



American CableSystems of Cambridge

Response to  
City Council Questions

February 7, 1985

AMERICAN CABLESYSTEMS OF CAMBRIDGE

## All Applicants

1. Will you allow restaurants, bars, hotels and other retail commercial establishments to subscribe to Cable TV services? If so, what is the rate?

Yes, we hope that all restaurants, bars, hotels and other commercial establishments will subscribe to our service. All levels of basic service will be available to bars and restaurants, as well as two pay sports services, NESN and SportsChannel. We are not currently able to make the remaining pay services available because of contractual restraints with the movie studios. Our rates for bars and restaurants have not been decided at this time. Currently, our rates in other Massachusetts communities range from \$40-50 per month for full basic service. Our rates in Cambridge will be within this range. If we are selected to serve Cambridge, the Issuing Authority will be notified in advance of implementation.

All services will also be available to hotels. We will negotiate bulk discount rates with hotels based on the number of rooms and percentage of occupancy.

2. What will be the subscriber rates for private non-profit organizations and clubs?

Subscriber rates for private non-profit organizations and clubs will be discounted 50 percent from the commercial rates for entertainment services.



3. Will you allow subscribers to purchase remote control devices? If yes, what is the price? If no, why not?

No. We consider the remote control a part of the monthly service we provide subscribers. As such, it pays for its own direct cost and contributes to overhead costs of operating the system.

It is important to note, however, that we anticipate only a minority of subscribers will actually be paying for remote devices. Providing free remote controls is an integral part of our packaging and discounting plans for achieving pay penetration and economic viability. In our written response to the City's clarification questions, we noted that based on 25 percent additional outlets being purchased in Cambridge, the penetration of all converters in service having a separately purchased remote control is only 37 percent.

4. Will rent for public access studio space and facilities be paid for by the applicant separately from the annual commitment to access?

\_\_\_\_\_ Yes. If no, please explain.

No. We have recommended that the Cambridge Public Access Corporation pursue utilizing the 3,600 square foot Corporal Burns Shelter to accommodate a state-of-the-art studio production control room, master control area, equipment checkout area, meeting rooms, and administrative offices. Of our initial capital commitment to CPAC of \$470,960, \$50,000 has been budgeted for leasehold improvements (p. 94a-2). We recommend that the CPAC staff and



Board negotiate a long term lease with the City, and believe the final lease terms would represent approximately 15-18% of the annual operating budget provided by American.

Regarding our recommendation to CPAC to provide neighborhood communications/viewing centers, including the capital dollars needed, we do not anticipate rental charges at the locations we have recommended. This is based on our extensive research discussed on pages 95-2 through 95-9 of our proposal.

In addition to our capital commitment to CPAC, American has committed to television and radio equipment for Cambridge Rindge and Latin School that totals \$104,766 in years 1 and 2. We have also proposed portable production and character generation equipment for City Hall and the Police and Fire Departments. We do not anticipate rental charges by the High School or the City.



5. Will landlords/tenants have a free choice of colors for the drop wiring?

  X   Yes                             No

If "yes," list the colors.  
If "no," what color will be used?

For interior wiring, landlords/tenants will have a choice of white, beige, or black wiring.

Regarding the exterior drop to the building, carbon black cable is used. This cable is similar to the utilities' cable; the black coating prevents deterioration.

6. Will landlords/tenants have a free choice in deciding place of entry of cable drop into the building?

  X   Yes                             No

Please explain.

We have planned and budgeted for eight full-time staff members to work with landlords/owners to obtain access to each multiple dwelling unit. Since literally every building is different, staff will discuss, prepare design, and be granted approval before the wiring of a building occurs. A general rule of thumb is that the cable drop enters the building where other utilities enter. Proper grounding is one of several technical concerns. We will, therefore, decide together with landlords/owners based on their choice and our technical requirements.



7. Has Harvard/MIT developed and/or communicated a policy for the wiring of their dormitory units and/or of their buildings?

If "yes," please explain.

While both Harvard and M.I.T. have communicated position papers to the City and applicants, neither one of the institutions has yet developed specific policies regarding the wiring of residents halls or buildings.

M.I.T.'s position paper, authored by Information Systems Director James Bruce, is contained in the Addendum of the Issuing Authority Report. Our follow-up discussions with administrators and faculty is contained in Volume 3, pages 138-144 through 138-153. To summarize, a new fiber optic institutional network is currently being constructed for the implementation of Project Athena and other communications applications. While Mr. Bruce, Mr. Berlan, and other administrators and faculty are very interested in interconnect potential, programming exchange, and both on and off campus housing services, they are looking forward to negotiating directly with the successful applicant after the license is granted.

Steve Hall, Director of the Office of Information Technology at Harvard, has communicated to the Cable Commissioner's office a general internal planning and process paper. Our discussions with administrators and faculty are contained on pages 138-134 through 138-141 of our proposal. To summarize, the administration, the Faculty of Arts and Sciences, and the Harvard Real Estate Corporation are currently addressing policy decisions regarding



the wiring of on and off campus housing. Dr. Pandiscio, Mr. Hall, and Dr. Scott are also evaluating the current institutional networks, including the possibilities of rebuilding the existing network and interconnection with the Cambridge system. They, too, are interested in discussing and negotiating with the selected applicant.

If selected, American will actively pursue opportunities with these institutions, including interconnecting them with the system's institutional network and developing the extensive public access and local origination programming potential.



8. All applicants have maintained a desire to deliver cable services within a reasonable time-frame to Cambridge residents. In order not to prolong the provisional license period and unduly delay cable construction, would you agree to a provision, within legal limits, which revokes the award and severs all contractual agreements should, in either case, a provisional license not be signed within a reasonable time following the two-week period for execution of the license to which all applicants have agreed, or should a final license not be signed within six months of the signing of the provisional license.

The provisional license is the foundation upon which the relationship between the City and the cable operator is built. It is critical that this document be carefully structured and considered on both sides to ensure that it becomes a blueprint for this relationship as well as to provide for the legal assurances which both parties require. The time required for completing the process of developing this document will depend upon the cooperation of both parties. Should we be selected, we would work diligently with the City to do everything in our power to complete the process in a reasonable period of time.

State regulations [207 CMR 3.04(3)] state that a provisional license shall be valid for a period of one year, and shall expire upon the issuance of a final license or at the end of the one-year period, whichever occurs first. Beyond this regulatory constraint, we do not feel it would be in the best interests of the City, its citizens, or the eventual licensee to restrict the provisional license period to six months. We have completed detailed plans for the financing and pre-construction activity required to build the Cambridge system that we believe would allow us to meet that time schedule. Specifically, we have budgeted for



18 full-time staff and capital and operating expenditures of \$1,024,738, excluding financing syndication costs, for a seven month period prior to the signing of a Final License.

Moreover, our record of performance in other communities in the Commonwealth supports our ability to complete the process in a reasonable period of time. For example, the following table illustrates the time period between the initial award and Final License in several communities:

| <u>Licenses<br/>Granted</u> | <u>Award<br/>Date</u> | <u>Provisional<br/>License</u> | <u>Final<br/>License</u> |
|-----------------------------|-----------------------|--------------------------------|--------------------------|
| Arlington                   | 5/19/80               | 6/23/80                        | 10/20/80                 |
| Newburyport                 | 12/5/80               | 12/31/80                       | 5/5/81                   |
| Quincy                      | 2/81                  | 3/9/81                         | 6/25/81                  |
| Newbury                     | 5/26/81               | 6/7/81                         | 10/13/81                 |
| Milton                      | 1/18/82               | 2/4/82                         | 6/22/82                  |
| W. Newbury                  | 7/19/82               | 8/16/82                        | 11/8/82                  |
| Randolph                    | 11/10/82              | 5/5/83                         | 10/31/83                 |
| Norwell                     | 2/8/83                | 6/7/83                         | 11/15/83                 |
| Rowley                      | 5/23/83               | 6/27/83                        | 9/26/83                  |
| Hingham                     | 7/5/83                | 1/17/84                        | 8/14/84                  |

The process of moving from the provisional license to the final license depends upon the consummation of literally hundreds of intermediary steps, some of which we have limited ability to control. We do not believe it would be in anyone's best interest to have unnecessarily restrictive timetables operating to encourage haste in many areas of planning (e.g., the selection of contractors, the recruitment and training of Cambridge residents) which will be crucial to the quality and success of the cable system.



9. Explain the limitations or restrictions, if any, on subscriber use of VCRs in conjunction with cable service. Will subscribers be able to tape programming on one channel and watch a different one? Will scrambled or encoded signals be used to prevent taping of certain programs? What efforts will be made to inform subscribers of these restrictions. What remedies are available for such restrictions? Would they require additional rates/fees, and if so, how much?

Depending on the type of VCR connection a subscriber selects, the subscriber may tape a channel being watched or tape one channel while watching another. A subscriber may also tape programs while they are not at home or while asleep.

A special connection is necessary to use a VCR with cable. There are two basic types of VCR connections depending upon how a person wishes to use their VCR.

Option One. Option one enables a subscriber to watch one channel and record a second cable channel at the same time. This connection requires an additional cable outlet and converter, and a simple A/B switch. The first converter provides a signal to the television. The second converter delivers the signal to the VCR. The A/B switch is used to choose between the output of the converter and the output of the VCR. There is an additional monthly charge for the second outlet/converter (\$3.95 for Tier 1; \$4.95 for Tiers 2 and 3) and a small one-time charge to recover the actual cost (\$4-\$5) for the A/B switch.



Option Two. With option two the VCR is connected between the converter and the television. This option will allow the subscriber to record only the channel being viewed or to record a program while sleeping or not at home. With this type of connection an additional outlet is not required, so there is no additional monthly charge.

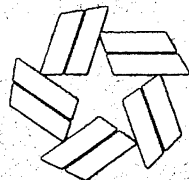
Typically, all VCR features will work except for remote channel selection. Some VCRs have a feature that permits the subscriber to program the recorder to tape one or more future events even if those events are on different channels. Subscribers will be reminded that since the VCR cannot automatically change channels on the converter, only future events on one channel can be programmed.

Cable ready VCRs, just like cable ready television, will not work without a converter because cable signals are scrambled. The converter is required to descramble those signals either for viewing or for VCR recording.

To assist subscribers in using their VCRs and obtaining maximum enjoyment, American Cablesystems of Cambridge will provide information brochures, video "infomercials", and the assistance of our customer service and technical staff to answer subscribers' questions. Enclosed are two examples of information we currently provide subscribers.



Get it together  
for the best  
show in town.



Looking Good

Made  
for  
each  
other.

*Got a VCR? Want  
to make more of it?  
Open the page and  
find out how.*

222-xx/1325

If you've got both VCR and Cable Television, congratulations. Because now you have the best home entertainment in the world at your command.

Separately, VCR and Cable are good. Together they are dynamite! Together they'll let you watch what you want, when you choose.

To make the most of this great combination there are a few facts we'd like to bring to your attention.

For instance, did you know that it is completely legal to tape off any Cable channel?

# VCR & CABLE

What's more, you can record a movie on one pay channel while watching sports on another. This may require additional equipment.

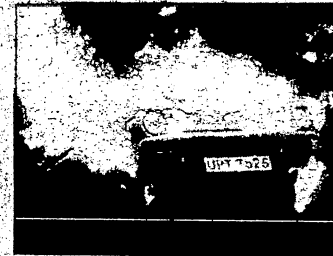
By taping the best that Cable and regular TV have to offer you can save yourself money and save trips to the video store.

In addition, you can build a tape library of one-of-a-kind concerts and sporting events that no video store can offer.

We hope this has been helpful. If you still have questions please phone us. We want to help. We want you to get the most enjoyment out of your VCR and Cable. After all, they're made for each other.



*No more frightening tape costs. Taping of pay services is legal and free.*



*Fewer wild drives to the video store. Build your tape library at home.*



*More to love at home. Tape one pay channel while watching another.*



*Upstage your video store. Tape concerts and live performances you can't get anywhere else.*

## **provide a remote control option?**

Yes. We offer a cordless remote control channel selector, which is used to change channels and turn the TV set on and off. It is available for a small additional monthly charge.

## **Can I buy my remote control unit from American Cablesystems?**

No. The remote control is a specialized piece of equipment that is specifically designed and technically compatible with only this cable system. This equipment is not available for sale to the public. American Cablesystems provides free service on this equipment for normal wear and tear.

## **Will a cable-ready set enable me to get "free" premium services like HBO?**

No. These channels are scrambled and therefore a converter is required for the descrambling and reception of such services. A cable-ready set will not descramble these signals. Please note that the unauthorized use or sale of descrambling equipment is illegal under state and federal law.

## **Can I buy a converter elsewhere?**

No. Converters available for sale to consumers are not compatible with scrambling techniques and will not deliver the full range of cable channels.

**If you have any other questions about cable-ready television sets or VCRs, please contact our customer service department.**

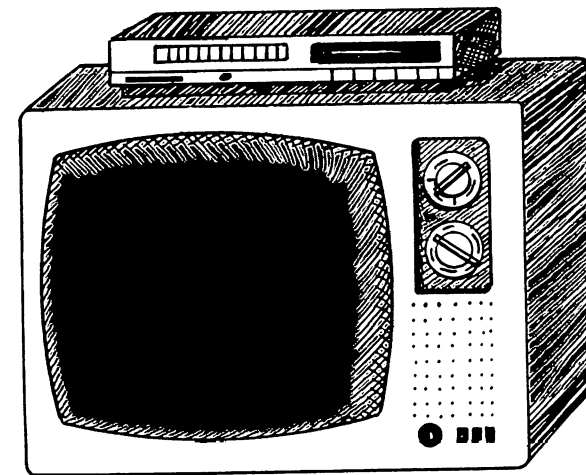


AMERICAN CABLESYSTEMS

# **QUESTIONS & ANSWERS**

ON

# **VIDEO CASSETTE RECORDERS AND CABLE-READY TV SETS**



Our subscribers often ask us how video cassette recorders and cable-ready television sets work with cable service. We have prepared this pamphlet to answer the more frequently asked questions concerning VCRs and cable-ready television sets.

If you're considering purchasing a VCR or cable-ready TV set, you'll want to be fully informed before making a decision. If you already own a VCR or cable-ready set, you'll want to know how to use it to receive the maximum benefit from your cable service.

## Video Cassette Recorders

Cable TV and your video cassette recorder (VCR) make great home entertainment partners. You can use your VCR to take full advantage of all the variety cable TV has to offer by taping your favorite programs, events, and commercial-free movies for viewing at times that are more convenient for you ("time-shifting"). Cable TV gives you more to watch, and using your VCR will let you take full advantage of the many programs available.

### How does my VCR work with cable TV?

Depending on the type of VCR connection you choose, you may tape the channel you are watching or tape one channel while watching another. You may also tape programs while you are not at home or while you sleep.

### Do I need a special connection to use my VCR with cable?

Yes, a special connection is necessary. There are two basic types of VCR connections depending on how you wish to use your VCR.

*Option One*—Option one enables you to watch one channel and record a second cable channel at the same time. This connection requires an additional

cable outlet, converter and a simple A/B switch. The first converter provides a signal to your television. The second converter delivers the signal to your VCR. The A/B switch is used to choose between the output of the converter and the output of the VCR. There is an additional monthly charge for the second outlet/converter and a small one-time charge for the A/B switch.

*Option Two*—With option two the VCR is connected between the converter and the TV set. Option two allows you to:

- record the channel you're watching
- record a channel when you're not home
- record a pay service while watching network television, or vice versa.

### How do I install my VCR with cable?

We recommend that you let our specially trained technicians install your VCR. Call us to arrange a convenient appointment.

### Does American Cablesystems repair VCRs?

No. American Cablesystems provides repair and maintenance for all American Cablesystems' equipment. Our technicians are not authorized to make repairs to your television or VCR.

### Will all of my VCR's options and features work when I am connected to cable?

Typically, all of your VCR's features will work except for remote channel selection. Some VCRs have a feature that permits you to program the recorder to tape one or more future events even if those events are on different channels. Please remember that since the VCR cannot automatically change channels on the converter, you can program the VCR to

record future events on only one channel. When programming the VCR to record a future event, be sure to turn the converter on and set it to the proper channel.

## What about cable-ready VCRs?

Cable-ready VCRs, just like cable-ready television sets, will not work without a converter because cable signals are scrambled and the converter is required to descramble those signals either for your viewing or for recording on the VCR.

## Cable-Ready TV Sets

### Do I need a cable ready TV set to receive cable programming?

No. You do not need a cable-ready TV set to enjoy all of the benefits of cable. Cable service can be connected to any type of television.

### I already have a cable-ready TV set. Will it work with cable?

Yes, it will, but you will still need a converter to fully utilize cable services. Most cable signals are scrambled to prevent unauthorized reception. The converter unscrambles those signals for your viewing.

### Will my TV set's remote control channel selector work once I'm connected to cable?

No, because once connected to the cable system, the converter replaces the channel selector (tuner) in your TV. All channel selection is done only from the converter. However, on/off, sound level and mute may still be regulated by your television remote, if it has those features.

10. Will cable-delivered FM stereo signals allow for simultaneous broadcast of bilingual programming? (e.g. English on one channel and Spanish on the other?)

Technically, our Cambridge system can accommodate cable-delivered FM stereo signals allowing for simultaneous broadcast of bilingual programming. We have some limited experience in other systems, including the carriage of a video program on two channels, with the audio sub carried and delivered in French and English. However, programming for this type of application is available very infrequently.

11. You have indicated the cost for additional hook-ups from a single drop. Please state the rates for premium services received on the second set. Explain.

Our additional outlet rates are \$3.95 per outlet for Tier 1 subscribers and \$4.95 per outlet for subscribers to Tiers 2 or 3. These rates include all programming which is purchased for the primary set. For example, a consumer subscribing to Tier 2 basic and two pay services would pay \$26.85 per month. To have the two pay services and basic added to an additional set would cost only \$4.95 more per month.



12. Are you willing to develop a job-sharing plan, including a benefits package that reflects the employees commitment and percentage of time worked?

Yes. Although we have no formal job-sharing plan, there are numerous examples throughout our systems of work schedules which have been adjusted to meet individual needs. Our group medical, dental, and life insurance program is available to all regular employees who work at least 20 hours per week, for a contribution of 50 percent of its cost.

We would welcome the input of the Cambridge Women's Commission and other interested groups to help us refine this approach.

13. How will you plan to pursue cable interaction between the City and the major institutions in the City?

As we proposed in volumes 2 and 3, American Cablesystems has designed an integrated cable network, consisting of dual 550 MHz cable. This integrated network will connect all schools, municipal agencies, hospitals, colleges and universities, human service agencies, nursing homes, neighborhood centers, museums, and all other public and private institutions and businesses in Cambridge.

Initially, the institutional network will be activated at 171 public buildings; these facilities will receive 372 free drops.



We will pursue interaction between the City and major institutions by providing not only an extensive cable network, but by offering marketing, technical and engineering support.

The Institutional Network Director and staff will train and assist, for example, school personnel in the use of institutional network applications. Also, the I-Net staff will meet with city agencies and institutions to analyze needs that could be met through I-Net applications. Such an analysis might include recommendations on specific equipment interface requirements and potential cost saving benefits.

The corporate New Services Group, which has overseen I-Net projects throughout the company, will also provide assistance including data communications audits. Also working to assist in I-Net development will be the New Services Advisory Council, which will work with the I-Net management to form I-Net policy.

In addition to highly skilled personnel who will work to develop the I-Net, American Cablesystems of Cambridge has committed to a two year demonstration period (years two and three of the system) during which time there is no charge for I-Net use. To facilitate use of the I-Net by the City and institutions, we have made available an extensive equipment and hardware pool in addition to consulting services.



All of the above mentioned ingredients are part of an overall effort to develop the institutional network and to assist in creating interaction between the City and major institutions. Perhaps most important is the spirit of our proposal. Implicit in our research of potential I-Net users and in our proposal to the City is our willingness to work with all groups to make the I-Net a valuable resource to the City and its citizens. Our goal is to make the I-Net a self-sustaining, highly developed resource.

14. Have your penetration figures taken into substantial account the transiency in Cambridge?

Yes. We calculated penetration for multiple dwelling units (MDU) and for single structures separately. We anticipated a higher move rate in the MDU rental market and thus set our churn rate (i.e. turnover of old and new customers) at 40%, which is 15% higher than our average system churn. The high churn due to transiency is reflected throughout our budget in capital drop and marketing expenses.

15. How will you market to the transient part of the population to keep penetration high?

The ability to properly define and market to the significant number of Cambridge citizens residing in rental units will decide the success of the Cambridge system.



As stated above, our entire budget acknowledges the existence of a significant transient population. Our plans to market this segment of the City are as follows:

As soon as the provisional license is signed, our MDU team, consisting of salespeople, technicians and a designer, will begin explaining the pre-wiring procedures to landlords and building managers. Our goal is to gain access and pre-wire as many units as possible prior to system activation.

Successful pre-wiring will enable us to implement special MDU marketing procedures. For example, our experience in marketing to residents of MDUs has taught us the importance of working with apartment managers/owners and superintendents. To this end, we will designate special sales teams to sell in MDUs. These salespeople work very closely with managers and superintendents. We have found that incentive programs such as HBO's "Cable Bucks" work effectively. These programs reward managers for new subscriber referrals and retrieved converters.

We have learned, as well, that residents of apartment buildings generally are more difficult to find at home. To make installation easier, we will have salespeople and installers working as a team. Once a resident has decided to purchase cable service, and because their building has been pre-wired, our installer will be able to install them immediately.



Constant attention to this segment of the population, dedicated salespeople, incentive programs for both salespeople and resident managers, technical and customer service flexibility and sensitivity to the particular demands of apartment dwellers all combine to create a successful marketing program for MDUs.



\*All Applicants

16. What are your plans regarding the structure and level of rates for the next five to ten years. Please address specifically, the possibility of relative increases in the basic rate and consolidation of the basic service tiers and relative reduction in the rates for premium service offerings.

Projecting rates five to ten years out with confidence is a difficult task.

As we have previously emphasized, the critical factor affecting rate stability is the thoroughness and feasibility of the business plan, as well as the experience of the operator.

In our application we have provided supplemental pro formas showing that under a constant dollar set of assumptions, with a constant dollar interest rate, there will be no need for rate increases. Adjusting the same pro formas to show the effects of inflation on interest rates and operating costs would reveal that rates for services would have to increase in line with the inflation assumption utilized.

Our record as an operator over the past three years also shows that our basic rate has averaged a 3.7 percent annual increase versus the Consumer Price Index of 4.1 percent per year.

In addition, our size as an operator affords us volume discounts from program suppliers. This helps to stabilize rates.



We have no plans to consolidate basic tiers or to reduce rates for premium service offerings.

17. Please identify the specific internal corporate procedures that will be followed in the determination of price and programming decisions.

American does not have specific internal corporate procedures for systems to follow in determining price and programming decisions. In fact, to the contrary, we believe in and practice decentralized decision making within corporate guidelines. We believe this management philosophy encourages original thinking and responsiveness to the uniqueness of each community served by American. Thus, the ultimate determination of price and programming decisions would be made by the American Cablesystems of Cambridge management team.

We have a corporate policy that community surveys be conducted at least annually among subscribers and non-subscribers in each of our systems to ascertain the attitudes of residents toward our services. That corporate policy will apply to the Cambridge system.

American's Cable Television Citizens Advisory Committee will meet at least semi-annually with system management. One of the functions of the Advisory Committee will be review of program services and pricing.



Our annual surveys, input from the Citizens Advisory Committee, and feedback from subscribers and other residents will allow us to obtain the most accurate information possible about the community's response to current programs and services and their interest in new or different services.

In addition to community and subscriber interests, there are other important factors that enter into programming decisions. In evaluating any individual program service, we attempt to look at it in the context of the overall package of program choices we offer subscribers. Among the questions the system's management team considers are:

- will the service enhance or detract from the attractiveness of our service to subscribers?
- what are the technical requirements of carriage?
- is there channel space available on the system in an appropriate location without displacing other services?
- what are the costs to the system of carrying the service, and how will subscriber rates be affected?
- is the service of a sufficient quality that we can feel proud to offer it to subscribers?
- does the producer or supplier appear to be a stable company that will remain in business and provide quality programming for a reasonable period of time (at least two years)?



In an industry as dynamic as cable communications, we are continually evaluating new programming services and having to re-evaluate existing services. These programming decisions, critical as they are to our viability as a business, receive a great deal of careful attention by both system and corporate personnel.

The Cambridge management team will work closely with the City of Cambridge in our efforts to satisfy the programming interest of residents. Toward that end, we will share the results of our community surveys with the Cable Television Citizens Advisory Committee. We will also advise the Committee of programming and pricing decisions under consideration, and seek their input. Also, if the Cambridge Public Access Corporation requires additional channel allocations, we will honor the access activation formula of the Issuing Authority Report.

Once we have gathered all the relevant information, we will endeavor to make programming decisions which, in our best business judgement, enhance the quality and value of our service to the residents of Cambridge.



18. Are there any covenants, agreements, policies or other provisions in existence or contemplated in any respect by the applicant in connection with its planned debt or equity financing arrangements which would lead to requests for changes in the commitments made in its amended application over the next five to ten years? Please address, specifically, matters such as changes and the magnitude thereof in constructions costs, basic service penetration, programming cost increases and timing of finances.

We do not anticipate any covenants, agreements, policies or other provisions of our planned debt or equity financing arrangements which would lead to a request for a change in our commitments made in our application over the next five to ten years. We recognize that there are circumstances (both positive and negative) which cannot be accurately predicted. Some circumstances could create a serious economic problem for any licensee. In the event a serious operating income shortfall does occur (for example, far fewer basic subscribers than projected) it is likely that, after expiration of the rate freeze commitment, the rates would have to increase to compensate for both inflation and the lack of sufficient cash flow.

Clearly, it is not in the interest of either the City of Cambridge or the licensee to create a situation so economically desperate that the license commitments must be renegotiated. It is, therefore, important to view each applicant's commitments in relationship to the overall viability of the proposed business plan. If the plan is too aggressive or too optimistic, it is likely that the total level of commitment to the City and its



residents is in jeopardy. Conversely, if the plan is sound and the applicant responsible there is a high probability, in spite of unforeseen difficulties, that commitments will be honored.

19. For each of the alternative methods of financing identified by the applicants, other than the limited partnership method, please identify the regulatory approvals required, if any, for implementation of such methods. Please identify with particularity, to the extent possible, the extent to which any such alternative method of financing may affect the commitments of the applicant contained in its amended application. Please describe the specific steps taken, to date, by the applicant to explore such alternative methods of financing. Indicate whether these alternatives would change the projected time-frame and by how much time.

If any of the proposed alternative methods of financing is substituted for the proposed limited partnership, we know of no required regulatory approvals. Since the general partner of American Cablesystems of Cambridge (American Cablesystems of Cambridge, Inc.) is a wholly owned subsidiary of American Cablesystems Corporation, and since the general partner of a limited partnership is the controlling entity, any alternative financing vehicle proposed would not constitute a change in control of the applicant. In all proposed alternatives, American Cablesystems of Cambridge, Inc., the general partner, would remain the controlling entity.

We are not aware of any reason why an alternative method of financing would affect any of the commitments we have made in our application.



American Cablesystems maintains strong relationships with various individuals and institutions in the investment community. Through our contacts, we frequently discuss alternatives to the financing approaches we employ. Therefore, our contacts have a timely awareness of our upcoming requirements including the potential financing requirements of our Cambridge proposal. Because of this we do not believe that the implementation of a financing alternative would cause any significant delay. While it is likely a modest delay in securing financing could be caused by the mechanical needs of crafting a suitable financing agreement, such a delay need not affect either the timing of the signing of a final license or the commencement of construction. It depends mainly upon the timing of a decision to select an alternative financing vehicle, which is made easier by maintaining informed relationships with the investment community.



\*American Cablesystems of Cambridge

20. The most recent Formula Availability calculation for the 1983 Credit Agreement.

Enclosed are three (3) copies of the documents requested.

21. Amendments to date of the 1983 Credit Agreement.

Enclosed are three (3) copies of the documents requested.

22. Management Contract for the Illinois Limited Partnership.

Enclosed are three (3) copies of the documents requested.

23. Subordinated Note issued to American Cablesystems by the Illinois Limited Partnership.

Enclosed are three (3) copies of the documents requested.

\* Please provide three (3) copies of the documents where requested.



12 Arrow Street  
Cambridge, Massachusetts 02138  
(617) 661-6058

# Cambridge Cablevision Corporation



February 7, 1985

Mr. Joseph G. Sakey  
Commissioner  
Office of Cable Television  
449 Broadway  
Cambridge, MA 02138

Dear Mr. Sakey:

Cambridge Cablevision Corporation is pleased to submit the attached responses to written questions issued by the City following the public hearing last week. In making what we anticipate will be our last written submission during this licensing process, we would like to invite the City to review a fundamental perception--or perhaps misperception--about cable television service.

It has been fashionable to look at cable as a protected monopoly for delivering entertainment video and other services. That perception has never been fully accurate. It is less true today than when it first arose in 1978. Videocassette rentals have become a strong alternative to HBO and similar services. Direct receivers for satellite TV are now being installed at a rate of more than 1500 U.S. homes per day. Independent TV broadcast stations are more numerous and stronger than ever before. The deregulated telephone companies and their competitors already have in place a network for two-way service (which cable does not). They are offering far-ranging data services well before the cable industry is ready to compete with them. The discipline of these marketplace forces will have a sharper impact on the development of cable television service over the next 15 years than will any franchise terms put on paper anywhere during 1985.

Consequently, 3C has not tried to anticipate the environment in which cable and its competitors will develop between now and the year 2000. We have proposed instead to provide the structure and the tools with which citizens representing the key Cambridge constituencies can respond effectively to whatever opportunities and challenges unfold. The 3C/4C concept retains control within the Cambridge community. The cooperatively-based 4C receives a seven-percent revenue grant from 3C and the tools to produce

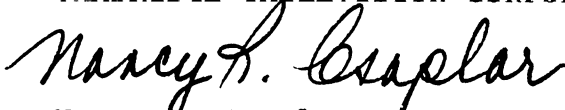
Mr. Joseph G. Sakey  
February 7, 1985  
Page Two

additional revenue through advertising sales, retailing and customer service. The 3C/4C proposal provides a strong, self-sufficient programming organization responsive to viewer interests rather than a series of small handouts to special program-producing interests. We believe strongly that the cable system and all its related activities should be subject to a discipline of viewership, and we have provided a community organization to represent viewership interests in allocating resources that are generous but not without limit.

Finally, we appreciate the care with which the City has administered its licensing process. We look forward to the opportunity to implement what we have proposed.

Yours truly,

CAMBRIDGE CABLEVISION CORPORATION



Nancy R. Csaplár  
Director of Development

NRC:SMP  
Attachment 1: Responses to Questions



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Applicants must use the pages of the question forms attached herein (or additional re-productions of these pages, if more space is required.) This will facilitate comparison of answers. Please be precise and to the point.

1. Will you allow restaurants, bars, hotels and other retail commercial establishments to subscribe to Cable TV services? If so, what is the rate?

All potential customers will be offered 3C basic service. The price for basic service to commercial establishments will be the same as for residential subscribers, except that discounts on additional outlets will be offered to any customer requiring a large number of additional outlets.

(Continued on next page)

2. What will be the subscriber rates for private non-profit organizations and clubs?

Non-profit organizations and clubs will be charged the same rates as commercial organizations for corresponding services. Many of the restrictions described above for display of the pay-TV services apply to clubs and non-profit organizations.

3. Will you allow subscribers to purchase remote control devices?

If yes, what is the price?

If no, why not?

3C subscribers receiving TierGuard service can use whatever remote control capabilities they purchase with their all-channel TV set or VCR. TierGuard subscribers not owning all-channel sets can purchase a remote control converter from 3C at a price not exceeding \$100, of which not more than \$20 will represent the cost of the remote control unit. The exact prices will depend upon what is available to 3C at time of purchase. It is not 3C's objective to establish a

(Continued on next page)

4. Will rent for public access studio space and facilities be paid for by the applicant separately from the annual commitment to access?

\_\_\_\_\_ Yes. If no, please explain.

3C has clearly provided lump-sum commitments for all aspects of access and origination programming. All capital and operating expenses for those services are to be provided from the amounts shown in the 4C pro formas in the amended application.



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1. Will you allow restaurants, bars, hotels and other retail commercial establishments to subscribe to Cable TV services? If so, what is the rate?

Universal service will be limited to residential customers.

Pay-TV services will be limited only as required by the terms of the pay-TV distribution agreements and of the underlying movie license agreements between the studios and the pay-TV services. These license agreements generally prohibit exhibition wherever the general public has free access. In other words, HBO may be

(Continued on next page)

2. What will be the subscriber rates for private non-profit organizations and clubs?

3. Will you allow subscribers to purchase remote control devices?

If yes, what is the price?

If no, why not?

monopoly on supply of remote control devices. We plan to encourage local retailers and the 4C cable stores to stock whatever converters and remote control devices would be useful to our subscribers. We note with interest the inclusion of a remote control cable TV converter in the most recent Radio Shack catalog, and we expect that the electronic retailing industry will satisfy the needs of Cambridge cable subscribers.

(Continued on next page)

4. Will rent for public access studio space and facilities be paid for by the applicant separately from the annual commitment to access?

\_\_\_\_\_ Yes. If no, please explain.



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Applicants must use the pages of the question forms attached herein (or additional reproductions of these pages, if more space is required.) This will facilitate comparison of answers. Please be precise and to the point.

1. Will you allow restaurants, bars, hotels and other retail commercial establishments to subscribe to Cable TV services? If so, what is the rate?

offered to individual hotel guests in their rooms but may not be displayed in a cocktail lounge, game room, or similar space. Prices for pay-TV services provided to authorized commercial outlets will be determined on the basis of the wholesale prices of the services in such circumstances.

2. What will be the subscriber rates for private non-profit organizations and clubs?

3. Will you allow subscribers to purchase remote control devices?

If yes, what is the price?

If no, why not?

MiniHub subscribers will not be able to use set-based remote control devices for changing channels (though they will retain on/off and volume control capabilities). MiniHub remote control devices will be available for purchase at a price not exceeding \$20.

4. Will rent for public access studio space and facilities be paid for by the applicant separately from the annual commitment to access?

\_\_\_\_ Yes. If no, please explain.

5. Will landlords/tenants have a free choice of colors for the drop wiring?

YES                       NO

If "yes," list the colors.

If "no," what color will be used? \_\_\_\_\_

The standard colors in which drop cable is available are black, beige and white. 3C will make those colors available at no extra charge on all installations. 3C will endeavor to provide other colors where they are available and where the requesting subscriber(s) pay the incremental cost of providing them.

6. Will landlords/tenants have a free choice in deciding place of entry of cable drop into the building?

YES                       NO

Please explain:

We believe the normal entry point for aerial drops will be approximately the same point as the entry for telephone and electrical services, and we believe this generally produces the most satisfactory appearance. Any entry point involving nominally the same overall cost for installation as the telephone and/or power entry will be provided at no additional cost, and subscribers will be told of the proposed entry point and routing of the cable prior to commencement of the actual work.

Where telephone and power drops are underground, cable drops will be installed underground, generally along the shortest path from tap to building line. However, we will also seek to minimize the amount of pavement cutting and/or boring required to install underground drops. Where subscriber preference with respect to drop

(Continued on next page)

7. Has Harvard/MIT developed and/or communicated a policy for the wiring of their dormitory units and/or of their buildings?

If "yes," please explain.

We anticipate that the relationships with Harvard, MIT and other similar institutions in Cambridge will be developed during the provisional license period. 3C will provide all technical facilities required to interconnect with Harvard and MIT, and will seek to interconnect with existing on-campus cable systems. We will make proposals for on-campus wiring and other facilities if given the opportunity to do so.

5. Will landlords/tenants have a free choice of colors for the drop wiring?

YES  NO

If "yes," list the colors.

If "no," what color will be used? \_\_\_\_\_

6. Will landlords/tenants have a free choice in deciding place of entry of cable drop into the building?

YES  NO

routing involves significant cost above the least-cost routing, the subscriber will be asked to bear the incremental cost. 3C will apply the following guidelines to all new drop installations:

- a) The proposed drop routing will be described to the subscriber in advance. All charges associated with the installation will be listed in writing;
  - b) Changes to the proposed routing involving no more than nominal cost will be made upon subscriber request;
  - c) Where subscriber-requested changes in routing would involve significant incremental cost, that cost will be identified in writing. The installation will be performed in accordance with subscriber wishes, if the subscriber agrees to bear the incremental cost.
7. Has Harvard/MIT developed and/or communicated a policy for the wiring of their dormitory units and/or of their buildings?

If "yes," please explain.

8. All applicants have maintained a desire to deliver cable services within a reasonable time-frame to Cambridge residents. In order not to prolong the provisional license period and unduly delay cable construction, would you agree to a provision, within legal limits, which revokes the award and severs all contractual agreements should, in either case, a provisional license not be signed within a reasonable time following the two-week period for execution of the license to which all applicants have agreed, or should a final license not be signed within six months of the signing of the provisional license.

Existing Massachusetts law, regulation and precedent concerning the timeliness of cable television development provide adequate safeguards for the City in securing suitable performance from its cable licensee. 3C believes that additional time constraints on the performance of any designee would adversely affect the ability of that designee to secure financing at reasonable cost, and would consequently increase the ultimate cost of cable service to the Cambridge consumer. We would object to inclusion of such constraints in the provisional license.

9. Explain the limitations or restrictions, if any, on subscriber use of VCR'S in conjunction with cable service. Will subscribers be able to tape programming on one channel and watch a different one? Will scrambled or encoded signals be used to prevent taping of certain programs? What efforts will be made to inform subscribers of these restrictions? What remedies are available for such restrictions? Would they require additional rates/fees, and if so, how much?

3C's TierGuard subscribers using only one cable outlet can watch one program while concurrently recording another. MiniHub subscribers will require a second outlet to do so. No scrambling or encoding of any entertainment video programming will be employed in the system to inhibit home taping. 3C will make no special charges with respect to VCRs, but where they are connected to an extra outlet, the additional-outlet charge of \$5.00 per month will be made.

10. Will cable-delivered FM stereo signals allow for simultaneous broadcast of bilingual programming? (e.g. English on one channel and Spanish on the other?)

Yes. 3C will make available all second-language and stereo audio channels. Ability to handle such signals without difficulty is one more of the inherent advantages of our advanced off-premises signal security systems.

11. You have indicated the cost for additional hook-ups from a single drop. Please state the rates for premium services received on the second set. Explain.

To the extent that 3C can achieve and maintain agreements with its pay-TV services calling for no additional wholesale charges for second-set delivery of pay-TV services, 3C will make no additional charge to its subscribers. Based on current precedent, we expect to do so. However, if 3C must pay additional charges at wholesale for second-set delivery of pay-TV, subscriber charges will be instituted to cover the incremental costs.

12. Are you willing to develop a job-sharing plan, including a benefits package that reflects the employees commitment and percentage of time worked?

Job-sharing, flex-time and other techniques for accommodating within the workforce people who have family responsibilities, handicaps, or other time limitations will be a major objective of 3C. Many tasks in a cable system are well-suited to such arrangements, and both 3C and 4C will pursue aggressively the possibilities for such arrangements. We believe approximately one-third of the total hours to be worked with respect to 3C and 4C operations will be suitable for flex-time, job-sharing and similar working arrangements.

13. How will you plan to pursue cable interaction between the City and the major institutions in the City?

3C will provide and operate at no cost to the institution technical facilities for the interconnection between the cable system and any or all of the City's major institutions. 3C will distribute on its system (either residential or institutional or both, as appropriate) any programming available from any source within Cambridge or adjacent jurisdictions. We will encourage all programming that will make the system more valuable to its subscribers, to the extent that such programming can be offered within fiscal responsibility. In addition, institutional network development programs will be provided by CCDC to facilitate interactive communications among City and institutional activities having substantial needs for such services.

14. Have your penetration figures taken into substantial account the transiency in Cambridge?

3C has estimated the slowest growth in penetration for exactly that reason. We have selected signal security systems that require a minimum of on-premises equipment for exactly that reason. We recognize clearly that the 1980 census of housing revealed less than 9000 owner-occupied housing units in Cambridge, and we have developed our technical plan specifically with that unique situation in mind.

15. How will you market to the transient part of the population to keep penetration high?

We will track marketing on the basis of the unit rather than on the basis of the occupant in transient accommodations. We will seek landlord cooperation in marketing cable service at the time the rental arrangements are made. Our off-premises signal security systems, which will permit normal installations to be made without a home visit, will be an asset in maintaining high penetration among the transient elements of the Cambridge population. Further, our no-security-deposit policy will remove an impediment to subscribership by those with limited financial resources. Finally, our retail outlets to be operated by 4C will provide convenient opportunities for new residents to learn about the capabilities of the 3C system and to place orders for service.



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16. What are your plans regarding the structure and level of rates for the next five to ten years. Please address specifically, the possibility of relative increases in the basic rate and consolidation of the basic service tiers and relative reduction in the rates for premium service offerings.

3C is confident that the capital facilities can be built and maintained within the pro forma amounts, and that we will achieve stability with respect to facilities-related cost components. Projections of the programming costs associated with basic services are far more difficult to make. The last three years have seen a virtual tripling of the combined costs for distant signals and basic cable services. If these costs continue to rise sharply (either through introduction of new services or through price increases for the existing ones), we will have to pass through such increased costs to the subscribers. In brief, we are reasonably constant concerning basic-service rate stability but aware of possible pressures.

3C has avoided what we perceive to be a superfluous middle tier. We see no potential need to adjust the tier structure from that proposed in the amended application. We have one tier which provides all the services that cost little or nothing to acquire and another that provides everything we carry (except pay services).

We cannot project realistically the future rates for pay-TV. They will be influenced heavily by subscriber response to pay-per-view service and by willingness to subscribe to more than one pay service. In addition, videocassette developments will influence pay-TV rates. We will adjust rates over time to make a maximum number of choices available to Cambridge residents at prices a large number of households will be willing to pay.

The most fundamental influence on pricing will be penetration. If we are successful in meeting our year-by-year penetration targets (and they are the lowest among the three applicants), we expect to limit rate increases to the same range as cost-of-living increases. If alternative systems for delivering video entertainment (cassette rentals, DBS, etc.) result in diminished penetration, offsetting rate increases will be likely.

\* Please provide three (3) copies of the documents where requested.

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17. Please identify the specific internal corporate procedures that will be followed in the determination of price and programming decisions.

Price decisions: The fundamental influence on all financial decisions, including pricing, will be compliance with the provisions of 3C's debt and equity financing agreements. We identified in the amended application a 36 percent operating cash flow level as our target. We believe a figure in that range will satisfy the financial institutions. Our internal procedures relating to any price changes aside from changes for inflation would be 1) to monitor costs to minimize the burden placed on revenue sources for achieving a satisfactory cash flow; 2) to entertain fully any alternatives to possible price changes; 3) to project carefully the impact of price changes on system subscribership; and 4) to notify the City and all subscribers of price changes before they are implemented.

Programming decisions: Public access and local origination programming decisions are at the discretion of the 4C Board of Directors and the programming personnel whom they hire. Programming decisions under the 3C jurisdiction will be driven by audience demand and channel capacity. Specifically, we will use subscriber polls and input from 4C and the Cambridge community at large to help us make program decisions. Any programming changes will be announced systemwide before they are implemented.

18. Are there any covenants, agreements, policies or other provisions in existence or contemplated in any respect by the applicant in connection with its planned debt or equity financing arrangements which would lead to requests for changes in the commitments made in its amended application over the next five to ten years? Please address, specifically, matters such as changes and the magnitude thereof in construction costs, basic service penetration, programming cost increases and timing of finances.

Other than financial viability covenants that may or may not be easily met during the next five to ten years, 3C envisions nothing in its financing agreements that would lead to requests for changes in the commitments made in its amended application.

\* Please provide three (3) copies of the documents where requested.

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19. For each of the alternative methods of financing identified by the applicants, other than the limited partnership method, please identify the regulatory approvals required, if any, for implementation of such methods. Please identify with particularity, to the extent possible, the extent to which any such alternative method of financing may affect the commitments of the applicant contained in its amended application. Please describe the specific steps taken, to date, by the applicant to explore such alternative methods of financing. Indicate whether these alternatives would change the projected time-frame and by how much time.

The major issue in assessment of alternative financing methods will be the ultimate cost of the money required to build the system. So long as the cost of money for various alternatives is the same, the selection of one alternative over another should have little impact on the services and/or rates provided by the system. To the extent that alternatives to limited partnership structure cost more, they will require rate increases or other adjustments to maintain financial viability of the system.

We have taken no steps to explore alternatives to limited partnership (LP) financing, and we do not expect to have to do so. We note with satisfaction the article in The Wall Street Journal of February 6 describing plans of three major motion picture studios to go forward with limited partnership financing programs quite similar in tax structure to what would be required to build the Cambridge cable system. That article contains a quotation from one of the general partner executives that "it doesn't appear that changes in the tax laws will affect the attractiveness of these partnerships as investments." We believe the same might be said of cable television limited partnerships.

At the same time, we note another potential source of development capital. We believe it is possible that a foreign firm might be interested in financing development of a pace-setting U.S. cable system. With so many other nations now contemplating cable TV development, we consider it possible that a firm with long-term international cable objectives may want to gain experience with a U.S. investment in the field.

\* Please provide three (3) copies of the documents where requested.



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24. Please describe the particulars of the financing of the Palo Alto, California cooperative cable television system. (e.g. amount of capital raised, total capitalization, time required for completion of the offering, size and characteristics of the underlying cable television system, copy of private offering documents, if available.)

The Palo Alto license has not yet been awarded, so most of this question is unanswerable. The Coop's application called for constructing a 480-mile single-cable system passing 48,000 homes with a total capitalization of \$22 million. Funding was to be provided by limited partnership units and bank debt in approximately equal quantities. A three-year construction period was proposed.

The Palo Alto cable cooperative remains in competition with a group of local investors backed by an MSO that was Times Mirror at the time of the application (October, 1983), but is now Viacom (which withdrew its own application days before the deadline). The existence of this competitive situation was one of the considerations that led us to adoption of the combined entrepreneurial/cooperative structure that we have proposed for Cambridge. It was also a factor in our decision to defer selection of an MSO until after the award. We have tried to combine into a single applicant the strengths of the two concepts that have been locked in competition for more than a year in Palo Alto.

25. Please supply the information requested by Lynn Wahl on Page 169 of the 23 January 1985 Clarification Hearing transcript.

The exclusion of video and FM equipment from the breakdown of the \$1.25 million block grant to 4C for capital facilities was inadvertent. It is 3C's intent that all facilities for use by organizations other than 3C itself be provided from within the \$1.25 million block grant.

26. What will be the mechanism for allocating equipment, facilities, and staff among public access, local organizations, and the public schools, as expressed in Section IX-14 of your proposal?

Public access, local organizations and the public schools will all receive portions of the capital and operating resources assigned to 4C under the terms of our amended application. The 4C Board of Directors will make all decisions concerning the allocation of these resources. We believe these decisions are best made outside the competitive franchising process by the 49-member 4C board structured carefully to include representatives of all major Cambridge constituencies. Except for requiring conformance with the terms of the license and production of a daily local news program, 3C will impose no constraints on the allocation of these resources.

\* Please provide three (3) copies of the documents where requested.

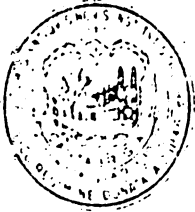
At the first public hearing we said we would provide the answer to the following question at a later date:

Question from Ms. Rice:

"In using the TierGuard equipment for the schools, one of the questions that we asked was the cost to internally wire the school building. I wonder if you would tell me how you based your costs to the schools for internal wiring?"

With TierGuard equipment, we avoid the need for expensive converters, and the only hardware required to wire the schools internally will be cable and fittings. We estimate that the total cost for labor and materials for this internal wiring will be approximately \$25 per outlet. We are prepared to establish that figure as a not-to-exceed price.

CABLE PLUS RESPONSES



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Applicants must use the pages of the question forms attached herein (or additional reproductions of these pages, if more space is required.) This will facilitate comparison of answers. Please be precise and to the point.

1. Will you allow restaurants, bars, hotels and other retail commercial establishments to subscribe to Cable TV services? If so, what is the rate?

Yes; our commercial charges as set forth in Section XI ("Financing") of the Cable Plus application are \$25/month for Tier III and \$50/month for premium services. Apartments, condominiums, and hotels will be eligible for bulk rates to be determined on a case-by-case basis.

2. What will be the subscriber rates for private non-profit organizations and clubs?

These rates will be negotiated on a case-by-case basis.

3. Will you allow subscribers to purchase remote control devices?

If yes, what is the price?

If no, why not?

No; the income from rental of remote control devices is included in our revenue projections and is an integral part of our proformas. However, it should be noted that we expect to provide remote control devices free with discounted program packages, so many subscribers will not be paying for their remote controls.

4. Will rent for public access studio space and facilities be paid for by the applicant separately from the annual commitment to access?

       Yes. If no, please explain.

No; in our proposed budget for the Access Corporation, we have taken into account the fact that CPAC will have to rent space for its facilities, and we have provided adequate financial support to provide for this expense. Also, if CPAC is able to negotiate for low-cost space with a non-profit organization in Cambridge, it will then be free to use the savings for other purposes of its own choosing.

Our proposed financial support for CPAC is discussed in detail in Section VI ("Public Access") of our application.

5. Will landlords/tenants have a free choice of colors for the drop wiring?

YES                       NO

If "yes," list the colors.

If "no," what color will be used? \_\_\_\_\_

Black cable is normally used for drops and will be used for standard installations. White and beige will also be available on request at no additional charge.

6. Will landlords/tenants have a free choice in deciding place of entry of cable drop into the building?

YES                       NO

Please explain:        Subscribers to our service will be able to choose the place of entry of the cable drop into their building, and there will be no additional charge so long as the place of entry chosen does not increase the cost of the installation. If a new subscriber wishes special wiring or other additional work beyond the scope of a standard installation, he or she will be offered the option of having the work done at an additional charge which will reflect our added costs of labor and materials.

7. Has Harvard/MIT developed and/or communicated a policy for the wiring of their dormitory units and/or of their buildings?

If "yes," please explain.

Cable Plus has had extensive, ongoing conversations with Harvard and MIT representatives concerning the wiring of dormitories and other buildings. We will continue these discussions and, if Cable Plus is awarded the Cambridge license, work to develop a plan to accomplish this goal in a manner satisfactory to all parties. As Project Manager for Cable Plus, Ann McIntosh conducted these discussions. Should more specific information on this subject be required, we can supply that when Ms. McIntosh returns from her vacation.

Cable Plus is eager to offer all Cambridge subscribers programming and services relating to Harvard and MIT, as well as to serve students as members and subscribers.

8. All applicants have maintained a desire to deliver cable services within a reasonable time-frame to Cambridge residents. In order not to prolong the provisional license period and unduly delay cable construction, would you agree to a provision, within legal limits, which revokes the award and severs all contractual agreements should, in either case, a provisional license not be signed within a reasonable time following the two-week period for execution of the license to which all applicants have agreed, or should a final license not be signed within six months of the signing of the provisional license.

Yes.

9. Explain the limitations or restrictions, if any, on subscriber use of VCR'S in conjunction with cable service. Will subscribers be able to tape programming on one channel and watch a different one? Will scrambled or encoded signals be used to prevent taping of certain programs? What efforts will be made to inform subscribers of these restrictions? What remedies are available for such restrictions? Would they require additional rates/fees, and if so, how much?

There is no additional charge to hook up a VCR if it is done during the initial installation period. If the subscriber wishes to tape programming from one channel without watching another channel, there is no monthly charge for the VCR connection. Taping from one channel while viewing another channel requires a separate converter for the VCR: in this case, the VCR is treated as an additional outlet and is subject to the rates outlined in our application, i.e., \$4.95 per month, which includes all services on the first outlet. No scrambling devices are used to prevent taping from any channel to which a customer subscribes. It should be noted that a new converter offered by Zenith will have available a module to allow for VCR connections without the need for a second converter. We are considering the use of this converter in Cambridge, and it should allow us to offer VCR connections at lower cost.

10. Will cable-delivered FM stereo signals allow for simultaneous broadcast of bilingual programming? (e.g. English on one channel and Spanish on the other?)

It is technically feasible to provide bilingual cablecasts if they are available from program providers. Because this is not a common practice among broadcasters, we do not anticipate wide use of this procedure. Rather, we would propose to carry stereo FM services in Spanish or other foreign languages widely spoken in Cambridge. For example, we will carry WJUL (Lowell), which provides Spanish, Asian, and Portuguese programming; WZID (Manchester), which offers French programming, and a number of short wave signals from Mexico, Italy, Greece, and other countries around the world. Section V ("Signal Carriage and Channel Allocation") describes our plans for FM and short wave signal carriage.

11. You have indicated the cost for additional hook-ups from a single drop. Please state the rates for premium services received on the second set. Explain.

The charge for an additional set is \$4.95 per month, which includes all basic and premium services subscribed to on the first set.

12. Are you willing to develop a job-sharing plan, including a benefits package that reflects the employees commitment and percentage of time worked?

Yes.

13. How will you plan to pursue cable interaction between the City and the major institutions in the City? For detailed information on this subject, we ask the reader to refer to Sections VIII ("Institutional Network") and IX ("Municipal Services") in the Cable Plus application. Briefly, we will provide a separate Institutional Network, a \$200,000 Municipal Telecommunications Facilities Grant, a \$135,485 Educational Telecommunications Grant, and free Institutional Network drops to 250 locations plus all classrooms in the public schools. Three full time staff people will be responsible for developing uses of the I-Net in conjunction with the City and its institutions. It is especially important to note that Cable Plus offers free transmission on the I-Net for the City, its public schools, and CPAC. We feel that free access to the I-Net will be critical in encouraging the City and its institutions to develop useful and innovative applications of cable technology; this activity in turn will encourage commercial usage of the cable system which will ensure that the I-Net does not incur costs that must be borne by subscribers.

14. Have your penetration figures taken into substantial account the transiency in Cambridge? Yes. Our penetration projections were based on a thorough neighborhood-by-neighborhood analysis of the City, taking into account those areas with a large percentage of transient residents. (Please see attached.) We have predicted a somewhat lower level of penetration among the transient population, and our overall estimates reflect this fact.

15. How will you market to the transient part of the population to keep penetration high? Marketing to a transient population utilizes similar procedures to those used in approaching new subscribers anywhere; a primary difference is, of course, that new-subscriber marketing must be repeated frequently in transient areas. Our in-house computerized billing system will be particularly well suited to handling this problem, since it will allow us to keep track of addresses where subscribers have moved and where we need to send sales representatives. Addressable technology minimizes the problem of subscribers taking their converters to new locations without authorization, since our computer will not permit cable service to the converter in an unauthorized situation. In addition, dormitories are included in the category of apartment buildings, condominiums, and hotels, where bulk rate discounts for service will be available. The availability of bulk rates should further encourage high penetration in these situations.



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4 February 1985

\*ALL APPLICANTS

15. What are your plans regarding the structure and level of rates for the next five to ten years. Please address specifically, the possibility of relative increases in the basic rate and consolidation of the basic service tiers and relative reduction in the rates for premium service offerings. Cable Plus has guaranteed to freeze all rates, both premium and basic, for a period of two years from the date when the system is first activated. In our application, we have included proformas which project a weighted average rate increase of 5% per year, and we have projected that expenses will also increase by 5% per year. (Please see Section XI ("Financial")). We project that any rate increases will be more likely to occur in basic rather than premium services. We do not intend to change our tiering structure unless it becomes unworkable. It is important to note that the Cable Communications Policy Act of 1984 permits retiering or elimination of tiers after two years; thus, the local control offered by Cable Plus is the City's best guarantee that rates will remain fair.

17. Please identify the specific internal corporate procedures that will be followed in the determination of price and programming decisions. Reference is made to a Management Agreement between Cable Plus and Nashoba, an executed copy of which has been submitted to the Issuing Authority. Under the Management Agreement, the Board of Directors of Cable Plus (which, upon the participation of 15,000 subscribers, is elected by the subscribers) sets policy for rates and programming. The initial rates and programming format are set forth in Cable Plus' application. Should Nashoba or any other party seek any change, it must demonstrate to the Board that the change is consistent with one of three objectives: (1) the economic viability of the system, (2) a reasonable rate of return for investors, or (3) ultimate ownership of the system by Cable Plus subscribers. (CONTINUED)

18. Are there any covenants, agreements, policies or other provisions in existence or contemplated in any respect by the applicant in connection with its planned debt or equity financing arrangements which would lead to requests for changes in the commitments made in its amended application over the next five to ten years? Please address, specifically, matters such as changes and the magnitude thereof in construction costs, basic service penetration, programming cost increases and timing of finances. Please see attached.

19. For each of the alternative methods of financing identified by the applicants, other than the limited partnership method, please identify the regulatory approvals required, if any, for implementation of such methods. Please identify with particularity, to the extent possible, the extent to which any such alternative method of financing may affect the commitments of the applicant contained in its amended application. Please describe the specific steps taken, to date, by the applicant to explore such alternative methods of financing. Indicate whether these alternatives would change the projected time-frame and by how much time. Please see attached.

\* Please provide three (3) copies of the documents where requested.



# CITY OF CAMBRIDGE

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OFFICE OF CABLE TELEVISION

4 February 1985

\*AMERICAN CABLESYSTEMS OF CAMBRIDGE

20. The most recent Formula Availability calculation for the 1983 Credit Agreement.
21. Amendments to date of the 1983 Credit Agreement.
22. Management Contract for the Illinois Limited Partnership.
23. Subordinated Note issued to American Cablesystems by the Illinois Limited Partnership.

\* Please provide three (3) copies of the documents where requested.





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\*CAMBRIDGE CONSUMER OWNED TELECOMMUNICATION, INC.

27. Financial statements for 1983, 1984 of Nashoba Communications, Inc.

No financial statements exist for 1983 or 1984 for Nashoba Communications, Inc. This company is not a revenue producing company. It is, as explained in previous documentation supplied to the City, a management company for Nashoba Communications Limited Partnership, which is the licensee in Westford and Ayer. Its primary asset is the interest as General Partner it holds in this Partnership.

28. Private Offering documents prepared in connection with sales of interest in Nashoba Communications Limited Partnership.

Please see attached.

29. Construction and Term Loan Agreement, as amended to date, referenced in Note 4 of the financial statements of Nashoba Communications Limited Partnership.

Please see attached.

30. Please describe the particulars of the Davis California limited partnership offering. (e.g. amount of capital raised, total capitalization, time required for completion of the offering, size and characteristics of the underlying cable television system). Also, provide copy of private offering documents, if available.

Please see attached.

\* Please provide three (3) copies of the documents where requested.

4 February 1985

CAMBRIDGE CONSUMER OWNED TELECOMMUNICATION, INC.

31. How was your operator selected and who was the competition for the position?  
Is this the same mechanism that will be used for selecting the construction company?

Nashoba was selected by the Board of Directors of Cable Plus with the advice of its staff. A variety of MSOs were contacted and interviewed with an emphasis placed on those with local ties (Continental, Heritage, Colonial, Nashoba). The criteria included record of performance, technical expertise, reputation within the industry and the financial markets, commitment to the consumer and public access, and willingness to adapt to the requirements of the cooperative form of ownership. Nashoba emerged with the best overall rating and was chosen on that basis. The Board, with the advice of Nashoba, intends to use a similar method to select the construction company, with price being another important consideration.

CABLE PLUS, ATTACHMENT FOR QUESTION NO. 14

| Neighborhood | Housing Units | Projected Penetration |
|--------------|---------------|-----------------------|
| 1            | 2,476         | .58                   |
| 2            | 728           | .35                   |
| 3            | 2,943         | .55                   |
| 4            | 1,312         | .30                   |
| 5            | 4,519         | .55                   |
| 6            | 8,297         | .48                   |
| 7            | 3,344         | .40                   |
| 8            | 1,732         | .48                   |
| 9            | 5,362         | .55                   |
| 10           | 3,773         | .50                   |
| 11           | 5,350         | .58                   |
| 12           | 1,442         | .55                   |
| 13           | (incl. in 12) | .55                   |

CABLE PLUS RESPONSE TO QUESTION NO. 17, CONTINUED

Rates and programming changes will become effective upon the approval of the Board of Directors. However, Nashoba may institute rate increases without Board approval to protect the economic viability of the system. In addition, a dispute resolution procedure has been agreed upon to resolve any differences regarding the implementation of the criteria specified above.

## CABLE PLUS RESPONSE TO QUESTION NO. 18

There are no covenants, agreements, policies, or any other provisions existing or contemplated in any respect by Cable Plus in connection with its planned debt or equity financing arrangements which would lead Cable Plus to request changes in the commitments Cable Plus has made in its amended application. Cable Plus has developed financial plans to avoid the need to request such changes.

First, we have, as indicated at the public hearing, budgeted realistically for underground and aerial construction costs. Our budget in the underground area is especially reflective of the fact that the cost of urban cable construction is often underestimated.

Second, the pro formas assume that a cash balance of over \$1.6 million will still be available at the end of the construction period. Therefore, any overestimation of penetration has been taken into consideration in our planning of the cash requirements of the system.

Third, as the management agreement between Cable Plus and Nashoba indicates, membership fees totalling over \$4.45 million (over a 10 year period), also will be available to offset operational deficits.

Fourth, as indicated at the public hearing, if all of these contingency arrangements fall short, we believe moderate increases in the rates may be required to meet a deficit. However, none of the foregoing alternatives would lead Cable Plus to request the issuing authority to consider requested changes in our commitments to the City.

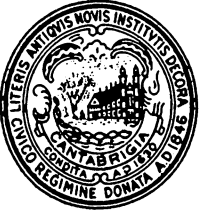
## CABLE PLUS RESPONSE TO QUESTION NO. 19

Financing of the system will require \$12 million in debt financing and \$8 million in equity financing. As stated in its application, Cable Plus has a firm commitment from the National Consumers' Cooperative Bank for the \$12 million debt financing (with a possible participation, if requested, by Bank of New England). It intends to raise the \$8 million equity financing through a limited partnership offering, a standard method in the industry. Discussions with several nationally recognized investment bankers (Kidder, Peabody and Co., Shearson-American Express, Drexel-Burnham) indicate that such an offering would pose little difficulty were it not for the current uncertainty surrounding proposed changes in the federal income tax laws, which might affect the attractiveness of investment in a limited partnership. Because of this uncertainty (which affects all of the applicants equally), Cable Plus, with the assistance of the Co-op Bank and investment bankers is examining alternative methods of acquiring the \$8 million equity financing. The four most promising alternatives are as follows:

1. A private offering to a selected number of wealthy local individuals (some of whom have already invested in Cable Plus) based upon a reasonable return on investment rather than upon tax considerations. Changes in the tax laws should not affect the success of such an offering.
2. A private offering to institutional investors with sophistication and experience in the industry (John Hancock, Prudential, Union Mutual) again based upon a reasonable return on investment.
3. An offering to venture capital firms with sophistication and experience in the industry (TA Associates; Burr, Egan Deliage; Communications Equity Associates) or to passive MSOs (TCL, Daniels, Tele-Media) based upon a return on investment and a business participation. This is the most costly alternative.
4. Cable Plus has begun discussions with the venture investment funds of Harvard and MIT. Such an investment is well within the capacity of each of these institutions and may present an attractive combination of return on investment and capital commitment to their community.

Each of these alternatives would be expected to be completed more quickly than a limited partnership offering. Thus, there should be no impact on the projected time frame. Cable Plus will not change the commitments set forth in its application.

If undertaking such an alternative source of financing would constitute an amendment of its application, Cable Plus will seek the regulatory approval of the Issuing Authority required by state law. When appropriate, Cable Plus will obtain the regulatory approval of state and federal agencies administering laws governing the offering of securities.



## CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139  
Tel. 498-9011

EXECUTIVE DEPARTMENT  
ROBERT W. HEALY  
City Manager

February 11, 1985

To the Honorable, the City Council:

Copies of the questions and answers from the three applicants for cable license are available to be reviewed in the Office of the City Council.

Very truly yours,

Robert W. Healy  
City Manager

RWH/b

S-130

Re: questions & answers from the three applicants for cable license for review of the City Council.

In City Council,

February 11, 1985

2/11/85

- Placed on file -