

RESOLUTION No. 1367

A RESOLUTION APPROVING THE CABLE SERVICE FRANCHISE RENEWAL AGREEMENT BETWEEN KBL MULTNOMAH CABLESYSTEMS, L.P. (PARAGON CABLE) AND THE CITIES OF FAIRVIEW, GRESHAM, TROUTDALE AND WOOD VILLAGE AND MULTNOMAH COUNTY.

WHEREAS, in May 1983 Multnomah County and the cities of Gresham, Fairview, Troutdale and Wood Village (East County Jurisdictions) entered into a 15-year Cable Communications Service Franchise Agreement with Cablesystems Multnomah East, now KBL Multnomah Cablesystems, L.P. dba Paragon Cable (Paragon Cable); and

WHEREAS, at the same time, the City joined with the cities of Fairview, Wood Village and Gresham and Multnomah County in forming the Multnomah Cable Regulatory Commission (MCRC) by intergovernmental agreement (IGA) to monitor, regulate and supervise the construction and operation of the joint cable communications system; and

WHEREAS, in 1993, the Troutdale City Council approved amendments to the MCRC IGA forming the Consolidated Cable Communications Commission. The Commission administers and regulates cable communications franchise agreements issued by Multnomah County and the cities of Gresham, Fairview, Wood Village, Troutdale and Portland (Jurisdictions). The Commission also advises the Jurisdictions on regional, state and national cable communication policy matters; and

WHEREAS, the Commission recommends approval of the attached renewal franchise agreement with Paragon Cable negotiated on behalf of the East County Jurisdictions (current franchise expires May, 1998); and

WHEREAS under Section 4.B.1. of the IGA, the Jurisdictions retain full authority with respect to any decision to grant, revoke, terminate, extend, amend, renew or refuse to renew a franchise agreement; and

WHEREAS, the Cable Services Franchise Agreement authorized and approved by this resolution will be effective after approval by Multnomah County and the cities of Fairview, Gresham, Troutdale and Wood Village; NOW, THEREFORE,

BE IT RESOLVED BY THE TROUTDALE CITY COUNCIL THAT:

Section 1:

The Mayor is authorized and directed to execute on behalf of the City a Cable Services Franchise Renewal Agreement between KBL Multnomah Cablesystems, L.P. (Paragon Cable) and the cities of Fairview, Gresham, Troutdale and Wood Village and

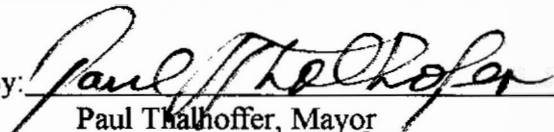
Multnomah County, substantially in accordance with the attached Exhibit A, made a part of this ordinance.

PASSED BY THE TROUTDALE CITY COUNCIL THIS 10th DAY OF MARCH, 1998.

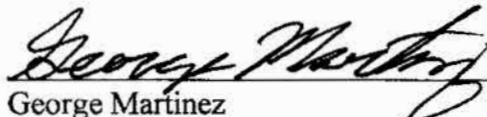
YEAS: 6

NAYS: 0

ABSTAINED: 0

By: 
Paul Thalhoffer, Mayor
Date Signed: 3-13-98

ATTEST:


George Martinez
City Recorder

**RECOMMENDATION OF THE
MT. HOOD CABLE REGULATORY COMMISSION
REGARDING:**

**PARAGON FRANCHISE RENEWAL
FOR THE CITIES OF FAIRVIEW, GRESHAM,
TROUTDALE AND WOOD VILLAGE AND
MULTNOMAH COUNTY**

**Prepared by:
Julie S. Omelchuck, Assistant Director, MHCRC
February 3, 1998**

**Reviewed by:
Ben Walters, MHCRC Legal Counsel**

**Enclosures:
Staff Report
Summary of Franchise Renewal Agreement
Recommended Franchise Agreement**

MT. HOOD CABLE REGULATORY COMMISSION RECOMMENDATION

This report provides a summary of a renewed cable services franchise agreement with Paragon Cable which the City Council will consider and vote on at its February 24 meeting.

The Mt. Hood Cable Regulatory Commission (MHCRC) and Paragon Cable have forwarded to Council a franchise agreed to and recommended for approval by these parties.

INTRODUCTION

The recommended franchise was negotiated on behalf of all the East County jurisdictions, and forms a basis for uniform franchises between Paragon Cable and:

- the City of Portland (renewed February 1997);
- the City of Happy Valley (renewed December 1996); and
- Multnomah County and the Cities of Gresham, Troutdale, Fairview, and Wood Village (current franchise expires May, 1998).

The franchise represents the conclusion of the "informal" franchise renewal process between the MHCRC and Paragon Cable. Ascertaining the community's future communication technology needs and interests, and developing this proposed franchise agreement in accordance with complex and changing federal legal requirements, has consumed nearly three years of deliberations, public outreach and hearings, Commission discussion, and negotiations. In addition, over four months of negotiations focused solely on producing an East County specific franchise.

As reflected in the enclosed **Summary**, the MHCRC believes that the proposed agreement will result in increased public benefits for citizens, and an improved level of service for subscribers in all the participating jurisdictions. The jurisdictions will also benefit by entering into franchise agreements which accord with current federal laws in an environment where technology changes will greatly affect our communications and our communities over the next decade.

KEY AGREEMENTS

From the MHCRC's perspective, a number of key agreements contained in the proposed franchise agreement are worth highlighting here:

System upgrade with fiber optics: Paragon has begun implementing a system-wide upgrade which will add additional cable channels and fiber optic cable communications capacity by December 2000;

PEG Access and Institutional Funding: 3% of Paragon's gross revenues (more than \$500,000 per year) will be set aside to support capital costs of Public, Educational, and Governmental (PEG) use of the cable system;

Institutional Network: As part of the system upgrade, Paragon will set aside capacity on its upgraded cable system to connect local governments, METRO, schools, libraries and citizens county-wide at favorable rates for voice, video and data applications;

PEG Access: current channels, facilities, and capabilities available to Multnomah Community Television will be sustained in a renewed franchise; a dedicated capital fund will be established (under the 3% setaside); additional PEG channels will become available; and future digital capacity and capability will be preserved for PEG use throughout the term of the renewed franchise; and

Schools related benefits: free cable installations for schools will be provided, and discounted rates for schools' utilization of the cable Institutional Network will be assured. Schools will also have access to grant funds (under the 3% setaside) for capital needs related to distance learning and other educational related projects.

CONCLUSION

Overall, the MHCRC is proud to bring this franchise agreement forward for consideration by the Troutdale City Council. The franchise provides for a substantial system upgrade with state of the art fiber technology, provides for meaningful, long-term financial and technical support for PEG and Institutional capital needs, provides for necessary enhancements to fully utilize an upgraded Paragon I-net, and expands the existing successful PEG services delivered by Multnomah Community Television. The franchise, moreover, lends stability to an unstable extrinsic legal environment (challenges and rulings regarding the 1995 Telecommunications Act have just begun), while allowing flexibility in public benefits to respond to changes in technology over the next decade.

**SUMMARY OF PROPOSED PARAGON FRANCHISE AGREEMENT
FOR THE CITIES OF FAIRVIEW, GRESHAM, TROUTDALE
AND WOOD VILLAGE AND MULTNOMAH COUNTY**

Based on MHCRC Recommended Franchise Agreement

This summary addresses cable-related aspects of the proposed franchise agreement with Paragon Cable for the East Multnomah County area. There are other provisions included in the proposed franchise that are not described here which are generic to franchises issued by the Cities and the County, such as construction requirements for streets and liability insurance. For information on these provisions, please refer to the text contained in the draft franchise agreement.

Franchise Term: Effective Date: May 1998
Expiration date: December 31, 2010 (approx. 12 ½ yrs.)
Status quo: 15 year term

Franchise Fee: 5% of Gross Revenues (Section 3.32, pg. 7, & Section 14, pgs. 31-33)
Status quo: same

Note: The current franchise dedicates 60% of the franchise fees to fund Multnomah Community Television and the proposed franchise does not include this dedication. However, the MHCRC proposes that the Intergovernmental Agreement, which created the MHCRC, be amended to include this dedication.

Residential System Upgrade: Minimum 78 analog video channels (Section 5.2, pg.11)
Status quo: 60 channels

Overall System Upgrade: (Section 11, pgs. 26-27)

Completed by December 31, 2000
Status quo: no upgrade provisions

MHCRC will oversee upgrade and have approval of any system design elements that affect Paragon's franchise obligations or the expenditure of funds for the I-Net.
Status quo: no provision

Technology Re-Opener: MHCRC may re-negotiate technology requirements beginning in year 2002 if technology assessment determines that company is not providing state-of-the-art services (Section 11.5, pg. 28)
Status quo: no re-opener

Service Area: Paragon's service area is nonexclusive. Paragon is required to serve the jurisdictions' areas within the Urban Growth Boundary, but may provide service outside of the UGB. (Section 4, pg. 10)
Status quo: same

Standard installations will apply to all subscribers who have less than a 170-foot installation from the street and are located within the UGB, except for new subdivisions and areas added within the UGB after May 1998. For those who don't meet the standard installation criteria, a cost-sharing

formula for an installation is available. (Section 3.60, pg. 9, & Section 10, pgs. 24-25)
Status quo: Serve all homes within UGB with standard installations, and homes outside of UGB with cost-sharing line extensions.

Customer Service: Paragon would be required to meet customer service standards as required by Federal Communications Commission or the cities and county could enact customer service standards by resolution or ordinance. (Section 13, pg. 31)

Programming Categories: Programming categories include: Arts, cultural and performing arts; Foreign languages; Programming addressed to diverse ethnic and minority interests in the Cities and County; National, state and local government affairs; and cable company produced local programming concerning local and regional issues, events, and affairs of interest to residents. (Section 5.3, pg. 11)
Status quo: Under federal law, local jurisdiction may only negotiate broad categories of programming (ie. National, state and local government affairs) as opposed to specific programming services (ie. C-SPAN2).

Local Origination Programming (East Metro Edition): Specific LO programming requirements, which facilitated the creation of *East Metro Edition*, are not contained in the renewed franchise. MCTV may or may not continue the program at its discretion and based on availability of funds. (Section 6, pg. 12)
Status quo: MCTV produces East Metro Edition with funding provided by Paragon in 1989 in settlement of certain LO obligations in the current franchise.

PEG Access: (Section 7, pgs. 12-18)

Channel Capacity:

- ▶ 8 current channels: trigger for one additional channel after upgrade
- ▶ When Paragon activates digital capacity, 10% or 36 channels, whichever is less, will be reserved for access uses, and will be activated based on demonstrated community needs

Status quo: 7 channels, no additional channels, no digital provisions

Availability: All access channels will be included in the lowest-cost service tier or package of services.
Status quo: same

Channel Distribution: After upgrade, 5 channels cablecast to the franchise area; 1 channel to Gresham discretely and Fairview, Troutdale, Wood Village and Multnomah County combined; 1 channel to School district boundaries, and 1 channel to PCC and MHCC boundaries.
Status quo: channels cablecast to 1983 City of Portland/Multnomah County boundary

Live Programming :

- ▶ Ability to simultaneously originate programming from multiple sites after the upgrade

Status quo: three simultaneous transmissions (Gresham, Troutdale and MCTV studio)

- ▶ Ability to cablecast Multnomah County Commission meetings live from downtown Portland

Status quo: no requirement

- ▶ All libraries, schools, government buildings and access provider sites will be potential live programming sites

Status quo: similar requirement but with less capacity

Technology Changes: Paragon will provide necessary technical assistance and capabilities in the event of changes in technology.

Status quo: no provision

Head-end Changes: If Paragon moves its headend, Paragon will provide the capabilities and technical assistance to ensure continued connection with MCTV.

Status quo: no provision

Institutional Network: (Section 8, Pages 18-22)

After upgrade, I-Net will serve same area as residential network.

Status quo: I-Net covers very little of East Multnomah County east of I 205 and use is limited to MCTV.

High Capacity I-Net Locations: Education and government institutions that have higher bandwidth requirements; minimum 120 MHz upstream and downstream capacity from site; served by fiber or coaxial cable separate from residential service; MHCRC and jurisdictions will determine connections prior to completion of upgrade

Low Capacity I-Net Locations: All education and government institutions that have residential service; 8 MHz upstream and 12 MHz downstream initially; company may reclaim capacity and provide for plan for transition to High Capacity I-Net location if appropriate

Paragon must meet minimum I-Net performance and service standards for PEG Institutional users of the I-Net capacity.

Status quo: no similar requirement.

Paragon may charge a discounted fee for use of the I-Net by educational institutions, local governments and access providers.

Status quo: I-Net only available for limited use by MCTV free of charge

Company may charge a fee for use of the cable system by not-for-profits and state and federal governments that cannot exceed the lowest fee charged to commercial customers for comparable service.

Status quo: no such provision

PEG Access and Institutional Capital Funding: (Section 9, Pages 22-24)

3% of annual gross revenues, in addition to franchise fees, dedicated to funding capital costs for public, educational and government use of cable system: estimated at over \$450,000 in 1998 for the franchise area.

- ▶ 1% dedicated to MCTV for access capital costs in approved annual budgets

- ▶ 1% grant funds for educational institutions, local government agencies and access providers for capital costs to utilize cable system technology
- ▶ 1% Paragon internally expended funds for system extensions and capabilities that benefit PEG access providers, educational institutions and local governments.

Status quo: MCTV receives operating and equipment money which was paid in 1989 by Paragon to settle past and future obligations through the term of the franchise agreement (May 1998).

NOTE: Federal law currently prohibits franchising authorities from requiring payment of funds by cable operators for ongoing operational costs for PEG. In addition, under current rate regulation rules, Paragon is allowed to externalize the 3% "PEG fee" to subscribers in their basic service rates. Therefore, if the 3% fee is approved in a renewed franchise agreement, Paragon will, most likely, increase basic rates by 3% and itemize the increase on bills as a "PEG fee."

Interconnection: (Section 10, pgs. 25-26)

Interconnection with Oregon Ed-Net to allow shared programming and Ed-Net up-link sites throughout Multnomah County.

Status quo: no requirement for Ed-Net link

Interconnection with all area cable systems to create an area-wide network.

Status quo: same

Interconnecting the I-Net with competitive access telecommunications providers in order to leverage public resources negotiated in other telecommunications licenses and agreements.

Status quo: no interconnection requirements

Monthly Service and Installations to Schools and Public Agencies: (Section 10.6, pg. 25)

Paragon would be required to provide free monthly programming service and standard installations to all schools.

Status quo: Paragon is required to provide free standard installations and monthly cable service to all schools and public agencies.

Technical Performance (Section 12, pgs. 29-31)

Paragon must meet all FCC technical standards and testing programs. Paragon must maintain emergency alert and override systems.

Status quo: same

Reporting: Paragon will submit an annual compliance report and quarterly and year-end financial statements. (Section 20.2, pg. 47-48)

Status quo: same

Enforcement: The jurisdictions may impose financial penalties, terminate the franchise or reduce the franchise term for material violations of the franchise requirements. (Section 23, pgs. 50-53)

Status quo: same

PROPOSED
Cable Services Franchise Agreement
Between
KBL Multnomah Cablesystems, L.P. (Paragon Cable)
and
The Cities of Fairview, Gresham, Troutdale and Wood Village
and Multnomah County

Recommended by the Mt. Hood Cable Regulatory Commission
February 2, 1998

Section I. NATURE AND TERM OF GRANT

1.1 Grant of Franchise. The Jurisdictions of Multnomah County, Gresham, Fairview, Troutdale and Wood Village ("Jurisdictions") do hereby grant to KBL Multnomah Cablesystems, L.P. ("Grantee"), who is qualified to do business in Oregon, and to its successors and assigns, a franchise to construct, operate and maintain a Cable System to provide Cable Services and Institutional Services in the Streets of the Jurisdictions.

1.2 Term of Franchise. This Franchise, and all rights, privileges, obligations and restrictions pertaining thereto, shall expire on December 31, 2010, unless terminated sooner as provided herein.

1.3 Effective Date. The effective date of this Franchise shall be May 23, 1998, unless the Grantee fails to execute the Franchise and file a guaranty by the Guarantor as provided herein, in which event this Franchise shall be null and void.

1.4 Franchise Not Exclusive.

(A) This Franchise is not exclusive. The Jurisdictions expressly reserve the right to grant rights or franchises to other Persons, as well as the right in its own name as a municipality, to use the Streets for similar or different purposes allowed Grantee hereunder, by franchise, permit or otherwise.

(B) (1) If, after the effective date of this Franchise, a Jurisdiction enters into and authorizes a Cable Services franchise, permit, license or other form of agreement with any person other than Grantee to enter the Streets for the construction and operation of a Cable System providing Cable Services within any part of Grantee's Franchise Area in which Grantee is actually providing Cable Services, the material provisions of such agreement shall be reasonably non-discriminatory and competitively neutral with respect to the material provisions of this Franchise, unless otherwise restricted by law.

(2) In the event that any person, (including without limitation a governmental entity), uses facilities in the Streets to provide a multi-channel video service, (including without limitation an open video system), without a franchise, the Jurisdiction shall, to the extent authorized by law, impose on such person equivalent obligations which shall be reasonably non-discriminatory and competitively neutral with respect to the material provisions of this Franchise.

(3) Solely for the purposes of this Subsection 1.4(B), "Cable Services" shall mean the one-way transmission of :

- (a) video programming, or
- (b) other programming service;

for commercial purposes, including any subscriber interaction necessary for the selection or use of such programming.

(C) (1) Nothing in Subsection 1.4(B) shall be construed as limiting, restricting or preventing a Jurisdiction from issuing any franchise, permit, license or other form of agreement for all of Grantee's Franchise Area or any portion thereof, that provides for equal or greater requirements or for a similar or higher

level of Cable Services to subscribers, than that required of Grantee under this Franchise.

(2) Grantee agrees and acknowledges that, solely for the purposes of Subsection 1.4(B), the provisions of any other franchise issued or administered by a Jurisdiction with respect to the provision of Cable Services and in effect as of the effective date of this Franchise, are reasonably non-discriminatory and competitively neutral.

(3) Grantee agrees and acknowledges that the provisions of Subsection 1.4(B) shall not apply to any franchise, permit, license or other form of agreement issued by a Jurisdiction with respect to the provision of telecommunications services, in effect as of the effective date of this Franchise or at any time thereafter.

1.5 Charter and General Ordinances. To the extent authorized by law, the Grantee's Franchise with each of the individual Jurisdictions is subject to the Charter of that Jurisdiction and any general ordinances and resolutions passed pursuant thereto, now in effect or hereafter made effective, affecting matters of general Jurisdictional concern and not materially in conflict with the Grantee's existing contractual rights, now in effect or hereafter made effective. Nothing in this Franchise shall be deemed to waive the requirements of the various codes, ordinances and resolutions of the Jurisdictions regarding permits, fees to be paid or the manner of construction. Grantee shall comply with all applicable Jurisdiction ordinances, resolutions, rules and regulations adopted or established pursuant to a Jurisdiction's lawful authority. Nothing in Section 1.5 shall be deemed a waiver by Grantee or the Jurisdictions of the rights of Grantee or the Jurisdictions under applicable law.

Section 2: INTERGOVERNMENTAL AGREEMENT/ CABLE REGULATORY COMMISSION

2.1 Purpose and Scope of Agreement. The purpose of this Franchise is to create a binding, enforceable contract between the Jurisdictions and the Grantee. Therefore, this Franchise is considered by the Jurisdictions and the Grantee to be a contractual action of the parties rather than a legislative action by the Jurisdictions. This Franchise is intended to be the primary document defining the performance of the Grantee. Nothing contained in this Franchise will be construed to deem the Grantee a common carrier.

2.2 Intergovernmental Agreement

(A) The governing body of each Jurisdiction has adopted this Franchise as its own, under its independent government authority. In addition, the Jurisdictions have elected to provide for a Cable Regulatory Commission ("Commission") created through an Intergovernmental Agreement (attached as Exhibit A), entered into among and by all the Jurisdictions. The Jurisdictions have agreed to be bound by the decisions and actions taken by the Commission pursuant to powers, duties, and responsibilities set forth in the Intergovernmental Agreement. Unless specifically stated otherwise herein, the Commission will be the sole representative and agent of the Jurisdictions in dealing with the Grantee under the terms of this Franchise. Throughout this Franchise, all references to the "Jurisdictions" in the plural is intended by the parties to refer to the Commission acting on behalf of the Jurisdictions, unless the context requires otherwise or such powers are reserved to the individual Jurisdictions under the Intergovernmental Agreement. In fulfilling the terms of this Franchise, the Grantee is expected to rely upon, look to, communicate with, and comply with the decisions and orders of the Commission, its agents, and employees on all cable matters over which they have authority. Nothing in this Franchise is intended to empower the Commission to act contrary to the provisions of the Intergovernmental Agreement. The Jurisdictions retain all powers not delegated to the Commission.

(B) Each Jurisdiction has the right to withdraw from the Intergovernmental Agreement. In the event a Jurisdiction does withdraw, it will have the latitude either to create its own cable regulatory commission or to designate its own governing body to handle cable affairs. In such case, the Grantee will deal separately with the Jurisdiction that has withdrawn. Each of the Jurisdictions that is a party to the Intergovernmental Agreement agrees that it will not withdraw from the Intergovernmental Agreement without first providing written notice to the Grantee and giving the Grantee an opportunity to state its position on such withdrawal. Similarly, the Jurisdictions agree that they will not amend the Intergovernmental Agreement without first providing written notice to the Grantee and giving the Grantee an opportunity to state its position on any proposed amendment.

(C) Any withdrawal from or amendment to the Intergovernmental Agreement will not be construed as amending this Franchise or permitting the withdrawal of any of the remaining Jurisdictions, or the Grantee, from this Franchise.

(D) Divisibility.

(1) Unaffected Sections. Any Jurisdiction which elects to withdraw from the Intergovernmental Agreement shall be entitled to receive the five percent (5%) franchise fee payment, as provided in Section 14 of this Franchise, for Grantee's Gross Revenues attributable to that Jurisdiction's territorial limits. Except for the Sections specifically identified in Subsection 2.2(D)(2), a Jurisdiction's withdrawal from the Intergovernmental Agreement shall not affect any of the Sections of this Franchise, and the Franchise shall otherwise remain in effect between the Grantee and the individual withdrawing Jurisdiction.

(2) Sections to be Renegotiated.

(a) The public benefits provided under this Franchise, such as PEG Access Channels, PEG Access Capital funds and the Institutional Network, have been negotiated by the Jurisdictions and the Grantee as an indivisible whole. Grantee has relied upon the Jurisdictions negotiating as a single entity to provide economic assurances, allowing for the consideration of these public benefits in return. The withdrawal of any Jurisdiction from the Intergovernmental Agreement shall require that Jurisdiction and the Grantee to renegotiate the following Sections of this Franchise: Section 5.3(B); Section 7; Section 8; Section 9; Section 10.8; Section 11.2; Section 11.5; Section 15.3; Section 20.1; Section 20.2; Section 23.1; and Section 24.10. The renegotiated Sections shall, to the extent practicable continue to provide the benefits to the Jurisdiction provided hereunder, but only to the extent such benefits may be provided without any additional cost (whether by direct payment to the Jurisdiction, increase labor costs, increased material costs or otherwise) to Grantee over and above the cost it would have incurred had the Jurisdiction not withdrawn. If the parties are unable to reach agreement on the modification of these identified Sections within 90 days after the withdrawal of the Jurisdiction becomes effective, the parties may submit the renegotiation to binding arbitration, which shall take place under the terms of Section 24.3 of this Franchise or to mediation under the terms of Section 24.3. Until such time as an agreement with respect to a particular Section is effective, the Section as provided in this Franchise shall remain in effect as if the Jurisdiction had not withdrawn.

(b) A withdrawing Jurisdiction will not be entitled to any of the PEG Access services provided under this Franchise, unless it continues to pay to the Access Corporation the same percentage of franchise fee revenues paid by the remaining Jurisdictions. The Grantee shall not be obligated to provide other public benefits to withdrawing Jurisdictions on any proportional basis, and a withdrawing Jurisdiction will not be entitled to any of the other public benefits provided under this Franchise, except as an ancillary third-party

beneficiary of those benefits being provided by the Grantee to the remaining Jurisdictions. A withdrawing Jurisdiction will not be entitled to the regulatory services of the Commission provided for under the Intergovernmental Agreement.

Section 3. DEFINITIONS

3.1 (A) **Captions.** Throughout this Franchise, captions to Sections are intended solely to facilitate reading and to reference the Sections and provisions of this Franchise. The captions shall not affect the meaning and interpretation of this Franchise.

(B) **Definitions.** For the purpose of this Franchise, and all Exhibits attached hereto, the following terms, phrases, and their derivations shall have the meanings given below unless the context indicates otherwise. When not inconsistent with the context, words used in the present tense include the future tense, words in the plural number include the singular number, and words in the singular include the plural number. The word "shall" is always mandatory and not merely directory.

3.2 "Access" means the availability for use of the Cable System by various agencies, institutions, organizations, groups and individuals in the community to acquire, create, and distribute Non-Commercial Programming not under the Grantee's editorial control, including, but not limited to:

(A) "Public Access" means Access where organizations, groups or individual members of the general public, on a nondiscriminatory basis, are the primary or designated Programmers or users having editorial control over their Programming;

(B) "Educational Access" means Access where schools are the primary or designated Programmers or users having editorial control over their Programming;

(C) "Government Access" means Access where governmental institutions are the primary or designated Programmers or users having editorial control over their Programming; and

(D) "PEG Access" means Public Access, Educational Access, and Government Access, collectively.

3.3 "Access Channel" means any Channel, or portion thereof, designated for Access purposes or otherwise made available to facilitate or transmit PEG Access Programming.

3.4 "Access Corporation" means such non-profit, public corporations as are designated by the Jurisdictions to provide Access in the Franchise Area, and whose duties may include the management of certain Access Facilities and Resources.

3.5 "Access Facilities" means the Channels, services, facilities, equipment, and/or technical components used or useable by and for PEG Access.

3.6 "Access Resources" means all operating support and other financial means by which PEG Access may be funded.

3.7 "Activation" or "Activated" means the status of any Capacity or part of the Cable System in which any Residential or Institutional Service requiring the use of that Capacity or part may be made available without

further installation of System Equipment, whether hardware or software.

3.8 "Affiliated Entity" 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 such Parent Corporations.

3.9 "Basic Service Tier" is the level of Programming service which includes, at a minimum, all Broadcast Channels, all PEG Access Channels required in this Franchise, and any additional Programming added by the Grantee.

3.10 "Broadcast Channels" means local commercial television stations, qualified low power stations and qualified local noncommercial educational television stations, as referenced under 47 USC § 534 (1996 Supp.).

3.11 "Cable Programming Service Tier" is any video Cable Service, other than Basic Service Tier or Pay Services.

3.12 "Cable Services" shall have the meaning provided under Federal law and regulations.

3.13 (A) "Cable Services Area" means that portion of the Franchise Area which is within the Urban Growth Boundary, as now or hereafter constituted. In the event that the Urban Growth Boundary ceases to exist as a legal measurement, then the last existing Urban Growth Boundary shall be controlling.

(B) "Added Cable Services Area" means the portion of the Franchise Area which is added within the Urban Growth Boundary after the effective date hereof. Within the Added Cable Services Area, Grantee shall provide Cable Services as set forth in Section 10.5.

3.14 "Cable System" means a system of plant, Facilities, equipment, and closed Signal transmission paths, including, without limitation, antennas, cables, amplifiers, towers, microwave links, studios, real and personal property, and any and all other conductors, home terminals, converters, remote control units, and all associated equipment or Facilities designed and constructed for the purposes of distributing Cable Services and Institutional Services and of producing, receiving, amplifying, storing, processing or distributing Signals, whether owned, rented, leased, leased-purchased or otherwise controlled by or within the responsibility of the Grantee.

3.15 "Capacity" means the capability of the Cable System to carry Signals. At the time of the effective date of this Franchise, Capacity may be described in terms of portions of the total radio frequency bandwidth by specifying a number of MHZ, but this is subject to changes in technology.

3.16 "Capital" or "Capital Costs" means the expenditure of funds for services, products or other resources, whose useful life can be expected to exceed a period of one year or longer.

3.17 "Channel" means a time or frequency slot or technical equivalent on the Cable System, discretely identified and capable of carrying full motion color video, mono or stereo audio, and may include other non-video subcarriers and digital information.

3.18 "Clerk" means the clerk or recorder of each Jurisdiction, unless the Jurisdiction has designated an

alternative recipient.

3.19 "Closed Channel" means a Channel intended for restricted use, whether on the Institutional Network or the Residential Network, whose contents may only be viewed using special trapping, decoding, an authorized descrambler, or other means of selectively descrambling the Signals. Closed Channel uses may include, without limitation, pay television services or tier services on the Residential Network, and videoconferencing or other closed-circuit uses on the Institutional Network.

3.20 "Designated Access Provider" means the entity or entities designated by the Jurisdictions under Section 7.1.

3.21 "Distribution Hub" means the termination of the distribution ring (the multiple Fiber interconnection between Distribution Hubs and the Transport Hubs with redundant forward Signal paths), from which Fiber is run to individual Fiber Nodes in the Cable System.

3.22 "Downstream" means the direction of Signals from the Headend to Subscribers or Interconnect points served by the Cable System.

3.23 "Dwelling Unit" means any building, or portion thereof, that has independent living facilities, including provisions for cooking, sanitation and sleeping, and that is lawfully occupied for residential purposes. Buildings with more than one set of facilities for cooking shall be considered multiple dwelling units unless the additional facilities are clearly accessory.

3.24 "Ed-Net" means Oregon's educational institutional network, as set forth in ORS 354.505 through ORS 354.550 (1995).

3.25 "Facility" means any tangible component of the Cable System.

3.26 "FCC" means the Federal Communications Commission.

3.27 "Fiber" means a transmission medium of optical fiber cable capable of carrying Cable Services by means of lightwave impulses.

3.28 "Fiber Node" means the local transition point between the fiber distribution portion and the coaxial distribution portion of the Upgraded Cable System.

3.29 "Franchise" means this franchise agreement, as fully executed by the Jurisdictions and the Grantee.

3.30 "Franchise Area" means the territory within the boundaries of the cities of Fairview, Wood Village, Troutdale, and Gresham, together with all territory within the boundaries of Multnomah County east of the Willamette River and the Multnomah Channel not included within the territory of any incorporated city. This definition of the Franchise Area includes all of Sauvie Island and any territory east of the Willamette River which is surrounded by the City of Portland.

3.31 "Frequency Re-use" means the use of Cable System Signal Capacity in a given area of the radio frequency spectrum for different transmissions to and from different locations, such as hubs or user sites, simultaneously.

3.32 "Gross Revenues" means all amounts, in whatever form and from all sources, earned either by the Grantee from the operation of Grantee's Cable System within the Jurisdictions, or by any Affiliated Entity only to the extent such amounts are earned from the operation of Grantee's Cable System within the Jurisdictions. "Gross Revenues" shall include, without limitation, amounts for the Basic Service Tier, Cable Programming Service Tiers, Pay Services, audio services, Subscriber installations and transactions, Leased Access, advertising, equipment rentals and all other revenues derived from the operation of Grantee's Cable System. Revenues which are not directly attributable to specific customers, such as advertising revenue and home shopping commissions, shall be allocated to systems and Jurisdictions on a per subscriber basis measured in a consistent manner from period to period. "Gross Revenues" shall also include amounts earned during any period regardless of whether: (1) the amounts are paid in cash, in trade or by means of some other benefit to the Grantee or any Affiliated Entity; (2) the goods or services with which the revenue is associated are provided at cost or the revenue amount can be matched against an equivalent expenditure; and (3) the amounts are initially recorded by the Grantee or an Affiliated Entity. "Gross Revenues" shall not be net of (1) any operating expense; (2) any accrual, including, without limitation, any accrual for commissions; or (3) any other expenditure, regardless of whether such expense, accrual or expenditure reflects a cash payment. "Gross Revenues", however, 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 which 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 Franchise. "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. "Gross Revenues" shall not include sales or other similar taxes imposed by law on Subscribers which the Grantee is obligated to collect, nor amounts received from PEG Institutions for use of the Institutional Network.

3.33 "Guarantor" means TWI Cable, Inc., or its successors.

3.34 "Headend" means Grantee's Facility for reception and dissemination of Signals on the Cable System, including cable, antennas, wires, satellite dishes, monitors, switchers, modulators, processors, equipment for the Interconnection of the Cable System with adjacent cable systems or other separate communications network, and all other related equipment and Facilities.

3.35 "High Capacity I-Net Location" are Institutional Subscriber locations that require large amounts of Upstream and Downstream Capacity sufficient for multiple Signal transmissions, and to achieve this Capacity, would typically utilize a separate Fiber and/ or coaxial cable from Fiber Nodes in addition to the normal Residential Network coaxial cable.

3.36 "Incremental" costs means the amount actually expended by Grantee in meeting an obligation under this Franchise which Grantee would not otherwise have expended in order to operate and conduct the business of its Cable System or to meet another obligation of this Franchise.

3.37 "Interconnect" or "Interconnection" means the provision by Grantee of technical, engineering, physical, financial, and all other necessary components to provide and adequately maintain a physical linking of Grantee's Cable System with any other designated cable system or other separate communications network so that Cable Services of technically adequate quality may be sent to and received from such other systems.

3.38 "Institutional Network" or "I-Net" means Capacity on the Cable System which provides for one-way and bi-directional communication services to and among Institutional Subscribers for use in conducting their business. The network includes all equipment required to make the Capacity available including but not limited to Fiber, coaxial cable, switching, patching, electronic transmitting, receiving, and Signal conversion necessary for effective use of the I-Net.

3.39 "Institutional Services" or "I-Net Services" means one-way and bi-directional communications services provided over the Institutional Network to facilitate the operations of PEG Institutions.

3.40 "Institutional Subscriber" means a PEG Institution receiving Institutional Services.

3.41 "Jurisdictions" in the plural means the Oregon cities of Fairview, Wood Village, Troutdale, and Gresham, together with Multnomah County, Oregon, and if any other city enters into the Intergovernmental Agreement and adopts this Franchise, and the Grantee executes the Franchise and files a guaranty by the Guarantor, as provided in Sections 25 and 26, such city shall also be included with the "Jurisdictions." "Jurisdiction" in the singular means variously, depending on the context of usage, an individual member unit of government, such as a city or county, or to the collective units of local government which have adopted this Franchise; or the Cable Regulatory Commission created by the Jurisdictions pursuant to the Intergovernmental Agreement.

3.42 "Leased Access Channel" means any Channel or portion of a Channel commercially available for a fee or charge by Persons other than the Grantee, under the requirements of 47 USC § 532 (1996 Supp.).

3.43 "Legal Counsel" means the city attorney or county counsel of each Jurisdiction, unless the Jurisdiction has designated an alternative recipient.

3.44 "Local Origination Programming" means any local video programming under the editorial control of Grantee, produced, selected, and cablecast by the Grantee on its Cable System.

3.45 "Low Capacity I-Net Location" means a location designated to receive Institutional Services requiring less Capacity for sending or receiving video, voice or data Signals than may be required for High Capacity I-Net Locations, and requiring no special installation of cable from Fiber Nodes for the use of such Institutional Services other than normal Residential Network coaxial cable.

3.46 "Narrowcasting" means the ability of the Cable System to cablecast Signals to specific geographic areas.

3.47 "Non-Commercial" means use of the Cable System by any public, tax-exempt organization or by any other user for a purpose that is not intended to generate income for the user which may be subject to federal, state, or local income taxes.

3.48 "Parent Corporations" means TWI Cable Inc. and Time Warner Inc. as now or hereafter constituted, and includes any other existing or future corporations with greater than fifty percent ownership or control over Grantee.

3.49 "Pay Service" means video Signals delivered to Subscribers for a fee or charge over and above the regular charges for Basic Service Tier and Cable Programming Tier, on a per program, per Channel, or other

subscription basis.

3.50 "PEG Institution" means any public educational institution, including primary and secondary schools, community colleges, colleges, universities and extension centers, and all similarly situated private and parochial educational institutions which have received the appropriate accreditation from the State of Oregon and, where required, from other authorized accrediting agencies; any agency of government, excluding state or federal governments; public libraries; Ed-Net; and Designated Access Providers.

3.51 "Person" means any individual, sole proprietorship, partnership, association, corporation or other form of organization authorized to do business in the State of Oregon, and includes any natural person.

3.52 "Programmer" means any Person responsible for Programming on the Cable System, including, without limitation, any Person who produces or otherwise provides Programming for transmission on the Cable System.

3.53 "Programming" means the process of causing television programs or other patterns of Signals to be transmitted on the Cable System, and includes all programs or patterns of Signals transmitted or capable of being transmitted, on the Cable System.

3.54 "Record" means written or graphic materials, however produced or reproduced, or any other tangible permanent record, including, without limitation, all letters, correspondence, memoranda, minutes, notes, summaries or accounts of telephone conversations, summaries or accounts of personal conversations or interviews, reports, notebooks, sketches, summaries or accounts of meetings or conferences, opinions or reports of consultants or experts, invoices, billings, statements of accounts, studies, appraisals, analyses, contracts, agreements, charts, graphs, photographs and any other writings or recordings of every kind and description, including magnetic media, and all sound recordings, to the extent related to the enforcement or administration of this Franchise.

3.55 "Residential Services" means Cable Services delivered to single or multiple Dwelling Units.

3.56 "Residential Subscriber" means any Subscriber receiving Residential Services.

3.57 "Residential Network" means the Cable System designed principally for the delivery of Residential Service to individual Dwelling Units.

3.58 "Section" or "Subsection" means a provision of this Franchise, unless specified as part of another document.

3.59 "Signal" means any analog or digital electrical or light impulses carried on the Cable System, which includes any combination of audio, video, voice or data.

3.60 "Standard Installation" means an installation within the Cable Services Area of no more than 170 feet from the nearest Street, from which it is technically feasible and/or designed to serve the site, to the site's installation point, and which qualifies a Subscriber for installation at standard rates.

3.61 "Standard Video Channel" means a portion of the electromagnetic frequency spectrum which is capable of delivering both the audio and video portions of a television signal at an acceptable level of quality

to Residential Subscribers. Upon the effective date of this Franchise, such capability generally requires six (6) MHZ capacity, but this is subject to changes in technology.

3.62 "Streets" means the surface of any public street, road, alley or highway, within the Jurisdictions, used or intended to be used by the general public for general transportation purposes to the extent the Jurisdictions have the right to allow the Grantee to use them, and the space above and below.

3.63 "Subscriber" means any Person who is lawfully receiving, for any purpose or reason, any Cable Services provided by Grantee by means of or in connection with the Cable System, whether or not a fee is paid for such service.

3.64 "System Equipment" means all Cable System cable, hardware, active and passive electronics, and software required, except for User Equipment, to activate and make available any service provided over the Cable System.

3.65 "Tap" means to observe or monitor video, audio, digital or other non-video Signals, or any combination of such Signals carried on the Cable System, where the observer is neither of the communicating parties, whether the exchange is observed by visual or electronic means, for any purpose whatsoever.

3.66 "Transport Hub" means an intermediate location in the Cable System between the Headend and the Fiber Nodes, where Signals are routed to the individual Fiber Nodes of the system.

3.67 "Upgrade" means an improvement in Channel Capacity or any other technical aspect of the Cable System, which may be accomplished without substantially replacing or overlashng the entire Cable System plant.

3.68 "User Equipment" means: all internal wiring; audio video or data receiving, processing and transmitting devices in cases where Fiber is provided as part of the Institutional Network to a site; the Fiber receiver and laser transmitter; and other related equipment; required on Subscribers' premises in order to utilize any Institutional or Residential Service through connection to System Equipment on the Cable System.

3.69 "Upstream" means the direction of Signals transmitted to the Headend from remote points on the Cable System or from Interconnection points on the Cable System.

3.70 "Year," "Annual" or "Annually" means the period consisting of a full calendar year, beginning January 1 and ending December 31, unless otherwise provided in this Franchise.

Section 4. FRANCHISE AREA

4.1 Cable Services. Subject to the provisions of this Franchise, Grantee shall provide Cable Services and Institutional Services authorized by this Franchise and applicable law within the Franchise Area.

Section 5. RESIDENTIAL NETWORK AND PROGRAMMING

5.1 Initial Channel Capacity. From the effective date of this Franchise, until the Cable System Upgrade required in Section 11 is completed, Grantee shall maintain the operation of its existing Cable System without diminishing the level of Cable System Capacity or the number of Channels programmed on the effective date

of this Franchise. Such Capacity shall include a minimum activated Downstream Capacity of 420 MHZ (providing 59 Standard Video Channels) for Cable Services on the Cable System.

5.2 Upgraded Channel Capacity.

(A) In accordance with the Upgrade schedule provided for in Section 11.2, Grantee shall provide to Residential Subscribers an activated minimum Downstream Channel Capacity of 550 MHZ (providing a minimum Activated Downstream Channel Capacity of 78 Standard Video Channels).

(B) The Channel Capacity required hereunder shall include a sufficient number of Channels with sufficient capability and technical quality to enable the implementation and performance of all the requirements of this Franchise, including the Exhibits hereto.

(C) In accordance with the Upgrade schedule provided for in Section 11.2, Grantee's Cable System shall provide a minimum Activated Upstream digital Channel Capacity of 35 MHZ accessible from any Fiber Node, any Residential Subscriber, any Access Corporation facility, and any PEG Institution in the Franchise Area. This Upstream Capacity shall require no additional installation of equipment for use except on users' premises.

(D) Nothing in the Cable System Upgrade design and implementation shall preclude the delivery of stereo signals, including stereo signals on PEG Access Channels.

5.3 Broad Programming Categories.

(A) Grantee shall provide or enable the provision of at least the following broad categories of Programming:

- (1) Arts, culture and performing arts;
- (2) Foreign languages;
- (3) Programming addressed to diverse ethnic and minority interests in the Jurisdictions;
- (4) National, state and local government affairs; and,
- (5) Local Origination Programming concerning local and regional issues, events, and affairs of interest to the Jurisdictions' residents.

(B) Deletion or Reduction of Programming Categories.

(1) Grantee shall not delete or so limit as to effectively delete any broad category of Programming identified in Section 5.3 and within its control without the consent of the Jurisdictions or as otherwise authorized by law.

(2) In the event of a modification proceeding under federal law, the mix and quality of services provided by the Grantee on the effective date of this Franchise shall be deemed the mix and quality of services required under this Franchise throughout its term.

(C) It is the Grantee's position that the requirements of Sections 5.3(A) and (B) are invalid under applicable law and unenforceable. The Jurisdictions' contrary position is that Sections 5.3(A) and (B) are valid and enforceable. The Jurisdictions reserve and in no way waive any right to enforce these Sections during the term of this Franchise and Grantee agrees to such reservation and non-waiver by the Jurisdictions. Grantee reserves and in no way waives any right to challenge the enforcement of these Sections and the Jurisdictions agrees to such reservation and non-waiver by Grantee.

5.4 Obscenity. Grantee shall not transmit, or permit to be transmitted, over any Channel subject to its editorial control any Programming which is obscene under applicable law. Grantee shall be deemed to have transmitted or permitted a transmission of obscene Programming only if a court of competent jurisdiction has found that Grantee's officers or employees, acting in their authorized capacity, have knowingly permitted Programming which is obscene under applicable law to be transmitted over any Channel that is subject to Grantee's editorial control.

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

5.6 Leased Access Channels. Grantee shall meet the Leased Access Channel requirements imposed by federal law.

5.7 Broadcast Channels. To the extent required by federal law, Grantee shall provide Broadcast Channels to all Residential Subscribers.

Section 6. LOCAL ORIGINATION PROGRAMMING

6.1 Notice of Change/Discontinuance. Grantee shall provide the Jurisdictions with 60 days prior written notice of any significant changes to Local Origination Programming, provided under Section 5.3 (A)(5), including the discontinuance of any series programs.

6.2 Interconnection and Carriage. Grantee shall cooperate in the maintenance of Interconnections enabling the carriage of local origination programming produced by other cable franchisees, and shall cablecast such Programming on Grantee's Cable System at Grantee's discretion, provided that any request for Grantee's carriage of local origination programming produced by other cable franchisees shall be given substantial, good faith consideration by the Grantee.

Section 7. PEG ACCESS

7.1 Designated PEG Access Providers.

(A) The Jurisdictions may designate up to six (6) Non-Commercial PEG Access providers to control and manage the use of any or all Access Facilities and Resources provided by the Grantee under this Franchise. To the extent of such designation by the Jurisdictions, as between the Designated Access Provider and the Grantee, the Designated Access Provider shall have sole and exclusive responsibility for operating and managing such Access Facilities and Resources.

(B) Grantee shall cooperate with Designated Access Providers in the use of the Cable System and Access Facilities. Grantee shall enter into operating agreements as may be necessary to facilitate and coordinate the provision of PEG Access, provided that all such operating agreements shall not be inconsistent with the terms of this Franchise.

7.2 Access Channel Capacity on the Residential Network.

(A) Downstream Channels. Prior to Digital Transition under Section 7.2 C, Grantee shall provide to all Residential Subscribers, for use by Designated Access Providers, not less than eight (8) Activated Downstream Standard Video Channels, within the frequency range reserved for analog transmissions, within the Franchise Area.

(B) Closed Channels. After the Cable System Upgrade required under this Franchise, Grantee shall provide the capability to scramble at least three (3) of the Downstream Channels referred to in Section 7.2 (A) to serve as either open Channels or Closed Channels at the Designated Access Provider's discretion to the extent allowed under Federal law. The coordination of the Closed Channels shall be made by the Jurisdictions participating in the Intergovernmental Agreement referenced in Section 2.2(A) of this Franchise. Upon completion of the Upgrade, Grantee shall provide the capability to scramble one (1) such channel at its own expense and may not credit the costs against Section 9.1. Upon the Jurisdictions' request, Grantee shall provide the capability to scramble the two (2) additional scrambled channels and may credit the Incremental, direct costs against Access Capital Costs provided under Section 9.1(C).

(C) Digital Transition. In the event that, and at such time as Grantee Activates frequency spectrum on the Cable System for video digital transmissions on the Residential Network, then Grantee:

(1) shall carry both analog and digital format transmission Channels simultaneously of PEG Access Channels under Section 7.2(A) when more than fifty percent (50%) of the analog commercial Programming Channels are converted to digital transmission format; and

(2) may decommission analog format Channels of PEG Access when more than seventy-five percent (75%) of the commercial Programming Channels are converted to digital format transmission.

(D) Digital Capacity. At the same time as digital transition under Section 7.2(C) begins, Grantee shall reserve, for PEG Access use, either ten percent (10%) of the total Activated Cable System Downstream Channel Capacity on the Residential Network or thirty-six (36) Channels (including Channels provided under Sections 7.2(A) and (B) and Section 7.4), whichever is less. These Channels shall have the capacity to carry entertainment quality and motion equivalent Channels, but may be reconfigured, at the Jurisdictions' direction, to carry Channels which require less capacity. Such reconfiguration shall be coordinated by the Jurisdictions participating in the Intergovernmental Agreement referenced in Section 2.2(A) of this Franchise. Grantee shall Activate digital Capacity under this Subsection upon request by the Jurisdictions for PEG Access use in order to meet a community need identified by a Designated Access Provider.

(E) Stereo Audio Channel. Grantee shall designate and provide for PEG Access use of one Upstream and one Downstream FM or digital stereo audio Channel for PEG Access audio Programming or audio simulcast with PEG Access video Programming. PEG Access use of these channels shall have priority over all other uses, so long as Grantee is notified ninety (90) days in advance of each use.

(F) Access Capacity not Offset. The Access Capacity set forth in Section 7 does not include, nor is it to be offset against, PEG Institutional Capacity as set forth in Section 8.

7.3 Access Channel Assignments

(A) The Jurisdictions may designate up to six (6) points of origination for Access Channels located within the Cable Services Area, and Grantee shall provide the technical capability to transmit Signals for Access Channels from the designated origination points.

(B) Until the Cable System Upgrade is completed, Grantee shall provide Channel assignments for PEG Access and cablecast such Access Channels to the Franchise Area, as follows:

- (1) Channel 11 - public access
- (2) Channel 21 - public access
- (3) Channel 22 - public access
- (4) Channel 30 - government access
- (5) Channel 31 - educational access
- (6) Channel 33 - public access
- (7) Channel 53 - educational access
- (8) Channel 58 - public access

(C) Upon completion of Cable System Upgrade, Grantee shall provide Channel assignments for PEG Access and Narrowcast such Access Channels to the service areas as follows:

- | | |
|-------------------------------------|--|
| (1) Channel 11 - public access | (Franchise Area) |
| (2) Channel 21 - public access | (Franchise Area) |
| (3) Channel 22 - public access | (Franchise Area) |
| (4) Channel 30 - government access | (City of Gresham boundary discretely from Multnomah County, Fairview, Troutdale and Wood Village combined) |
| (5) Channel 31 - educational access | (Portland Community College service area and Mt. Hood Community College service area discretely) |
| (6) Channel 33 - public access | (Franchise Area) |
| (7) Channel 53 - educational access | (Each public school's service area within the Franchise Area discretely) |

(D) PEG Access Channel assignments, as provided under this Section, may be adjusted or altered only with the specific written approval, in advance, by the Jurisdictions. Access Channel types, (i.e. Public, Educational, Government), as provided under this Section, may be adjusted by Designated Access Providers upon approval by the Jurisdictions. If technology changes render Channel assignments obsolete, Grantee shall negotiate with the Jurisdictions to determine equitable placement of Access Channels.

7.4 Expansion of Access Channels.

(A) In areas where the Cable System Upgrade under in Section 11 has been completed and for those Subscribers who have been cut-over to the Upgraded Cable System, and prior to completion of the digital transition under Section 7.2(D), the Grantee shall reserve additional Downstream Standard Video Channels, so that there are a total of nine (9) Downstream Channels, for PEG Access use. The Jurisdictions may require Activation of these reserved Access Channels when a Designated Access Provider demonstrates to the Jurisdictions, and the Jurisdictions provide such information to the Grantee, that additional reserved Channels are needed. In determining such need, the Jurisdictions shall use the following criteria, as applicable to the type of Access Channel to be Activated:

(1) Public Access Channels: During eight (8) consecutive weeks, the Public Access Channel is in use for Original programming at least eighty percent (80%) of the time, seven (7) days per week, for any consecutive five(5)-hour block during the hours noon to midnight, and programming is Locally Produced or Locally Sponsored; or,

(2) Educational Access Channels: During eight (8) consecutive weeks, the Educational Access Channel is in use for Original programming at least eighty percent (80%) of the time, five (5) days per week, Monday through Friday, for any consecutive five(5)-hour block during the hours 9:00 am to 9:00 pm, and programming is Locally Produced or Locally Sponsored; or,

(3) Government Access Channels: During eight (8) consecutive weeks, the Government Access Channel is in use for local, Original programming at least eighty percent (80%) of the time, five (5) days per week, Monday through Friday, for any consecutive five(5)-hour block during the hours 9:00 am to 9:00 pm, and programming is Locally Produced or Locally Sponsored.

(B) For the purposes of Section 7.5:

(1) "Original" programming means Programming in its initial cablecast on the system or in its first two (2) repeats. Programming shall not qualify as original if it has been cablecast on another cable system within the Portland Standard Metropolitan Statistical Area ("MSA") within the last six (6) months.

(2) "Locally Produced" programming means programming submitted for cablecast on a PEG Access Channel produced by an individual or group within the Portland MSA.

(3) "Locally Sponsored" programming means Programming submitted for cablecast on a PEG Access Channel sponsored by an individual or group within the Portland MSA. Locally Sponsored programming may not represent more than twenty-five percent (25%) of PEG programming in determining need under Section 7.4(A).

7.5 Access Channels on Lowest Service Tier. All Access Channels required by this Franchise shall be included by Grantee on the Basic Service Tier and therefore be made available to every Cable Service Subscriber, except as otherwise provided under this Franchise.

7.6 Additional Access Requirements.

(A) Access to I-Net and Interconnect. Grantee shall provide Activated Channel Capacity sufficient to enable Signal transmission to and from all Interconnection points on the Cable System as provided in Section 10.6, and to enable the full bi-directional functioning of the Institutional Network as provided for in Section 8.

(B) Simultaneous Use of Upstream Capacity. The Upgraded Cable System shall provide functioning ability to transmit digital Programming Upstream from each Fiber Node in the Cable System and return the Programming on Downstream Channels and on all Interconnection links simultaneously using return paths as established and limited by the Transport Hub to Distribution Hub to Node architecture of the Upgraded Cable System. Grantee shall cooperate with Designated Access Providers in the transmission of Upstream analog Programming to the extent it is technically feasible (Signal degradation may exist due to the Upgraded Cable System's architecture).

(C) Live Origination Points. Both before and after the Cable System Upgrade required under this Franchise, the Grantee shall provide, at a minimum, the transmission capability for Designated Access Providers to originate discrete, live Programming from:

(1) Designated Access Providers;

(2) any location on the Institutional Network (including any High- or Low-Capacity I-Net locations to the extent technically feasible given the priority functioning of the Residential Network); and,

(3) any available Programming origination points on any cable system with which the PEG Access Channels are Interconnected, provided other cable operators permit.

In the event there are Incremental, direct costs to provide the capabilities under Section 7.6(C) from Low Capacity I-Net locations, Grantee may allocate those costs from funds expended by Grantee under Section 9.1(C).

(D) Access Interconnect Capacity. Both before and after the Cable System Upgrade, Grantee shall provide, at a minimum, Activated Interconnection of the Headend to the Westside cable operator for shared PEG Access and Ed-Net Programming, and Activated Interconnection of the Headend to Designated Access Providers for shared PEG Access Programming on Access Channels. Designated Access Providers shall have the exclusive right to control and schedule the operation of all Interconnections of the PEG Access Channels with other cable systems and other entities.

(E) Narrowcast Capability. To the extent feasible given normal Cable System Upgrade design, Grantee shall use good faith efforts to re-configure the Cable System to allow Designated Access Providers to Narrowcast Programming to Subscribers within the specific geographic areas as set forth in Section 7.3(C) as such areas exist at the time of Upgrade construction. In addition, prior to completion of the Cable System Upgrade, all capabilities for Narrowcasting in place on the effective date of this Franchise shall be maintained, including, without limitation, the capability of MCTV to distribute programming from its Program origination

site to:

- (1) Each cable system with which the PEG Access Channels are Interconnected; and,
- (2) The Institutional Network and any Institutional Subscriber location.

7.7 Pre-Upgrade Live Origination Capabilities. Prior to the Cable System Upgrade:

(A) MCTV shall have the use of one (1) Upstream and one (1) Downstream Channel on the Institutional Network and two (2) Upstream Channels on the Residential Network. The purpose of these Channels is to ensure that MCTV has sufficient capacity to transmit live Programming Signals from any point on the Cable System to Residential Subscribers. To the extent that the Grantee can provide MCTV the ability to transmit live Programming by other means, the Jurisdictions may reallocate these Channels upon request of the Grantee; and,

(B) Grantee shall provide the functional ability, through Interconnects or other means, for MCTV to cablecast the Multnomah County Commission meetings live on an Access Channel.

7.8 Charges. All of the Channels, Cable System Capacity, capabilities, equipment, labor and other elements needed for the Grantee to provide PEG Access as required under this Section shall be provided without charge to the Jurisdictions or to any Designated Access Provider, except as specifically provided for in Section 7.

7.9 Change in Technology. In the event Grantee makes any change in the Cable System and related equipment and Facilities or in Grantee's Signal delivery technology, which directly or indirectly substantially affect the Signal quality or transmission of Access Programming, Grantee shall at its own expense take necessary technical steps or provide necessary technical assistance, including the acquisition of all necessary equipment, to ensure that the capabilities of Designated Access Providers or Access Programmers are not diminished or adversely affected by such change.

7.10 Change in Designated Access Provider Location. Grantee shall provide all obligations in this Section to the Designated Access Provider locations in place on the effective date of this Franchise. If the Jurisdictions designate new Access providers or if a current Designated Access Provider moves its site or location at its own instigation after the effective date of this Franchise, the Designated Access Provider and/or the Jurisdictions will fund the Incremental, direct costs to construct the Cable System from the new site or location to the nearest Activated I-Net Fiber node, or fiber provisioned I-Net node site, or Distribution Hub.

7.11 Technical Quality.

(A) Grantee shall maintain all Access Channels and Interconnections of Access Channels at the same level of technical quality and reliability required by this Franchise and all other applicable laws, rules and regulations for Residential Subscriber Channels.

(B) Grantee shall have no responsibility for the technical quality of the Access Programming distributed on the Access Channels.

(C) Use of the Cable System by Designated Access Providers shall not interfere with the technical

quality or reliability of the Cable System.

7.12 Multnomah Community Television. For purposes of Section 7, "Multnomah Community Television," or "MCTV" means the Access Corporation designated by contract with the Jurisdictions. Any Access Resources or Access Facilities allocated to MCTV under this Franchise may be re-assigned at the Jurisdictions' discretion.

8. PEG INSTITUTIONAL NETWORK CAPACITY

8.1 Existing Institutional Network. Grantee shall maintain its existing Institutional Network until existing capabilities are fully replaced as part of the Cable System Upgrade as required under in Section 11. Prior to completion of the Cable System Upgrade, Grantee shall provide one (1) Upstream and one (1) Downstream Channel on the I-Net reserved exclusively for Access Program Signals.

8.2 New System Institutional Network Design.

(A) In conjunction with the Upgrade set forth in Section 11, Grantee shall install, Activate and maintain on its Upgraded Cable System certain Capacity to be referred to as the Institutional Network. The I-Net shall utilize whatever Capacity is necessary on the Fiber portion of the Cable System and whatever additional equipment and Fiber or coaxial cable is necessary to provide for the Upstream and Downstream I-Net Capacity requirements of this Franchise. The Institutional Network shall include installed equipment to fully provide for the switching and routing of Signals between the Institutional and Residential users of the Cable System as described specifically in Section 8.6. Grantee shall also reserve three (3) six(6)-foot standard rack spaces in the Headend for I-Net processing equipment.

(B) High Capacity I-Net Locations.

(1) In conjunction with the design of the Upgraded Cable System, Grantee shall provide to the Jurisdictions a detailed design and cost estimates for a High Capacity I-Net overlaying the Residential Network with a bi-directional Capacity of 180 MHZ from each Fiber Node to and from PEG Institutions in each Fiber Node area, a Capacity of 400 MHZ to and from each Fiber Node to the serving Distribution Hub, a Capacity of four (4) x 500 MHZ to and from each Distribution Hub and the serving Transport Hub, and a Capacity of four (4) x 500 MHZ in each direction between the Transport Hubs. The Incremental, direct costs under Subsection 8.2 (B) (1) to design and provide cost estimates for the I-Net from the Fiber Node to the High Capacity I-Net sites shall be allocated from funds expended by Grantee under Section 9.1 (C).

(2) Within sixty (60) days after receipt of the design and cost estimates for the High Capacity I-Net described in Subsection 8.2 (B)(1), the Jurisdictions shall advise Grantee of the Fiber Nodes and High Capacity I-Net locations that the Grantee shall construct, shall Activate and shall connect in conjunction with Upgrade of the Cable System. The Incremental, direct costs related to the High Capacity I-Net under Section 8.2(B)(2) and(3) shall be allocated from funds expended by Grantee under Section 9.1(C).

(3) Grantee shall Activate such portions of the High Capacity I-Net constructed pursuant to Subsection 8.2(B)(2) as are designated by the Jurisdictions. The initial Activated Fiber Nodes shall have a Capacity of at least 180 MHZ to and from the node to the High Capacity I-Net locations. The Activated Capacity shall be at least 400 MHZ to and 60 MHZ from the Fiber Node to the Distribution Hub. The initial Activated Capacity from the Distribution Hub to the Transport Hub and between the Transport Hubs shall be a

minimum of 400 MHZ in each direction.

(C) Low Capacity I-Net Locations. Low Capacity I-Net Locations shall have a minimum of 8 MHZ Upstream and 12 MHZ Downstream Capacity installed, Activated and reserved for I-Net use from the nearest Fiber Hub. The Jurisdictions have estimated that they will have approximately five hundred (500) Low Capacity I-Net Locations. The actual number will be determined by the Jurisdictions subsequent to the effective date of this Franchise provided that, in no case, shall the functioning of the Low Capacity I-Net Locations adversely affect the functioning of the Residential Network. The Grantee and the Jurisdictions shall jointly develop procedures for use of the Low Capacity I-Net Locations and remedies for technical problems that arise from such use. From each Fiber Hub to the I-Net switching center this entire Upstream and Downstream Capacity shall be independent of any other hub to allow Frequency Reuse. Grantee may reclaim Upstream and Downstream Capacity to Low Capacity I-Net Locations in 1.5 MHZ increments to meet its bona fide commercial need. The Grantee shall provide, at a minimum, ninety(90)-days written notice to the Jurisdictions prior to the date the Grantee desires to reclaim any portion of the Capacity. In the event that the Grantee finds it necessary to reclaim the final remaining two (2) 1.5 MHZ non-contiguous Upstream increments and three (3) 1.5 MHZ non-contiguous Downstream increments of the Low Capacity I-Net Capacity, the Grantee shall provide notice of not less than one hundred and eighty (180) days and shall provide a conversion plan to the Jurisdictions to upgrade all Low Capacity I-Net Locations to High Capacity I-Net Locations or to substitute equitable Capacity in order to provide for Low Capacity I-Net uses under this Subsection. If the Grantee reclaims more than the minimum of two (2) 1.5 MHZ non-contiguous Upstream increments and three (3) 1.5 MHZ non-contiguous Downstream increments of the Low Capacity I-Net Capacity, the Grantee shall, at the Jurisdictions' request, provide upgrades at Incremental, direct cost to all Low Capacity I-Net Locations according to the conversion plan. Grantee may credit these costs against Access Capital Costs provided under Section 9.1(C). Low Capacity I-Net Locations shall include all PEG Institutions located within the Franchise Area defined in Section 4.1, and shall have Institutional Network Capacity, as set forth under this Subsection, available for use upon installation of Residential Service.

8.3 I-Net Ownership, Maintenance and Usage Fees

(A) (1) Grantee shall own and maintain the Institutional Network.

(2) Upon completion of the Cable System Upgrade, Grantee shall provide I-Net Subscribers with a reliable level of service, repair and maintenance which the Grantee makes available to commercial or residential user of the Cable System. At a minimum, Grantee shall meet the following performance standards for I-Net Capacity and Services:

(a) Grantee shall make I-Net Services and Capacity available to PEG Institutions within thirty (30) days of their written request. If a Low Capacity I-Net Location requires more than a Standard Installation or a High Capacity I-Net Location requires new construction in order to connect to a Fiber Node, and upon receipt of any applicable fees, Grantee shall make I-Net Services and Capacity available to PEG Institutions within ninety (90) days of their written request.

(b) Grantee shall maintain a minimum of ninety-nine point five percent (99.5) service availability to I-Net Subscribers measured over a period of one (1) year.

(c) Grantee shall assure that the video carrier to noise ratio for I-Net Services meets 44dB as measured across 4 MHZ under normal operating conditions, excluding Upstream Signals for Low Capacity I-

Net locations.

(d) Grantee shall respond to repair requests from an I-Net Subscriber at any time within 2 (two) hours of the request.

(e) Grantee shall provide ongoing maintenance at its discretion, as it deems necessary. Grantee shall provide at least one week advance notice to any affected I-Net Subscriber of any maintenance requiring temporary interruption of services, except in emergency situations.

(f) The Grantee and I-Net Subscriber shall develop a mutually agreeable priority listing of critical circuits and their terminal locations. When notifying Grantee of service complaints, a I-Net Subscriber shall identify critical circuits requiring priority repair. Grantee shall escalate repair of critical circuits to the extent reasonable under the circumstances.

(g) When Grantee responds to repeat requests for service and there is no I-Net problem found, Grantee may charge the I-Net Subscriber for the service call at a reasonable rate.

(3) All service agreements between the Grantee and I-Net subscribers for I-Net Capacity and Services shall, at a minimum, meet the requirements of this Franchise. If an I-Net Subscriber and the Grantee are unable to mutually agree on the terms of a service agreement, the Jurisdictions shall make a final determination consistent with the terms of this Franchise.

(B) (1) Upon completion of the Cable System Upgrade, Grantee may charge a periodic fee to Institutional Subscribers for use of I-Net Capacity for Institutional Network Services, except for those PEG Access requirements in Section 7. The fee for Institutional Subscribers shall be set on a "cost"-plus ten (10) percent basis. Grantee's costs shall be calculated by taking the total technical costs for the period to technically operate and maintain the Cable System and allocating a portion of those costs to Institutional Subscribers based on their use of I-Net Capacity in proportion to the total amount of the Cable System Capacity, excluding those PEG Access requirements uses in Section 7. Grantee may Annually establish Capacity use fees for Institutional Subscribers based on reasonable projections for technical costs for the following Year and on actual technical costs for the previous Year. Technical costs shall not include marketing, programming, customer service (except customer service for Institutional Subscribers), general administration, and other costs not directly related to maintaining the technical performance of the Cable System. However, in no circumstances shall Grantee's fees charged to Institutional Subscribers exceed Grantee's lowest fees charged to commercial users for comparable services.

(2) Upon completion of the Cable System Upgrade, Grantee may charge a periodic fee to not-for-profit organizations, and agencies of the State of Oregon and the United States for use of the Cable System Capacity. The fee shall be set at a rate which may exceed the fee charged to PEG Institutions under Subsection 8.3(B)(1), but may in no circumstance exceed Grantee's lowest fee charged to commercial users for comparable services.

8.4 Interconnection of I-Net to Jurisdictions Cable and Public Fibers of Other Carriers. Upon request by a Jurisdiction, Grantee shall Interconnect its I-Net to:

(A) the fibers set aside for Jurisdictional use under other telecommunications franchises, insofar as such Interconnection is technically feasible; and

(B) any Jurisdiction-owned cable system and such other communications systems.

If a Jurisdiction authorizes such Interconnection, Grantee may credit the Incremental, direct cost of such Interconnection against the funds provided under Section 9.1(C).

8.5 Joint Use of Fiber or Conduit. So long as it is technically feasible and does not interfere with normal operations of the Cable System, the Jurisdictions and the Grantee shall cooperate to use existing conduit or Fiber for the purpose of expanding the I-Net to achieve the most economical coverage.

8.6 Required PEG Access and Institutional Network Switching and Routing Capabilities. Grantee's Upgraded I-Net shall, at a minimum, permit PEG Institutions to transmit Programming via Upstream Institutional Network Channels to Grantee's Headend, and then to Downstream Open or Closed PEG Access Channels on Grantee's Residential Network, or to Downstream Institutional Network Channels serving any PEG Institution on the Cable System. The design of the Cable System, and equipment installed by the Grantee, shall enable the switching and routing of Institutional Network Signals from Upstream to Downstream transmission to be accomplished remotely via computer and modem by Designated Access Providers or other institution designated by the Jurisdictions, without the assistance of the Grantee. As a demonstration project, Grantee shall initially provide terminations clearly identified for each individual forward and return path to and from the I-Net in the Headend, to facilitate patching and routing capability. The Grantee shall provide and facilitate the design and installation at its Headend of an expandable 10-channel by 10-channel RF video switching mechanism for the I-Net, with three (3) additional outputs for the Residential Network PEG Access Channels, with all associated equipment, as necessary to demonstrate an initial level of switching pursuant to this Section. Grantee shall provide a minimum of three (3) data translators to allow demonstrations of the data transmission capability of the I-Net. The provision of such demonstration projects shall occur after consultation with Grantee and coordination by the Jurisdictions participating in the Intergovernmental Agreement referenced in Section 2.2(A) of this Franchise. Grantee may credit the Incremental, direct costs to achieve requirements in this Subsection against the funds provided under Section 9.1(C).

8.7 Limits on Use. The Jurisdictions agree and shall require as a condition of any separate agreement between the Jurisdictions and PEG Institutional users that:

(A) PEG Institutional users shall not re-sell, lease, or assign use of Institutional Network Capacity or Services to any third party.

(B) PEG Institutions may provide Non-Commercial services to other PEG Institutions utilizing I-Net Capacity and Services, and may charge a fee for I-Net Capacity use, as long as the fee does not exceed the fee that the PEG Institutions pay to the Grantee for use of the I-Net Capacity under Subsection 8.3(B)(1).

(C) PEG Institutions may provide Non-Commercial services to not-for-profit organizations, and agencies of the State of Oregon and the United States utilizing I-Net Capacity and capabilities, provided that the PEG Institution pays the Grantee a fee for such I-Net Capacity use determined in accord with Subsection 8.3(B)(2). The PEG Institution may charge the organization or agency for the fee as long as the charge does not exceed the fee that the organizations and agencies would pay to the Grantee for use of the Cable System Capacity determined in accord with Subsection 8.3(B)(2).

(D) The I-Net may be used by PEG Institutions for non-commercial, educational and governmental

purposes, and for the transmission of Programming but for no other purpose; and

(E) Grantee shall in all instances be afforded an opportunity to provide any connection of the I-Net with Interconnection sites under Section 8.4, and sites other than those High Capacity and Low Capacity I-Net Locations specified herein, or use of the I-Net for transmission to or from a place other than an I-Net site may be provided only by the Grantee, provided that Grantee can provide such connection or transmission at a charge no greater than, and on terms no less favorable than, those which would be charged or imposed by any other party.

9. PEG ACCESS CAPITAL FUNDING

9.1 3% Gross Revenue Annual Setaside. Grantee shall allocate three percent (3%) of Gross Revenues Annually to support PEG Access Capital Costs as follows:

(A) Grantee shall pay to the Jurisdictions one percent (1%) of Gross Revenues to provide support for Access Corporation Capital Costs funds. Pursuant to the terms of agreements between the Access Corporations and the Jurisdictions, the Jurisdictions shall use these funds to defray Access Capital Costs identified by the Access Corporations in their approved budgets. Funds not utilized in the year provided may be carried over into future years for Access Capital Costs and/or the Jurisdictions may apply such carryover amounts to funds granted by the Jurisdictions under Section 9.1(B).

(B) (1) Grantee shall pay to the Jurisdictions one percent (1%) of Gross Revenues as a dedicated Access Capital Development Fund to be granted by the Jurisdictions to PEG Institutions for Capital projects.

(2) With the Jurisdictions's approval, funds granted by the Jurisdictions under this Subsection in support of projects to be paid or constructed by the Grantee may be credited by the Grantee against payments to be made to the Jurisdictions under this Subsection.

(C) One percent (1%) of Gross Revenues shall be expended by Grantee to fund Institutional Network Capital requirements and extensions, subject to ongoing oversight and approval by the Jurisdictions in the manner provided in this Franchise. Expenditures under this Subsection must tangibly benefit PEG Institutional users and shall include only Incremental, direct costs, but shall not be disqualified by the Jurisdictions if they also accomplish a business purpose of Grantee.

(1) The Jurisdictions may require Grantee to advance additional funds under Section 9.1(C), up to an additional One Million Dollars, (\$1,000,000), provided that Grantee may subsequently reduce annual payments under this Section by up to twenty percent (20%) of the amount advanced plus the time value of money as calculated pursuant to Section 14.9(D), until such reductions equal the amount advance plus the time value of money, pursuant to a schedule agreed to by the Jurisdictions and Grantee at the time of the advance.

(2) In conjunction with the preliminary construction plan required under Section 11.2(A), Grantee shall provide an Institutional Network Capital Plan for the expenditure of funds under Section 9.1(C) through completion of the Cable System Upgrade required under this Franchise. Grantee shall consult with the Jurisdictions in developing such plan, which shall be subject to approval by the Jurisdictions, which shall not be unreasonably withheld. Grantee shall seek approval by the Jurisdictions, which approval shall not be unreasonably withheld, to any proposed changes to the plan.

(3) Following completion of the Cable System Upgrade, Grantee shall Annually provide an Institutional Network Capital Plan for the upcoming Year. Grantee shall consult with the Jurisdictions in developing such plan, which shall be subject to approval by the Jurisdictions, which approval shall not be unreasonably withheld.

(4) During the Cable System Upgrade, and Annually thereafter, in addition to, and at the same time as, submission to the Jurisdictions of Grantee's annual report and annual audited financial statements, Grantee shall provide to the Jurisdictions, consistent with such statements, an Institutional Capital Expenditure Report for the prior Year in a form satisfactory to the Jurisdictions;

(5) Amounts expended by Grantee under Section 9.1(C) shall be subject to ongoing Jurisdictional oversight and approval. Following completion of the Cable System Upgrade, the Jurisdictions anticipate exercising such oversight and approval in conjunction with Jurisdictions review of Grantee's annual report. Grantee acknowledges that the Jurisdictions may disallow expenditures that do not tangibly benefit PEG Institutions. Grantee may carry over expenditures beyond one (1) Year, but all amounts accrued Annually must be expended within three (3) Years of accrual.

(6) In the event the Jurisdictions disallow a Grantee expenditure under Section 9.1(C), then the amount of the expenditure shall be re-credited to the resources available under this Section.

(7) If the Jurisdictions have not required changes, or have not disallowed Grantee expenditures under Section 9.1(C) within one (1) year of the Jurisdictions actual receipt of any of Grantee's Institutional Capital Expenditure Reports, then the Report shall be deemed accepted by the Jurisdictions.

9.2 Payments. Following the effective date of this Franchise, Grantee shall make quarterly payments to the Jurisdictions, under Sections 9.1(A) and (B), for the preceding quarter Year period ending September 30, December 31, March 31, and June 30. Each quarterly payment shall be due and payable no later than forty-five (45) days after the quarter ending date.

9.3 Limitation on Payments and Setaside

(A) During any one (1) Year, Grantee shall be relieved of its obligation to make further payments to the Jurisdictions for Access Capital Costs under Sections 9.1 (A) and (B) following the time when the Grantee has actually made Access Capital Costs payments to the Jurisdictions equaling the Maximum Access Capital Costs, as defined in this Section, during that Year. The Maximum Access Capital Costs shall be \$563,333 for each Year through December 31, 2005. For the Year 2006, the Maximum Access Capital Costs shall be multiplied by the ratio of 1) the average Consumer Price Index for all urban consumers (CPI) for January through June 2006, to 2) the average CPI for January through June 2005. Similarly, for each succeeding Year, the Maximum Access Capital Costs shall be multiplied by the ratio of 1) the average CPI for January through June of the current Year, to 2) the average CPI for January through June of the prior Year. Except that, the Maximum Access Capital Costs shall never be less than \$563,333 in any Year.

(B) During any one (1) Year, Grantee shall be relieved of the requirement under Section 9.1 (C) to make further expenditures for Institutional Network Capital Costs following the time when Grantee's actual expenditures during that Year are greater than the Maximum Institutional Network Capital Costs, as defined in this Section, during that Year, not including funds carried over from prior Years under Subsection 9.1 (C)(3) or any funds granted by the Jurisdictions under Section 9.1(B). The Maximum Institutional Network Capital

Costs shall be \$281,667 for each Year through December 31, 2005. For the Year 2006, the Maximum Institutional Network Capital Costs shall be multiplied by the ratio of 1) the average Consumer Price Index for all urban consumers (CPI) for January through June 2006, to 2) the average CPI for January through June 2005. Similarly, for each succeeding Year, the Maximum Institutional Network Capital Costs shall be multiplied by the ratio of 1) the average CPI for January through June of the current Year, to 2) the average CPI for January through June of the prior Year. Except that, the Maximum Institutional Network Capital Costs shall never be less than \$281,667 in any Year.

9.4 PEG Access Support not Franchise Fees: Applicable Federal Law. Grantee agrees that financial support for Access Capital Costs arising from or relating to the obligations set forth in Section 9 shall in no way modify or otherwise affect Grantee's obligations to pay franchise fees to the Jurisdictions. Grantee agrees that although the sum of franchise fees and the payments set forth in Section 9 may total more than five percent (5%) of Grantee's Gross Revenues in any twelve(12)-month period, the additional commitments are not to be offset or otherwise credited in any way against any franchise fee payments under this Franchise.

9.5 Review of Records. Grantee may inspect records of the Jurisdictions and the recipients of the PEG Access Capital Costs funds at any time during normal business hours and upon reasonable notice regarding the use of funds under this Section in order to determine whether such use is in accordance with the purposes of PEG Access Capital Costs as defined in this Franchise.

Section 10. SERVICE, CONSTRUCTION, AND INTERCONNECTION

10.1 Universal Service. Grantee shall provide Cable Service to all Subscribers in the Franchise Area under non-discriminatory rates and reasonable terms and conditions. Grantee shall not arbitrarily refuse to provide Cable Services to any Person within the Franchise Area.

10.2 Standard Installation. Except as otherwise provided in Sections 10.3, 10.4 and 10.5, Grantee shall provide Standard Installation of Residential Services within sixty (60) days of a service request to all Residential Subscribers and PEG Institutions throughout the Cable Services Area at Grantee's published rates and charges.

10.3 Isolated Installations. In general, Grantee shall have no obligation to provide service necessitating a line extension beyond a Standard Installation unless the Person requesting service contractually agrees to pay construction costs based on the following formula:

(A) Grantee shall provide service at its Standard Installation charge for the initial one-hundred and seventy (170) feet of extension.

(B) Grantee and the Subscriber shall share equally the actual cost of the extension for the distance over one-hundred and seventy (170) feet but less than five hundred (500) feet.

(C) The Subscriber shall pay all costs for the extension for the distance greater than 500 feet.

10.4 New Subdivisions. Subject to Section 10.5, Grantee shall provide Cable Services in new subdivisions within 60 days of the time when:

(A) At least fifty percent (50%) of the subdivision's potential Dwelling Units have been issued building

permits, and

(B) A Dwelling Unit in the subdivision has requested service, and

(C) The new subdivision is planned in a way which, when fully developed, would provide at least twenty (20) Dwelling Units per cable plant mile as measured from the nearest point on the existing Cable System.

10.5 Added Cable Services Area. In any Added Cable Services Area, Grantee shall provide Cable Services in the area when there is an average density of at least twenty (20) Dwelling Units per mile of any cable plant extension necessary to provide Cable Services to such area.

10.6 Monthly Service and Installation of Schools. Grantee shall provide without charge the Basic Service Tier and Cable Programming Service Tiers, and one (1) Standard Installation to all schools in the Franchise Area. Extensions in excess of the Standard Installation shall be subject to the isolated installations formula of Section 10.3. For purposes of Section 10.6, schools means any public educational institution, including primary and secondary schools, community colleges, colleges, universities and extension centers, and all similarly situated private and parochial educational institutions which have received the appropriate accreditation from the State of Oregon and, where required, from other authorized accrediting agencies.

10.7 Interconnection with Ed-Net.

(A) Grantee will continue to provide the existing interconnection with Ed-net, accomplished indirectly through the Interconnect with the westside cable operator, as is in existence as of the effective date of this Franchise, until Ed-Net ceases operation.

(B) Grantee shall provide all necessary equipment at Grantee's Headend and all necessary Facilities on the Grantee's Cable System between Grantee's Headend and the Interconnection of the westside cable operator to accomplish the routing of Programming:

(1) from the Interconnection of the westside cable operator through the Headend onto any Access Channel on the Cable System and to the headends of other cable systems Interconnected with the Grantee; and

(2) from the Access Corporations, any program origination point on the Cable System, and the headends of other cable systems Interconnected with the Grantee, through the Headend to the Interconnection of the westside cable operator.

(C) Grantee will fully cooperate with Ed-Net personnel in identifying appropriate equipment to be used at the Ed-Net facility to accomplish Upstream and Downstream Channel transmissions.

10.8 Interconnection with other Cable Systems and Competitive Access Providers.

(A) Grantee shall continue without limitation all Interconnections in effect on the effective date of this Franchise.

(B) Grantee shall maintain Interconnections with all other major, contiguous cable systems in Washington, Multnomah and Clackamas Counties, Oregon and Clark County, Washington. The Interconnect

Capacity shall provide the bi-directional capability to transmit Programming. The Interconnections shall be capable of receiving and delivering, among other things, Local Origination and PEG Access Programming produced by Grantee and other major, contiguous cable systems in Washington, Clackamas and Multnomah counties, Oregon and Clark County, Washington and Access Programming carried by the Grantee or those cable systems. The Grantee shall cooperate with the Jurisdictions in utilizing available Interconnect capacity to assist with video and data communications applications by local and state public and nonprofit organizations, including two-way applications between and among the Grantee, the Public Communications Network operated under the auspices of the Metropolitan Area Communications Commission, the Westside cable operator and Ed-Net. Upon prior approval by the Jurisdictions, the Grantee may credit Capital Costs of such Interconnection against funds set aside for Institutional Network extension under Section 9.1(C), pursuant to the procedures of that Section.

(C) The Jurisdictions understand that Interconnection requires cooperation from other cable system operators. The Jurisdictions shall make every reasonable effort to assist Grantee in achieving the cooperation necessary to realize Interconnection.

(D) Grantee shall establish and continue in effect a routing system satisfactory to the Jurisdictions for carriage of Signals to and from the Institutional Networks of the Grantee and cable operators serving jurisdictions contiguous with the Franchise Area.

10.9 Quality and Workmanship. The Cable System constructed or erected by Grantee shall be of good quality and workmanship and shall be maintained in good repair and efficiency.

10.10 Inspection of Construction. The Jurisdictions shall have the right to inspect any construction or installation work performed under this Franchise. The Jurisdictions shall have the right to make such tests as they deem necessary to ensure compliance with the terms of this Franchise and applicable provisions of law.

Section 11. CABLE SYSTEM UPGRADE

11.1 System Design for Upgrade. The Grantee shall Upgrade the Cable System as required to meet the technical specifications and all other requirements of this Franchise. All cable and electronic equipment added or replacing old equipment in the Upgrade shall be new and of the highest level of quality by common industry standards. The Upgraded Cable System shall incorporate hybrid Fiber/ coaxial cable design, with Fiber to Fiber Nodes. Grantee will follow to customer demarcation point minimum performance standards for Cable System Upgrade that conform to applicable FCC standards in effect at the time of construction.

11.2 Construction Plan & Schedule.

(A) The Upgrade of the Cable System shall be completed by Grantee within the Franchise Area by December 31, 2000. The Grantee shall provide the Jurisdictions with a preliminary construction plan and schedule, along with the I-Net Capital Plan required under Section 9.1(C), at least six (6) months prior to the commencement of construction. Any plan elements that affect expenditure of funds under Section 9.1(C) shall be subject to the approval of the Jurisdictions. The Grantee shall consult the Jurisdictions on any developments and revisions to the construction plan and schedule and shall seek approval of any proposed changes which impact expenditure of funds under Section 9.1(C). Grantee shall provide reasonable prior notice to the Jurisdictions of all revisions to the plan and schedule which affect Grantee's compliance with its obligations under this Franchise. The Jurisdictions shall be given reasonable opportunity for further comment.

Grantee shall consult with the Jurisdictions on matters to include, but not be limited to, the overall design of the Cable System, the Fiber count in Fiber cable, the placement of Distribution Hubs and Fiber Nodes, the technology for switching, routing, and Frequency Re-use, and the technical elements to meet the PEG Access and I-Net requirements of this Franchise.

(B) The construction plan shall include maps and Cable System design documentation, including the location of all major Facilities, the routing of cable plant, the location of Transport Hubs, Distribution Hubs, and Fiber Nodes, specifications for all cable and major electronic equipment to be used in the Upgrade, and information demonstrating that the Upgraded System will meet or exceed all Franchise requirements, including, without limitation, PEG Access and I-Net requirements.

(C) The construction schedule shall specify estimated completion and activation dates for all parts of the Upgraded Cable System, and shall identify specific milestone phases of the Upgrade scheduled for completion by specified milestone dates spaced no more than six (6) months apart throughout the time period allotted for full completion.

(D) Three months prior to the commencement of construction of each milestone phase of the Upgrade, Grantee shall submit any proposed changes or additions to the construction plan and schedule. The changes shall be discussed in consultation between the Grantee and the Jurisdictions prior to their implementation. Any changes that affect expenditure of funds under Section 9.1(C) shall be subject to the approval of the Jurisdictions prior to implementation.

(E) The Grantee shall provide quarterly written Upgrade progress reports to the Jurisdictions during construction, and shall meet with representatives of the Jurisdictions to discuss each report as requested by the Jurisdictions.

(F) The Jurisdictions shall have the right to have their representatives witness or inspect any part of the Upgrade construction at any time during normal construction business hours, and the Grantee shall extend its full cooperation for such witnessing or inspection.

(G) For the purposes of Section 11.2, to "commence construction" means, as finally determined by the Jurisdictions if necessary, to begin installation of any part of the system Upgrade or milestone phase thereof, including, but not limited to, the construction or modification of any facility, building or structure, or the stringing of any strand wire or cable, or the laying of any conduit, or the installation of any active or passive electronic equipment to facilitate the required system Upgrade.

11.3 Upgrade for Access and Institutional Network The Capacity for PEG Access and for Institutional Network services required as part of the Cable System Upgrade under this Franchise shall be installed and Activated on a phased basis, so that PEG Access and Institutional Services become available in any given part of the Cable System at the same time Upgraded Residential Services become available.

11.4 Changes to Construction Plans Nothing herein shall prevent Grantee from making changes or additions to the construction plan during the Upgrade which are technically warranted and do not affect Grantee's compliance with its obligations under this Franchise, including expenditure of funds under Section 9.1(C).

11.5 Technology Assessment/Early Termination

(A) The Jurisdictions may notify Grantee on or after January 1, 2002 that the Jurisdictions will conduct a Technology and Compliance Assessment of Grantee's Cable System. Upon completion of the Technology and Compliance Assessment, the Jurisdictions may reduce the term of the Franchise by not more than four (4) years if the Jurisdictions find that Grantee has failed to successfully comply with the conditions set forth in this Section. The Jurisdictions shall notify Grantee of such findings, and the basis therefore, on or before March 31, 2003.

(B) The Jurisdictions may reduce the term of the Franchise pursuant to Section 11.5(A) if the Jurisdictions find:

(1) Grantee is not in substantial compliance with the material terms and conditions of this Franchise, including without limitation, Sections 5 through 14;

(2) (a) Grantee's technology and performance are inconsistent with current overall industry technical practices and range and level of services, existing and planned, in either the one hundred (100) largest U.S. cable systems that have been renewed or entered into since January 1, 1997, or in cable systems of more than 50,000 subscribers in the Portland MSA ("Survey"), taking due consideration of the then current practices and trends in the industry; and Grantee has not agreed to conform with industry or Portland metropolitan area practice in the five (5) year period between 2005 and 2010 by implementing improvements that have been demonstrated in the Survey to be commercially feasible. The Jurisdictions shall designate an expert or experts in the area of cable television to conduct the Survey and to assess, in full consultation with Grantee, and advise the Jurisdictions whether Grantee meets the requirements of Subsection 11.5(B)(2).

(b) Notwithstanding the above designation by the Jurisdictions, at Grantee's request, a panel of experts in the cable industry shall recommend to the Jurisdictions whether Grantee complies with Subsection 11.5(B)(2). Promptly upon the Jurisdictions' notification to Grantee under Section 11.5(A), the Grantee and the Jurisdictions shall agree on the designation of such experts. If the parties are unable to do so, each party shall designate an expert within one (1) month after Grantee's request and the two experts so designated shall designate a third, all of whom shall have the qualifications above stated. The reasonable costs of such experts shall be borne equally by the Grantee and the Jurisdictions. No one serving as an expert as designated in this Subsection shall be an agent or employee of Grantee or its Affiliates or have been employed within the last year by the Commission or its participating jurisdictions who are party to the Intergovernmental Agreement (Exhibit A).

(C) In the event an improvement identified in the Survey is requested by the Jurisdictions, the Grantee shall agree to make the improvement in order to avoid early termination by the Jurisdictions. However, upon the Grantee's request, the Jurisdictions shall give the Grantee the opportunity to demonstrate that the improvements requested by the Jurisdictions are not commercially feasible (i.e., do not provide a reasonable expectation for a reasonable return on Grantee's investment to make the improvements in the remainder of the original term). In the event that an improvement identified in the Survey and requested by the Jurisdictions is not commercially feasible, then the Jurisdictions may not require early termination under this Section. The Jurisdictions may also waive the requirement of expert assistance and stipulate that Grantee has met the conditions.

Section 12. TECHNICAL AND OPERATIONAL STANDARDS AND REQUIREMENTS

12.1 Technical and Safety Standards.

(A) Grantee shall comply with FCC Rules and Regulations, Part 76, Subpart K (Technical Standards), now in effect or as may be amended from time to time.

(B) Grantee shall at all times employ the standard of care attendant to the risks involved and shall install and maintain in use commonly accepted methods and devices for preventing failures and accidents which are likely to cause damage, injury or nuisance to the public or to employees of the Grantee.

(C) Grantee shall install and maintain its Cable System in accordance with the requirements of the National Electrical Safety Code, and in such manner that the Cable System shall not interfere with any installations of the Jurisdictions or any public utility or Institutional utility, or any franchisee, licensee or permittee of the Jurisdictions.

(D) Grantee shall provide and put in use such equipment and appliances as shall control on a closed circuit basis and effectually carry all electric currents and Grantee television and other system Signal impulses in a manner so as to prevent injury to the wires, pipes, structures, and property belonging to the Jurisdictions or to any Person within the Jurisdictions.

(E) Grantee, at its own expense, shall repair, renew, change, and improve its Cable System from time to time as may be necessary to accomplish these purposes.

12.2 Performance Testing

(A) Grantee shall perform the following tests on its Cable System:

- (1) All tests required by the FCC;
- (2) All other tests specified in this Franchise; and
- (3) All other tests reasonably necessary to determine compliance with technical standards adopted by the FCC at any time during the term of this Franchise.

(B) At a minimum, the Grantee's tests shall include:

- (1) Proof of performance when Activating any new construction;
- (2) Semi-annual compliance and proof of performance tests in conformance with generally accepted industry guidelines;
- (3) Tests in response to subscriber complaints;
- (4) Periodic monitoring tests, at intervals not to exceed six (6) months, of subscriber (field) test points, headend (satellite receiver) systems, and condition of standby power supplies; and
- (5) Cumulative Leakage Index tests, at least Annually, designed to insure that one hundred percent (100%) of Grantee's Cable System has been ground or air tested for Signal leakage in accordance with FCC standards.

(C) Grantee shall maintain written Records of all results of its Cable System tests, performed by or for the Grantee. Such test results shall be available for inspection by the Jurisdictions upon request.

(D) Grantee shall perform Cable System tests twice each calendar year, at intervals of no greater than every seven (7) months, at a number of randomly chosen Subscriber television receiver connections in the Franchise Area corresponding to at least the minimum number of test points for the size of the Grantee's Cable System as specified in FCC regulations. Tests done at actual television receiver connections may be done at connections to the Cable System which are the equivalent of standard Subscriber connections, including 100-foot cable drops that are connected to the Subscriber tap. The Jurisdictions shall be given the opportunity to review and approve test sites in advance. At least one-third of the test locations shall be at the far end of the distribution trunk cables. Test points shall include locations with drops configured for each service tier offered by the Grantee. The tests may be witnessed by representatives of the Jurisdictions, and Grantee shall inform the Jurisdictions of the time and place of each test no less than three (3) weeks prior to the test. Written test reports shall be submitted to the Jurisdictions. The Jurisdictions may conduct independent tests of the system for which the Grantee shall give its fullest cooperation. If ten percent (10%) or more of the locations tested fail to meet the performance standards, the Grantee shall be required to indicate what corrective measures have been taken, and the entire test shall be repeated at the locations which failed, and at least five (5) additional randomly chosen locations. If a second test results in failure of ten percent (10%) or more, the failure shall constitute a violation of this Franchise, and the Jurisdictions may apply such penalties as they deem appropriate, unless the circumstances of the failure are caused by conditions of Force Majeure, as set forth in Section 24.12.

12.3 Specific Technical Facilities or Capabilities. The following specific technical facilities or capabilities shall be provided on the Cable System by the Grantee:

(A) 100% Emergency Standby Power. Grantee shall maintain standby power generating capacity at the Cable System Headend and throughout the trunk and distribution networks as is in place on the effective date of this Franchise, until such time as the Cable System is Upgraded as required in Section 11. During the Upgrade, Grantee shall replace and/or upgrade the trunk and distribution standby power generating capacity at the Transport Hubs and Distribution Hubs in all Upgraded portions of the Cable System. All standby power systems shall be rated to provide at least two (2) hours duration. In addition, throughout the term of this Franchise, Grantee shall have a plan in place, along with all resources necessary for implementing such plan, for dealing with outages of more than two (2) hours. This outage plan and evidence of requisite implementation resources shall be presented to the Jurisdictions upon request.

(B) Emergency Override. Grantee shall comply with all applicable federal regulation regarding emergency alert systems, including equipment standards and procedures for alerting capacities. The Jurisdictions may identify authorized emergency officials for activating the emergency alert system. The Jurisdictions may also develop a local plan containing methods of emergency alert system message distribution, subject to federal review and approval as provided by federal rules.

(C) Headend Performance. Grantee shall adopt and maintain performance standards for all Headend systems, including off-air station reception, satellite Signals, insertion Signals, and equipment for reception and routing of interconnected Signals from other providers, including Ed-Net and Designated Access Providers. All performance testing shall include all Headend systems. Such tests shall include the cascade effects of Headend receivers, processors, satellite receivers, and any other devices in the Signal path.

Section 13. CUSTOMER SERVICE AND CONSUMER PROTECTION

13.1 Cable Television Consumer Protection Policy. Grantee shall comply with the Jurisdictions' cable television consumer protection policy.

13.2 Subscriber Contracts. Grantee shall not enter into contracts with Subscribers which are inconsistent in any material sense with the requirements of this Franchise.

Section 14. COMPENSATION AND AUDITING

14.1 Amount of Compensation. As compensation for the benefits and privileges under this Franchise and in consideration of permission to use the Streets of the Jurisdictions, the Grantee shall pay as a franchise fee to the Jurisdictions, throughout the duration of this Franchise, an amount equal to five (5%) percent of Grantee's Gross Revenues related to Cable Services.

14.2 Payments and Quarterly Reports.

(A) Payments. Grantee's franchise fee payments to the Jurisdictions shall be computed quarterly following the effective date of this Franchise for the preceding quarter Year period ending September 30, December 31, March 31, and June 30. Each quarterly payment shall be due and payable no later than forty-five (45) days after the quarter ending date.

(B) Quarterly Reports. Each payment shall be accompanied by a written report to the Jurisdictions, verified by an officer of Grantee, containing an accurate statement in summarized form, as well as in detail, of Grantee's Gross Revenues and the computation of the payment amount. Such reports shall be in a form satisfactory to the Jurisdictions.

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

14.4 Cost of Publication. Grantee shall pay the cost of publication of this Franchise and any amendments thereto, as such publication is required by the Jurisdictions' Charters.

14.5 Alternative Franchise Compensation. In the event the obligation of Grantee to compensate the Jurisdictions through franchise fees is lawfully suspended or eliminated, in whole or in part, then the Grantee shall pay to the Jurisdictions compensation equivalent to the compensation paid to the Jurisdictions by other similarly situated users of the Streets for Grantee's use of the Streets, to the extent the Jurisdictions have the legal right to require such compensation.

14.6 Maximum Legal Compensation. The parties acknowledge that, at present, applicable federal law limits the Jurisdictions to collection of a maximum permissible franchise fee of five percent (5%) of Gross Revenues related to Cable Services. In the event that at any time during the duration of this Franchise, the Jurisdictions are authorized to collect an amount in excess of five percent (5%) of Gross Revenues, then the Jurisdictions may request a modification of this Franchise under the provisions of Section 18.2.

14.7 Additional Commitments not Franchise Fees. No term or condition in this Franchise shall in any way modify or affect the Grantee's obligation to pay franchise fees related to Cable Services in accordance with

applicable law. Although the total sum of such franchise fee payments and additional commitments set forth elsewhere in this Franchise may total more than five percent (5%) of Grantee's Gross Revenues in any twelve (12)-month period, Grantee agrees that the additional commitments herein are not franchise fees as defined under 47 U.S.C. § 542, nor are they to be offset or credited against any franchise fee payments due to the Jurisdictions. Except as otherwise authorized by 47 U.S.C. § 542, and the regulations promulgated thereunder, Grantee shall not pass these additional commitments through to subscribers.

14.8 Acceptance of Payment and Recomputation. No acceptance of any payment shall be construed as an accord by the Jurisdictions that the amount paid is, in fact, the correct amount, nor shall any acceptance of payments be construed as a release of any claim the Jurisdictions may have for further or additional sums payable. All amounts paid shall be subject to audit and recomputation by the Jurisdictions.

14.9 Audits and Reviews

(A) The Jurisdictions and their agents and representatives shall have authority to arrange for and conduct audits or reviews of the relevant financial records of Grantee or of any Affiliated Entity for the purpose of verifying franchise fee payments or other financial obligations payable hereunder. The Jurisdictions may determine the scope of audit or review in each instance. All amounts paid by Grantee shall be subject to audit or review by the Jurisdictions, provided that such audit or review be completed within five (5) years from the date payment was due. If the Jurisdictions request in writing that the Grantee provide, or cause to be provided, any information reasonably within the scope of the audit or review, and the Grantee fails within thirty (30) days of receipt of the request to provide, or cause to be provided, such information, then the five (5) year period shall be extended by one day for each day or part thereof beyond thirty (30) days that Grantee fails to provide, or fails to cause to be provided, such requested information.

(B) The Jurisdictions will notify Grantee in writing at least seven (7) days prior to the date of an audit or review and, to the best of the Jurisdictions' ability, identify the Records they want to review prior to the scheduled date for the audit or review. Grantee shall make such books and Records of Grantee or any Affiliated Entity as the Jurisdictions reasonably deem relevant to the determination of Gross Revenues and franchise fees or other financial obligations due hereunder available for inspection, copying and audit. Grantee's Records shall be reviewed during normal business hours at a time and place made available by Grantee. The reasonable costs to the Jurisdictions of the audit or review shall be borne by Grantee if the audit reveals that Grantee has underpaid franchise fees or its other financial obligations by five percent (5%) or more during the period in question; otherwise the cost shall be borne by the Jurisdictions.

(C) Grantee shall pay to the Jurisdictions, or Jurisdictions shall pay to Grantee, any undisputed amounts that are due to the Jurisdictions or due to be refunded to Grantee as determined by any audit. Such payment or refund shall be made regardless of whether the obligation therefore arose before or after the effective date of this Franchise.

(D) If Grantee is determined to have made an underpayment in an amount that exceeds five percent (5%) of the total amount due at the time such payment was due, Grantee shall pay simple interest to the Jurisdictions on the amount of the underpayment at a rate two percent (2%) per annum above the publicly-announced prime rate of interest charged by Bank of America NT & SA, or its successors, to its most credit worthy commercial customers as of the date of the audit ("Bank of America's Prime Rate") from the date on which payment was due until the date on which full payment of the interest charge is received by the Jurisdictions.

14.10 Liability for Licenses and Taxes. Payment of the franchise fee and other financial obligations under this Franchise shall not exempt Grantee from the payment of any license fee, tax or charge on the business, occupation, property or income of Grantee that may be imposed by a Jurisdiction, except as may otherwise be provided in the ordinance or ordinances imposing such other license fee, tax or charge. The Jurisdiction's right to impose any such license fee, tax or charge shall be subject to any limitations on the Jurisdiction under applicable law.

Section 15. GENERAL INDEMNIFICATION AND INSURANCE

15.1 Indemnification.

(A) General Indemnification. Grantee agrees and covenants to indemnify, defend and hold the Jurisdictions, their officers, agents and employees, harmless from any direct claim for injury, damage, loss, liability, cost or expense, including court and appeal costs and reasonable attorney fees or expenses, arising from any casualty or accident to person or property, including, without limitation, copyright infringement, defamation and all other damages, arising out of or by reason of any construction, excavation, operation, maintenance, reconstruction or any other act done under this Franchise, by or for Grantee, its agents, or its employees, or by reason of any neglect or omission of Grantee to keep its system in a safe condition, but not if arising out of or by reason of any negligence or willful misconduct by the Jurisdictions or their officers, agents or employees. The Jurisdictions shall provide Grantee prompt notice of any such claim which Grantee shall defend with counsel of its own choosing and no settlement or compromise of any such claim will be done without the prior written approval of the Jurisdictions which approval shall not be unreasonable withheld. Grantee shall consult and cooperate with the Jurisdictions while conducting its defense of the Jurisdictions and the Jurisdictions shall fully cooperate with the Grantee.

(B) Indemnification for Relocation. Grantee shall indemnify the Jurisdictions for any damages, claims, additional costs or expenses assessed against or payable by the Jurisdictions arising out of or resulting, directly or indirectly, from Grantee's failure to remove, adjust or relocate any of its Facilities in the Streets in a timely manner in accordance with a relocation schedule furnished Grantee by a Jurisdiction in writing, unless Grantee's failure arises directly from the Jurisdiction's negligence or willful misconduct.

15.2 Insurance.

(A) Grantee shall maintain commercial general liability insurance and commercial automobile insurance that protects the Grantee and the Jurisdictions, their officers, agents and employees, from any and all claims for damages or personal injury including death, demands, actions and suits brought against any of them arising from Grantee's operations under this Franchise or in connection therewith, as follows:

(B) Grantee shall obtain, at Grantee's expense, and keep in effect during the term of this Franchise:

(1) Commercial General Liability Insurance covering Bodily Injury and Property Damage on an "occurrence" form. This coverage shall include Contractual Liability Insurance for the indemnity provided under this Franchise. The following will be carried:

Coverage	Limit
General Aggregate	\$2,000,000
Products-Completed Operations Aggregate	\$2,000,000

Personal & Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Fire Damage (Any on Fire)	\$50,000

(2) "Symbol 1" Commercial Automobile Liability coverage including coverage for all owned, hired, and non-owned vehicles. The combined Single Limit per occurrence shall not be less than five hundred thousand dollars (\$500,000).

(C) Insurance coverage shall be provided by companies admitted to do business in Oregon or, in the alternative, rated B+ or better by Best's Insurance Rating. The Jurisdictions reserve the right to reject all or any insurance carrier(s) with an unacceptable financial rating.

(D) The insurance shall be without prejudice to coverage otherwise existing and shall name as additional insureds each Jurisdiction and its officers, agents, and employees. Notwithstanding the naming of additional insureds, the insurance shall protect each insured in the same manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer's liability as set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person or interest had been named as insured. The coverage must apply as to claims between insureds on the policy.

(E) The insurance shall provide that the insurance shall not be canceled or materially altered so as to be out of compliance with the requirements of Section 15.2 without thirty (30) days written notice first being given to the Jurisdictions' cable regulatory office. If the insurance is canceled or materially altered so as to be out of compliance with the requirements of Section 15.2 within the term of this Franchise, Grantee shall provide a replacement policy. Grantee agrees to maintain continuous uninterrupted insurance coverage, in the amounts required, for the duration of this Franchise.

(F) Grantee shall provide the Jurisdictions' cable regulatory office, within fifteen (15) days of the effective date of this Franchise, a certificate of insurance certifying the coverage required above, which certificate shall be subject to the approval of the Jurisdictions' Legal Counsel as to the adequacy of the certificate and of the insurance certified under the requirements of Section 15.2. Failure to maintain adequate insurance as required under Section 15.2 shall be cause for immediate revocation of this Franchise by the Jurisdictions.

(G) In the alternative to providing a certificate of insurance to the Jurisdictions certifying insurance coverage as required in Section 15.2, Grantee may provide the Jurisdictions with a statement regarding its self-insurance. Grantee's self-insurance shall provide the same amount and level of protection for the Grantee and the Jurisdictions, their officers, agents, and employees as otherwise required under Section 15.2. The adequacy of the self-insurance shall be subject to the review and approval of the Jurisdictions' Legal Counsel. If Grantee elects to provide self-insurance under Section 15.2, any failure to maintain adequate self-insurance shall be cause for immediate revocation of this Franchise by the Jurisdictions.

(H) The Jurisdictions shall require as a condition of any separate agreement between the Jurisdictions and an Access Corporation, that the Access Corporation shall include the Grantee as a named insured in the Access Corporation's liability insurance policy with respect to any claim for injury, damage, loss, liability, cost or expense arising from Programming or other transmission place by Access Corporation on PEG Access Channels or the Institutional Network (but not if arising out of or by reason of any act done by the Grantee or its officers, agents or employees).

15.3 Faithful Performance Bond.

(A) Upon the effective date of this Franchise, the Grantee shall furnish proof of the posting of a faithful performance bond running to the Jurisdictions with good and sufficient surety approved by the Jurisdictions, in the penal sum of Four Hundred Thousand Dollars (\$400,000.00), conditioned that the Grantee shall well and truly observe, fulfill and perform each term and condition of this Franchise. Such bond shall be maintained by the Grantee throughout the term of this Franchise.

(B) Grantee shall pay all premiums charged for any bond required under Section 15.3, and unless the Jurisdictions specifically direct otherwise, shall keep the same in full force and effect at all times through the later of either:

(1) The remaining term of this Franchise; or

(2) If required by the Jurisdictions, the removal of all of Grantee's system installed in the Jurisdictions' Streets.

(C) The bond shall contain a provision that it shall not be terminated or otherwise allowed to expire without thirty (30) days written notice first being given to the Jurisdictions' cable regulatory office. The bond shall be subject to the approval of the Jurisdictions' Legal Counsel as to its adequacy under the requirements of this Section. During the term of the bond, Grantee shall file with the Jurisdictions' cable regulatory office a duplicate copy of the bond along with written evidence of payment of the required premiums unless the bond otherwise provides that the bond shall not expire or be terminated without thirty (30) days prior written notice to the Jurisdictions.

(D) Subject to the Jurisdictions' prior approval, Grantee may provide an irrevocable letter of credit or other form of financial assurance in lieu of a faithful performance bond. The alternative form of financial assurance shall give the Jurisdictions substantially the same rights and guarantees provided by a faithful performance bond.

(E) In lieu of the performance bond required under Section 15.3(A), the Grantee shall provide to the Jurisdictions a fully executed Guarantee in Lieu of Bond of Time Warner, Inc., in the form provided in Exhibit B to this Franchise. The duly executed Guarantee in Lieu of Bond shall be filed by the Grantee on or before thirty (30) days after this Franchise becomes effective.

15.4 Construction Bond. During all times when Grantee is performing any construction work in or under the Streets requiring a permit from a Jurisdiction, Grantee shall post a faithful performance bond, a cash deposit or irrevocable letter of credit, as is required for the Jurisdiction's permit, running to the Jurisdiction, with good and sufficient surety approved by the Jurisdiction, in the sum required by the permit. The bond or letter of credit shall be conditioned that the Grantee shall well and truly observe, fulfill and perform each term and condition of the Franchise. Grantee shall pay all premiums or other costs associated with maintaining the bond or letter of credit, and shall keep the same in full force and effect at all times during the construction work. The bond or letter of credit shall provide that it may be terminated upon final approval of Grantee's construction work in or under the Streets by the Jurisdiction. Upon such approval, the Jurisdiction agrees to sign all documents necessary to release the bond in accordance with the terms of this Section. During the duration of the construction work, Grantee shall file with the Jurisdiction a copy of the bond or letter of credit,

along with written evidence of the required premiums. The bond or letter of credit shall be subject to the approval of the Jurisdiction as to its adequacy under the requirements of Section 15.4.

Section 16. GENERAL STREET USE AND CONSTRUCTION

16.1 Construction.

(A) Subject to applicable regulations of a Jurisdiction, Grantee may perform all construction necessary for the operation of its Cable System. All construction and maintenance of any and all Facilities within Streets incident to Grantee's Cable System shall, regardless of who performs the construction, be and remain the Grantee's responsibility. Grantee shall apply for and obtain all permits necessary for construction or installation of any Facilities, and for excavating and laying any Facilities, within the Streets. Grantee shall pay all applicable fees upon issuance of the requisite construction permits by a Jurisdiction to Grantee.

(B) Prior to beginning any construction, Grantee shall provide a Jurisdiction with a construction schedule for work in the Streets. When Grantee's construction of Facilities in the Streets is completed, Grantee shall provide the Jurisdiction with a map showing the location of the installed Facility in the Streets, as built.

(C) Grantee may make excavations in Streets for any Facility needed for the maintenance or extension of the Grantee's Cable System. Prior to doing such work, Grantee shall apply for, and obtain, appropriate permits from a Jurisdiction, and give appropriate notices to any other franchisees, licensees or permittees of the Jurisdiction or other units of government owning or maintaining pipes, wires, conduits or other facilities which may be affected by the proposed excavation.

(D) In the event that emergency repairs are necessary, Grantee shall immediately notify the Jurisdiction of the need for such repairs. Grantee may initiate such emergency repairs, and shall apply for appropriate permits within forty-eight (48) hours after discovery of the emergency. Grantee shall comply with all applicable Jurisdiction regulations relating to such excavations or construction, including the payment of permit or license fees.

16.2 Locates. Grantee shall comply with the requirements of the Oregon Utility Notification Law (Sections 1 to 5 and 7, Chapter 691, Oregon Laws 1995), and the rules and regulations promulgated thereunder.

16.3 Relocation. A Jurisdiction shall have the right to require Grantee to change the location of any of Grantee's Cable System within the Streets when the public convenience requires such change, and the expense thereof shall be paid by Grantee. Should Grantee fail to remove or relocate any such Facilities by the date established by a Jurisdiction, the Jurisdiction may effect such removal or relocation, and the expense thereof shall be paid by Grantee, including all costs and expenses incurred by the Jurisdiction due to Grantee's delay. If a Jurisdiction requires Grantee to relocate its Facilities located within the Streets, the Jurisdiction shall make a reasonable effort to provide Grantee with an alternate location within the Streets.

16.4 Restoration of Streets.

(A) Whenever Grantee disturbs the surface of any Street for any purpose, Grantee shall promptly restore the Street to at least its prior condition. When any opening is made by Grantee in a hard surface

pavement in any Street, Grantee shall promptly refill the opening and restore the surface to a condition satisfactory to the Jurisdiction.

(B) If Grantee excavates the surface of any Street, Grantee shall be responsible for restoration and maintenance of the Street and its surface within the area affected by the excavation. A Jurisdiction may, after providing notice to Grantee, refill and/or repave any opening made by Grantee in the Street, and the expense thereof shall be paid by Grantee. The Jurisdictions reserve the right, after providing notice to Grantee, to remove and/or repair any work done by Grantee which, in the determination of the Jurisdiction, is inadequate. The cost thereof, including the cost of inspection and supervision, shall be paid by the Grantee. All excavations made by Grantee in the Streets shall be properly safeguarded for the prevention of accidents. All of Grantee's work under Section 16.4 shall be done in strict compliance with all rules, regulations, resolutions and ordinances of the Jurisdiction.

16.5 Maintenance and Workmanship

(A) Grantee's Cable System shall be constructed and maintained in such manner as not to interfere with sewers, water pipes, or any other property of the Jurisdictions, or with any other pipes, wires, conduits, structures or other facilities that may have been laid in the Streets by or under a Jurisdiction's authority.

(B) Grantee shall provide and use any equipment and appliances necessary to control and carry Grantee's Signals so as to prevent injury to a Jurisdiction's property or property belonging to any Person within the Jurisdiction. Grantee, at its own expense, shall repair, renew, change and improve its Facilities from time to time as may be necessary to accomplish this purpose.

(C) Grantee shall not construct its Cable System in any manner that requires any Subscriber to install any cable, wire, conduits or other facilities, under or over a Street.

16.6 Acquisition of Facilities Upon Grantee's acquisition of Facilities in any Jurisdiction's Street, or upon the addition or annexation to a Jurisdiction of any area in which Grantee owns or operates any Facility in any Streets, the Grantee shall, at the Jurisdiction's request, submit to the Jurisdiction a statement describing all Facilities involved, whether authorized by franchise, permit, license or other prior right, and specifying the location of all such Facilities to the extent the Grantee has possession of such information. At the Jurisdiction's sole option, such Facilities shall immediately be subject to the terms of this Franchise within a reasonable period of time to bring the acquired Facilities into compliance with this Franchise.

16.7 Reservation of Jurisdiction Street Rights Nothing in this Franchise shall prevent the Jurisdictions from constructing sewers; grading, paving, repairing and/or altering any Street; laying down, repairing or removing water mains; or constructing or establishing any other public work or improvement. All such work shall be done, insofar as practicable, so as not to obstruct, injure or prevent the use and operation of Grantee's Cable System. However, if any of the Grantee's Cable System interferes with the construction or repair of any Street or public improvement, including construction, repair or removal of a sewer or water main, the Grantee's Cable System shall be removed or replaced in the manner a Jurisdiction shall direct. Any and all such removal or replacement shall be at the expense of the Grantee. Should Grantee fail to remove, adjust or relocate its Facilities by the date established by a Jurisdiction's written notice to Grantee, the Jurisdiction may effect such removal, adjustment or relocation, and the expense thereof shall be paid by Grantee, including all costs and expenses incurred by the Jurisdiction due to Grantee's delay.

16.8 Use of Conduits by a Jurisdiction. A Jurisdiction may install or affix and maintain wires and equipment owned by the Jurisdiction for Municipal Purposes upon any and all of Grantee's ducts, conduits or equipment in the Streets and other public places, without charge to the Jurisdiction, to the extent space therein or thereon not needed by the Grantee is reasonably available. For the purposes of this Section, "Municipal Purposes" includes, but is not limited to, the use of the Grantee's structures and installations for a Jurisdiction's fire, police, traffic, water, telephone, and/or signal systems, but not for commercial purposes in competition with Grantee. Grantee shall not deduct the value of such use of its Facilities from its franchise fee and/or other fees payable to the Jurisdictions. Grantee shall not be responsible for any damage resulting to the wires or property of a Jurisdiction occurring as a result of Jurisdictional use of Grantee's Facilities. The Jurisdiction shall indemnify the Grantee for any damages to the Grantee's Facilities arising out of or resulting, directly or indirectly, from the Jurisdiction's exercise of its rights under Section 16.8.

16.9 Street Vacation. If any Street or portion thereof used by Grantee is vacated by a Jurisdiction during the term of this Franchise, unless the Jurisdiction specifically reserves to Grantee the right to continue its installation in the vacated Street, Grantee shall, without delay or expense to the Jurisdiction, remove its Facilities from such Street, and restore, repair or reconstruct the Street where such removal has occurred, and place the Street in such condition as may be required by the Jurisdiction. In the event of failure, neglect or refusal of Grantee, after thirty (30) days' notice by the Jurisdiction, to restore, repair or reconstruct such Street, the Jurisdiction may do such work or cause it to be done, and the cost thereof, as found and declared by Jurisdiction, shall be the Grantee's responsibility.

16.10 Common Users.

(A) For the purposes of this Section:

(1) "Attachment" means any wire, optical fiber or other cable, and any related device, apparatus or auxiliary equipment, for the purpose of voice, video or data transmission.

(2) "Conduit Facility" means any structure, or section thereof, containing one or more ducts, conduits, manholes, handhole or other such facilities in the Grantee's Cable System.

(3) "Duct" means a single enclosed raceway for conductors, optical fiber, wire or other cable.

(4) "Licensee" means any person, firm, corporation, partnership, company, association, joint stock association or cooperatively organized association franchised, licensed or otherwise permitted by a Jurisdiction to use the Streets.

(5) "Surplus ducts or conduits" are Conduit Facilities other than those occupied by the Grantee or any prior Licensee, one unoccupied duct held by Grantee as an emergency use spare, and other unoccupied ducts that the Grantee reasonably expects to use within the next 18 months, except that no such ducts shall be deemed surplus if Grantee anticipates utilization in connection with the Upgrade of the Cable System under Section 11.

(B) Grantee acknowledges that the Streets have a finite capacity for containing conduits. Therefore, Grantee agrees that, whenever a Jurisdiction determines it is impracticable to permit construction of an underground conduit system by any other Licensee, the Jurisdiction may require Grantee to afford to such person the right to use Grantee's surplus ducts or conduits in common with the Grantee, pursuant to the terms

and conditions of an agreement for use of surplus conduits and ducts being entered into by the Grantee and the Licensee.

(C) If the Grantee and any Licensee fail or cannot otherwise agree to fair and equitable terms, conditions and regulations, including but not limited to a conduit rental rate, within a reasonable period of time, the Grantee and the Licensee shall enter into binding arbitration to determine such terms, conditions and regulations. In such arbitration, the arbitrators shall determine the conduit rental rate at a fair market rate. The binding arbitration shall be as provided in Section 24.2.

(D) A Licensee occupying part of a Duct shall be deemed to occupy the entire Duct.

(E) The Grantee shall give a Licensee a minimum of one hundred and twenty (120) days notice of its need to occupy licensed conduit and shall propose that the Licensee take the first feasible action as follows:

(1) Pay revised conduit rent designed to recover the cost of retrofitting the conduit with multiplexing, optical fibers or other space-saving technology sufficient to meet the Grantee's space needs;

(2) Pay revised conduit rent based on the cost of new conduit constructed to meet the Grantee's space needs;

(3) Vacate ducts that are no longer surplus; or

(4) Construct and maintain sufficient new conduit to meet the Grantee's space needs.

(F) When two (2) or more Licensees occupy a section of Conduit Facility, the last Licensee to occupy the Conduit Facility shall be the first to vacate or construct new conduit. When conduit rent is revised because of retrofitting of space-saving technology or construction of new conduit, all Licensees shall bear the increased cost.

(G) All attachments shall meet local, state, and federal clearance and other safety requirements, be adequately grounded and anchored, and meet the provisions of contracts executed between the Grantee and the Licensee. The Grantee may, at its option, correct any attachment deficiencies and charge the Licensee for its costs. Each Licensee shall pay the Grantee for any fines, fees, damages or other costs the Licensee's attachments cause the Grantee to incur.

16.11 Discontinuing Use of Facilities. Whenever Grantee intends to discontinue using any Facility within the Streets, Grantee shall submit for the Jurisdiction's approval a complete description of the Facility and the date on which the Grantee intends to discontinue using the Facility. Grantee may remove the Facility or request that the Jurisdiction permit it to remain in place. Notwithstanding the Grantee's request that any such Facility remain in place, the Jurisdiction may require the Grantee to remove the Facility from the Street or modify the Facility to protect the public health and safety or otherwise serve the public interest. The Jurisdiction may require the Grantee to perform a combination of modification and removal of the Facility. Grantee shall complete such removal or modification in accordance with a schedule set by the Jurisdiction. Until such time as Grantee removes or modifies the Facility as directed by the Jurisdiction, or until the rights to and responsibility for the Facility are accepted by another Person having authority to construct and maintain such Facility, Grantee shall be responsible for all necessary repairs and relocations of the Facility, as well as maintenance of the Street, in the same manner and degree as if the Facility were in active use, and Grantee

shall retain all liability for such Facility.

16.12 Hazardous Substances

(A) Grantee shall comply with all applicable state and federal laws, statutes, regulations and orders concerning Hazardous Substances relating to Grantee's Cable System in the Streets. For purposes of Section 16.12, "Hazardous Substances" shall have the meaning as defined by ORS 465.200(15) (1995).

(B) Grantee shall maintain and inspect its Cable System located in the Streets. Upon reasonable notice to Grantee, a Jurisdiction may inspect Grantee's Facilities in the Streets to determine if any release of Hazardous Substances has occurred, or may occur, from or related to Grantee's Cable System. In removing or modifying Grantee's Facilities as provided in this Franchise, Grantee shall also remove all residue of Hazardous Substances related thereto.

(C) Grantee agrees to forever indemnify the Jurisdictions against any claims, costs, and expenses, of any kind, whether direct or indirect, incurred by a Jurisdiction arising out of a release of Hazardous Substances caused by Grantee's Cable System in the Streets.

16.13 Undergrounding of Cable. Grantee is strongly encouraged to locate and construct its present and future cables underground. Grantee shall install its cables or other Facilities underground wherever all existing utilities already are underground, where all utilities are placed underground, or where statute or ordinance requires utilities to be placed underground. Previously installed aerial cable shall be undergrounded in concert, and on a reasonable cost-sharing basis, with other utilities pursuant to the general ordinances of the Jurisdictions or applicable State law, or in the event that an institutional utility or a public utility decides to underground its facilities on a voluntary basis, unless a Jurisdiction grants an exception.

16.14 Construction Codes. Grantee shall strictly adhere to all building and zoning codes currently or hereafter in effect. Grantee shall 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 said public or private property by any Person. In the event of such interference, a Jurisdiction may require the removal or relocation of the Grantee's lines, cables, and other appurtenances from the property in question.

16.15 Construction and Use of Poles

(A) In the event Grantee cannot obtain the necessary poles and allied facilities agreements, and only in such event, then it shall be lawful for the Grantee to make all needed excavations in the Streets for the purpose of placing, erecting, laying, maintaining, repairing, and removing poles, conduits, supports for wires and conductors, and any other Facility needed for the maintenance or extension of Grantee's Cable System. All poles of the Grantee shall be erected between the curb and the sidewalk unless otherwise designated by the proper Jurisdictional authorities, and each pole shall be set whenever practicable at an extension of a lot line. A Jurisdiction shall have the right to require the Grantee to change the location of any pole, conduit, structure or other Facility within the Streets when in the opinion of the Jurisdiction the public convenience requires such change, and the expense thereof shall be paid by the Grantee.

(B) The terms of Section 16.15(A) shall not exempt the Grantee from compliance with all Charters, resolutions and ordinance provisions relating to such excavations or construction or from any provision requiring payment of permit or license fees pertaining thereto.

16.16 Tree Trimming

(A) Upon obtaining proper permits from a Jurisdiction, Grantee may prune or cause to be pruned, using proper arboricultural practices in accordance with such permit, any tree or vegetation in or overhanging the Streets which interferes with Grantee's Cable System. Tree and vegetation pruning will only be done in accordance with each Jurisdiction's ordinances, rules and regulations and, if the tree or vegetation is located on private property, with the permission of the property owner.

(B) A Jurisdiction may, at its own discretion, waive the notification and permit process in the case of single trees, if Grantee adequately demonstrates the ability to consistently apply proper arboricultural practices to the pruning of trees. Before any tree trimming permit may be issued, any contractor to be used by Grantee shall be subject to the approval of the Jurisdiction. The Jurisdiction shall have the discretion to cancel the permit if, at any time, the Grantee or its agents fails to use proper arboricultural practices.

Section 17. TRANSFER OF GRANTEE'S CABLE SYSTEM

17.1 Prior Consent of Jurisdictions for Transfers

(A) Transfer Defined. For purposes of Section 17, "Transfer" shall mean any form of sale, conveyance, mortgage, assignment, merger, pledge, encumbrance, deed or grant, in whole or in part, and whether voluntary or involuntary.

(B) Jurisdiction Approval of Transfers

(1) Neither this Franchise nor any Substantial Portion of the Cable System owned and operated by Grantee by authority of this Franchise shall be Transferred without the prior consent of the Jurisdiction as expressed by ordinance or resolution. The Jurisdiction's granting of consent in one instance shall not render unnecessary any subsequent consent in any other instance. Within ten (10) days after execution and delivery of any instrument so consented to by a Jurisdiction, Grantee shall file with the Jurisdiction an executed counterpart or certified copy thereof. For purposes of this Section, "Substantial Portion" means any Facilities the transfer of which would substantially affect Grantee's operations or which would substantially affect any of Grantee's obligations under this Franchise.

(2) In determining whether the Jurisdiction will consent to any Transfer, the Jurisdictions may inquire into the technical, legal, and financial qualifications of the prospective transferee, and may require that the prospective transferee respond timely in writing to the Jurisdictions' request for information. Such requests for information by the Jurisdictions may, without limitation, be addressed to the prospective transferee's ownership structure, experience, management qualifications, legal qualifications, character qualifications, financial capability and Cable System financing plan, financial pro formas, operating history, technical capabilities, and technical plans for the Cable System. Grantee shall assist the Jurisdictions in any such inquiry, including facilitating the prospective transferee's responses to the Jurisdictions' information requests.

(3) A Jurisdiction may condition any Transfer upon such conditions as are considered appropriate. Such reasonable conditions may include, but are not limited to, a requirement that the prospective transferee reimburse the Jurisdictions' reasonable direct costs in processing the Transfer request, requiring that the transferee assume responsibility for any non-compliance by Grantee, and requiring that a guaranty be furnished by the proposed transferee's parent corporations. No Transfer for which a Jurisdiction's consent by

ordinance or resolution is required may occur until the successor, assignee or lessee has complied or agreed to comply with all of the requirements of this Franchise, including, but not limited to, providing certificates of insurance, unless the Jurisdiction waives such compliance by ordinance or resolution.

(4) Nothing contained in Section 17.1 shall be deemed to prohibit the mortgage, pledge or assignment of tangible assets of Grantee's Cable System, including but not limited to accounts receivable, inventory or monetary assets, for the purpose of financing the acquisition of equipment or for the acquisition, construction and operation of the Cable System of Grantee or any Affiliated Entity, without the Jurisdiction's consent, but any such mortgage, pledge or assignment shall be subject to the Jurisdiction's other rights contained in this Franchise. Grantee may also sell tangible assets of the Cable System in the ordinary conduct of its business without the consent of the Jurisdictions.

(C) Jurisdiction Approval of Leases. Grantee shall not lease or sublease this Franchise or any of the rights or privileges granted or authorized by this Franchise without the Jurisdiction's consent as expressed by resolution or ordinance. However, Grantee may enter into leases or subleases not affecting the Franchise, or rights or privileges thereunder, in the ordinary conduct of its business, and may enter such leases or subleases with other Jurisdiction's franchisees, without the Jurisdiction's consent, so long as Grantee remains solely responsible for locating, servicing, repairing, relocating or removing its Cable System.

17.2 Change in Control.

(A) Grantee shall promptly notify the Jurisdictions of any proposed Transfer or acquisition by any other party resulting in a change of control of the Grantee or the Parent Corporations. Such change in control shall make this Franchise subject to revocation unless and until the Jurisdiction shall have consented thereto by ordinance or resolution.

(B) If required by federal law, a Jurisdiction shall make a final decision upon a proposed change in control within one hundred and twenty (120) days of receiving a written request for approval of a change in control containing or accompanied by such information as is required by federal law and this Franchise. If a Jurisdiction fails to render a final decision on the request within one hundred and twenty (120) days, then the proposed change shall be deemed to be consented to by the Jurisdiction. At any time during the one hundred and twenty (120) day period, the Jurisdictions may request in writing that the Grantee provide or cause to provide any information reasonably necessary to rendering a final decision on the request. The Jurisdiction and the Grantee may, at any time, agree to extend the one hundred and twenty (120) day period.

17.3 Bankruptcy or Dissolution. Grantee shall immediately report to the Jurisdictions, as soon as it becomes known, the initiation of bankruptcy proceedings, or corporate or partnership dissolution.

17.4 Consent. No consent by the Jurisdictions, which is required under this Section, shall be unreasonably denied or delayed.

Section 18. OTHER RIGHTS RESERVED TO THE JURISDICTIONS

18.1 Purchase of Grantee's Cable System after Forfeiture or Expiration.

(A) Subject to the provisions of federal law, if a Jurisdiction has declared a forfeiture of this Franchise by resolution or ordinance, as provided in Section 23.1 or if the initial term of this Franchise has expired

without the franchise being renewed or extended, and all applicable renewal procedures under federal law have been complied with, and if the Jurisdiction has so ordered by ordinance or resolution, the Grantee shall continue its operations for a period of two hundred and seventy (270) days after either the effective date of the ordinance or resolution or expiration of the initial term unless the ordinance or resolution in either case orders termination by the Grantee of its operations at an earlier time. During this period, the Grantee shall not Transfer any portion of its Cable System in the Streets to any other Person, including parts of the Cable System rented, leased or leased-purchased from others by the Grantee, without the prior consent of the Jurisdictions expressed by ordinance or resolution .

(B) Within thirty (30) days of the effective date of the forfeiture ordinance or resolution or following the expiration of the term of this Franchise, if a Jurisdiction has not otherwise renewed or extended the Franchise, and all renewal procedures under federal law have been complied with, the Grantee shall submit a report (hereafter referred to as the "System Report") to the Jurisdiction setting out Grantee's assessment of the Fair Value of Grantee's Cable System and the methodology, assumptions and limiting conditions underlying the Grantee's appraisal. In addition, Grantee shall provide such further relevant information regarding its technical and customer operations, contractual or other legal obligations, and financial history and current condition as the Jurisdiction may reasonably request.

(C) (1) At any time within sixty (60) days after receiving the System Report, the Jurisdiction may notify the Grantee that it desires to acquire by purchase all or a portion of Grantee's Cable System for its Fair Value. The notice shall be by passage of an ordinance or resolution stating the Jurisdiction's desire and shall state a date not less than one hundred and eighty (180) days from its date upon which the Grantee shall cease its operations and receive payment from the Jurisdictions.

(2) For purposes of Section 18, the valuation of Grantee's Cable System shall be determined by mutual agreement between the Jurisdiction and the Grantee. If the Jurisdiction and Grantee are unable to agree upon the Fair Value within one hundred and twenty (120) days after the Jurisdiction gives notice of intent to purchase under Section 18, then the Jurisdiction and Grantee may agree that such valuation be determined by arbitration, as provided for in Section 24.2.

(D) For purposes of Section 18, subject to applicable law, "Fair Value" shall mean:

(1) In the case of the expiration of the Franchise without renewal, the fair market value, determined on the basis of Grantee's Cable System, or the portion being acquired, as a going concern, but with no value allocated to the Franchise itself. This would be a value for which a willing buyer would purchase the Cable System as an ongoing business, recognizing that the existing Franchise has expired. The fair market value would be reduced by the amount of any lien, encumbrance, or other obligation of the Grantee which the Jurisdiction may assume.

(2) In the case of a forfeiture of the Franchise, the equitable price of Grantee's Cable System, or the portion being acquired, reduced by the amount of any liens, encumbrances or other obligations of the Grantee which a Jurisdiction may assume, but shall not include any sum for the value of the unexpired portion of this Franchise. In determining the equitable price, matters such as the harm to the community resulting from the Grantee's violation of the Franchise may be considered.

(E) (1) In the event of a Jurisdiction's acquisition of all or portions of Grantee's Cable System, as provided in Section 18, Grantee and its Affiliated Entities shall use all best efforts to obtain consent to

assignment, to the extent any existing and future rental, lease, and lease-purchase arrangements for Grantee's Cable System or any Facilities require any consent to assignment by third parties.

(2) In the event of a Jurisdiction's acquisition of all or portions of Grantee's Cable System, as provided in Section 18, Grantee or its Affiliated Entities shall not unreasonably withhold any consent to assignment of any rental, lease, and lease-purchase arrangements for Grantee's Cable System or any Facilities.

18.2 Changes in Law or Unenforceability of Franchise Provisions.

(A) The Jurisdictions and Grantee have entered into this Franchise under the federal and state laws in effect on the effective date of this Franchise. The Jurisdictions and the Grantee reserve the right to request modifications to this Franchise, under Section 18.2(B), to account for changes in the law during the term of this Franchise. The Jurisdictions and the Grantee also reserve the right to request modifications in this Franchise, under Section 18.2(B), if any provision of this Franchise becomes, or is declared, invalid or unenforceable.

(B) Upon written notice from either party, the Jurisdictions and the Grantee may voluntarily agree, under Section 18.2(A), to participate in a non-binding mediation proceeding under Section 24.2 to mediate, in good faith, modifications to the terms and conditions of this Franchise. The written request shall specifically identify the particular reasons under Section 18.2(A) for the modification sought by the requesting party. In the mediation proceeding, the Jurisdictions and the Grantee shall attempt, in good faith, to agree to modifications to the Franchise so that the net rights and obligations of the Jurisdictions and the Grantee remain substantially the same after the modification, as they were prior to the events and circumstances leading to the mediation proceeding. If the Jurisdictions and Grantee are unable to successfully conclude the mediation within ninety (90) days from the date of the written notice requesting the mediation proceeding, the parties may agree to submit the matter to arbitration as set forth in Section 24.2.

18.3 Right of Intervention. The Jurisdictions shall have the right to intervene in any suit or proceeding to which the Grantee is a party, in the event the Jurisdictions' rights under this Franchise may be affected thereby.

Section 19. JURISDICTION REGULATORY AUTHORITY

19.1 Jurisdiction Regulatory Rights.

(A) The Jurisdictions shall be vested with the power and right to reasonably regulate the exercise of the privileges permitted by this Franchise in the public interest.

(B) Grantee shall not be relieved of its obligations to comply, promptly and completely, with any provision of this Franchise by any failure of the Jurisdictions to promptly enforce compliance with this Franchise.

19.2 Jurisdiction Regulatory Actions. Grantee shall comply with any and all lawful actions of the Jurisdictions affecting Grantee's operations under this Franchise, including, without limitation, all applicable ordinances, orders, contracts, and regulatory actions taken pursuant thereto, in all respects and without exception, so long as such actions do not materially affect the rights of Grantee hereunder. In the event of any direct conflict between Jurisdictions orders and regulatory actions, and the terms of this Franchise, this Franchise shall prevail.

19.3 Regulation of Rates and Charges. All Grantee rates and charges related to or regarding Cable Services shall be subject to regulation by the Jurisdictions to the full extent authorized by a Jurisdiction's Charter and by applicable federal, state and local laws and Jurisdictional ordinances and resolutions.

19.4 Rate Discrimination. All Grantee rates and charges shall be published and non-discriminatory as to all Persons and organizations of similar classes, under similar circumstances and conditions. Grantee shall establish similar rates and charges for all Subscribers receiving similar services, regardless of race, color, religion, age, sex, marital or economic status, national origin, sexual orientation, physical or mental disability, income of the residents, or geographic location within the Grantee's Franchise Area except as may result from Federal rate regulation. Nothing in Section 19.4 shall be construed to prohibit:

(A) The temporary reduction or waiving of rates and charges in conjunction with promotional campaigns;

(B) Grantee from offering reasonable discounts to senior citizens or discounts to economically disadvantaged citizens; or

(C) Grantee establishing different and nondiscriminatory rates and charges and classes of services for commercial subscribers, as well as different, nondiscriminatory monthly rates for classes of commercial subscribers.

19.5 Filing of Rates and Charges

(A) Throughout the term of this Franchise, Grantee shall maintain on file with the Jurisdictions a complete schedule of applicable rates and charges for Cable Services provided under this Franchise, in a form satisfactory to the Jurisdictions. Nothing in this Section 19.5(A) shall be construed to require the Grantee to file rates and charges under temporary reductions or waivers of rates and charges in conjunction with promotional campaigns. As used in this Section, no rate or charge shall be considered temporary if Subscribers have the ability over a period greater than six consecutive months to purchase Cable Services at such rate or charge.

(B) Grantee shall maintain on file with the Jurisdictions a complete schedule setting forth the maximum rates and charges for any and all Leased Access Channels. The schedule shall be in a form satisfactory to the Jurisdictions.

19.6 Changes in Rates and Charges

(A) Unless otherwise provided by law, Grantee shall provide written notice to the Jurisdictions and Subscribers at least thirty (30) days in advance of any increase in rates and charges. Notice to the Jurisdictions of proposed increases in rates and charges shall be filed in a form satisfactory to the Jurisdictions.

(B) Unless the Jurisdictions have lawfully required prior review of Grantee's rate increase in accordance with the requirements and conditions of applicable law, Grantee's rate increase shall become effective on the date identified in the form filed by the Grantee, provided that the effective date shall not be earlier than the 31st day after such filing.

19.7 Regulation of Equipment for Hearing Impaired. To the extent authorized by law, the Jurisdictions

reserve the right to require and regulate the installation or rental of equipment which facilitates the reception of Basic Service Tier by hearing impaired individuals.

19.8 Downgrade and Disconnect Charges.

(A) Downgrade Charges.

(1) Unless otherwise provided by law, Grantee shall not impose any Downgrade Charges, except as otherwise provided herein. As used in this Section, "Downgrade Charge" means any charge, rate or financial liability imposed upon a Subscriber for implementing a request for a change or reduction of Cable Services to less expensive Cable Services or tiers.

(2) Unless otherwise provided by law, Grantee may impose Downgrade Charges only if:

(a) the Subscriber has been notified, at the time of initiating Cable Services, and periodically thereafter, of Grantee's Downgrade Charges;

(b) the Downgrade Charge does not exceed the Grantee's actual Incremental, direct costs of performing the downgrade; and

(c) the downgrade is from a level of service which the Subscriber has not maintained continuously for six (6) months immediately preceding the date of the downgrade request.

(B) Disconnection Charges. Unless otherwise provided by law, Grantee shall not impose any charges for the disconnection of Cable Services, nor may the Grantee impose any rate, charge or other financial liability upon any Subscriber for Cable Services delivered after the date of a voluntary disconnection request.

Section 20. RECORDS AND REPORTS

20.1 Open Records. Grantee shall manage all of its operations in accordance with a policy of keeping its Records open and accessible to the Jurisdictions. The Jurisdictions shall have the right to inspect all Records of the Grantee and Affiliated Entities at any time during normal business hours and upon reasonable notice to determine compliance by Grantee with its obligations under this Franchise. Grantee shall not deny the Jurisdictions access to Grantee's Records on the basis that Grantee's Records are under the control of an Affiliated Entity or a third party, rather than the Grantee. In the case of Affiliated Entities not under common control with Grantee, Grantee shall not be subject to the remedies set forth in Section 23.1(A) if such Affiliated Entity does not permit inspection of its Records, and Grantee has;

(A) made available for inspection all of its Records relevant to the determination of compliance; and

(B) exercised all reasonable efforts to persuade such Affiliated Entity to make such Records available for inspection.

20.2 Annual Reports. Grantee shall Annually present a written report to the Jurisdictions (the "Annual Report") setting out such information as the Jurisdictions deem necessary to determine compliance by Grantee with its obligations under this Franchise. Grantee shall submit the Annual Report no later than May 1 of each Year, following the end of the Grantee's calendar fiscal year. Except as otherwise provided by the

Jurisdictions, the Annual Report shall include, at a minimum, information as may be required concerning the Grantee's operations within the Franchise Area for the immediately previous Year in a form prescribed by the Jurisdictions. Specifically, the Annual Report will include the following information:

(A) Cable System structure and operating information:

- (1) Cable System ownership, including all levels of Parent Corporation and related ownership percentages;
- (2) An organizational chart for Grantee, listing officers and member of the board of director, department heads, and supervisors for major activity centers by category;
- (3) Total Cable System mileage and overall homes passed, by individual Jurisdiction;
- (4) The number of Basic Service Tier Subscribers, Cable Programming Service Tier Subscribers, Pay Service Subscribers and pay-to-basic percentages, by individual Jurisdiction;
- (5) Cable Service provided on the Cable System, including services begun or dropped during the previous Year; and
- (6) A schedule of all Grantee's rates and charges.

(B) Financial statements for Grantee's regional cable system of which the Cable System serving the Franchise Area is a part and, separately, for its Cable System serving only the combined Jurisdictions, prepared in accordance with generally accepted accounting principles. The financial statements for Grantee's regional cable system shall be reviewed or audited by an independent Certified Public Accountant. A responsible corporate officer shall certify that the financial statements for Grantee's Cable System serving the combined Jurisdictions are an accurate reflection of the operations of the Grantee or its Affiliated Entities, consistent with any attached notes and disclosures. The Jurisdictions reserve the right to require, if good cause exists as determined by the Jurisdictions, that the financial statements for Grantee's Cable System within the Jurisdictions be reviewed or audited by an independent Certified Public Accountant. Both sets of financial statements shall include income statements, balance sheets, and statements of cash flows, together with notes and disclosures describing allocation methodologies and other information as needed to allow proper interpretation of the statements. If the Grantee makes a significant change in its accounting methods in any Year, Grantee shall disclose such change and include a restatement of the financial statements submitted in prior years to the extent that such restatements may be required by generally accepted accounting principles. The financial statements and attached notes shall be in sufficient detail to include:

- (1) Gross Revenues by category, such as Basic and Cable Programming Service Tiers, Pay Services, advertising, installation, and other miscellaneous revenues;
- (2) Operating expenses by category. Deferred or non-cash expenses shall be separately identified;
- (3) Other expenses, such as depreciation and amortization, interest expenses, and income taxes paid and accrued, as applicable;

(4) Capital expenditures by category, including funds expended under Section 9.1(C);

(5) Any incurrences or repayment of debt, and remaining outstanding debt by lender or type, including interest rates and future payment terms;

(6) Any contributions from, distributions to or other material transactions with Affiliated Entities, in any form; and

(7) Detailed information regarding the amounts paid, and the Grantee's method of accounting for, Jurisdictions franchise fees and amounts paid under Section 9.1, including a description of the computation of such fees and payments, and a reconciliation of Gross Revenues to the computational bases used.

(C) A statement of Gross Revenues for the Grantee's Cable System serving the combined Jurisdictions, consistent with the financial statements provided under Section 20.2(B), audited by an independent Certified Public Accountant;

(D) Annual audited financial statements for the Guarantor;

(E) Parent Corporation(s) Annual corporate reports, including audited financial statements; and

(F) The Institutional Capital Expenditure Report required by Subsection 9.1(C)(4).

20.3 General Reports. Grantee shall prepare and furnish to the Jurisdictions, at the times and in the form prescribed by the Jurisdictions, such other reports with respect to its operation, affairs, transactions or property as the Jurisdictions may deem reasonably necessary or appropriate to the performance of the Jurisdictions' rights, functions or duties under this Franchise.

20.4 Format. The Jurisdictions, after consultation with Grantee, may specify the form and details of all Grantee's reports required under this Franchise.

20.5 Reports of Regulatory Violations. Grantee shall provide copies to the Jurisdictions of any communications to and from any regulatory agency having jurisdiction over Grantee pertaining to any alleged, apparent or acknowledged violation by Grantee of any applicable rule or law of the agency regarding the Grantee's provision of Cable Services under this Franchise.

20.6 Public Records.

(A) Grantee acknowledges that information submitted to the Jurisdictions is subject to the Oregon Public Records Law, and is open to public inspection. Grantee is responsible for becoming familiar with and understanding the provisions of the Oregon Public Records Law.

(B) Grantee may identify information, such as trade secrets, submitted to the Jurisdictions as confidential. Grantee shall prominently mark each page for which it claims confidentiality as "Confidential" prior to submitting such information to the Jurisdictions. The Jurisdictions shall treat any information so marked as confidential, until the Jurisdictions receive any request for disclosure of such information. Within five (5) working days of receiving any such request, the Jurisdictions shall provide the

Grantee with written notice of the request, including a copy of the request. Grantee shall have five (5) working days within which to provide a written response to the Jurisdictions, before the Jurisdictions may disclose any of the requested confidential information. If the Jurisdictions determine that it will be necessary to reveal the information, the Jurisdictions shall promptly notify the Grantee, and do so at least five (5) working days prior to the information being released.

Section 21. EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION/MINORITY BUSINESS ENTERPRISES

21.1 Equal Employment Opportunity.

(A) Throughout the term of this Franchise, Grantee shall fully comply with the equal employment opportunity requirements of federal, state, and local law, and in particular, FCC rules and regulations relating thereto. Upon request by the Jurisdictions, Grantee shall furnish the Jurisdictions a copy of the Grantee's Annual statistical report filed with the FCC, along with proof of Grantee's Annual certification of compliance. Grantee shall immediately notify the Jurisdictions in the event Grantee is at any time determined not to be in compliance with FCC rules or regulations.

(B) Throughout the term of this Franchise, the Grantee shall maintain a policy that all employment decisions, practices, and procedures are based on merit and ability without discrimination on the basis of an individual's race, color, religion, age, sex, national origin, sexual orientation or physical or mental disability. Grantee's policy shall apply to all employment actions including advertising, recruiting, hiring, promotion, transfer, remuneration, selection for training, company benefits, disciplinary action, lay-off, and termination.

21.2 Affirmative Action. Grantee shall carry out its equal employment opportunity policy by making a determined and good-faith effort at affirmative action to employ and advance in employment women, minorities, and the physically and mentally disabled.

21.3 Minority and Female Business Enterprises. Grantee shall make determined and good faith efforts to use minority and female business enterprises in its contracted expenditures, including, without limitation, contracts for the acquisition of goods, services, materials, supplies, and equipment used in the construction, maintenance, and operation of its Cable System.

Section 22. RIGHTS OF INDIVIDUALS

22.1 Discriminatory Practices. Grantee shall not deny Cable Service, or otherwise discriminate against Subscribers, Programmers or any other Persons on the basis of race, color, religion, age, sex, national origin, sexual orientation or physical or mental disability. Grantee shall comply at all times with all other applicable federal, state or local laws, rules and regulations relating to non-discrimination.

22.2 Unauthorized Monitoring or Cable Tapping.

(A) Neither the Grantee, nor any of its agents, employees, officials or permittees, or any other Person, agency or entity, shall Tap any cable, line, Signal input device or subscriber outlet or receiver for any purpose, except as provided herein, and as is necessary for billing purposes.

(B) Grantee may Tap a cable, line, Signal input device or Subscriber outlet or receiver to 1) determine

the number of viewers watching a program where the identities of the viewers are not determined; 2) perform Cable System maintenance and verify technical performance; and 3) identify theft of services, without the Subscriber's written consent.

22.3 Privacy.

The Jurisdictions and Grantee shall maintain constant vigilance with regard to possible abuses of the right of privacy or other human rights of any Subscriber, Programmer or any other Person resulting from any device or Signal associated with the Cable System. Grantee shall not use the two-way communications capability of the Cable System for unauthorized or illegal Subscriber surveillance of any kind.

22.4 Permission of Property Owner or Tenant. Grantee shall not install or attach any of its Facilities to any residence or other property without first securing the permission of the owner or tenant of any property involved, except where there is an existing utility easement reserved by plat or other conveyance or unless such installation or attachment is otherwise authorized by law. Nothing herein, however, shall excuse the Grantee from obtaining permission from anyone who has the right to approve or disapprove the attachment. If such permission or easement is later revoked, unless Grantee is otherwise entitled to maintain its Facilities, whether by the original or a subsequent owner or tenant, the Grantee, on the owner's request, shall promptly remove any of its Facilities and promptly restore the property to its original condition. Grantee shall perform all such installations and removals in a workmanlike manner and shall be responsible for any damage to residences or other property caused by the installation or the removal.

22.5 Sale of Subscriber Lists and Personalized Data.

(A) Grantee shall not sell, or otherwise make available, lists of the names and addresses of its Subscribers, or any list which identifies the viewing habits by the name of any Subscriber, or any Personalized Data pertaining to a Subscriber's use of any of Grantee's Cable Services by the name of any Subscriber, without the written, expressed consent of the Subscriber to which the Personalized Data pertains, except as otherwise permitted by federal law. For purposes of Section 22.5, "Personalized Data" means the name and address or other information regarding an individual Subscriber, which is associated with or extracted from data obtained from the Subscriber's use of Grantee's Cable Services.

(B) Grantee shall be subject to the provisions of federal law regarding limitations on Grantee's collection and use of Personalized Data, and other issues involving the protection of Subscriber privacy.

Section 23. FRANCHISE VIOLATIONS AND REMEDIES, EXPIRATION AND RENEWAL

23.1 Remedies for Franchise Violations.

(A) Remedies. In addition to any rights set out elsewhere in this Franchise, or such other rights as it may possess, the Jurisdictions reserve the right at their discretion to apply any of the following remedies, alone or in combination, in the event Grantee violates any material provision of this Franchise. In determining which remedy or remedies are appropriate, the Jurisdictions shall consider the nature of the violation, the Persons burdened by the violation, the nature of the remedy required in order to prevent further violations, and any other matters the Jurisdictions deem appropriate.

(1) Impose reasonable penalties, up to one thousand dollars (\$1,000) per day, incident or other

measure of violation;

(2) To the extent authorized by law, require Grantee to reduce its rates and charges by such amount or amounts as is reasonable in light of the violation;

(3) To the extent authorized by law, require Grantee to make payments or grant refunds to its Subscribers or Subscriber Classes in such amounts, and on such bases as are reasonable relative to damages sustained by Subscribers, for violations relating to Subscriber service. At Grantee's option, such payments or refunds may be made in the form of a credit against Subscriber service bills. For purposes of this Subsection, "Subscriber Class" means any group of actual or potential Subscribers identified by the Grantee on the basis of specified characteristics for the purpose of providing, marketing or establishing any combination or package of Cable Services, rates or charges, or for the purpose of providing or directing customer services or marketing in any form;

(4) To the extent authorized by law, require Grantee to correct or cure the violation prior to any rate increase becoming effective, or otherwise delay consideration of any rate request until the violation is corrected or cured;

(5) Reduce the duration of the term of this Franchise for the effected Jurisdiction on such basis as is reasonable provided that in no event shall the amount of the term remaining after the reduction be less than three (3) years; or

(6) Revoke this Franchise for the effected Jurisdiction.

(B) Remedies for Delays. In addition to the remedies set forth in Section 23, the Jurisdictions may, at their sole discretion, apply any one or more of the following remedies in connection with material delays in Cable System Upgrade:

(1) Find the Grantee in material violation of this Franchise;

(2) Reduce the duration of the term of this Franchise of the effected Jurisdiction on a month-to-month basis for each month of delay exceeding six (6) months provided that in no event shall the amount of the term remaining after the reduction be less than three (3) years;

(3) Declare a forfeiture of any construction bond required under Section 15.4 for any delay exceeding one (1) year; or

(4) Terminate this Franchise for the effected Jurisdiction for any delay exceeding eighteen (18) months.

(C) In determining which of the foregoing remedies is appropriate, and in the exercise of specific remedies, the Jurisdictions shall consider, among other things, (1) the nature and extent of the violation, (2) whether Grantee has had a history of similar violations, (3) the remedy that can be expected to deter such violations in the future, and (4) the damage suffered by the public and the cost of remedying the violation.

(D) A Jurisdiction also has the right to shorten the term of this Franchise or revoke this Franchise for the effected Jurisdiction in the manner described in Sections 23.1(A)(5) and (6) upon the occurrence of any of

the following acts or events:

(1) Grantee is found by a court of competent jurisdiction to have practiced any fraud or deceit upon the Jurisdiction; or

(2) Grantee becomes insolvent or is adjudged to be bankrupt, or otherwise initiates corporate or partnership dissolution; or

(3) Grantee fails to obtain and maintain any permit required by any federal or state regulatory body in order to own and operate the Cable System.

(E) Receivership. In addition to its other rights and remedies as set forth in this Franchise, the Jurisdictions shall have the right to revoke this Franchise one hundred and twenty (120) days after the appointment of a receiver or trustee to take over and conduct the Grantee's business, whether in receivership, reorganization, bankruptcy or other similar action or proceeding, unless such receivership or trusteeship shall have been vacated prior to the expiration of said one hundred and twenty (120) days, or unless:

(1) Within one hundred and twenty (120) days after such appointment, the receiver or trustee shall have fully complied with all provisions of this Franchise and remedied any and all violations or defaults, as approved by the Jurisdictions; and

(2) Within said one hundred and twenty (120) days, such receiver or trustee shall have executed an agreement with the Jurisdictions, duly approved by the Jurisdictions and the court having competent jurisdiction, in which such receiver or trustee assumes and agrees to be bound by each and every provision of this Franchise.

(F) In the event that the Jurisdictions make a preliminary determination that the Grantee has violated this Franchise, the Jurisdictions shall commence a contested case proceeding under the rules adopted by the Jurisdictions. The Jurisdictions' final determination, following a contested case proceeding, may be appealed to a Jurisdiction's governing body. The Jurisdiction's governing body shall consider the appeal based on the record established in the contested case proceeding, under rules established by the Jurisdictions.

23.2 Notice and Opportunity to Cure.

(A) The Jurisdictions shall give Grantee thirty (30) days prior written notice of its intent to exercise any of their rights under Section 23.1, identifying the reasons for such action.

(B) If Grantee removes or otherwise cures the asserted violation constituting the stated reason within the thirty (30) day notice period, or if cure is not reasonably possible within the thirty (30) day period and the Grantee initiates good faith efforts satisfactory to the Jurisdictions within the thirty (30) day period to cure the asserted violation constituting the stated reason and the efforts continue in good faith, the Jurisdictions shall not exercise their rights under Section 23.1.

(C) If Grantee fails to remove or otherwise cure the asserted violation constituting the stated reason within the thirty (30) day notice period, or if the Grantee does not undertake and continue efforts satisfactory to the Jurisdictions to remedy the stated reason, then the Jurisdictions may exercise any or all of the remedies available under Section 23.1 or such other rights as the Jurisdictions may possess.

23.3 Minor Variances. The Jurisdictions may, upon request of the Grantee or its own motion, permit the Grantee to vary its manner of performance under this Franchise so long as the variance does not result in a substantial change in the terms of this Franchise or a substantial reduction in the services to be provided.

23.4 Expiration.

(A) Upon the expiration of this Franchise, subject to any restrictions imposed by 47 U.S.C. § 546 (Section 626 of the Cable Communications Policy Act of 1984) and other applicable federal, state or local laws, a Jurisdiction shall have the right, at its election, to:

- (1) Renew or extend Grantee's Franchise;
- (2) Invite additional proposals and award this Franchise to another Person;
- (3) Terminate the Franchise without further action;
- (4) Exercise its rights under Section 18; or
- (5) Take such further action as the Jurisdiction deems appropriate.

(B) Until such time as the Jurisdiction exercises its rights under Section 23.4, the Grantee's rights and responsibilities within the Jurisdiction shall be controlled by the terms of this Franchise.

23.5 Removal of Plant and Equipment. If a Jurisdiction has by ordinance or resolution declared a forfeiture of this Franchise as provided in Section 23.1, or if this Franchise has expired without being renewed or extended, or in the event of the Jurisdiction's purchase, lease-purchase, condemnation, acquisition, taking over or holding of plant and equipment, all of Grantee's rights under this Franchise shall immediately cease and be divested. Thereafter, except as provided in Section 23.5 and Section 18, or as otherwise provided by ordinance or resolution, the Grantee shall remove its Facilities from the Streets and restore the Streets to such condition as the Jurisdiction may require. In the event of a failure by the Grantee to properly perform such work, then the Jurisdiction may perform the work and collect the cost thereof from the Grantee. The cost thereof shall be a lien upon the system of the Grantee and a set-off against any sums owed Grantee by the Jurisdiction.

Section 24. MISCELLANEOUS PROVISIONS

24.1 Compliance with Laws.

(A) Grantee shall comply with all applicable federal and state laws.

(B) Nothing in this Franchise is intended to authorize the Grantee to engage in any activity constituting a violation of federal or state antitrust laws, including, but not limited to, the Sherman Act, the Clayton Act, the Robinson-Patman Act or any related amendments or regulatory provisions.

24.2 Mediation. The Jurisdictions and Grantee agree that should any dispute arise between the parties concerning any aspect of this Franchise which is not resolved by mutual agreement of the parties, and unless either party believes in good faith that injunctive relief is warranted, the dispute shall be submitted to

mediated negotiation prior to any party commencing litigation. In such event, the Jurisdiction and Grantee agree to participate in good faith in a non-binding mediation process. The mediator shall be selected by mutual agreement of the parties. In the absence of such mutual agreement, each party shall select a temporary mediator, and those mediators shall jointly select a permanent mediator. In the mediation proceeding, the Jurisdiction and the Grantee shall attempt, in good faith, to agree to modifications to the Franchise so that the net rights and obligations of the Jurisdiction and the Grantee remain substantially the same after the modification, as they were prior to the events and circumstances leading to the mediation proceeding. If the Jurisdiction and Grantee are unable to successfully conclude the mediation within forty-five (45) days from the date of the selection of the mediator, either party may terminate further mediation by sending written notice. After written notice has been received by the other party, either party may request arbitration, as set forth in Section 24.3, or may pursue whatever legal remedies exist. All costs associated with mediation shall be borne, equally and separately, by the parties.

24.3 Arbitration

(A) Any dispute between the parties hereto, including but not limited to disputes or controversies arising from or related to interpretation of this Franchise, may be arbitrated provided that the parties consent in writing to the arbitration. Such arbitration will be final and binding, and the parties shall have no right to appeal from the arbitrator's decision.

(B) A Jurisdiction may initiate arbitration by resolution, while Grantee may choose to initiate arbitration by sending written notice to the Jurisdiction.

(C) After arbitration has been initiated, the Jurisdiction and Grantee may agree that one arbitrator may conduct the arbitration. If the parties are unable to agree upon the identity of the arbitrator within twenty (20) days after the arbitration has been initiated, the arbitrator shall be selected by the presiding civil judge of the Multnomah County Circuit Court.

(D) If either the Jurisdiction or Grantee does not consent to having one arbitrator conduct the arbitration, the arbitration shall be conducted by three arbitrators, who shall be selected as follows:

(1) If the Jurisdiction initiates arbitration, the Jurisdiction shall select one arbitrator and Grantee by written notice shall select one arbitrator within fifteen (15) days after passage of the resolution. If Grantee initiates arbitration, it shall identify its selected arbitrator in its written notice, and the Jurisdiction shall select one arbitrator, within fifteen (15) days after receiving the notice.

(2) The two selected arbitrators shall select a third arbitrator within fifteen (15) days after the appointment of the second arbitrator. If the two (2) arbitrators are unable to agree upon a third arbitrator within the time limit, the third arbitrator shall be appointed by the presiding civil judge of the Multnomah County Circuit Court.

(E) After selection of the arbitrator(s), the arbitrator(s) shall take an oath to serve neutrally and impartially. The arbitrator(s) shall then schedule a date, time and place for the arbitration hearing. The hearing shall occur not less than one hundred and twenty (120) days after the appointment of the arbitrator (or the third arbitrator, if three (3) arbitrators are used), unless extended by mutual agreement of the Jurisdiction and Grantee. The arbitrator(s) shall make a written report to the Jurisdiction and Grantee on the final determination within sixty (60) days after completion of the hearing. If the arbitration is conducted by three

(3) arbitrators, the determination of a majority of the arbitrators shall constitute a final, binding arbitration determination.

(F) The arbitrators shall have such powers as are set forth in ORS 36.335.

(G) The Jurisdiction and Grantee shall share equally the fees and costs of the arbitrator(s).

24.4 Continuity of Service. It shall be the right of all Subscribers to receive all available services insofar as their financial and other obligations to the Grantee are honored. In the event that the Grantee elects to Upgrade, modify or sell its Cable System, the Grantee shall make a good faith effort to ensure that all Subscribers receive continuous, uninterrupted service regardless of the circumstances during the term of this Franchise. In the event of purchase, lease-purchase, condemnation, acquisition, taking over or holding of plant and equipment by the Jurisdictions under Section 18, including subsequent assignment, sale, lease or other transfer to any other Person, the Grantee shall operate the Cable System for such reasonable periods as are necessary to maintain continuity of Cable Service to all Subscribers.

24.5 Severability. If any Section, provision or clause of this Franchise is held by a court of competent jurisdiction to be invalid or unenforceable, or is preempted by federal or state laws or regulations, the remainder of this Franchise shall not be affected, except as is otherwise provided in Section 18.2.

24.6 No Recourse against Jurisdictions. To the extent provided by law, Grantee's recourse against the Jurisdictions or their officials, boards, agents or employees for any claim arising from any provision or requirement of this Franchise shall be limited to injunctive relief and declaratory relief.

24.7 Nonenforcement by the Jurisdictions. Grantee shall not be relieved of its obligations to comply with any of the provisions of this Franchise by reason of any failure of the Jurisdictions to enforce prompt compliance, nor do the Jurisdictions waive or limit any of their rights under this Franchise by reason of such failure or neglect.

24.8 Action by Agencies or Courts. Grantee shall promptly notify the Jurisdictions in the event that any agency of the federal government or the State of Oregon or any court with competent jurisdiction requires the Grantee to act inconsistently with any provisions of this Franchise. Upon receipt of such notification, the Jurisdictions or the Grantee may determine if a material provision of this Franchise has been affected. Upon such determination, the Jurisdictions or the Grantee may seek to modify or amend this Franchise, pursuant to Section 18.2, as may be necessary to carry out the parties' intentions and purposes under this Franchise.

24.9 Choice of Forum. Any litigation between the Jurisdictions and the Grantee arising under or regarding this Franchise shall occur, if in the state courts, in the Multnomah County Court having jurisdiction thereof, and if in the federal courts, in the United States District Court for the District of Oregon.

24.10 Notice. Any notice provided for under this Franchise shall be sufficient if in writing and: (1) delivered personally to the following addressee; (2) deposited in the United States Mail, postage prepaid, certified mail, return receipt requested; (3) sent by overnight or commercial courier (such as Federal Express); or, (4) sent by facsimile transmission addressed as follows, or to such other address as the receiving party hereafter shall specify in writing:

If to the Jurisdictions: Attn: Director

Office of Cable Communications
Mt. Hood Cable Regulatory Commission
1211 SW 5th Avenue, Room 1160
Portland, Oregon 97204
FAX No. (503) 823-5370

With a copy to: MHCRC Attorney's Office
Room 315, City Hall
1220 SW 5th Avenue
Portland, Oregon 97204
FAX No. (503) 823-3089

If to the Grantee: Paragon Cable
3075 NE Sandy Blvd
Portland, Oregon 97232
FAX No. (503) 230-2218

Any such notice, communication or delivery shall be deemed effective and delivered upon the earliest to occur of either actual delivery; three (3) business days after depositing in the United States mail as aforesaid; one (1) business day after shipment by commercial courier as aforesaid; or the same day as facsimile transmission (or the first business day thereafter if faxed on a Saturday, Sunday or legal holiday).

24.11 Reasonability of Actions. In any matter provided for in this Franchise involving discretionary acts by the Jurisdictions, including but not limited to the giving of consent, approval or instructions, the Jurisdictions shall act in a manner that is reasonable under the circumstances.

24.12 Force Majeure.

(A) For purposes of this Franchise, the term "Force Majeure" shall mean acts of God, landslides, earthquakes, lightning, fires, hurricanes, volcanic activity, storms, floods, washouts, droughts, civil disturbances, acts of terrorism or of the public enemy, partial or entire failure of utilities, strikes, explosions, lockouts or other industrial disturbances, insurrections, public riots or other similar events which are not reasonably within the control of the parties hereto.

(B) If the Grantee is wholly or partially unable to carry out its obligations under this Franchise as a result of Force Majeure, the Grantee shall give the Jurisdictions prompt notice of such Force Majeure, describing the same in reasonable detail, and Grantee's obligations under this Franchise, other than for the payment of monies due, shall not be deemed in violation or default for the duration of the Force Majeure. Grantee agrees to use its best efforts to remedy as soon as possible, under the circumstances, Grantee's inability, by reason of Force Majeure, to carry out its responsibilities and duties under this Franchise.

24.13 Other Authority and Written Modification. Except as otherwise expressly provided in this Franchise, this Franchise contains the entire agreement between the Jurisdictions and the Grantee. All prior franchise agreements between the Jurisdictions and the Grantee shall be superseded. This Franchise may not be altered or modified orally but only by an instrument in writing executed by duly authorized representatives of the Jurisdictions and the Grantee. For the Jurisdictions, such authority may only be granted by ordinance or resolution enacted by the Jurisdictions.

Section 25. GUARANTY.

25.1 Executed Guaranty. On or before thirty (30) days after this Franchise becomes effective, the Guarantor shall file with the Jurisdiction's Clerk a written guaranty, duly executed by the Guarantor. The written guaranty shall be in the form provided in Exhibit B to this Franchise. By executing the written guaranty in the form attached hereto as Exhibit B, the Guarantor shall guarantee the Grantee's performance of all of the terms and conditions of this Franchise and agree to perform those obligations on Grantee's behalf, if so ordered by the Jurisdictions in the event Grantee for any reason fails to perform them.

25.2 Failure to File Guaranty. Any failure on the part of the Guarantor to file such written guaranty within such time shall be deemed an abandonment and rejection of the rights and privileges otherwise conferred upon the Grantee by this Franchise, and this ordinance shall thereupon be null and void.

25.3 Substitute Guarantor. If stockholder's equity of the Guarantor falls below 50 Million Dollars, (\$50,000,000.00) as indicated in the annual audited financial statements for the Guarantor provided to the Jurisdictions under Section 20, then the Jurisdictions may require the Grantee to demonstrate to the Jurisdictions that the Guarantor nevertheless will be able to perform all of the obligations of the Guarantor under the terms of the Guaranty as fully as if there had not been such a reduction in stockholder's equity. If the Grantee fails to so demonstrate to the Jurisdictions' satisfaction, then the Jurisdictions, by ordinance or resolution, may require the Grantee to provide, and the Grantee shall provide, the Jurisdictions with a substitute guarantor satisfactory to the Jurisdictions as reasonably equivalent to the Guarantor prior to the reduction in stockholder's equity. As used in this Section, "stockholder's equity" means the amount of assets minus liabilities, both measured in accordance with Generally Accepted Accounting Principles, as reported in the annual financial statements for the Guarantor, which statements will be audited by Guarantor's independent accountants.

Section 26. EXECUTION

26.1 Execution of Agreement. On or before thirty (30) days after this Franchise has been executed by a Jurisdiction, as authorized by the Jurisdiction's governing body, Grantee shall file with the Jurisdiction's Clerk a fully executed original of this Franchise, as signed by a properly authorized officer of the Grantee.

26.2 Failure to File Executed Agreement. Any failure by the Grantee to comply with the requirements of Section 26.1 within the thirty (30) day period shall be deemed an abandonment and rejection of the rights and privileges conferred by this Franchise, and this Franchise shall thereupon be null and void without any further action by the Jurisdiction.

Entered into this _____ day of _____, 1997.

SIGNATURE LINES

JSOmelchuck/BEWalters

EXHIBIT A

CONSOLIDATED CABLE COMMUNICATIONS COMMISSION

12/24/92

THIS AGREEMENT is between each of the cities of Fairview, Wood Village, Troutdale, Gresham and Portland, all municipal corporations duly incorporated under the laws of the State of Oregon, and Multnomah County, a home rule county formed under the laws of the State of Oregon, hereinafter referred to as the "Jurisdictions." This Agreement is made pursuant to ORS 190.003 to ORS 190.110, the general laws and constitution of the State of Oregon, and the laws and charters of the Jurisdictions.

Section 1. General Purposes. The Jurisdictions have each separately entered into various franchise agreements providing for the construction and operation of cable communications systems within their boundaries. The City of Portland created the Portland Cable Regulatory Commission, and Multnomah County, Gresham, Troutdale, Fairview and Wood Village created the Multnomah Cable Regulatory Commission, each with the general purpose to regulate and administer cable franchise agreements for the Jurisdictions. The Jurisdictions wish to form a unified cable regulatory commission. The formation of a unified regulatory commission serves the public interest in that the boundaries of the Jurisdictions do not necessarily coincide with the service areas of the Grantees, or with the needs of the citizens within each Jurisdiction or franchise, regarding cable communications. In addition, a unified commission can provide enhanced public benefits in franchising and regulation, and economies of scale in its operation.

To further this public interest and these purposes, the Jurisdictions desire to create a unified cable regulatory commission to jointly regulate and administer franchise agreements within their boundaries. The commission will further serve as an advisory body to the Jurisdictions on matters relating to cable communications and function as the Jurisdictions' representative for regional, state or national cable communications policy matters.

Section 2. Definitions.

A. "Cable Communications System" or "System" - any system of antennas, cables, amplifiers, towers, microwave links, cable casting studios, and any other conductors, receivers, home terminals, convertors, equipment or facilities, designed and constructed for the purpose of producing, receiving, amplifying, storing, processing or distributing audio, video, digital or other forms of electronic or electrical signals.

B. "Grantee" - any person who is authorized by a franchise agreement or seeks authority to construct, operate and maintain a cable communications system operated within the territories of the Jurisdictions.

C. "Person" - any corporation, partnership, proprietorship, association, individual or organization authorized to do business in the State of Oregon, or any natural person.

D. "Jurisdiction" - any municipality or county which enters into this Agreement.

Section 3. Commission Creation and Powers. A unified regulatory commission, the

"Consolidated Cable Communications Commission" (Commission) is created to carry out the purposes set forth in this Agreement and to administer the cable communications franchises granted by the Jurisdictions. The Commission is vested with all the powers, rights and duties necessary to carry out these purposes that are vested by law in each Jurisdiction, its officers and agencies, subject only to the limitations contained in this Agreement and in the cable communications franchise agreements. "Law" includes the federal laws and Constitution, the Oregon constitution and laws as well as the charters, ordinances and other regulations of each Jurisdiction.

A. Regulatory Authority. The Commission has the authority to act on behalf of the Jurisdictions jointly and separately, and in its own right, to oversee and regulate any cable communications system operated pursuant to the cable communications franchise agreements entered into by the Jurisdictions. The Commission has full authority to take any action necessary to enforce or administer franchise agreements for operation of cable communications systems, except where the power to take a specific action is either limited or reserved to the Jurisdictions by the provisions of Section 4 of this Agreement.

B. Contracting Authority. The Commission may make such contracts, grants, and take such other action as it deems necessary and appropriate to accomplish the general purposes of this Agreement. All contracts made shall conform to the requirements of Oregon law.

Section 4. Powers Retained by Jurisdictions.

A. Discretionary Review. Commission action to find a Grantee in violation of its franchise agreement, or to impose any penalty or financial remedy, or to regulate, establish or approve any Grantee rate or charge, shall become effective 30 days after the Commission's final decision. Any such Commission final decision shall not be effective unless a copy of the final decision is filed with the Recorder of each affected Jurisdiction within 10 days of such action. Such final decisions are subject to review by the governing body of each affected Jurisdiction. Within a 30-day period, any affected Jurisdiction may notify the Commission of its intent to exercise review authority. The Commission shall notify all affected Jurisdictions within 10 days of receiving the review notice. If a majority of the affected Jurisdictions acts within 60 days to overturn the Commission's final decision, such decision shall not become effective, and the matter shall be returned to the Commission for further proceedings as directed by the affected Jurisdictions.

1. Affected Jurisdiction means any Jurisdiction which is a party to the franchise agreement with the Grantee to which the Commission's final decision applies.

2. Recorder means a Jurisdiction's Clerk, Recorder or Auditor.

B. Full Authority. As set forth herein, the Jurisdictions reserve the authority to act on their own behalf. Each Jurisdiction agrees to make a good faith effort to weigh the impact of such actions on the overall operation of a cable system and the continuity of the Commission. Each Jurisdiction agrees to take no action in these areas until the Commission has had a prior opportunity to consider the matter.

Authority retained by the Jurisdictions includes:

1. Any decision to grant, revoke, terminate, extend, amend, renew or refuse to renew a franchise agreement.

2. Any decision concerning a change of ownership or control of a cable communications system or a Grantee.

3. Any decision to purchase or condemn a Grantee's interest, in part or in whole, whether or not pursuant to a termination, revocation or expiration of a franchise agreement.

4. Any decision regarding cable regulation which requires adoption of any ordinance or resolution by the Jurisdictions.

5. Any decision which requires the amendment of this Agreement.

6. Any authority which is reserved to or retained by the Jurisdictions by franchise agreement and which may not otherwise be delegated to the Commission.

Section 5. Commission Members.

A. The Composition. The Commission shall be composed of Commissioners appointed by the Jurisdictions. Each Jurisdiction, except Portland, shall select and appoint one representative to serve as its Commissioner. Portland shall select and appoint three representatives to serve as its Commissioners.

B. Quorum and Voting. The majority of the members of the Commission shall constitute a quorum. No Commission action shall be in effect except on a majority vote by those Commissioners present.

C. Term of Office and Succession. Commissioners shall be appointed to serve until their successors are appointed and assume their responsibilities, but shall serve under procedures authorized by the governing body of the Jurisdiction appointing them. However, a Jurisdiction's appointee shall not have any ownership interest in a Grantee. A vacancy on the Commission shall be filled by the governing body of the Jurisdiction whose position on the Commission is vacant.

Section 6. Meetings, Rules of Procedure and Officers.

A. Meetings to be Public. Meetings of the Commission shall be conducted pursuant to the Oregon Public Meetings law.

B. Rules of Procedure. At the first organizational meeting, or as soon thereafter as practicable, the Commission shall adopt rules governing its procedures including, but not limited to:

1. Times and places of regular meetings;
2. The method and manner of calling special meetings;

3. The method, term and manner of election of officers;
4. The responsibilities and duties of officers; and
5. The procedures for execution of writings and legal documents.

C. Officers. At the first organizational meeting, the Commission shall elect from among its members an interim chairperson and an interim vice-chairperson. The chairperson, and in his or her absence the vice-chairperson, shall preside at all meetings, call special meetings, and determine the order of business, until such time as rules requiring otherwise are adopted.

Section 7. Administration and Staffing Services.

The Commission shall contract with the City of Portland (the City) for administrative services as described in the attached Administrative Services Agreement (Exhibit 1). The Commission is authorized to amend, extend, or terminate the Administrative Services Agreement.

Section 8. Transfer of Staff and Assets.

A. Transferred Employees.

1. Upon termination of the administrative services agreement between the Commission and Multnomah County (the County), the County shall transfer Julie S. Omelchuck to the City's Office of Cable Communications and Franchise Management (Cable Office), providing that the County is no longer performing any cable regulatory services. Pursuant to ORS 236.630, Julie S. Omelchuck shall be placed in a position found by the City to be comparable to the position she enjoyed under the County's employment. The City shall consider Julie S. Omelchuck's education and physical qualifications, experience, and the salary, duties and responsibilities of her prior employment. The County shall furnish all of Julie S. Omelchuck's employment records to the City at the time of transfer. No affected employee shall be deprived of their employment by the County solely because of the transfer of administrative cable regulatory services to the City. The County shall find positions of employment within the County for all other affected employees.

2. The County shall pay each transferred employee all holiday and compensatory time, and any vacation leave time in excess of eighty hours, accumulated by such employee up to the date of the transfer. In addition, funds shall be transferred to the City from within the existing County cable office budget to cover accumulated sick leave, up to the date of transfer, for each transferred employee. The final amount of the payment for accumulated sick leave shall be determined by mutual agreement between the City and the Commission. The County shall reimburse the City for insurance premium costs, if any, resulting from health insurance coverage of preexisting conditions for any transferred employees. If at any time in the future Julie S. Omelchuck transfers back to the County by operation of the terms of Section 8A, the obligations for holiday, compensatory time and vacation leave time under this subsection shall apply equally to the City.

3. Any employees transferred by the County to the Cable Office shall be returned to the County if the transferred employee remains in a comparable employment position within the Cable Office and any one of the following events occurs: 1. The administrative services agreement between the City and the Commission is terminated; 2. The City withdraws from this Agreement; 3. The County withdraws from this Agreement; or 4. The Commission is dissolved under the terms of this Agreement.

4. This consolidation has presented unique circumstances resulting in the employee transfer provisions set forth in this Section. Due to these unique circumstances, the agreements contained in this Section shall not serve as precedent for any future employee transfer discussions between the City and the County.

B. Equipment assets, as listed in Exhibit 2, and general office supplies of the Multnomah Cable Regulatory Commission shall physically transfer to the City and shall become assets of the Commission.

C. The Jurisdictions shall share in the start up costs of the Commission proportionate to the FY 1993-94 budget contribution percentage of the respective Jurisdictions.

Section 9. Receiving and Distributing Funds.

A. The Commission shall comply with applicable state and local laws as to budget preparation and for audit of its books and records. The Jurisdictions may inspect all Commission books and records.

B. The annual budget adopted by the Commission shall be transmitted to the Jurisdictions by February 1. Each Jurisdiction shall review the Commission adopted budget prior to April 1 of each year. Upon approval by all Jurisdictions, the Commission-adopted budget shall become effective. If one or more Jurisdictions does not approve, the budget shall be returned to the Commission for modification and resubmitted to the Jurisdictions for approval. If all Jurisdictions do not approve a Commission budget by July 1, the previous fiscal year budget, less 10 percent, shall continue in effect until all Jurisdictions approve a Commission budget.

The Commission shall have the authority, subject to its approved annual budget, to expend funds for any lawful purpose up to the total amount of the approved budget. The Commission must seek approval by the Jurisdictions of budget amendments over the total amount of the approved budget. All Jurisdictions must approve such budget amendments for them to become effective. No Jurisdiction may amend, reduce or increase the approved Commission budget.

C. The cost allocation of each Jurisdiction in support of the Commission's approved budget shall be determined by the methodology as contained in Exhibit 3 to this Agreement. The Commission may adjust or modify the methodology during the annual budget process. The annual approved budget shall establish the specific cost allocation of each Jurisdiction and a schedule for all payments.

D. 1. The Commission is authorized to receive and collect cable franchise fees for all the Jurisdictions except Portland. The Commission shall distribute such fees

according to the terms of the franchise agreements and the Commission budgets approved by the Jurisdictions. Fees collected in excess of budgeted amounts shall be returned to the Jurisdictions from which such fees are attributable.

2. The Commission shall not collect the City of Portland cable franchise fees. The City of Portland agrees to transfer quarterly its share of the cost allocation in accordance with the approved Commission budget.

3. All other funds arising out of cable franchise agreements shall be collected by the Commission. The Commission shall allocate such funds in accordance with the franchise agreements and the Commission budgets approved by the Jurisdictions.

Section 10. Effective Date. This Agreement shall become effective upon its adoption by all Jurisdictions. Any Jurisdiction entering into this shall adopt an authorizing ordinance and shall forward a certified copy to the City of Portland. Within 30 days of the effective date of this Agreement, the City of Portland shall forward copies of the authorizing ordinances to the Secretary of State.

The first meeting of the Commission shall be held within 30 days of the effective date of this Agreement. The time and place for the first meeting of the Commission shall be determined by a majority of the Commissioners.

Section 11. Duration and Termination.

A. Duration. The duration of this Agreement is perpetual and the Commission shall continue from year to year, subject to subsection 11B. The Commission shall forward this Agreement to the Jurisdictions every three years for their review.

B. Termination. In order for any Jurisdiction to withdraw from this Agreement and to prevent obligations for its financial contribution to the Commission for the ensuing year, a Jurisdiction may only withdraw from the Commission by filing a written notice of withdrawal with the Commission by November 1 of any year, effective at the end of that fiscal year. Membership shall continue until the effective date of the withdrawal. However, the withdrawing Jurisdiction shall not take action on the Commission's annual budget. Prior to the effective date, the member Jurisdiction may rescind its withdrawal notice at any time.

Section 12. Assets. If a Jurisdiction withdraws before dissolution of the Commission, the Jurisdiction shall have no claim against the assets of the Commission. In the event of dissolution, all remaining assets of the Commission, after payment of obligations, shall be distributed among the then existing Jurisdictions in proportion to the most recent budget cost allocation percentage of the respective Jurisdictions. Jurisdictions may agree to buy out each others portion of assets.

Section 13. Dissolution. The Jurisdictions may dissolve the Commission and terminate this Agreement at any time by mutual agreement of all Jurisdictions. The Commission shall continue to exist after the dissolution for such period, no longer than three months, as is necessary to wind up its affairs but for no other purposes.

Section 14. General Terms.

A. Severability. The terms of this Agreement are severable and a determination by any Court or agency having jurisdiction over the subject matter of this Agreement that results in the invalidity of any part, shall not affect the remainder of this Agreement.

B. Interpretation. The terms and provisions of this Agreement shall be liberally construed in accordance with its general purposes.

C. Increasing Member Units of Government. The Commission may develop a method for allowing other units of local government to enter into this Agreement, subject to the full authority provision of subsection 4B. A fee or cost for such entrance may be imposed.

D. Amendments. The terms of this Agreement shall not be amended without the written authorization of the governing bodies of all Jurisdictions.

E. 1. General Indemnification. Each Jurisdiction shall be responsible for the negligent acts or omissions of the Jurisdiction, or its officers, agents or employees, in carrying out the terms of this Agreement, subject to the limitations and conditions of the Oregon Tort Claims Act, ORS 30.260, et seq., and the Oregon Constitution, Article XI, Section 9.

2. By entering into this Agreement, the Jurisdictions are creating a public body under ORS Chapter 190 which is separately responsible for providing coverage for its officers, agents and employees, subject to the limitations and conditions of the Oregon Tort Claims Act, ORS 30.260, et seq.

APPROVED AND EXECUTED by the appropriate officer(s) who are duly authorized to execute this Agreement on behalf of the governing body of each Jurisdiction.

City of Fairview

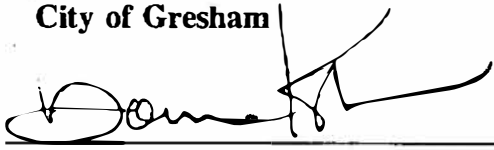


Nancey DiDonato
City Recorder




Fred Carlson
Mayor

City of Gresham



Bonnie R. Kraft
City Manager

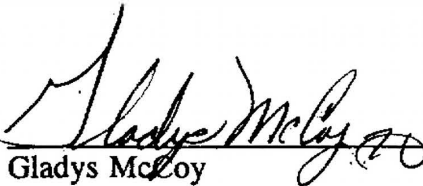


Gussie McRobert
Mayor

Multnomah County

R

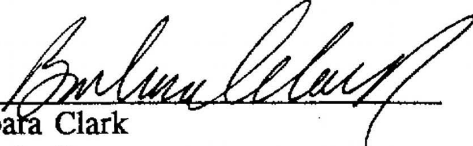
Laurence Kressel
County Counsel



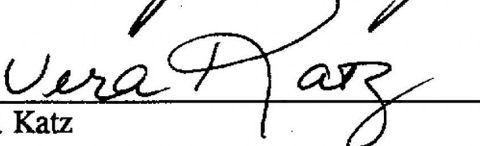
Gladys McCoy
County Chair

REVIEWED
By 
MULTNOMAH COUNTY COURT

City of Portland

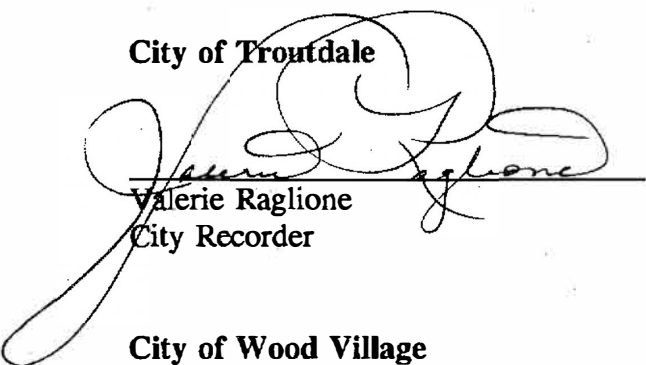


Barbara Clark
City Auditor

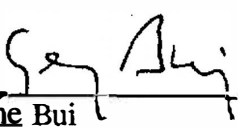


Vera Katz
Mayor

City of Troutdale




Valerie Raglione
City Recorder




Gene Bui
Mayor

City of Wood Village



Sheila Ritz
City Administrator/Recorder



Gerald Ulmer
Mayor

CCCCMSSN.IGA

APPROVED AS TO FORM



Benjamin Walters
CITY ATTORNEY

EXHIBIT B
GUARANTY AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 1998, between the Guarantor, the Jurisdictions, and the Grantee. For the purpose of this Agreement, the terms "Guarantor" and "Grantee" have the meanings given below in this Agreement.

WITNESSETH

WHEREAS, the Jurisdictions have negotiated a cable renewal franchise with KBL Multnomah Cablesystems, L.P., (the "Grantee"), to operate and maintain a cable television system within specified areas of the Jurisdictions (the "Cable System"); and,

WHEREAS, TWI Cable, Inc., (the "Guarantor"), is a parent company of the Grantee, with greater than fifty percent ownership or control over the Grantee. The Guarantor has a substantial interest in the Cable System and the conduct of the Grantee in complying with the Franchise Document (as defined below), which Franchise Document is hereby incorporated by reference to this Agreement; and

WHEREAS, Section 25 of the Franchise Document requires the Grantee to furnish a guaranty issued to cover the faithful performance of the Grantee's obligations under the Franchise Document; and,

WHEREAS, the Guarantor has agreed to provide the guaranty required by the Franchise Document in order to induce the Jurisdictions to enter into the Franchise Document;

NOW, THEREFORE, in consideration of the foregoing, the Guarantor agrees:

1. The Guarantor hereby unconditionally guarantees the punctual performance of any and all obligations of Grantee contained in the Franchise Document. In the event Grantee for any reason fails to perform those obligations, the Guarantor agrees to perform or cause to be performed those obligations on Grantee's behalf. The Guarantor's liability under this Agreement shall mature immediately, without notice or demand by the Jurisdictions, and become due upon the occurrence of any failure of performance by the Grantee.
2. This guaranty is an absolute, continuing, and unlimited guaranty of performance of the Franchise Document by the Grantee. The Jurisdictions shall not be obliged to proceed first against the Grantee or any other person, firm or corporation.
3. The Guarantor consents that, without notice to the Guarantor, and without the necessity for any additional endorsement, consent, or guaranty by the Guarantor, the obligations of the Grantee may, from time to time, be amended, modified, compromised or released by the Jurisdictions, all without impairing or affecting in any way the liability of the Guarantor hereunder.

4. The Guarantor waives notice of acceptance of this guaranty, and further waives protest, presentment, demand for performance or notice of default to the Guarantor. The Guarantor agrees that it is the Guarantor's responsibility to be informed of the condition of the Grantee and the status of the Grantee's performance of its obligations, and the Jurisdictions have no duty to advise the Guarantor of any information known to it in that regard. This waiver, however, shall not be deemed a waiver of any requirement of the Franchise Document as to notice to the Grantee.

5. The Jurisdictions' failure to require strict performance of the Franchise Document shall not release the Guarantor from liability under this Agreement.

6. Any litigation between the Jurisdictions and the Guarantor arising under or regarding this Agreement shall occur, if in the state courts, in the Multnomah County Court having jurisdiction thereof, and if in the federal courts, in the United States District Court for the District of Oregon. The terms and provisions of this Agreement shall be applied and interpreted according to the laws, statutes and judicial decisions of the State of Oregon.

7. This Agreement, unless terminated, substituted or canceled, as provided herein, shall remain in full force and effect for the duration of the term of the Franchise Document, or as expressly provided otherwise in the Franchise Document.

8. (A) The Guarantor may propose substitution of another Guarantor to perform the obligations of this Agreement. If the Jurisdictions find the proposed substitute Guarantor reasonably satisfactory, another Guaranty Agreement may be substituted upon mutual agreement of the Jurisdictions and the Guarantor. Such substitution shall not affect liability incurred or accrued under this Agreement prior to the effective date of such substitution. No claim, suit or action under this Agreement by reason of any default of the Grantee shall be brought against the original Guarantor unless asserted or commenced within one year after the effective date of such substitution of the Agreement.

(B) As provided in Section 25.3 of the Franchise Document, if stockholders' equity of the Guarantor falls below 50 Million Dollars, (\$50,000,000.00), as indicated in the annual audited financial statements for the Guarantor to be provided to the Jurisdictions under Section 20 of the Franchise Document, then the Jurisdictions may require the Grantee to demonstrate to the Jurisdictions that the Guarantor will nevertheless be able to perform all of Guarantor's obligations under the terms of this Guaranty Agreement as fully as if there had not been any such reduction in stockholders' equity. If the Grantee fails to so demonstrate to the Jurisdictions' satisfaction, then the Jurisdictions, by ordinance or resolution, may require the Grantee to provide, and the Grantee shall provide, a substitute guarantor satisfactory to the Jurisdictions, as reasonably equivalent to the Guarantor prior to the reduction in stockholders' equity. As used in this Section 8(B), "stockholders' equity" means the amount of assets minus liabilities, both measured in accordance with Generally Accepted Accounting Principles, as reported in the annual audited financial statements for the Guarantor, which statements will be audited by Guarantor's independent accountants.

9. Any notice provided for under this franchise shall be sufficient if in writing and (1) delivered personally to the following addressee or deposited in the United States Mail, postage prepaid, certified mail, return receipt requested, (2) sent by overnight or commercial air courier (such as Federal Express), or (3) sent by facsimile transmission addressed as follows, or to such other address(es) as the receiving party hereafter shall specify in writing:

If to the Jurisdictions: Cable Regulatory Office
 1211 SW 5th Avenue, Room 1160
 Portland, Oregon 97204
 FAX#: (503) 823-5370

With a copy to: MHCRC Legal Counsel's Office
 Room 315, City Hall
 1220 SW 5th Avenue
 Portland, Oregon 97204
 FAX#: (503) 823-3089

If to the Grantee and Guarantor: Paragon Cable
 3075 NE Sandy
 Portland, OR 97232
 FAX#: (503)731-5508

Any such notice, communication or delivery shall be deemed effective and delivered upon the earliest to occur of: (1) actual delivery; (2) three (3) business days after depositing in the United States mail as aforesaid; (3) one (1) business day after shipment by commercial air courier as aforesaid; or, (4) the same day as facsimile transmission (or the first business day thereafter if faxed on a Saturday, Sunday or legal holiday).

10. Definitions. For purposes of this Agreement, the following terms are defined as indicated below.

(A) Grantee: KBL Multnomah Cablesystems, L.P.

(B) Franchise Document: Cable Services Franchise Agreement between Multnomah County, Gresham, Fairview, Troutdale and Wood Village ("Jurisdictions"), and KBL Multnomah Cablesystems, L.P. ("Grantee"), and its successors and assigns, as passed by the Jurisdictions, and effective on the 23rd day of May, 1998.

(C) Guarantor: TWI Cable, Inc.

IN WITNESS HEREOF, the Jurisdictions, the Grantee and the Guarantor have entered into this Agreement on the _____ day of _____, 1998.

Jurisdictions:

BY: _____

PRINTED NAME: _____

TITLE: _____

State of _____)

) ss.

County of _____)

This Agreement was acknowledged before me on the ____ day of _____, 1998, by
_____ as _____, as _____
of the City of Portland, Oregon.

Notary Public for _____

My Commission Expires:

EXHIBIT 1

12/23/92

AGREEMENT BETWEEN
THE CONSOLIDATED CABLE COMMUNICATIONS COMMISSION
AND THE CITY OF PORTLAND
FOR ADMINISTRATIVE SUPPORT SERVICES

WHEREAS, the City of Portland is a home rule city, incorporated under the laws of the State of Oregon, and

WHEREAS, the Consolidated Cable Communications Commission has been created by an Intergovernmental Agreement between the Cities of Fairview, Gresham, Portland, Troutdale and Wood Village and Multnomah County, pursuant to ORS Chapter 190, the general laws and constitution of the State of Oregon and the laws and charters of the participating jurisdictions, and

WHEREAS, the Consolidated Cable Communications Commission has a need for administrative and support services, and

WHEREAS, the City of Portland has the ability to furnish such services and is willing to do so,

NOW THEREFORE, the City of Portland (City) and the Consolidated Cable Communications Commission (Commission) agree as follows:

Section 1. General Purpose. The general purpose of this Agreement is for the City to provide administrative support services to the Commission. It is the intention of the City and the Commission that the Commission shall retain full independent authority to act on all matters related to the purposes for which the Commission was created and to retain all powers granted to it under the Intergovernmental Agreement, as it was written and as it may be amended from time to time. By this Agreement, the City and the Commission do not intend to confer any liability upon the City for any action of the

Commission, independent of any liability that may now exist, or may arise in the future, because of the City's participation in the Intergovernmental Agreement which created the Commission.

Section 2. General Administrative Services.

A. The City agrees to provide the Commission with administrative and staffing support services in the areas of purchasing, fiscal administration, routine cable regulatory legal services, personnel and general support services, as set forth in this Agreement. The Commission shall follow City procedural requirements for purchasing, fiscal administration, personnel and general support services. The Commission shall retain full authority to act on all matters related to the powers granted to it by this Agreement.

B. The City shall defend, hold harmless and indemnify the Commission, its members or its agents from any and all claims, demands, settlements or judgments, including all costs and attorney fees, which arise from any City activity the City has agreed to provide pursuant to this Agreement. The Commission agrees to promptly notify the City Attorney of any claims or demands made against the Commission as a result of any activity of the Commission. The City shall not have any additional liability as a result of this Agreement for any action of the Commission apart from any liability which may result from the City's participation as a Jurisdiction in this Agreement.

Section 3. Purchasing. The City agrees to act as the purchasing agency of the Commission and will furnish purchasing agent services to the Commission upon its request provided that in any matter or purchase where the final determination of the successful bidder may be determined under Oregon law by

some criteria other than price, the Commission shall retain final authority to determine a successful bidder or proposal. The City of Portland City Council shall act as the local Public Contract Review Board for the Commission and have jurisdiction over any public contract matter properly brought before a local Public Contract Review Board pursuant to the terms of ORS Chapter 279.

Section 4. Fiscal Administrative Services. The City shall furnish to the Commission the full range of financial administration services requested by the Commission from time to time. These services shall include, but are not limited to, maintenance of Commission accounts, provision of accounts payable, accounting of all Commission revenues and expenditures, assistance in preparing an annual budget and when necessary, budget amendments, preparation of budget monitoring reports on the same frequency as utilized by the City, inclusion of the Commission's approved annual budget within the City's annual budget for transmission to and approval by the Multnomah County Tax Supervision and Conservation Commission, and financial review and external audit services.

The City shall be authorized to receive and expend funds on behalf of the Commission as adopted by the Jurisdictions in the annual budget and at the direction of the Commission. The City will account for such funds in a segregated, dedicated account.

No later than November 1 of each year, the City shall return to the Commission any compensation paid by the Commission to the City for the preceding fiscal year pursuant to Section 8, which was not expended or obligated by June 30 of that fiscal year.

Section 5. General Staff Support. The City agrees to provide sufficient staff to perform the administrative and support services provided in the Commission's approved annual budget. The Commission will set a work plan for each fiscal year and establish regulatory policies for the staff to implement on an ongoing basis. The City agrees to work through its Cable Commissioners to request changes in the Commission's work plan or policies. All decisions regarding creation, filling or reclassification of staff positions, or hiring, disciplining or terminating staff, shall be made by the City, after consultation with the Commission.

Section 6. General Support Services. The City agrees to provide to the Commission the full range of support services generally available to City bureaus and agencies on the same basis, terms, and conditions as such services are generally made available. These services include, but are not limited to, mail pick up and delivery services, access to City vehicles, printing and duplication, telecommunications services, data processing, and management and insurance of physical assets.

Section 7. Cable Regulatory Legal Services. The City agrees to provide routine cable regulatory legal services to the Commission as needed. The Commission may separately contract with third parties or with the City for extraordinary legal services such as rate review, renewal negotiations, litigation or administrative hearings regarding possible cable franchise violations.

Section 8. Compensation. The Commission agrees to pay the City

compensation for the administrative and support services to be provided under this Agreement. The payment shall be made out of the Commission's annual approved budget. By December 31 of each year, the City and the Commission shall agree on the amount to be paid for services for the following fiscal year. The amount shall be based on an estimate of the City's anticipated actual costs of providing such services to the Commission. The City shall keep records of such costs, and such records shall be available for inspection by the Commission upon request.

Section 9. Evaluation. The Commission shall conduct an annual evaluation of the City's administrative services to ensure that the Commission's needs are being met.

Section 10. Term. The term of this Agreement shall be perpetual, unless terminated by the parties pursuant to the terms herein.


Section 11. Termination. This Agreement may be terminated by either party effective July 1st of any year by giving written notice of the intent to terminate on or before the December 31st prior to the July 1st termination date. In addition, this Agreement may be terminated by written agreement of both the City and the Commission effective ninety (90) days after the effective date of the termination agreement.

Section 12. Notices. Notices to the Commission shall be sent to the location of its principal office, to the attention of the Chairperson of the Commission. Notices sent to the City shall be sent to the Office of Cable

Communications and Franchise Management. All notices required under this Agreement shall be sent by certified mail, return receipt requested.


Section 13. Transition. The Commission and the City recognize that on the effective date of this Agreement there continues in existence a similar administrative services agreement between the Commission and Multnomah County (County). These two agreements authorize both the City and the County to provide similar services for the Commission. In order to facilitate the orderly transfer from the County to the City of the administrative services provided to the Commission, the agreement between the Commission and the County may remain in force to a date no later than April 15, 1993. The Commission shall withdraw from the County and transfer to the City, at the Commission's election, the services covered by the County/Commission agreement and this Agreement. The transfer of all services provided by the County to the Commission under the existing County/Commission agreement shall be completed by no later than April 15, 1993.

Section 14. Effective Date. This Agreement will be effective upon its adoption by the Commission.


Chair,
Consolidated Cable
Communications Commission


Mayor, City of Portland


Auditor, City of Portland


City Attorney
Approved as to Form

MULTNOMAH CABLE REGULATORY COMMISSION
EQUIPMENT ASSETS INVENTORY

November 30, 1992

<u>ITEM</u>	<u>ASSET ID</u>	<u>MAKE/MODEL</u>	<u>SERIALS #</u>	<u>INSTALLED PRODUCTS</u>
Computers (1 only)	29474	Zenith laptop Supersport SX	004DE002864	42MB HD, 3.25" 1.44MB Floppy, 640KB RAM < 2 serial & Parallel & 1 Parallel Ports; Dos 3.3, WORDPERFECT.
Computer (1 only)	28435	WANG 381	Z033Z2	40MB HD, 5.25" 1.2MB & 3.5" 1.44MB Floppy, 650KB RAM, Hercules Video Card, 2 serial & 1 Parallel Ports, WANG;DOS 5.0, WANG System Services, WORDPERFECT, PRIDE, PCLIS, LOTUS
Monitor	-0-	Zenith	019ND0726NOB	
Printer (1 only)	-0-	Kodak Lazer Jet		
File Cabinets (2 each)	-0-	Steel, two drawer, metal		
Supply Cabinet (1 only)	02557	Steel 8' x 4'		
Desk	-0-	Metal with formica top		
Chair Brown Desk Chair	23786			

MULTNOMAH CABLE REGULATORY OFFICE
FURNITURE INVENTORY

November 30, 1992

<u>ITEM</u>	<u>ASSET ID</u>	<u>MAKE/MODEL</u>	<u>SERIALS #</u>	<u>INSTALLED PRODUCTS</u>
Chair Brown Guest Chair	23785			
Chair Red Desk Chair	-0-			
Typewriter (1 only)	02564	IBM Selectric II	6890552	
Dictaphone (1 only)	05094	Sony BM-25A	622065	
Electric Stapler (1 only)	-0-	FC-90 Isaberg AB Sweden A908	111445	
Tape Recorder (1 only)	-0-	Realistic CAT NO. 14-1052A		
Adding Machines (2 each)	23784	Texas Instruments	135963	
Pencil Sharpener (1 only)	-0-	Boston	68000	
Coffee Pot (1 only)	-0-	Norelco 12 cup HB5193		

EXHIBIT 3

CONSOLIDATED CABLE COMMUNICATIONS COMMISSION

13-Jan-93

Cost Allocation Methodology						
Functions	Cost Allocation Unit	% of Cost Distribution	Amount of Distribution	Total No. of Units	... No. of Units PCRC	... No. of Units MCRC
1. Complex Franchise Reg./Negotiation/Enforc.	No. of Franchises *	40.0%	\$	3.17	2.17	1.00
2. Consumer Issues	No. of Subscribers	20.0%	\$	125,100.0	95,295.0	29,805
3. Monitoring Access and PCTV	No. of Contracts	10.0%	\$	3.0	1.0	2
4. Liaison with Jurisdiction	No. of Jurisdiction	10.0%	\$	6.0	1.0	5
5. FCC/Legislation	No. of Subscribers	10.0%	\$	125,100.0	95,295.0	29,805
6. Administration	Prop. to 1.2.3 & 4	10.0%	\$	100%	%	%
Total		100.0%				

PCRC: Portland Cable Regulatory Commission

MCRC: Multnomah Cable Regulatory Commission

**Consolidated Cable Communications Commission
and
The Office of Cable Communications and Franchise Management**

August 6, 1993

SUMMARY OF OPERATIONS

Number of Jurisdictions Served: 6 (Portland, Gresham, Troutdale, Fairview, Wood Village and Multnomah County)

Number of Franchise Agreements: 5 (TCI-West Portland, TCI-West Multnomah, Paragon-Portland, Paragon-East Multnomah, Columbia Cable-Hayden Island)

Cable Operators Regulated: 3 (TCI, Paragon Cable, Columbia Cable)

Number of Access Providers: 2 (Portland Cable Access, Multnomah Community Television)

Other Service Providers: 1 (Program in Community Television: Mt. Hood Community College)

SUBSCRIBERS

Total: 133,254

Paragon-Portland	57,879
Paragon-Multnomah East	48,716
TCI-Portland	24,896
TCI-West Multnomah	923
Columbia Cable	840

FRANCHISE FEE REVENUES

Franchise Fee Rate: 5% of cable company's gross revenues

Total Franchise Fee Revenues FY 1993-94: \$2,724,799

Disbursements:	Operating Budget for Regulation FY 1993-94:	\$ 351,783
	Total Access Payments FY 1993-94:	\$1,185,724
	Jurisdictions' General Funds FY 1993-94:	\$1,187,292

Range of percent of Franchise Fees used for regulation by the six jurisdictions: 10-21%

Range of percent of Franchise Fees used for access services by the six jurisdictions: 23-60%