

12133

January 5, 1996

SETTLEMENT AGREEMENT
BY AND BETWEEN
TELE-VUE SYSTEMS, INC., D/B/A VIACOM CABLE
AND
KING COUNTY, WASHINGTON

12133

January 5, 1996

TABLE OF CONTENTS

SECTION 1. SETTLEMENT PAYMENT	4
SECTION 2. AMENDMENTS TO THE FRANCHISE AGREEMENT	6
SECTION 3. NO EFFECT ON FRANCHISE REQUIREMENTS	6
SECTION 4. DISPUTES REGARDING THIS SETTLEMENT AGREEMENT	7
SECTION 5. MISCELLANEOUS PROVISIONS	8

January 5, 1996

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made this ____th day of _____, 199__, by and between KING COUNTY, WASHINGTON, a [Description of Type of Entity] ("**County**"); and TELE-VUE SYSTEMS, INC., d/b/a Viacom Cable ("**Franchisee**"), a Washington corporation.

WITNESSETH:

WHEREAS, the County entered into an agreement with Franchisee, effective February 16, 1995 ("**Franchise Agreement**"), pursuant to which the County renewed Viacom's non-exclusive franchise ("**Franchise**") to operate a cable television system in the County, among other things; and

WHEREAS, the County entered into an agreement with Franchisee ("**Construction Agreement**"), effective February 16, 1995, pursuant to which the Franchisee agreed to build portions of an Institutional Network for the County; and

WHEREAS, the provision of cable service in the County is governed by the "Regulations for Cable Television Franchises" ("**Cable Regulations**"), issued under the authority of King County Ordinance No. 7841, and in accordance with the provisions of Chapter 2.98 of the King County Code, "Rules of County Agencies"; and

12133 1

January 5, 1996

1 WHEREAS, Franchisee is a direct, wholly-owned subsidiary of Viacom
2 International Inc. ("**VII**"); and

3 WHEREAS, VII's parent, Viacom Inc. ("**Viacom**"), TCI Communications, Inc.
4 ("**TCIC**"), and its parent, Tele-Communications, Inc. ("**TCI**") have entered into that
5 certain Parents Agreement ("**Parents Agreement**") dated as of July 24, 1995; and

6 WHEREAS, VII and its wholly-owned subsidiary, Viacom International Services
7 Inc. have entered into that certain Implementation Agreement ("**Implementation**
8 **Agreement**") dated as of July 24, 1995; and

9 WHEREAS, VII, TCIC and TCI have entered into that certain Subscription
10 Agreement ("**Subscription Agreement**"), dated as of July 24, 1995. The Parents
11 Agreement, the Implementation Agreement and the Subscription Agreement are
12 collectively referred to as the "**Transaction Documents**"; and

13 WHEREAS, the Transaction Documents provide for, among other things, TCIC's
14 purchase of all of the issued and outstanding shares of Class B common stock of VII,
15 thereby giving TCIC indirect control of the Franchisee ("**Transfer**"); and

January 5, 1996

1 WHEREAS, subsequent to the Transfer, the Franchisee will continue to hold the
2 Franchise and to operate its cable system in the County ("**System**"); and

3 WHEREAS, on or about August 9, 1995, the Franchisee and TCIC jointly
4 submitted to the County their application on Federal Communications Commission
5 ("**FCC**") Form 394, dated August 1, 1995 ("**Transfer Application**"), requesting that the
6 County acknowledge receipt of, and approve, the Transfer Application; and

7 WHEREAS, Section 2.10 of the Cable Regulations require the County's prior
8 consent to a transfer of control of the Franchise; and

9 WHEREAS, Franchisee has requested several amendments to the Franchise
10 Agreement and has requested that the Construction Agreement be superseded by
11 TCI's Lease Agreement with the County, dated _____, 1996 as part of the
12 transfer approval process and has requested that certain outstanding issues between
13 the County and the Franchisee be settled; and

14 WHEREAS, the County is willing to amend the Franchise Agreement and to
15 settle certain issues, and has enacted an Ordinance [Resolution] ("**Transfer Ordinance**
16 [**Resolution**]") granting its approval of the Transfer subject to the condition, inter alia,
17 that the parties enter into this Settlement Agreement.

12133

January 5, 1996

1 NOW, THEREFORE, in consideration of these premises and other good and
2 valuable consideration, the receipt and adequacy of which is hereby acknowledged,
3 and subject to the consummation of the Transfer, as contemplated in the Transaction
4 Documents, THE PARTIES DO HEREBY AGREE as follows:

5 **SECTION 1. SETTLEMENT PAYMENT**

6 1.1. Upon the consummation of the Transfer, Franchisee will pay to the County
7 \$1,500,000 in cash as instructed by the County ("**Settlement Payment**"). The County
8 agrees that such payment, together with all other undertakings herein by Franchisee,
9 settles all claims raised by the County with respect to a certain proposed transfer of
10 the Franchise Agreement to TCI Communications, Inc. The Settlement Agreement
11 does not relieve Franchisee of its continuing obligation to comply with any provision
12 of the Franchise. Franchisee shall continue to promptly submit any materials required
13 under its Franchise Agreement. All provisions of the Franchise Agreement and the
14 Cable Regulations remain in full force and effect and are enforceable in accordance
15 with their terms and with applicable law, until and unless amendments to the
16 Franchise Agreement become effective and supersede existing obligations, as provided
17 herein.

18 1.2. The County and the Franchisee retain all rights and positions under the
19 Construction Agreement between the parties unless and until the Construction

January 5, 1996

1 Agreement is superseded by the Lease Agreement. The Lease Agreement supersedes
2 the Construction Agreement on the date the amendments to the Franchise Agreement
3 becomes effective. As of that effective date, and in accordance with applicable law,
4 any fiber constructed for the County under the Construction Agreement shall become
5 the property of the Franchisee, but shall be exclusively dedicated to the use of the
6 County for public, educational and government use at no charge, as if it had been
7 constructed and leased pursuant to the Lease Agreement. Any fiber the County has
8 directed to be constructed under the Construction Agreement shall be constructed;
9 any fiber for which the County has directed to be constructed but not paid under the
10 Construction Agreement shall be constructed and leased by paying Franchisee the
11 price that would have been paid for construction under the Construction Agreement;
12 there shall be no further payment obligations under the Construction or the Lease
13 Agreements. In all respects, it is the intent of the parties that the transition from a
14 Construction Agreement to a Lease Agreement shall not increase the cost to the
15 County of constructing or using the Institutional Network.

16 1.3. The Settlement Payment will be deposited in Cable Communications
17 Capital Fund and specifically earmarked for telecommunications purposes. The parties
18 agree that the Settlement Payment does not constitute franchise fees or franchise
19 requirements.

January 5, 1996

1 1.4. The Franchisee agrees that Section 2(f) of its Franchise Agreement shall
2 not apply with respect to any franchise renewal issued to any company that is an
3 affiliate of Tele-Communications, Inc., including specifically TCI of Seattle, Inc., TCI
4 of Auburn, Inc., TCI of Southwest Washington, Inc. or TCI Cablevision of Washington,
5 Inc. Franchisee further agrees that it waives any claims or defense that said franchise
6 and franchise agreement are substantially less burdensome than the Franchise
7 Agreement.

8 SECTION 2. AMENDMENTS TO THE FRANCHISE AGREEMENT

9 The amended Franchise Agreement is attached. The amended Franchise
10 Agreement shall only become effective after the later of (1) consummation of the
11 Transfer; or (2) payment of the amounts required under Section 1.

12 SECTION 3. NO EFFECT ON FRANCHISE REQUIREMENTS

13 3.1. Franchisee hereby acknowledges that all new expenditures associated
14 with this Settlement Agreement will be paid by Franchisee and will not in any way be
15 attributable to, allocable to, or deemed to have been caused by the subscribers to the
16 System or the requirements of the Franchise. Additionally, any such new costs shall
17 not be considered franchise fees for purposes of calculating cable rates.

January 5, 1996

1 **3.2.** The Parties agree the Settlement Payment specified in paragraph 1.1 and
2 other expenses caused by this Settlement Agreement will not be passed through to
3 subscribers in any form, itemized on subscriber bills, or attributed to the capital costs
4 or operating expenses of the System. Franchisee specifically agrees to waive any
5 current or future claim to the contrary. Notwithstanding the previous sentence,
6 Franchisee may agree with TCIC on the tax treatment of the expenses related to this
7 Settlement Agreement, provided, however, that such agreement has no purpose or
8 effect related to System subscribers or user charges.

9 **3.3** Each party to this Settlement Agreement, after consultation with its legal
10 counsel as to the facts surrounding this Settlement Agreement, concludes and agrees
11 that no consideration provided pursuant to this Settlement Agreement is required by
12 the Franchise or can be construed to constitute a franchise fee. Nor are any payments
13 made under the terms of this Settlement Agreement subject to any limitations on
14 franchise fees under applicable law or in the Franchise Agreement. Franchisee hereby
15 waives any current or future claim to the contrary.

16 **SECTION 4. DISPUTES REGARDING THIS SETTLEMENT AGREEMENT**

17 **4.1.** Neither Franchisee nor any of its affiliates, nor the County, will take any
18 action to challenge any provision of this Settlement Agreement as contrary to the
19 Cable Communications Policy Act of 1984, 47 U.S.C. §§ 521 et seq., as amended

January 5, 1996

1 ("1984 Cable Act"), or to FCC regulations; nor will they participate with any other
2 person or entity in any such challenge. Any such action would constitute a material
3 breach of this Settlement Agreement and of applicable law.

4 4.2. If and when any provision of this Settlement Agreement is found to be
5 unenforceable in a final judicial or administrative proceeding, the parties shall enter
6 into good-faith negotiations with the intent of reaching an agreement that would place
7 the County and cable system users and subscribers substantially in the same position
8 with regard to rates as if this Settlement Agreement were fully enforceable.

9 **SECTION 5. MISCELLANEOUS PROVISIONS**

10 5.1. **Entire Agreement.** This Settlement Agreement constitutes the entire
11 agreement of the parties with respect to the settlement of the claims addressed
12 herein. No statements, promises or inducements inconsistent with this Settlement
13 Agreement made by any party shall be valid or binding, unless in writing and executed
14 by all parties. This Settlement Agreement may only be modified by written
15 amendments hereto signed by both parties.

16 5.2. **Severability.** If any part, section, subsection, or other portion of this
17 Settlement Agreement or any application thereof to any person or circumstance is
18 declared void, unconstitutional or invalid for any reason, such part, section, subsection

January 5, 1996

1 or other portion, or the prescribed application thereof, shall be severable, and the
2 remaining provisions of this Settlement Agreement, and applications thereof not
3 having been declared void, unconstitutional or invalid, shall remain in full force and
4 effect. This paragraph does not relieve the parties of their obligations under paragraph
5 4.2.

6 **5.3. Authority.** Each signatory to this Settlement Agreement represents that
7 he or she has the authority to enter into this Settlement Agreement.

8 **5.4. Voluntary Agreement.** This Settlement Agreement is freely and voluntarily
9 given by each party, without any duress or coercion, and after each party has
10 consulted with its counsel. Each party hereto has carefully and completely read all of
11 the terms and provisions of this Settlement Agreement. Each party hereto
12 acknowledges that this is a full, complete and final mutual settlement of the issues as
13 set forth previously herein.

14 **5.5. Successors and Assigns.** This Settlement Agreement shall be binding
15 upon, and shall inure to the benefit of, the parties hereto and their successors in
16 interest, assigns, personal representatives and heirs.

121331

January 5, 1996

1 **5.6. Counterparts.** This Settlement Agreement may be executed in several
2 counterparts, each of which when so executed shall be deemed to be an original copy,
3 and all of which together shall constitute one agreement binding on all parties hereto,
4 notwithstanding that all parties shall not have signed the same counterpart.

5 **5.7. Headings.** The headings in this Settlement Agreement are for convenience
6 of reference only and are not a material part of this Settlement Agreement. They shall
7 not be used in determining the intent of the parties.

8 **5.8. Governing Law.** Except as to matters which are governed solely by
9 federal law or regulation, this Settlement Agreement shall be governed by and
10 construed, and the legal relations between the parties determined, in accordance with
11 the laws of the State of Washington.

January 5, 1996

1 IN WITNESS WHEREOF, this Settlement Agreement is executed by the parties
2 as follows:

3 WITNESS:

TELE-VU SYSTEMS, INC.
d/b/a Viacom Cable

4
5 _____

By: _____ (Seal)

6 Name: _____

7 Title: _____

8 KING COUNTY, WASHINGTON

9 _____

By: _____ (seal)

10 Name: _____

11 Title: _____