

AGREEMENT

(Ho'ike: Kauai Community Television, Inc.)

This Agreement entered into this 25th day of August, 1999, by and between the State of Hawaii through its Director of Commerce and Consumer Affairs, whose address is at 1010 Richards Street, Honolulu, Hawaii 96813, hereinafter referred to as the "Director", and Ho'ike: Kauai Community Television, Inc., a Hawaii nonprofit corporation, whose address is at 4211 Rice Street, Suite 103, Lihue, Hawaii 96766, hereinafter referred to as "Hoike";

W I T N E S S E I H:

WHEREAS, in Decision and Order No. 143, as amended by Decision and Order No. 145, the Director approved the renewal of the cable communications franchise held by Garden Isle Cablevision, L.P.; and

WHEREAS, in Decision and Order No. 152, as amended by Decision and Order No. 160, the Director approved the transfer of the cable communications franchise held by United Video Cablevision to Intermedia Partners dba Kauai Cablevision; and

WHEREAS, in Decision and Order Nos. 208 and 209, the Director approved the transfer of the cable communications franchises held by Kauai Cablevision and Garden Isle Cablevision, respectively, to G Force, LLC dba Garden Isle Telecommunications ("GIT"); and

WHEREAS, in Decision and Order Nos. 143, 145, 152, 160, 208, and 209 (hereinafter collectively referred to as "Decisions and Orders") the Director provided for the establishment of public, educational, and governmental ("PEG") access on the Kauai Cablevision and Garden Isle Cablevision communications systems serving the island of Kauai; and

WHEREAS, in connection therewith the Director required then Kauai Cablevision and Garden Isle Cablevision and now GIT to: (1) pay annual access fees (sometimes hereinafter referred to as "Access Fees"), (2) contribute to PEG capital funds for facilities and equipment (sometimes hereinafter referred to as "Facilities and Equipment Fund"), (3) provide interconnection among all cable systems for the island of Kauai, and (4) set aside channels of Kauai Cablevision and Garden Isle Cablevision cable communications systems for PEG access use; and

WHEREAS, in accordance with the recommendations made by an access planning committee appointed by the Director, Hoike was created to manage the PEG access finances and to operate the PEG facilities, channels, and other resources for the island of Kauai; and

WHEREAS, by that certain agreement dated July 18, 1997, by and between Hoike and the Department of Commerce and Consumer Affairs, the management and operation of PEG access finances, facilities and channels for the island of Kauai were contracted to Hoike; and

WHEREAS, the Director and Hoike have agreed to terminate said agreement dated July 18, 1997, and agreed to enter into this Agreement for the management and operation of the PEG access facilities, equipment and channels under the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto mutually agree as follows:

A. Term. The term of this Agreement shall be for the period beginning as of the date hereof and ending December 31, 1999, and shall be automatically extended on January 1, 2000 and thereafter automatically extended on an annual basis unless terminated as provided in this Agreement.

B. Responsibilities of Hoike. Hoike shall be responsible for the management and operation of the PEG access facilities and equipment including, but not limited to, the following:

1. Channels. Management of the channels allocated for PEG access in the Decisions and Orders, as the same may be revised or amended from time to time.

2. Facilities and Equipment. Provision of facilities and equipment for the production of programming to be cablecast on the PEG access channels.

3. Training. Training of educational, governmental, community organizations and the general public in the use of the access production facilities and equipment.

4. Marketing. Marketing and promotion of the access center and the PEG access channels and programs.

5. Support Services. Provision of support services to the users of the PEG access facilities and equipment. These services may include assistance in the production of access programs and support of special projects.

6. Insurance. Procure and maintain appropriate levels of insurance coverage for workers' compensation, general liability (including property damage and bodily injury), broadcasters' liability, equipment and facilities, and any other insurance coverage required by law.

C. Hoike's Reporting Requirements. In order that the Director may monitor Hoike's compliance with the provisions of this Agreement, Hoike shall file with the Director the following:

1. Amendments to the articles of incorporation and by-laws no later than 30 days after approval by the board of directors.

2. A roster of the board of directors and officers and their respective term of office no later than 30 days after Hoike's annual meeting or no later than 30 days after a change in board membership when the change occurs other than at the annual meeting.

3. Annual financial statements no later than 90 days following the close of each odd numbered calendar year.

4. Annual audited financial statements for each even numbered calendar year no later than 30 days after acceptance by the board of directors.

5. The 1999 calendar year operational plan and budget upon execution of this Agreement. For each year thereafter an annual operational plan and budget shall be due on or before November 1, e.g., the 2000 calendar year operational plan and budget shall be due on or before November 1, 1999. Notwithstanding the generality of the foregoing, Hoike shall also develop and periodically update a strategic or long-range planning document for a period not less than three years, and shall submit a copy of such document no later than 30 days after acceptance by the board of directors.

6. Complete equipment inventory upon execution of this Agreement, and thereafter an annual update on or before November 1 of each year.

7. An annual activity report no later than 30 days following the close of each calendar year which shall include, but not limited to, the following information:

a. Public Access Programming:

- i. Total hours of programming;
- ii. Total hours of locally produced original programming;
- iii. Total hours of repeat programming; and
- iv. Total hours of programming submitted but not aired and reasons therefor.

b. Governmental Programming:

- i. Total hours of programming;
- ii. Total hours of locally produced original programming;
- iii. Total hours of repeat programming; and
- iv. Total hours of programming submitted but not aired and reasons therefor.

c. Educational Programming:

- i. Total hours of programming;
- ii. Total hours of locally produced original programming;
- iii. Total hours of repeat programming; and
- iv. Total hours of programming submitted but not aired and reasons therefor.

- d. Summary of all channel outages from maintenance records including total hours and reasons therefor.
- e. Facility Use:
 - i. Number of new users; and
 - ii. Number of repeat users.
- f. Training:
 - i. Number of persons certified to use the access equipment; and
 - ii. Number of persons who failed to be certified or did not complete certification to use the access equipment.
- g. Summary of complaints including the nature of the complaints and the actions taken.
- h. Summary of outreach and marketing efforts.
- i. Summary of revenues from sources other than GIT including the amounts, sources, and purpose of funds.

Notwithstanding the generality of the above, quarterly reports for items described in subparagraphs a through i of paragraph C7 above shall be available for review and inspection by the Director or the Director's designee upon request.

8. Hoike shall submit the 1998 calendar year end activity report upon execution of this Agreement. For each year thereafter Hoike shall submit an annual year end activity report no later than 90 days after the close of each calendar year, e.g., the 1999 year end activity report shall be submitted on or before March 31, 2000. Hoike shall set benchmarks for the indicators listed in paragraph C 7 hereof based on its annual operational plan and budget.

9. Notwithstanding any provision to the contrary, the Director may require Hoike to provide any additional information that the Director deems necessary.

D. PEG Funds. At the direction of the Director, Hoike shall receive and hold, as restricted funds, amounts required to be paid by GIT to support PEG access for the island of Kauai pursuant to the Decisions and Orders. The funds shall be deposited and maintained in interest bearing accounts in any federally insured financial institution authorized to do business in the State of Hawaii. Because the funds paid by GIT are separately designated by the Decisions and Orders for PEG access operations and facilities and equipment, Hoike shall designate one account for operating and another account for capital (facilities and equipment). Hoike shall be responsible for administering the accounts, and shall not commingle operating with capital funds without the prior written approval of the Director.

The Director, in the Director's sole discretion, may require an audit of the accounts and designate the auditor or accountant. The full cost of the audit shall be paid by Hoike.

E. Records Requirements. Hoike shall maintain at its office and shall submit to the Director upon request the following:

1. Evidence of workers' compensation, general liability, broadcaster's liability, and equipment and facilities insurance coverage and any other insurance policies relating to the responsibilities required to be performed under this Agreement.
2. Operating policies and procedures as the same may be amended from time to time.
3. Training schedules and manuals as the same may be revised from time to time.

F. Accessibility. Hoike shall at all times comply with applicable provisions of the Americans with Disabilities Act (ADA).

G. Payment for Services. Hoike shall not receive any money or other valuable consideration from the Department of Commerce and Consumer Affairs. Hoike agrees to perform all services, duties, responsibilities and obligations required to be performed by Hoike under this Agreement, in exchange for Access Fees and Equipment and Facilities Fund contributions from GIT pursuant to the Decisions and Orders.

H. Plan for Self-Sufficiency. Along with its strategic plan, Hoike shall submit a long-range plan which shall include, at a minimum, measurable objectives and schedules whereby operations and maintenance, repair and replacement of equipment and facilities would no longer be solely or largely dependent upon Access Fees and the Facilities and Equipment Fund.

I. Assignment. Hoike shall not assign any of its rights under this Agreement nor delegate any duties, obligations, or responsibilities required to be performed under this Agreement without the prior written approval of the Director.

J. Modification of Agreement. Any modification, alteration, or amendment of any term, provision, or condition of this Agreement shall be in writing and signed by the parties hereto.

K. Indemnification. Hoike shall defend, indemnify and save harmless the State of Hawaii, its departments, and its officers and employees from and against any and all claims, actions, losses, expenses, damages, or liability to person or property arising out of or resulting from any provision or requirement of this Agreement, or in exercising its rights or in performing its obligations under this Agreement. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Agreement.

L. Default. In the event Hoike fails to satisfactorily perform in a timely or proper manner any of its obligations or responsibilities or fails to observe or perform any term or condition required to be performed or observed by Hoike under this Agreement, and having been given reasonable notice of and opportunity to cure the same, fails to take satisfactory corrective action within the time specified, the Director, in addition to all other available rights and remedies, shall have the right to direct GIT to withhold contributions of Access Fees and PEG capital funds or to terminate this Agreement, or both. The Director shall have the right to designate one or more entities as the successor of Hoike, and to enter into an agreement with such successor for the management and operation of the PEG access resources, facilities, equipment, and channels for the island of Kauai.

M. Termination.

1. In the event GIT's cable communications franchise is terminated, this Agreement shall be automatically terminated on the date such franchise is terminated.

2. In the event any court, agency, commission, legislative body, or other authority of competent jurisdiction declares invalid any part of the Decisions and Orders relating to PEG access requirements, this Agreement may be terminated by the Director or Hoike upon 30 days prior written notice to the other party.

3. The Director may, when the interests of the State so require, terminate this Agreement for the convenience of the State. The Director shall give at least 120 days prior written notice of the termination to Hoike.

N. Relinquishment and Return of Access Funds, Facilities and Equipment. Upon termination of this Agreement and at the direction of the Director, Hoike shall (1) immediately relinquish any and all claims to the Access Fees, Facilities and Equipment Fund, and the access facilities and equipment; and (2) within 60 days provide the Director with a verified accounting of all Access Fees and Facilities and Equipment Fund, a current inventory of all access facilities and equipment, and transfer to the Department of Commerce and Consumer Affairs or its designee the balance of the operating and capital accounts, and all access facilities and equipment. In winding down its operations, Hoike shall follow generally accepted accounting principles in closing its books, and Hoike shall neither incur any new obligation nor disburse funds except for matters necessary in the normal course of business and those directly related to winding down its operations.

If any PEG facility and/or equipment has been purchased or acquired with funds from other sources and not solely from the Facilities and Equipment Fund, the disposition of such facility and/or equipment shall be by appropriate appraisal and allocation agreed to by the Director and Hoike.

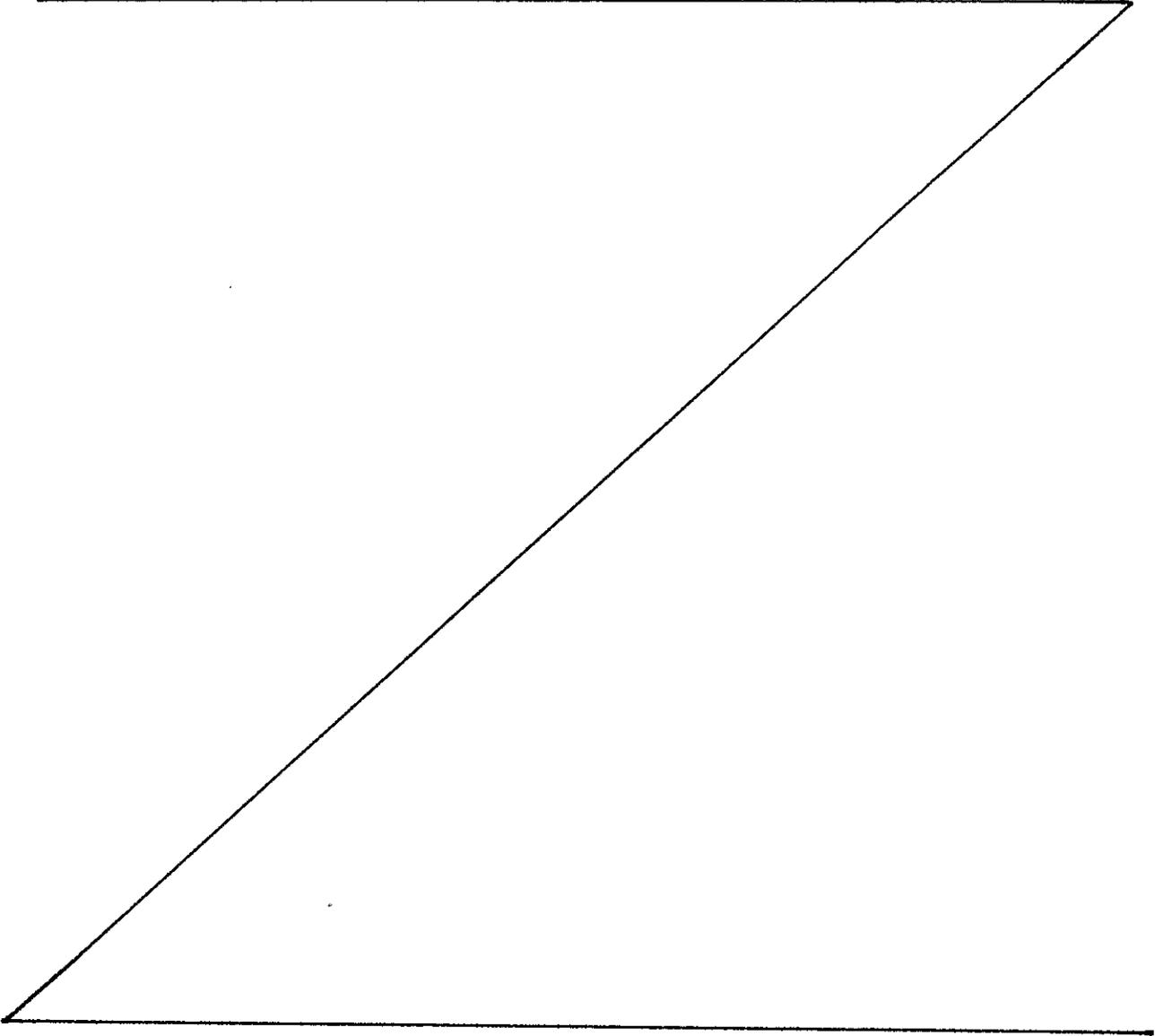
O. Performance. The failure of the Director at any time to require performance of any obligation or condition under this Agreement shall not affect the right of the Director to enforce the same. The waiver by the Director of any breach of any term or condition of this Agreement shall not be deemed or held to be a waiver of any succeeding breach of such term or condition or as a waiver of the term or condition itself.

P. Termination of Prior Agreement. The agreement between the Department of Commerce and Consumer Affairs and Hoike dated July 18, 1997, shall be terminated as of the date hereof, and this Agreement shall constitute the entire understanding between the parties, superseding any and all previous understandings or agreements, oral or written, pertaining to the subject matter contained herein.

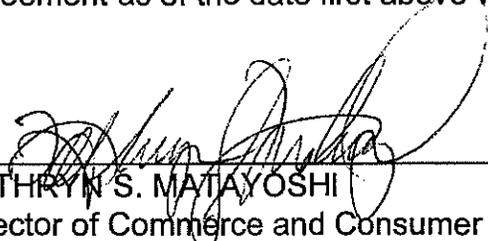
Q. Waiver. The Director shall have the right to waive any condition or obligation required to be observed or performed upon a showing of good cause.

R. Compliance with Laws. Hoike shall comply with all applicable federal, state, and local laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time.

S. Filings and Notices. All filings required to be made or written notice required to be given by a party shall be delivered personally or sent by United States first class mail, postage prepaid, to the other party at such party's mailing address.



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.



KATHRYN S. MATAYOSHI
Director of Commerce and Consumer Affairs

AUG 25 1999
Date



It's President
Hoike: Kauai Community Television, Inc.

8/16/99
Date

APPROVED AS TO FORM:



Deputy Attorney General