

incurred by Grantee to provide the two-way live cablecasting requirements specified in this Section 22 shall not be deemed "Franchise Fees" within the meaning of Section 622 of the Cable Act (47 U.S.C. § 542). Any recovery by Grantee shall be in addition to and not by way of offset.

3.13 Reimbursement of Costs. If funds are available to any Person using the Public Way for the purpose of defraying the cost of any of the foregoing, the Franchising Authority shall reimburse the Grantee in the same manner in which other Persons affected by the requirement are reimbursed. If the funds are controlled by another governmental entity, the Franchising Authority shall make application for such funds on behalf of the Grantee.

3.14 Interconnection. Grantee shall, at no cost to City, maintain an interconnection with the Two Harbors, Minnesota, cable system to facilitate the two-way distribution of PEG access programming. The City shall, in its sole discretion, determine what type of PEG access programming, if any, from Two Harbors will be cablecast on the City's PEG Channels. City or its designee shall be responsible for equipment required to enable programming to be cablecast. Grantee may assess to Subscribers any fees or costs of any required equipment at Grantee's head end or other location in the System as may be technically required consistent with the designation in 3.12. This section is not applicable or enforceable by the Franchising Authority if the Grantee does not have all legal approvals to operate a System in Two Harbors, or no longer is the owner of the Two Harbors system.

3.15 Picture Quality and Technical Requirements.

a. Grantee shall construct and maintain a System that at least meets minimum technical standards or guidelines now or hereafter established by the FCC Title 47 C.F.R. Subpart K, § 76.601-76.640), as may be amended from time to time, relating to Cable Systems; provided, however, that in no event shall the technical standards required to be met by Grantee be less stringent than the FCC standards or guidelines in effect during the term of this Franchise.

b. The System shall be designed for and operated on a twenty-four (24) hour a day continuous operation basis. Grantee shall make provisions to ensure, as much as is reasonable, continuous operation of the System.

c. Grantee shall test the technical capacity of the System in accordance with FCC standards and as necessary to diagnose problems and to respond to complaints. The results of any tests required by the FCC shall be filed with the City within ten (10) days of a written request for a copy of such tests. Representatives of City may, upon request, be present during testing. The expenses of any tests required by the FCC shall be paid by Grantee.

3.16 Channel Capacity. Channel Capacity Grantee shall maintain for the term of this Franchise a System cable of providing voice, video, and data services. The Franchising

Authority acknowledges that this Franchise Agreement and its requirements herein only apply to the Grantee's delivery of video services.

1321.04 Regulation by the Franchising Authority

4.1 Franchise Fee.

A. The Grantee shall pay to the Franchising Authority a franchise fee of Three percent (3%) of annual Gross Revenues (as defined in subsection 1321.01(L) of this Franchise). In accordance with the Cable Act, the twelve (12) month period applicable under the Franchise for the computation of the franchise fee shall be a calendar year. The franchise fee payment shall be due quarterly and payable within 60 days after the close of the preceding calendar year. Each payment shall be accompanied by a brief report prepared by a representative of the Grantee showing the basis for the computation. After the three years from Grantee's acceptance of this Agreement, the Franchising Authority, upon vote of the City Council and Ninety (90) days notice to Grantee, may increase the Franchise Fee up a maximum of Five (5%) percent of annual Gross Revenues.

B. **Limitation on Franchise Fee Actions.** The period of limitation for recovery by the Franchising Authority of any franchise fee payable hereunder shall be three (3) years from the date on which payment by the Grantee is due to the Franchising Authority.

4.2 **Rates and Charges.** The Franchising Authority may regulate rates for the provision of Basic Cable Service and equipment as expressly permitted by federal law.

4.3 Renewal of Franchise.

A. The Franchising Authority and the Grantee agree that any proceedings undertaken by the Franchising Authority that relate to the renewal of the Grantee's Franchise shall be governed by and comply with the renewal provisions of state and federal law.

B. In addition to the procedures set forth in the Cable Act, the Franchising Authority agrees to notify the Grantee of all of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of the Grantee under the then current Franchise term. The Franchising Authority further agrees that such assessments shall be provided to the Grantee promptly so that the Grantee has adequate time to submit a proposal pursuant to the Cable Act and complete renewal of the Franchise prior to expiration of its term.

C. Notwithstanding anything to the contrary set forth in this subsection 4.3, the Grantee and the Franchising Authority agree that at any time during the term of the then current Franchise, while affording the public appropriate notice and opportunity to comment in accordance with the provisions of federal law the Franchising Authority and the Grantee may agree to undertake and finalize informal negotiations regarding renewal of the then current Franchise and the Franchising Authority may grant a renewal thereof.

D. The Grantee and the Franchising Authority consider the terms set forth in this subsection 4.3 to be consistent with the express renewal provisions of the Cable Act.

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

The Grantee and the Franchising Authority agree that in the case of a final determination of a lawful revocation of the Franchise, the Grantee shall be given at least twelve (12) months to effectuate a transfer of its Cable System to a qualified third party. Furthermore, the Grantee shall be authorized to continue to operate pursuant to the terms of its prior Franchise during this period. If, at the end of that time, the Grantee is unsuccessful in procuring a qualified transferee or assignee of its Cable System which is reasonably acceptable to the Franchising Authority, the Grantee and the Franchising Authority may avail themselves of any rights they may have pursuant to federal or state law. It is further agreed that the Grantee's continued operation of the Cable System during the twelve (12) month period shall not be deemed to be a waiver, nor an extinguishment of, any rights of either the Franchising Authority or the Grantee.

4.5 Transfer of Franchise. The Grantee's right, title, or interest in the Franchise shall not be sold, transferred, assigned, or otherwise encumbered, other than to an entity controlling, controlled by, or under common control with the Grantee, without prior written notice to the Franchising Authority. No such notice shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, or by assignment of any rights, title, or interest of the Grantee in the Franchise or Cable System in order to secure indebtedness.

4.7 PEG Access.

Grantee shall provide, at no cost to the City or Persons who submit programming, up to two (2) Channels for PEG access use. Initially, Two (2) Channels shall be designated for public, educational and government access programming as determined by the City. In addition, one (1) additional Channel shall be designated for educational access or regional programming upon agreement of the City and Grantee that there is sufficient support and programming to generate programming during eighty percent (80%) of the

weekdays (Monday-Friday), for eighty percent (80%) of the time during a consecutive three (3) hour period for six (6) weeks running, and there is a demand for use of an additional Channel for the such purpose. The City shall develop, subject to approval of the Grantee, reasonable rules and regulations for determining percentage of access Channel utilization and reasonable rules for replay of programming on the public access Channels.

Grantee will comply, at a minimum, with the following requirements regarding access Channels: Grantee shall provide City and all Subscribers with at least sixty (60) days prior written notice of any relocation of any PEG access Channel to a different Channel number. In the event any PEG access Channel(s) is relocated, Grantee shall reimburse City up to One Thousand and No/100 Dollars (\$1,000.00) for the actual costs associated with such move including but not limited to change of letterhead, promotion of new Channel location and promotional spots for the new location and/or newspaper advertisements. Grantee shall also inform Subscribers of the new Channel location through bill messages and/or bill inserts.

Grantee shall continue to maintain the Channel capacity available for the noncommercial PEG access Channels throughout the term of the Franchise and shall provide and maintain its System equipment and PEG access Channels so as to transmit signals on such Channels in accordance with the minimum technical standards required by this Franchise. Grantee's responsibility for signal quality begins at the PEG access Channels' modulators output, ending at the Subscriber's ground block.

All access Channels shall be transmitted to Subscribers on the Basic Cable Service tier, unless otherwise agreed to by the City. The technical quality of all access Channels under Grantee's control shall be at least equal to the same FCC required technical standards to ensure the same quality as the Channels used by Grantee to retransmit local off-the-air broadcast television stations which are affiliates of the major national broadcast networks. Grantee shall insure that there is no material degradation in the signal that is received by Grantee for distribution by Grantee from the City over the Cable System.

The Grantee shall provide the PEG Channels as part of the Basic Cable Service tier provided to any Subscriber, at no additional charge beyond the price for the Basic Cable Service tier, and so that the PEG Channels are viewable by the Subscriber without the need for additional equipment beyond that required to receive the Basic Cable Service tier. If Channels are selected through a menu system, the PEG Channels shall be displayed as prominently as commercial programming choices offered by Grantee.

At such time as the Grantee converts its Basic Cable Service tier from an analog to a digital format, the City's PEG Channels will continue to be carried along with the programming on the Basic Cable Service tier. Such PEG Channels shall be accessed by Subscribers through use of standard digital equipment compatible with Grantee's Cable System.

After Three (3) years from the Grantee's acceptance of this Agreement, and upon approval of the City Council and Ninety (90) days notice to Grantee, Grantee shall collect, on behalf of City, a per Subscriber fee of no more than Fifty Cents (\$.50) per month, solely to fund PEG access capital related expenditures (hereinafter "PEG Capital Access Fee"). Thereafter, the City may upon ninety (90) days notice to Grantee, request an adjustment of the fee up to one-dollar (\$1) per month to support growth in PEG programming. Such request cannot occur more than annually. This PEG Capital Access Fee shall be paid by Grantee to City in the same manner as Franchise Fee payments, pursuant to Section 6 herein. Any and all payments by Grantee to City in support of PEG access programming shall not be deemed "Franchise Fees" within the meaning of Section 622 of the Cable Act (47 U.S.C. Section 542).

If the City extends the term of this Franchise and such extension is accepted by Grantee, Grantee shall continue to collect during the term of the extension, on behalf of the City, the Access Fee referenced above.

4.8 PEG Grant. In consideration of Franchising Authority's approval to maintain the current Franchise Fee payment for a period of at least three years as described in Sec. 4.1, Grantee agrees to a PEG Grant to be paid to the Franchising Authority within Ninety (90) days of Grantee's acceptance of this Agreement in the amount of Two Thousand Dollars (\$2000.00).

4.9 PEG Access Commercialism. Access channel is a channel made available to the Franchising Authority by Grantee for the purpose of cablecasting non-commercial programming by Franchising Authority residents, Franchising Authority administration and educational institutions. The Franchising Authority agrees not to use the access channel to provide commercial or revenue-generating services or services that may compete, directly or indirectly, with services provided by the Grantee, provided however, that the Franchising Authority may cablecast acknowledgments of funding sources and the underwriting of programming costs. Such acknowledgments will be deemed non-commercial if they are within the standards for underwriting applicable to the Public Broadcasting Service (PBS) or the standards necessary to maintain tax-exempt status within the applicable regulations of the Internal Revenue Service. Programming shall not lose its non-commercial character by reason of including public or charitable fund-raising events or activities, or donor and underwriting announcements reflecting funding provided by for-profit or non-profit entities for PEG programming in accordance with the provisions of 47 C.F.R. 73.621 of the FCC's Rules.

1321.05 Books and Records

5.1 The Grantee agrees that the Franchising Authority, upon thirty (30) days written notice to the Grantee and no more than once annually may review such of its books and records at the Grantee's business office, during normal business hours and on a nondisruptive basis, as is reasonably necessary to ensure compliance with the terms of this Franchise. Such notice shall specifically reference the subsection of the Franchise that is under review so that the Grantee may organize the necessary books and records for

easy access by the Franchising Authority. The Grantee shall not be required to maintain any books and records for Franchise compliance purposes longer than three (3) years. Notwithstanding anything to the contrary set forth herein, the Grantee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature, nor disclose books and records of any affiliate which is not providing Cable Service in the Service Area. The Franchising Authority agrees to treat any information disclosed by the Grantee as confidential and only to disclose it to employees, representatives, and agents thereof that have a need to know, or in order to enforce the provisions hereof. The Grantee shall not be required to provide Subscriber information in violation of Section 631 of the Cable Act.

1321.06 Enforcement and Termination of Franchise

6.1 Notice of Violation. In the event that the Franchising Authority believes that the Grantee has not complied with any material term of the Franchise, the Franchising Authority shall informally discuss the matter with Grantee. If these discussions do not lead to resolution of the problem, the Franchising Authority shall notify the Grantee in writing of the exact nature of such alleged noncompliance.

6.2 The Grantee's Right to Cure or Respond. The Grantee shall have thirty (30) days from receipt of the notice described in subsection 7.1: (A) to respond to the Franchising Authority, contesting the assertion of such noncompliance, or (B) to cure such default, or (C) in the event that, by the nature of such default, it cannot be cured within the thirty (30) day period, initiate reasonable steps to remedy such default and notify the Franchising Authority of the steps being taken and the projected date that they will be completed.

6.3 Public Hearing. In the event that the Grantee fails to respond to the notice described in subsection 7.1 pursuant to the procedures set forth in subsection 7.2, or in the event that the alleged default is not remedied within thirty (30) days or the date projected pursuant to 7.2(C) above, if it intends to continue its investigation into the default, then the Franchising Authority shall schedule a public hearing. The Franchising Authority shall provide the Grantee at least ten (10) days prior written notice of such hearing, which specifies the time, place and purpose of such hearing, and provide the Grantee the opportunity to be heard.

6.4 Enforcement. Subject to applicable federal and state law, in the event the Franchising Authority, after the hearing set forth in subsection 7.3, determines that the Grantee is in material default of any provision of the Franchise, the Franchising Authority may:

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

B. In the case of repeated or ongoing substantial non-compliance with a material term or terms of the Franchise, seek to revoke the Franchise in accordance with subsection 7.5.

6.5 Revocation. Should the Franchising Authority seek to revoke the Franchise after following the procedures set forth in subsections 7.1-7.4 above, the Franchising Authority shall give written notice to the Grantee of its intent. The notice shall set forth the exact nature of the repeated or ongoing substantial noncompliance with a material term or terms of the franchise. The Grantee shall have ninety (90) days from such notice to object in writing and to state its reasons for such objection. In the event the Franchising Authority has not received a satisfactory response from the Grantee, it may then seek termination of the Franchise at a public hearing.

The Franchising Authority shall cease to be served upon the Grantee, at least thirty (30) days prior to such public hearing, a written notice specifying the time and place of such hearing and stating its intent to revoke the Franchise.

At the designated hearing, Grantee shall be provided a fair opportunity for full participation, including the right to be represented by legal counsel, to introduce relevant evidence, to require the production of evidence, to compel the relevant testimony of the officials, agents, employees or consultants of the Franchising Authority, to compel the testimony of other persons as permitted by law, and to question witnesses. A complete verbatim record and transcript shall be made of such hearing.

Following the hearing, the Franchising Authority shall determine whether or not the Franchise shall be revoked. If the Franchising Authority determines that the Franchise shall be revoked, the Franchising Authority shall promptly provide Grantee with its decision in writing. The Grantee may appeal such determination of the Franchising Authority to an appropriate court which shall have the power to review the decision of the Franchising Authority de novo. Grantee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Grantee's receipt of the determination of the Franchising Authority.

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

6.6 Force Majeure. The Grantee shall not be held in default under, or in compliance with the provisions of the Franchise, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by circumstances reasonably beyond the ability of the Grantee to anticipate and control. This provision includes work delays caused by waiting for utility providers to service or monitor their utility poles to which the Grantee's Cable System is attached, as well as unavailability of materials and/or qualified labor to perform the work necessary.

Furthermore, the parties hereby agree that it is not the Franchising Authority's intention to subject the Grantee to penalties, fines, forfeitures or revocation of the Franchise for violations of the Franchise where the violation was a good faith error that resulted in no or minimal negative impact on the Subscribers within the Service Area, or where strict performance would result in practical difficulties and hardship to the Grantee which outweigh the benefit to be derived by the Franchising Authority and/or Subscribers.

6.7 Abandonment. Grantee may not abandon any portion of System without providing at least three (3) months prior notice to City or without prior written approval by City. Further, Grantee may not abandon any portion of the System without compensating City for damages resulting from the abandonment. If Grantee should abandon any portion of the System, Grantee shall provide City maps, drawings, diagrams or other records of any underground facilities abandoned or out of service in accordance Minn. Stat. § 16D.04.

6.8 Purchase of System. Pursuant to Minn. Stat. § 238.084, when the Franchise or Cable System is transferred or sold the City has the right to purchase the System. Within sixty (60) days after City's actual receipt of the bona fide offer, City shall submit to Grantee notice of City's interest in purchasing the System.

6.9 City Code. To the extent consistent with Applicable Laws, the Grantee shall be subject to applicable provisions of the City Code. Nothing in this section shall be deemed to constitute a waiver by Grantee of any rights Grantee may have under the Federal or State Constitutions or Applicable Laws.

1321.07 Miscellaneous Provisions

7.1 Actions of Parties. In any action by the Franchising Authority or the Grantee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner. Furthermore, in any instance where approval or consent is required under the terms hereof, such approval or consent shall not be unreasonably withheld.

7.2 Entire Agreement. This Franchise constitutes the entire agreement between the Grantee and the Franchising Authority and supersedes all other prior understandings and agreements oral or written. Any amendments to this Franchise shall be mutually agreed to in writing by the parties.

7.3 Reservation of Rights. Acceptance of the terms and conditions of this franchise will not constitute, or be deemed to constitute, a waiver, either expressly or impliedly, by Grantee of any constitutional or legal right which it may have or may be determined to have, either by subsequent legislation or court decisions. The

Franchising Authority acknowledges that Grantee reserves all of its rights under applicable Federal and State Constitutions and laws.

If at any time during the term of this franchise, federal, state or local law permits any provider of video programming to provide services such as those provided pursuant to this franchise either without obtaining a franchise from the Franchising Authority or on terms or conditions more favorable than those applicable to the Grantee, then this franchise shall at the sole discretion of the Grantee: (1) cease to be in effect; or (2) be deemed to expire at a date prior to the original expiration date selected by the Grantee; or (3) will be automatically reformed to grant to the Grantee the more favorable terms, benefits and conditions available to the other provider.

7.4 Notice. Unless expressly otherwise agreed between the parties, every notice or response required by this Franchise to be served upon the Franchising Authority or the Grantee shall be in writing, and shall be deemed to have been duly given to the required party when placed in a properly sealed and correctly addressed envelope: a) upon receipt when hand delivered with receipt/acknowledgment, b) upon receipt when sent certified, registered mail, c) within five (5) business days after having been posted in the regular mail or, d) or the next business day if sent by express mail or overnight air courier.

The notices or responses to the Franchising Authority shall be addressed as

follows: City Of Silver Bay
Attn: City Administrator
7 Davis Drive
Silver Bay, MN 55614-1318

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

Lake County
Lake Connections
601 Third Avenue
Two Harbors, MN 55616

The Franchising Authority and the Grantee may designate such other address or addresses from time to time by giving notice to the other in the manner provided for in this subsection.

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

7.6 Severability. If any Section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory authority having jurisdiction thereof,

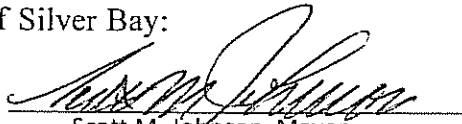
such determination shall have no effect on the validity of any other Section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of the Franchise.

7.7 Term and Effective Date. This Franchise shall be for a term of Five (5) years and Eight (8) months and shall expire on August 15, 2016. The Effective Date of this Franchise is the date of adoption by the Franchising Authority, acceptance by Grantee's countersigning where indicated below, and publication.

Considered and approved this 2nd day of April, 2012.

City of Silver Bay:

By:

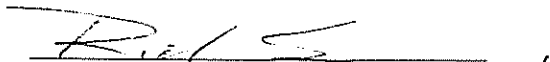

Scott M. Johnson, Mayor

Attest:


Lana Fralich, City Administrator

Lake County:

By:


Its: Chair, County Board

Attest:

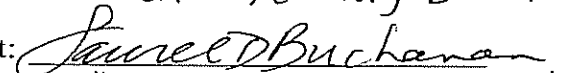

Its: Clerk of the Board

Exhibit A

Service to Public and Private Buildings

City of Silver Bay

1. City Hall/Police Department
2. Library
3. Mary McDonald Center (first 200 feet and confined to public portion of building only)
4. Street Department Building
5. Fire Department/Rescue Squad Bldg
6. Rukavina Arena
7. Wm. M. Kelley School

Exhibit B

Additional Two-Way Connections to Public Institutions

1. Silver Bay City Hall/Police Department
2. Silver Bay Public Library
3. Kelley High School or other agreed upon site for City's second PEG channel on a date agreeable to City and Grantee.