represent that the proposed transaction will have no foreseeable effect on the management and operation of the Grantee's cable system in the franchise service area; and (5) agree to execution by the Grantee and the proposed transferee of an assignment and assumption agreement, in form and substance acceptable to the Grantor's City Attorney, whereby the proposed transferee assumes all of Grantee's obligations under this Agreement and accepts its terms and conditions.

(d) Grantee's liability to Grantor for the reimbursement of costs of a transfer, as described in Section 19-05(F) of Chapter 1 of the Costa Mesa Municipal Code, is limited to \$2,500.

13.2. Force Majeure.

(a) If Grantee's performance of any of the terms, conditions, obligations, or requirements of this Agreement is prevented or impaired by any cause or event beyond its reasonable control and not reasonably foreseeable, that inability to perform will be deemed to be excused for such period as may be reasonably necessary to overcome the effects of that cause or event, and no penalties or sanctions will be imposed. Those causes beyond Grantee's reasonable control and not reasonably foreseeable include, but are not limited to, acts of God, civil emergencies, labor unrest, strikes, inability to obtain access to an individual's property, and inability of the Grantee to secure all necessary authorizations or permits to use necessary poles or conduits so long as Grantee exercises due diligence to timely obtain those authorizations or permits.

(b) Where any cause or event is beyond Grantee's reasonable control and is not reasonably foreseeable, and that cause or event only partially affects Grantee's ability to perform, Grantee must perform to the maximum extent possible. In that event, Grantee must give written notice to the Grantor of any such cause or event within five business days after Grantee has learned of its occurrence.

(c) Grantee's compliance with the terms, conditions, obligations, and requirements of this Agreement will not be excused on the basis of increases in the cost of performance, changes in economic circumstances, or nonperformance by an employee, agent, or contractor of the Grantee.

(d) Nothing contained in this Subsection 13.2 will be deemed to limit Grantee's rights under 47 U.S.C. § 545, as it now exists or may later be amended, to seek modifications of franchise requirements based upon "commercial impracticability."

13.3. Possessory Interest. By accepting the franchise, Grantee acknowledges notice was given to Grantee, as required by California Revenue and Taxation Code Section 107.6, that use or occupancy of any public property under the authority set forth in this Agreement may create a possessory interest that may be subject to the payment of property taxes levied upon that interest.

13.4. Indemnification.

(a) Grantee will indemnify, defend, and hold harmless the Grantor, its officers, agents and employees, from any liability, claims, damages, costs, or expenses, including reasonable attorney's fees, arising out of or attributable to the exercise or enjoyment of the franchise renewed pursuant to this Agreement. Grantee, at its sole cost and expense, and upon demand of Grantor, will appear in and defend all suits, actions, or other legal proceedings, whether judicial, quasi-judicial, administrative, legislative or otherwise, instituted by third persons or duly constituted authorities, against or affecting Grantor, its officers, agents, or employees, and arising out of or pertaining to the exercise of rights arising under the franchise

within the franchise service area, and injury to persons or damages to property proximately caused by any conduct undertaken by the Grantee, its agents, employees, or subcontractors, by reason of the franchise. This indemnity does not apply to (1) matters arising out of the Grantor's negligence; (2) the content of programming carried on any channel set aside for public, educational or governmental use, or channels leased pursuant to 47 U.S.C. §532, unless the Grantee was engaged in determining the editorial content of the program; and (3) the Grantor's use of Grantee's emergency alert system ("EAS") capability. Grantor must give Grantee timely written notice of the making of any claim or of the commencement of any action, suit or other proceeding covered by the indemnity set forth in this section. If a claim arises, the Grantor or any other indemnified party must tender its defense to Grantee, and the Grantee will have the right to defend, settle or compromise that claim, and the Grantor will cooperate fully with the Grantee.

(b) Grantor will indemnify, defend, and hold harmless the Grantee, its officers, agents, and employees, from any liability, claims, damages, costs, or expenses arising out of or attributable to Grantor's use of the public, educational, or governmental access channels and its use of the Grantee's emergency alert system.

13.5. Receivership and Foreclosure.

(a) At the option of Grantor, this franchise will terminate 120 days after the appointment of a receiver, or trustee, to take over and conduct the business of Grantee, whether in a receivership, reorganization, bankruptcy or similar action or proceeding, unless that receivership or trusteeship is vacated prior to the expiration of that 120 day period, or unless: (i) the receiver or trustee, within 120 days after that appointment, fully complies with all the terms and provisions of this Agreement, and remedies all defaults under this Agreement; and (ii) the receiver or trustee, within that 120 day period, executes an agreement duly approved by the court having jurisdiction in the matter, whereby that receiver or trustee assumes and agrees to be bound by each and every term, provision, and limitation of this Agreement.

(b) In the case of a foreclosure or other judicial sale of the plant, property, or equipment of Grantee, or any part thereof, including or excluding this franchise, Grantor may serve notice of termination upon Grantee and the successful bidder at that sale, in which event this franchise, and all rights and privileges of the Grantee under it, will terminate 30 days after the service of that notice, unless: (i) Grantor approves the transfer of the franchise in the manner provided by this Agreement; and (ii) the successful bidder covenants and agrees with Grantor to assume and be bound by all the terms and conditions of this Agreement.

13.6. Conflict of Interest. The parties agree that, to their knowledge, no member of the City Council, nor any other officer or employee of Grantor, has any interest, whether contractual, financial or otherwise in this franchise, or in other business of the Grantee, and that if any such interest comes to the knowledge of either party at any time, a full and complete disclosure of that information will be made in writing to the other party, even if that interest would not be considered a conflict of interest under applicable laws. Grantee covenants that it has, at the time of execution of this Agreement, no interest, and that it will not acquire any interest in the future, direct or indirect, that would conflict in any manner with the performance of its obligations under

this Agreement. Grantee further covenants that, in the performance of its obligations, no person having any such interest will be engaged or employed.

13.7. Resolution of Disputes.

(a) Disputes regarding the interpretation or application of any provisions of this Agreement will, to the extent reasonably feasible, be resolved through good faith negotiations between the parties.

(b) If any action at law or in equity is brought to enforce or interpret any provisions of this Agreement, that action must be initiated in a court of competent jurisdiction located in Orange County, State of California, regardless of any other possible jurisdiction or venue. In addition, the prevailing party in any such action is entitled to reasonable attorneys' fees, costs and necessary disbursements, in addition to any other relief that may be sought and awarded.

13.8. Waiver by Grantor. The Grantor has the right to waive any provisions of this Agreement, except those required by federal or state laws or regulations, if the Grantor determines (i) that it is in the public interest to do so, and (ii) that the enforcement of such provision will impose an undue hardship on the Grantee or its subscribers. To be effective, a waiver must be in writing and signed by a duly authorized representative of the Grantor.

13.9. Severability. If any provision of this Agreement is rendered invalid or unenforceable by a court, the remaining provisions will not be affected unless their enforcement under the circumstances would be unreasonable, inequitable, or would otherwise frustrate the purposes of this Agreement.

13.10. Amendments. This Agreement supersedes all prior proposals, agreements and understandings between the parties and may not be modified or terminated orally. No modification, termination or attempted waiver of any of its provisions, including the provisions of Chapter 1 of Title 19 that is attached as Exhibit A, will be binding unless in writing and signed by both parties.

13.11. Binding Upon Successors. This Agreement is binding upon and inures to the benefit of each of the parties and to their respective transferees, successors and assigns.

13.12. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which is deemed to be an original and all of which constitute one and the same instrument.

13.13. Applicable Law. This Agreement and the transactions contemplated by it are to be construed in accordance with and governed by the applicable laws of the State of California and of the United States.

13.14. Reservation of Rights. Grantor and Grantee expressly reserve all rights afforded under the Constitution of the United States and all rights that either party may be determined to have, whether express or implied, under subsequent legislation or judicial decisions, and nothing

in this Agreement shall be deemed or construed to be an express or implied waiver of those rights.

13.15. Waiver of Municipal Code Provisions. Sections 19-06(A) and (B) of Chapter 1 of the Costa Mesa Municipal Code shall not apply to Grantee.

14. DEFINITIONS.

14.1. Defined Terms. For the purposes of this Agreement, the following words, terms, phrases, and their derivations have the meanings set forth below. When not inconsistent with the context, words used in the present tense include the future tense, and words in the singular number include the plural number.

“Affiliated Entity” or “Affiliate” means any entity having ownership or control in common with the Grantee, in whole or in part, including, without limitation, Grantee’s parent corporations and any subsidiaries or affiliates of those parent corporations.

“Basic Service” or “Basic Cable Service” or “Basic Service Tier” means the lowest service tier that includes the retransmission of local television broadcast signals, including those of public, educational, and governmental access channels.

“1984 Cable Act” means the Cable Communications Policy Act of 1984.

“1992 Cable Act” means the Cable Television Consumer Protection and Competition Act of 1992.

“Cable Act” means the 1984 Cable Act as amended by the 1992 Cable Act and by the Telecommunications Act of 1996.

“Cable Operator” means any person or group of persons (i) who provides cable service over a cable system; or (ii) who controls or is responsible for, through any arrangement, the management and operation of a cable system.

“Cable Service” means (i) the one-way transmission to subscribers of video programming or other programming service; and (ii) subscriber interaction, if in conjunction with subparagraph (i), which is required for the selection of or use of that video programming.

“Cable System” or “Cable Television System” or “System” means 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 that includes video programming and that is provided to multiple subscribers within a community. Unless otherwise specified, the term “cable system” means the system that Grantee is authorized by this Agreement to construct, operate, and maintain. The term “cable system” 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 subscribers without using any public right-of-way;

- (c) a facility of a common carrier that is subject, in whole or in part, to the provisions of Title II of the Telecommunications Act of 1996, except that such facility will be considered a cable system (other than for purposes specified in Section 621(c) of the 1984 Cable Act) 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 Title VI of the Telecommunications Act of 1996; or
- (e) any facilities of an electric utility that are used solely for operating its electric utility system.

"Complaint" means a billing dispute in which a subscriber notifies Grantee of an outage or degradation in picture quality that is not corrected following the initial telephone or service call.

"Control" or "Controlling Interest" means actual working control in whatever manner exercised, including, without limitation, working control through ownership, management, or debt instruments, as the case may be, of the cable system or the Grantee.

"Drop" means the cable and related equipment connecting the cable system's plant to equipment at the premises of a subscriber or the facilities of the Grantor.

"Education Channel" means any channel where non-profit educational institutions are the primary designated programmers.

"FCC" means the Federal Communications Commission or its designated representatives.

"Franchise" means a written undertaking or action of the Grantor that authorizes a specific person to use the Grantor's streets and public ways for the purpose of installing, operating and maintaining a cable television system to provide cable service.

"Franchise Fee" has the same meaning as defined in 47 U.S.C. §542(g).

"Government Channel" means any channel where a local government agency is the primary designated programmer, and the programming is informational noncommercial programming regarding government activities and services.

"Grantee" means Adelphia Cablevision of Orange County, LLC, a wholly-owned subsidiary of Adelphia Communications Corporation, and its lawful successors, transferees, or assignees.

"Grantor" means the City of Costa Mesa, acting by and through its elected governing body, or such representative as the governing body may designate to act on cable matters in its behalf.

“Gross Revenues” means all amounts, in whatever form and from all sources, earned by the Grantee or by any Affiliated Entity in connection with the operation of Grantee’s cable system to provide cable services within the franchise service area.

(a) “Gross Revenues” include, without limitation, the following:

- (i) Amounts received for the basic service tier, other analog or digital service tiers, pay services, pay-per-view services, audio services, equipment rentals, subscriber installation and service transactions, late fees or administrative fees, cable guide charges, itemized expenses such as itemized franchise fees, itemized FCC regulatory fees, and itemized PEG support fees, leased access, advertising, home shopping commissions, and all other revenues derived from the provision of cable service over Grantee’s cable system.
- (ii) Revenues that are not directly attributable to specific subscribers, including but not limited to, advertising revenue, home shopping commissions, and leased access payments, shall be allocated to cable systems and jurisdictions on a per subscriber or other equitable basis measured in a consistent manner from period to period. Such allocation basis and its measurement shall be subject to Grantor’s approval.
- (iii) All amounts earned during any period regardless of whether the amounts are initially recorded by the Grantee or by an Affiliated Entity.

(b) “Gross Revenues” shall not be net of (1) any operating expense; (2) any accrual, including, without limitation, any accrual for commissions paid to advertising sales representative firms employed by or on behalf of Grantee or any Affiliated Entity; or (3) any other expenditure, regardless of whether such expense, accrual, or expenditure reflects a cash payment; except that (i) actual bad debt write-offs, net of bad debt recoveries, (ii) commissions paid to advertising agencies employed by or on behalf of Grantee’s or any Affiliated Entity’s advertising customers, and (iii) amounts paid by programmers as launch fees, launch bonuses, or marketing reimbursements, may be deducted or excluded from Gross Revenues for purposes of calculating franchise fees or PEG support amounts payable under this Agreement.

(c) “Gross Revenues” shall not be double counted. Revenues of both Grantee and an Affiliated Entity that represent a transfer of funds between the Grantee and the Affiliated Entity, and that would otherwise constitute Gross Revenues of both the Grantee and the Affiliated Entity, shall be counted only once for purposes of determining Gross Revenues. Similarly, operating expenses of the Grantee that are payable from Grantee’s revenue to an Affiliated Entity and which may otherwise constitute revenue of the Affiliated Entity, shall not constitute additional Gross Revenues for purposes of this Agreement. Gross Revenues shall include amounts earned by Affiliated Entities only to the extent that Grantee could, in concept, have earned such types of revenue in connection with the operation of Grantee’s cable system

and recorded such types of revenue in its books and records directly, but for the existence of Affiliated Entities.

(d) "Gross Revenues" shall not include deposits, refunds or credits, nor sales or other similar taxes imposed by law on subscribers that the Grantee is obligated to collect. (Itemized franchise fees, itemized FCC regulatory fees, and itemized PEG support fees do not constitute such taxes.)

"Headend" means that central portion of the system where signals are introduced into and received from the balance of the system.

"Leased Channel" or "Leased Access Channel" means any channel where someone other than Grantor or Grantee is sold the rights to air programming.

"Pay Cable," "Pay Service," "Premium-Service" or "Pay Television" means signals for which there is a fee or charge to users over and above the charge for basic service, including any tiers of service; provided, however, the sale or lease of studio facilities, equipment, or tapes to local users are not deemed to be pay or premium services.

"Person" means any individual, corporation, partnership, proprietorship, or organization authorized to do business in the State of California.

"Plant" means the transmitting medium and related equipment that transmits signals between the headend and subscribers, including drops.

"Pole Attachment Agreement" or "Attachment Agreement" means any agreement with the Grantor, with any other governmental entity, or with any public utility relating to the Grantee's use of utility poles, ducts, or conduits.

"Program" or "Programming" means the information content of a signal and the act or process of creating that content, whether that content is intended to be pictures and sound, sound only, or any other form of information.

"Programmer" means any person who provides program material or information for transmission by means of the cable system.

"Property of Grantee" means all property owned or leased by Grantee within the franchise service area in the conduct of its cable system business under a franchise.

"Public Channel," "Access Channel," "Community Service Channel" or "Community Channel" means any channel for which members of the public, or any community organization, may provide nonadvertiser supported programming.

"Residential Dwelling Unit" or "Dwelling Unit" means a home, mobile home, condominium, apartment, cooperative unit, and any other individual dwelling unit.

"Service Area" or "Franchise Service Area" means that portion of the City of Costa Mesa that is specifically referenced in Subsection 1.5 of the Agreement.

"Service Interruption" means the loss of picture or sound on one or more cable channels.

"Service Tier" or "Tier" means a category of cable service or other services provided by a cable operator and for which a separate rate is charged by the cable operator, other than per channel or per event programming or packages of per channel or per event programming.

"Streets" means the surface of, and the space above and below, any public street, sidewalk, alley, or other public way or right-of-way of any type.

"Subscriber" means any person electing to subscribe, for any purpose, to a cable service provided by Grantee by means of or in connection with its cable system.

14.2. Terms Not Defined. Words, terms, or phrases not defined above in Subsection 14.1 will first have the meaning as defined in the Cable Act and accompanying regulations and FCC decisions, next in Chapter 1, and next the special meanings attributable to their use in any industry, business, trade, or profession where they commonly carry special meanings. If those special meanings are not common, they will be defined as set forth in commonly used and accepted dictionaries of the English language.

15. AUTHORITY AND EFFECTIVE DATE.

15.1. Authority. The persons signing below represent that they are authorized to bind the entities on whose behalf they are signing.

15.2. Effective Date. This Agreement will become effective as of the date specified in Subsection 1.7. It is the intention of the parties that the Grantee will first execute this Agreement and then submit it to the Grantor. The City Clerk will insert the effective date in all counterparts of this Agreement, attest to their execution by a duly authorized officer of the Grantor, and transmit one or more fully executed counterparts to the Grantee.

TO EFFECTUATE THIS AGREEMENT, each of the parties has caused this Agreement to be executed by its duly authorized representative as of the date set forth below the authorized signature.

APPROVED AS TO FORM:

CITY OF COSTA MESA

Special Counsel

By: _____
Mayor

Date: _____

ATTEST:

City Clerk

ADELPHIA CABLEVISION OF ORANGE COUNTY, L.L.C., a Delaware limited liability company and a wholly-owned subsidiary of ADELPHIA COMMUNICATIONS CORPORATION, a Delaware corporation

By: Ft. Myers Cablevision, L.L.C., A Delaware limited liability company, Its Sole Member,

By: Ft. Myers Acquisition Limited Partnership, A Delaware limited partnership, Its Sole Member,

By: Olympus Communications, L.P., A Delaware limited partnership, Its General Partner,

By: ACC Operations, Inc., A Delaware corporation, Its Managing General Partner

By: _____

Name: _____
(Print or Type)

Title: _____

Date: _____

APPROVED AS TO FORM:

Corporate Counsel

EXHIBIT A

CHAPTER 1 OF TITLE 19 OF THE COSTA MESA MUNICIPAL CODE AS ADOPTED
AND IN EFFECT ON THE EFFECTIVE DATE OF THE FRANCHISE

EXHIBIT B

OWNERSHIP

The ownership of Adelphia Cablevision of Orange County, L.L.C., a wholly-owned subsidiary of Adelphia Communications Corporation, is described as follows:

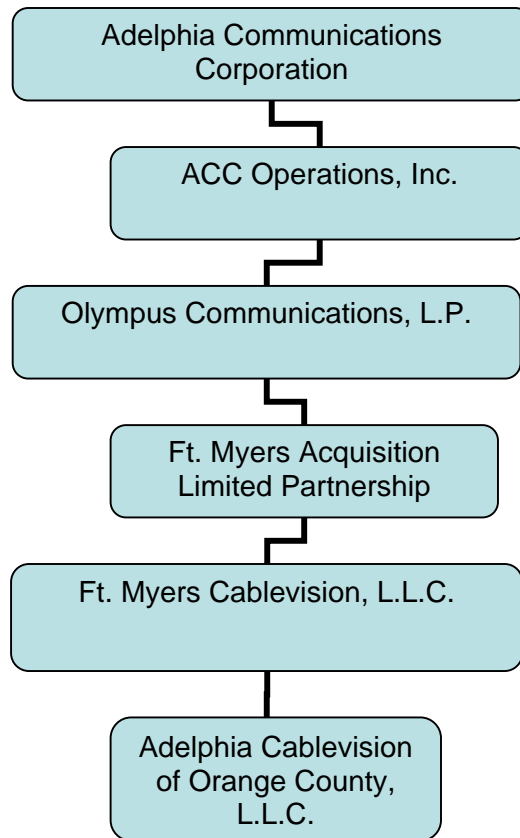
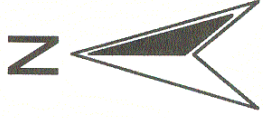
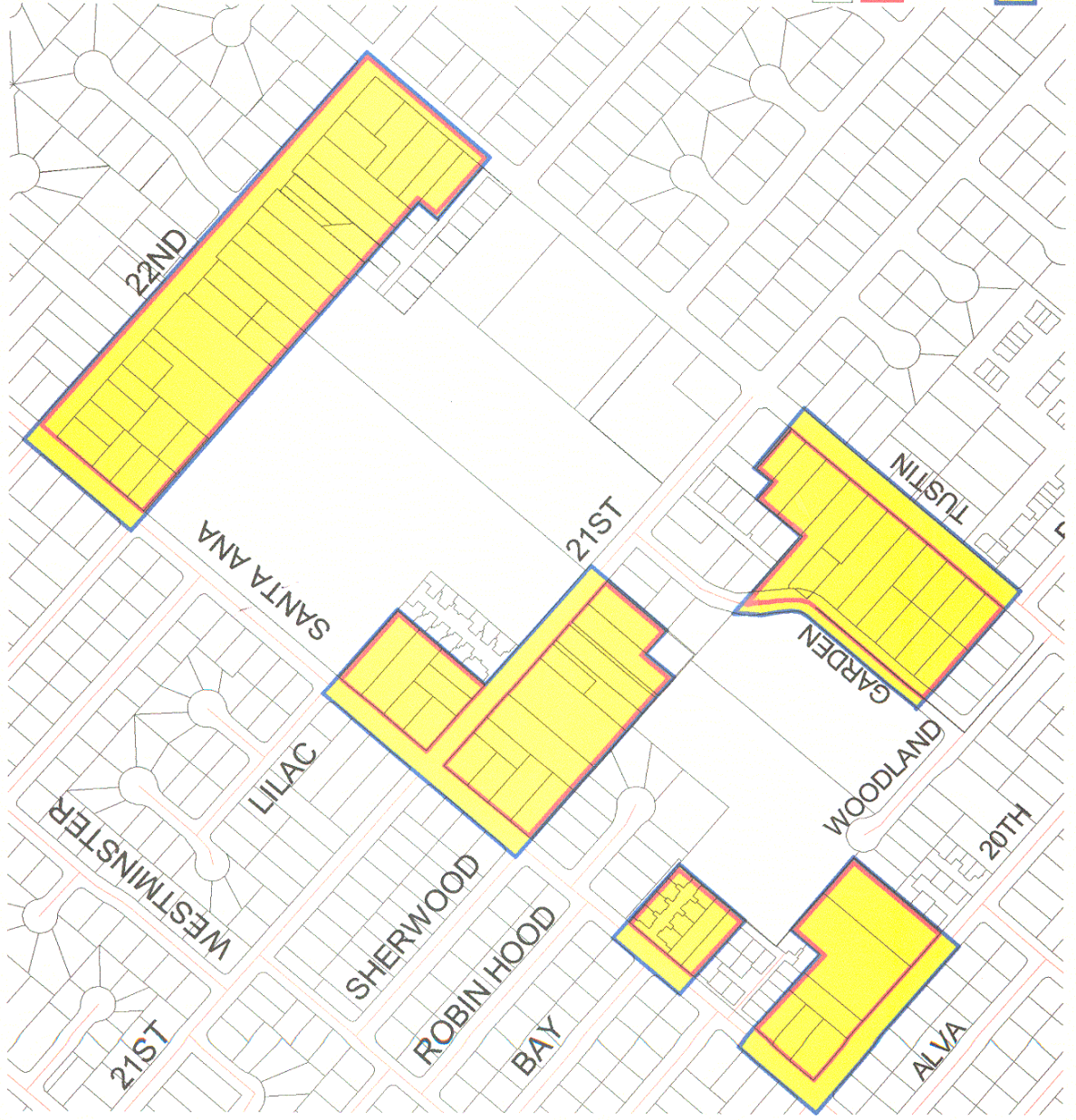


EXHIBIT C

DESCRIPTION OF THE FRANCHISE SERVICE AREA

EXHIBIT C
CITY OF COSTA MESA - ADELPHIA FRANCHISE SERVICE AREA



NOT TO SCALE

LEGEND




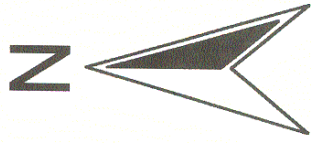
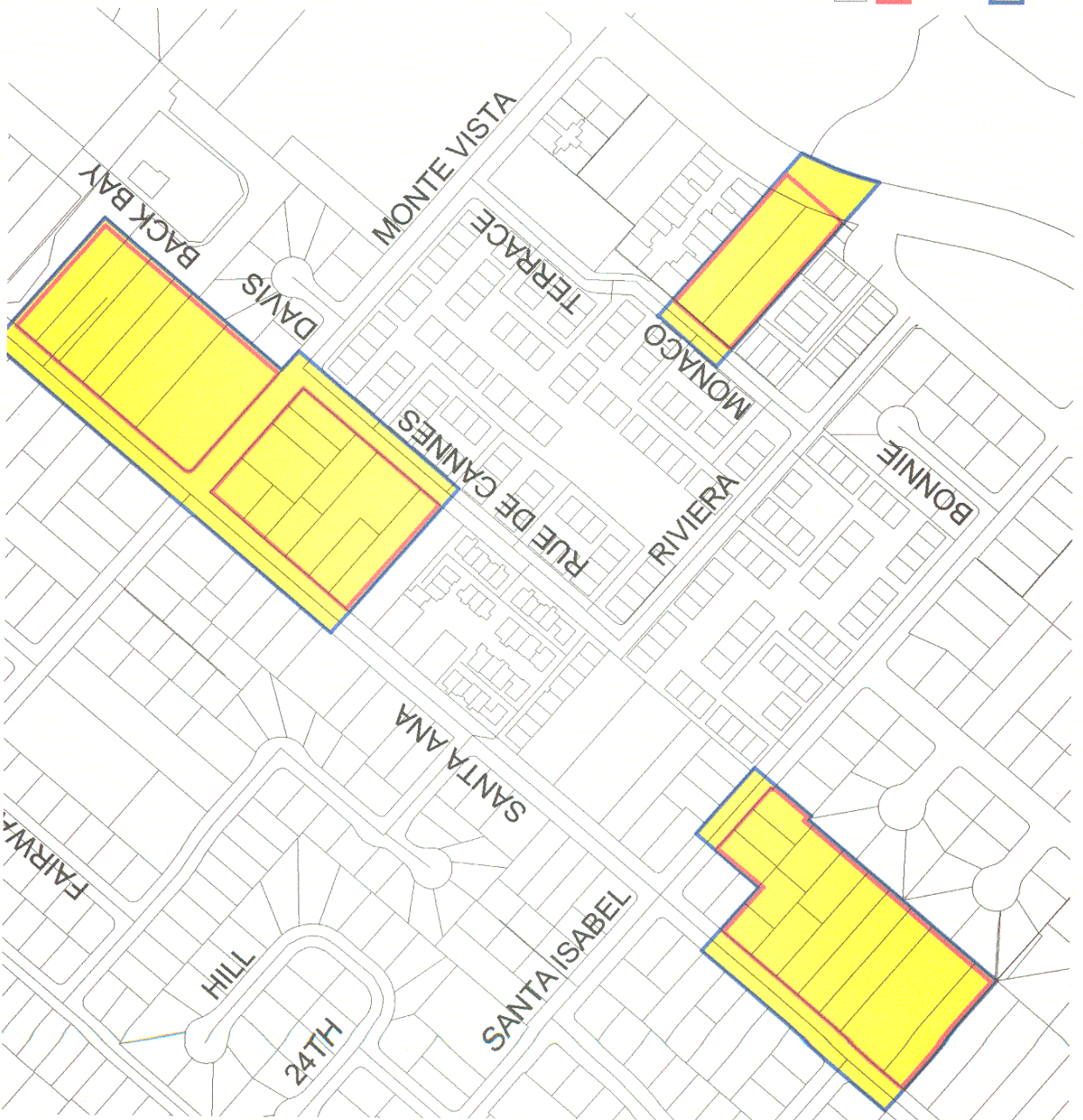
-  PARCELS
-  CITY OF COSTA MESA ANNEXATIONS EFFECTIVE JULY 1, 2003
-  ADELPHIA FRANCHISE SERVICE AREAS

EXHIBIT C CITY OF COSTA MESA - ADELPHIA FRANCHISE SERVICE AREA



NOT TO SCALE

LEGEND


-  PARCELS
-  CITY OF COSTA MESA ANNEXATIONS EFFECT. JULY 1, 2003
-  ADELPHIA FRANCHISE SERVICE AREAS

EXHIBIT D

DESCRIPTION OF GRANTEE'S CABLE SYSTEM

Grantee's cable system in Costa Mesa is a seven hundred fifty megahertz (750 MHz) hybrid fiber-coaxial (HFC) network that extends fiber optic lines from the headend to nodes throughout the franchise service area. At each node, the signals enter the coaxial network for transmission to the home.

The cable system is capable of providing hundreds of channels using both analog and digital services. Each analog video channel requires six megahertz (6 MHz). Through the use of digital channels, however, Grantee has the ability to use existing technology to provide eight to ten video channels in the same six megahertz (6 MHz) spectrum.

EXHIBIT E
CONSUMER PROTECTION STANDARDS

1. Grantee's Notifications to Subscribers.

Grantee will provide to all new subscribers and annually to existing subscribers, notifications that are substantially similar to those attached as Schedule 1 to this Exhibit E.

2. General Standards for Consumer Service and Protection.

Grantee must meet or exceed all applicable consumer service standards that are customary in the cable television industry and that are recommended or required by the following:

(a) Federal statutes, and the rules, regulations, and orders of the Federal Communications Commission, including the following:

(i) The provisions of Section 76.309(c) of Title 47 of the Code of Federal Regulations, as it now exists or may later be amended, a copy of which is attached as Schedule 2 to this Exhibit E.

(ii) The provisions of Section 76.630 of Title 47 of the Code of Federal Regulations, as it now exists or may later be amended, a copy of which is attached as Schedule 3 to this Exhibit E.

(iii) The provisions of Section 551 of Title 47, United States code, as it now exists or may later be amended, a copy of which is attached as Schedule 4 to this Exhibit E.

(b) The provisions of California Government Code Sections 53054, et seq., entitled the "Cable Television and Video Provider Customer Service and Information Act," a copy of which is attached as Schedule 5 to this Exhibit E.

(c) The provisions of California Government Code Section 53088, et seq., entitled the "Video Customer Service Act," a copy of which is attached as Schedule 6 to this Exhibit E.

(d) The provisions of California Civil Code Section 1722(b)(1)-(6) relating to service or repair transactions between cable television companies and their subscribers, a copy of which is attached as Schedule 7 to this Exhibit E.

Unless preempted by paramount federal law, the consumer service standards referenced above that are the most stringent, and that afford the greatest degree of protection to consumers, will apply to Grantee's operations and activities in the franchise service area.

EXHIBIT F

SUPPORT OF LOCAL CABLE USAGE

A. Grantor and Grantee acknowledge that Comcast Corporation ("Comcast"), the franchised cable operator serving the majority of territory within the City of Costa Mesa, is obligated under certain provisions of its cable television franchise agreement to provide specified services, facilities, and channel capacity in support of Grantor's public, educational, and governmental ("PEG") access programming.

B. Grantor has the exclusive right to use Channels 24, 26, 27, 29 and 35 for public, educational, and governmental programming on the cable system owned and operated by Comcast.

C. Grantee acknowledges that, prior to the effective date of this Agreement, it has conducted technical evaluations and has made financial projections to determine the feasibility of providing the interconnection that is referenced below in paragraph (E).

D. Grantor and Grantee have mutually agreed that, as of the effective date of this Agreement, the desired interconnection is prohibitively expensive, given the small number of subscribers that are served within the franchise service area.

E. During the term of this Agreement, upon Grantor's prior written request, Grantee will meet and confer with Grantor for the purpose of further evaluating the technical and financial feasibility of interconnecting Grantee's cable system within its franchise service area with the cable system owned and operated by Comcast for the purpose of cablecasting two PEG channels that are currently cablecast on the Comcast cable system. These two channels are Channel 24, which is the government access channel operated by the Grantor, and Channel 26, which is the educational access channel operated by the Newport Mesa Unified School District. Any such interconnection, if determined to be technically and financially feasible, will also be subject to Grantee's ability to obtain and retain permission from Comcast, or any successor, for the interconnection and to receive the Grantor's programming at no cost; provided, however, that once the interconnection is made, any proposed termination of the interconnection based upon the imposition of costs or fees will be preceded by notification to the Grantor and by good faith discussions between the parties concerning that proposed termination.