

SACRAMENTO METROPOLITAN

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ROBERT E. SMITH
EXECUTIVE DIRECTOR

November 19, 1983

For Agenda of:
November 22, 1983

To: Board of Supervisors
City Council
Cable Commission

From: Bob Smith, Executive Director
Sacramento Metropolitan Cable Television Commission

Subject: FINAL RECOMMENDATION FOR RECIPIENT OF THE INITIAL CABLE FRANCHISE

Attached is the Final Report on each of the four applicants who submitted comparative data for the Sacramento Metropolitan Cable Franchise. This report follows the format of the Preliminary Report, ranking each company within five of seven critical evaluation categories. Two sections, Affirmative Action and Past Performances, have not been ranked. The Affirmative Action Section has been updated to reflect the most recent submissions of each of the cable companies and past performance is excluded as a factor in this report.

These final assessments detail the changes made by each company between the November 7, 1983 issuance of the Preliminary Report and 5:00 p.m. November 16th. Each section also contains a summary table outlining each company's offerings and includes a narrative discussion updating the rankings. I have, however, not submitted an overall ranking per the instructions of both legislative bodies.

There is little question that all four of the companies have improved upon their original applications by mitigating virtually all of the staff's concerns in each of the functional areas. Granting any one of the companies a franchise would result, in my opinion, in a handsome cable service for Sacramento. There is one applicant, however, which appears to offer greater benefits to the subscribers and is, therefore, my preference.

The following outlines my justification for recommending Cablevision of Sacramento for the receipt of the initial franchise.

--- Parental Liability. Cablevision has provided significant parental liability throughout the life of the franchise, thus offering greater assurance that the local joint venture will meet all the minimum obligations contained in the Resolution. This assurance, in my view, equals that offered by all of the other companies. While the extent of corporate resources offered by all of the applicants' parent companies varies, they all provide adequate assurance for enforceability of the commitments. This offering weighed heavily in my consideration. By agreeing to such liability, Cablevision is exposing its corporate assets to the business decisions and associated risks of operating the local cable system.

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--- Financial Pro Formas. The staff's opinion regarding the integrity of a company's business plan is very important but is offset by the cable company's offer of parental liability. Probably the most significant risk associated with any company is the possibility it may not attain the projections in its business plan, and, most particularly, the pay-to-basic and penetration assumptions identified in that plan. However, as to Cablevision, I am convinced that these concerns represent an acceptable risk for the following reasons:

1. Touche Ross, our consultant, indicated Cablevision's business plan, although at the low end of reasonable expectations, is one of three companies which are in the range of acceptable risk. (With respect to the fourth applicant, the consultants advise that financial risk, in itself, not be considered a reason for refusing to select ACCESS as the Franchisee.) By minimizing the rate of return, Cablevision has chosen to share the success of their system with the community, and this ought to be considered a positive aspect of their proposal.
2. If we assume as a worst case, that Cablevision only achieves a 50% penetration rate, all of the contractual obligations contained in their Resolution could be achieved and are equal to or greater than the other company's. In fact the community programming benefits are approximately three times those of its nearest competitors.
3. In addition, Touche Ross has indicated that given a 50% penetration rate, Cablevision could increase its internal rate of return to 15% without drastic adjustment of their business plan and without altering their ability to meet minimum obligations and avoid a breach. Such potential adjustments may result in greater pressure on Cablevision to raise rates earlier in the Franchise period than the other applicants. However, the fact remains that without rate control there is a very high probability that any of the applicants, if chosen, would raise rates to the point of elasticity of demand.
4. Although the business plan is acceptable, without parental liability it would be difficult to recommend Cablevision as the number one competitor. However, as stated earlier, they have clearly exposed parental corporate assets to assure the Sacramento community has a high comfort level that it will achieve their contractual commitments without breaching the franchise.

I am satisfied that the elected officials could select Cablevision with the assurance that their application offers the most services and potential benefits with great enforceability.

--- System Design. Virtually all of the systems could be built to deliver the cable services contained in the Applications. Therefore, I have not weighed this area as heavily as others, such as parental liability. However, both Cablevision and UTS offer to construct cable plant throughout the Imposed Service Area and this factor cannot be ignored in the selection process.

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Cablevision's system offers the flexibility and capacity to provide a wide variety of institutional and non-entertainment services and the greatest number of entertainment channels of any of the applicants.

The primary concern of our Consulting Engineer, Hammett & Edison, has been allayed and they are now comfortable that the Cablevision system can meet the minimum performance specifications. This is the benchmark used by staff to ensure that the system will be built correctly. In fact, it now ranks equally with the UTS design. Cablevision is also the only cable firm to meet the minimum suggested specifications of a dual cable system outlined in our Ordinance.

--- Services and Rates. The packaging of entertainment services, and the associated rates, are not major considerations in my recommendation. However, two specific factors in this Section--self-effectuating Tier 1 rate control and enforceability of enhanced services--are given significant weight.

Cablevision has proposed an innovative and attractive program packaging and rate structure; in my view, it is much more attractive than any other applicant. However, satellite services will change throughout the 20-year life of the Franchise and there is minimal rate control in the State of California.

Copyright fee budgeting may be a problem and could trigger removal of some distant signals. However, there will be economic pressure on the company to offer those services which maximize profits and indeed some distant signals may be demanded. In my view, this negative aspect is not a fatal flaw and is more than offset by the attractive program packaging offered by this company.

A more significant factor and one which weighed heavily in the selection of Cablevision is the self-effectuating rate control established indirectly on the basic service tier. Cablevision has committed \$1.25 of the \$2.00 Tier 1 rate for various community benefits. For every \$1.00 of Tier 1 rate increase, 62¢ would go for additional support for these nonrevenue generating activities. Thus, it is unlikely that Cablevision would raise their Tier 1 rates. In addition, Cablevision has agreed to allocate \$1.25 to community groups even if the basic service tier rate decreases. Should a rate reduction occur, it would thus tend to benefit the disadvantaged and lower-income subscribers and yet not reduce the funding level for community use. It is most likely, therefore, that rate increases would occur on some other tier or offering.

Lastly, and probably just as significant as the entertainment package is the contractual commitment of Cablevision (as with UTS) to offer vested, enforceable non-entertainment and interactive services. This aspect, combined with the indirect assurance of continued low, basic service tier rates, and, to a lesser extent, their attractive entertainment package make Cablevision the frontrunner in this category.

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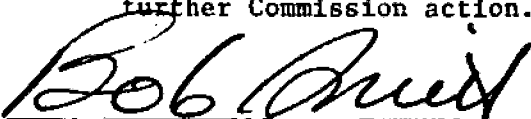
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- Community Programming. Cablevision is offering approximately three times as much in potential benefits to the subscriber in programming of community interest including a significant offering of local origination hours in the format of a news service. Cablevision's commitment of equipment, staffing and funds to selected non-profit organizations as well as the Independent Body, make them the clear leader in this category. Even at a 50% penetration rate, Cablevision will be able to offer far greater benefits to the community than their next highest competitor. This was a significant and pivotal consideration in securing a favorable recommendation.
- Affirmative Action. While no ranking was made in this category, Cablevision has improved their position with respect to their Affirmative Action and Minority Business Enterprise plan. It provides a sound framework upon which Cablevision can begin to attain affirmative action goals and give some comfort to the Board of Supervisors and City Council that affirmative action could be effected in this cable franchise. They, like the other applicants, have agreed to cooperate with an ongoing task force to improve and monitor these employment activities. This positive improvement contributed to their position as the cable company of choice.

In view of the above factors, it seems clear to me that Cablevision has worked diligently and tenaciously to offer the best possible cable system for the Sacramento community. Their Application and Resolution reflect that professional effort! It is with pleasure that I recommend them to you as the recipient of the initial Franchise.

It is, therefore, my recommendation that the Board of Supervisors and City Council take the following separate actions:

1. Tentatively select Cablevision for receipt of the Initial Sacramento Cable Television Franchise;
2. Approve the Resolution Offering the Franchise as agreed upon and negotiated by staff and Cablevision;
3. The Commission, after concurrent action by the Board and City Council, approve the Resolution without modification and authorize the Chairman to sign the documents;
4. Request a specific date whereby Cablevision will execute the Resolution including submission of all necessary Certificates of Acceptance, Performance Bonds, insurance and other deposits as required by the Ordinance for acceptance; and
5. Establish a specific date corresponding with Cablevision's submission of all final documents for staff to report back regarding the need for further Commission action.



BOB SMITH, Executive Director
Sacramento Metropolitan Cable
Television Commission

RES:ab



FINAL REPORT

CABLE TELEVISION PROPOSALS

NOVEMBER 19, 1983

OVERALL SUMMARY OF FOUR APPLICATIONS

	ACCESS	American	Cablevision	UTS
PARENTAL LIABILITY:	Joint & Several Full Term	Joint & Several Full Term	Joint & Several Full Term	Joint & Several Full Term
SYSTEM DESIGN:				
Low Density Exemption	Yes	Yes	No	No
S-Net Channel Capacity	77	60	104	77
Active I-Net	No	Yes	Yes	Yes
SERVICES:				
Channels/Cost Tier 1	26/ \$2.95	23/ \$4.50	30/\$2.00	32/ \$2.95
Channels/Cost Tier 2	62/ \$8.95	60/\$12.00	88/\$8.00	61/ \$8.95
Channels/Cost Tier 3	77/\$12.95	n/a	104 (n/a)	77/\$10.95
Cost of Premiums	\$5.95-\$9.95	\$12.00	\$7.00-\$9.00	\$7.95-\$9.95
Cost to get HBO & Sports	\$18.90	\$24.00	\$15.00	\$18.90
Interactive	No	No	Yes	Yes
COMMUNITY PROGRAMMING:				
Total Guaranteed Hours	4	40	103	50
# of .336/.338 TV Studios	1	4	3	4
Direct Operating Grants:				
Independent Body	Yes	Yes	Yes	Yes
KVIE	No	No	Yes	Yes
KXPR	No	No	Yes	Yes
Educ. Consortium	No	No	Yes	Yes
City/County	No	No	Yes	No
Others	No	No	No	Yes
Total Grants	\$18.4 Million	\$10.2 Million	\$31.6 Million	\$13.5 Million
Total Programming Support	\$36.0 Million	\$31.5 Million	\$126.5 Million	\$39.8 Million
AFFIRMATIVE ACTION:				
Parity Standard	Population	Population	Population	Population
MBE/FBE Contracts	23%	23%	23%	20%

I. FINANCIAL RESOURCES AND ENFORCEABILITY

All applicants have submitted resolution language which substantially obligate each of their parent companies to be jointly and severally liable for the terms and conditions of the Sacramento Franchise.

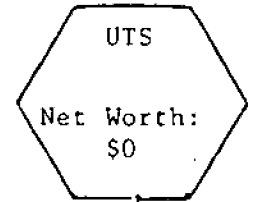
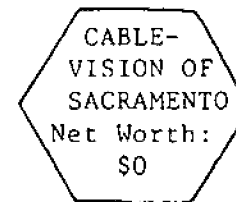
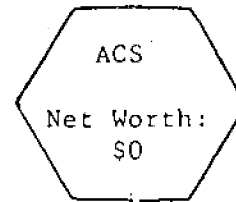
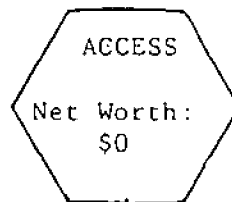
The criteria used for evaluating this section were that the applicant offer parental liability with sufficient resources to enable the Commission to secure remedial action in the event of a material breach. Therefore, while each parent company represents varying degrees of corporate resources, all bidders have satisfied the staff's test for high ranking in this Section. In addition, the issues which concern staff regarding the enforceability of each applicant's Resolution were reviewed after submission of clarifying language. The final analysis of these two elements resulted in staff's ranking all of the applicants equally in parental liability/enforceability.

1. Cablevision/UTS/American/ACCESS (tie)

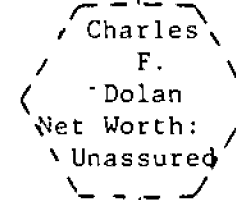
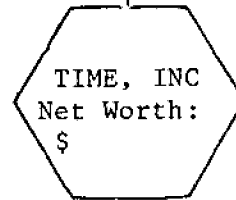
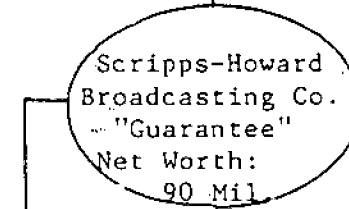
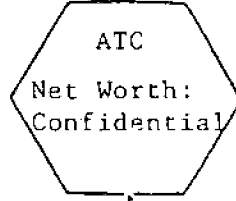
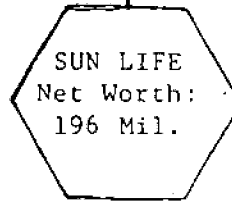
It should be noted that Cablevision is the only company which has resolved all issues of concern to staff regarding the enforceability of their Resolution. All other companies have issues which do not result in unfavorable recommendations from staff yet still appear troublesome in the administration of the 20-year franchise.

FINANCIAL RESOURCES AVAILABLE TO CTC

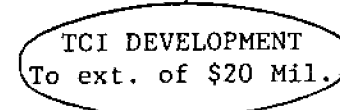
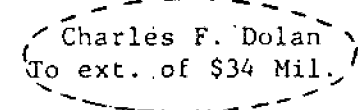
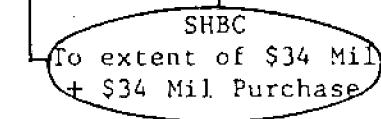
FRANCHISEE:



LIABILITY THROUGH
CONSTRUCTION AND
FULL TERM OF
FRANCHISE:



LIABILITY PRIOR TO
CONSTRUCTION:
THEREAFTER ONLY TO
EXTENT OF "MAKE WELLS"



CHANGES/CLARIFICATIONS
FROM THE PRELIMINARY REPORT:

GENERAL ENFORCEMENT CHARACTERISTICS

<u>Areas of Concern</u>	<u>Current Status</u>
<u>ACCESS</u>	
1. I-Net Return.	Activation formula has been clarified although it is complex. Staff believes it is now enforceable.
2. Performance Criteria on Community Use Programming.	No change.
3. Interactive Services Conditions.	No change.
4. Capital Expenditures for a Rebuild.	This commitment has now been incorporated into the Resolution in enforceable language. The \$75 million amount will be adjusted for inflation, but is subject to achieving 62% penetration.

American

1. Commission Enforcement of Lender Agreement.	No change.
2. Remedies to Performance	Revised language clarifies, but does not alter, the standard to be used to evaluate remedies.
3. Census Tract Progression	New language provides such progression and a revision procedure employing engineering reviews.
4. Indemnification	The clause has been narrowed and clarified.
5. Interest-Liquidated Damages.	No change.

Cablevision

1. Designation of Named Owners.	Has been fully corrected.
2. Consumer Practice Standards.	Standards have been reinstated.
3. Community Use Training.	Definition of reasonable demand has been provided.
4. Commercial Use of Community Use Facilities.	Commission draft language had been reinstated.

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5. Performance Criteria for Community Use Programming.	Standards have been restored.
6. Ambiguous Conditions.	Conditions have been clarified.
7. Ambiguous Procedure.	Procedure has been clarified.
8. "Intangible Assets" as Equity.	Not a staff concern because may be corrected in subordination agreements.
9. Obligation to Purchase upon Termination.	Not a staff concern. No change in "change of law" situation, but mandatory purchase eliminated in material frustration instances.

UTS

1. Designation of Named Owners.	Has been fully corrected.
2. Performance criteria for Community Use Programming.	No change.
3. Ambiguous Condition	Standards for capacity and services have been clarified.

II. FINANCIAL PRO FORMAS

Based on assessments of the reasonableness of the applicants' financial assumptions and of the sensitivity of their financial projections to changes in key assumptions, the applicants rank as follows:

1. American
2. UTS
3. Cablevision
4. ACCESS

Summary analysis regarding each applicant and an explanation of the ranking are reported below. The analysis is similar to that indicated in the Preliminary Report, but certain points have been amplified to respond to questions or comments raised in public hearings and to reflect information received after the Preliminary Report was issued.

American is given the highest rank because its financial projections are the most conservative:

- ° American assumed the lowest levels for three key market variables:
 - Basic penetration
 - Pay-to-basic penetration
 - Revenue per subscriber
- ° American's proposal to exclude low density areas helps to boost the projected return on investment.
- ° American has assumed no revenue from institutional services and only modest revenue from advertising.
- ° American's staffing ratio is relatively low, but American generally has not committed to services or service levels that would cause its staffing ratio to be as high as or higher than other applicants.
- ° American's assumptions for most other key financial variables appear reasonable.
- ° American has proposed the highest rates for basic and pay services, and the projected rates of return and operating margin indicated by its pro formas are reasonable.

In general, the results of sensitivity tests indicate that American could fail to realize certain of its financial assumptions and yet maintain sound financial performance. In particular, the results of the sensitivity tests indicate that if American's basic penetration and rate of return were set at a level equal with other applicants, American could slightly reduce the subscriber rates shown in its projections.

UTS is ranked second for the following reasons:

- ° UTS assumed the second lowest levels for basic and pay-to-basic penetration.
- ° UTS projects a healthy rate of return and operating margin.
- ° Most UTS cost assumptions appear to be reasonable.

The strength of the UTS pro formas is generally comparable to that of American's. UTS is ranked behind American primarily because of the relative optimism of certain UTS revenue assumptions. UTS assumes approximately \$3.00 per month higher revenue per subscriber than American for home subscriber services. Further, UTS projects approximately \$4.00 per month more revenue per subscriber than American to come from sources other than home subscribers, including institutional revenue. If UTS and American had projected the same revenue per subscriber levels the projected UTS rate of return would be lower than that of American.

Sensitivity tests indicate that UTS could fail to realize certain of its financial assumptions and yet maintain sound financial performance. The tests indicate that if the UTS basic penetration and rate of return were set at a level equal with other applicants, UTS could lower the subscriber rates shown in the projections (if the UTS institutional revenue assumption is left intact as presented in the UTS pro formas).

Cablevision is ranked behind American and UTS primarily because of the relative optimism of the Cablevision penetration assumptions. This ranking does not imply that the penetrations projected by Cablevision will be unachievable. Cablevision has stated that its proposed tiering and pricing structure is sufficiently different from that of the other applicants that Cablevision could be expected to achieve higher penetration. The proposed Cablevision marketing approach is innovative, but presently there is only limited evidence to apply to assess its chances for long-term success. Cablevision's experience (for example, in Boston) is being observed with interest by other firms in the industry. If Cablevision is successful, other operators, including whoever is awarded the Sacramento franchise, could be expected to some degree to emulate the approach in their urban markets. Consequently, it is reasonable to assume that the market demand for cable services in Sacramento will be generally the same no matter which applicant is selected. American and UTS have been more conservative in their estimates of this demand than has Cablevision.

The Cablevision assumption of a 4 to 1 pay-to-basic ratio is significantly higher than the assumptions of the other applicants. However, Cablevision has proposed pay service pricing that is significantly lower than that of the other applicants. When all home subscriber service revenues are taken into account, Cablevision's assumed revenue per subscriber is only slightly higher than the assumptions of the other applicants.

Cablevision conservatively projected no institutional revenue, and in general Cablevision's cost assumptions appear reasonable. However, Cablevision's assumed staffing ratio is lower than two of the other applicants and slightly lower than the reported ratio in Cablevision's large Long Island system.

Sensitivity tests indicate that if Cablevision's basic penetration stabilized at 50% for Years 6 through 20, the rate of return would decline 3.8 percentage points without residual value, and 3.2 percentage points with residual value. The resulting rates of return of 10% without residual value and 13.7% with residual value are slightly below the bottom of a reasonable rate of return range. Assuming no change in Cablevision's other key projection assumptions, at the 50% basic penetration level Cablevision could remain financially viable, although there would be a small degree of pressure on the operator to make adjustments to boost returns to a somewhat more acceptable level.

A sensitivity test that sets the Cablevision basic penetration to 50% and the rate of return (without residual value) to 15% expresses the size of the potential adjustment in the form of rates. The test indicates an 11% increase in Cablevision's proposed rates would be required in these circumstances.*

In the Preliminary Report ACCESS was ranked fourth primarily because of the relative optimism of its penetration assumptions and the relatively low rate of return indicated in its original pro formas. The Preliminary Report indicated that ACCESS had generally made reasonable cost assumptions, and that its proposed staffing ratio and pay acquisition costs, in particular, were relatively high. ACCESS has subsequently submitted information that indicates a projected 15.8% rate of return without residual value and 18.9% with residual value if certain of its original assumptions are adjusted. The adjustments include:

- ° Basic penetration limited to 50%
- ° Capital rebuild assumptions reduced
- ° Reduced staffing levels
- ° Reduced pay programming costs
- ° Reduced marketing budget

These adjustments substantially revise the original ACCESS pro formas. The consultants recognize that more positive financial results could be projected by making certain reasonable adjustments to the original ACCESS assumptions. However, because the resulting financial plan may no longer be consistent with other elements of the ACCESS proposal, ACCESS continues to be ranked fourth. The consultants do advise that financial risk, in itself, not be considered a reason for refusing to select ACCESS as the Franchisee.

* The test assumes no price elasticity.

KEY FINANCIAL VARIABLES

Sensitivity tests were performed to test these potential financial effect of changes in the key assumptions in the applicants' projections. summary of each applicant's assumptions for the most sensitive variables appears below:

	American	UTS	Cablevision	ACCESS (Note 1)
I. PROFITABILITY				
Internal Rate of Return (Pre-Tax):				
No Residual Value	15.8%	19.7%	13.8%	8.2%
With Residual Value	18.5%	22.0%	16.9%	13.4%
Wtd Avg Operating Margin	39.8%	40.2%	29.4%	25.7%
II. MARKET FACTORS				
Basic Penetration	46.6%	48.2%	58.5%	58.2%
Pay-to-Basic Ratio	1.5	1.6	4.0	1.9
Wtd Avg Revenue per Sub per Month:		(Note 2)		
Subscriber Subtotal	\$33.07	\$36.18	\$36.37	\$34.28
Total	\$33.33	\$40.62	\$37.93	\$36.38
Households per Mile--				
Initial Build	151	122	120	136
III. CAPITAL COSTS				
Total Capital Expenditures (\$ 000's)	\$207,809	\$263,058	\$308,208	\$293,147
IV. STAFFING & OTHER OPERATING COSTS				
Avg Payroll per FTE --Year 10 Overall	\$18,223	\$18,707	\$17,638	\$19,497
FTE Staff per 1000 Subs --Year 10 Overall	1.7	2.4	1.8	2.7
Pay Program Acquisition (Costs as a % of Pay Revenue)	40%	42%	49%	52%

NOTES:

- Does not reflect a November 16 submission which would substantially modify the original ACCESS proformas.
- The subscriber subtotal for UTS may be slightly overstated due to the inclusion of a small amount of security service revenue attributable to the I-Net.

III. SYSTEM DESIGN AND CONSTRUCTION

In the period since the completion of the Preliminary Report, a number of clarifications and modifications to the designs of the systems have been received from the bidders. This additional information has mitigated many of the concerns listed in the design weaknesses for each system in the Preliminary Report. This report will provide details of significant changes. As a result of this additional information, the conclusion is strengthened that there are no serious design weaknesses in any of the systems. Each system, if built as proposed, could operate satisfactorily within the limits discussed in the following paragraphs. As before, there are still differences in the sophistication and capacity of the individual designs.

Overall Ranking

As a result of the new information, and within the limitations discussed in the following paragraphs, the applicants are now ranked in the following order in the area of System Design and Construction:

- 1/2. UTS and Cablevision (Tie)
3. ACCESS
4. American

It should be noted that the overall range between the applicants is now considered to be less than at the time of the Preliminary Report. This is partially reflected by the fact that UTS and Cablevision are now tied at the highest ranking.

The design provided by UTS is still considered to be excellent, with the greatest assurance of being constructed as proposed and providing the most sophisticated overall system configuration lending itself to the greatest variety of potential uses. The major remaining concern is the availability of 550 MHz equipment which could conceivably delay initiation of construction but which is unlikely to delay the first milestone for delivered services.

The Cablevision system provides the largest number of channels and the shortest construction period, and also utilizes an excellent design with proven technology. Several minor concerns only slightly reduce confidence in this design.

The design of the ACCESS system is also good, but there is a little less confidence in its satisfactory construction. There is again concern over the availability of 550 MHz equipment, no active I-Net has been proposed, and some concerns remain regarding the SCAT-10 converter. The system also will not include construction of some low density areas.

The American design is conservative but acceptable and uses the well-rated Zenith Z-TAC converter. There is the least confidence in its design due to the lack of a complete response to many RFP questions. The system offers the smallest mileage, the fewest channels, and generally the least sophisticated design.

While the applicants have been ranked in the order shown, and primarily for the reasons shown, all of the designs could provide acceptable operation. All designs could provide a wide variety of future services, and could provide high quality service to all subscribers.

Two Commission Concerns

The Commission has expressed concern regarding two particular issues. The first is the availability of 550 MHz equipment. Delays in the availability of equipment are, of course, unpredictable. It is typical that the equipment for subscriber entertainment television services will probably be available before institutional network equipment, perhaps by several months or even a year or more. It is also not unusual that some small component required by a particular system design may not be available, or be available in the necessary quantity, as early as required. In new construction utilizing the latest equipment, this is commonly circumvented by temporary installation of some other nearly as satisfactory unit, with later replacement by the unit originally proposed. Such a practice permits the activation of the system on schedule but may result in some temporary reduction in either capacity or technical specifications until the replacement is installed. Normally, subscribers are not even aware of the differences. The specifications applying to a system generally become of concern only for the subscribers at the greatest distance from each hub. Since most construction will move outward from the hubs over the full construction period, any minor reduction in initial specifications will not be significant to subscribers. The first milestone in the Ordinance for delivery of service to subscribers occurs 23 months following the date of filing the Certificate of Acceptance of the franchise. This will likely provide ample time for most of these types of problems to be worked out.

The second concern of the Commission is with respect to the growth potential of each system for service to additional areas. Growth beyond the initial area can be accomplished in two ways. The first is for construction to build further outward from those existing hubs serving the periphery of the initial construction area. There are some differences between the capability for each of the systems to grow in this manner, and those differences are very dependent upon several assumptions regarding specific details of the system construction that are not yet known. In general, however, all of the proposed systems have the capacity for a good deal of expansion outside of the initial area. The second method for expanding beyond the initial service area is to construct additional hubs to serve whole new areas. Each of the four systems is capable of expansion utilizing that method. Thus, all of the proposed systems could continue construction into a considerable area beyond the initial construction area.

Tabulation of System Characteristics

Only a few items in the following Table III have been changed from those that appeared in the Preliminary Report, and those items have been indicated by a double asterisk.

TABLE III

TABULATION OF SYSTEM CHARACTERISTICS

Characteristics	Rank 3 ACCESS	Rank 4 American	Rank 1 (tie) Cablevision	Rank 1 (tie) UTS
Signal Gathering Facilities				
Off-Air Reception				
Number of Sites	1 in Sacramento plus Davis site for San Francisco signals	2; Main plus Galt**	4 main hubs; none at Galt	10 hubs plus back- up at main control center
Bay Area signals	Picked up at Davis	None	Received direct at 4 hubs; not Galt	None
All mandatory signals	Yes	Yes	Yes	Yes
Satellite reception				
Number of sites	1	2; Main plus Galt**	4 main hubs; not Galt	1
Antennas per site	4	5	1	5
Antenna size	6.0 meter	6.1 meter	5 meter Simulsat	6.1 meter
Microwave importation				
Channels and source	4, San Francisco 1, San Jose	—	1, Los Angeles	—
Microwave used	Operator-owned	—	Common carrier	—
Microwave type	FM/AML (from Davis)	—	—	—

**Changed from Preliminary Report to show separate facilities at Galt.

Characteristics	ACCESS	American	Cablevision	UTS
Central Facilities				
Headend Processing				
Carrier Frequencies	Standard	Standard	Standard	HRC
Standby power	Yes	Yes	Yes	Yes
Signals scrambled	No	Yes	Yes	Yes
Other Facilities				
Emergency override	Yes	Yes	Yes	Yes
Home alarm service	Jerrold	Not proposed	Space for others to provide it	Future joint venture
Hubs				
Number	8 total: 7 main area 1 Galt	4 total: 3 main area 1 Galt	5 total: 4 main area 1 Galt	10 total: 9 main area 1 Galt
Standby power	Yes	Yes	Yes	Yes
Hub intraconnection method	AML microwave (outbound) FML microwave (inbound)	Cable for main area hubs; AML microwave for Galt hub	Cable and FM microwave for main area hubs; AML microwave for Galt hub	Cable and AML microwave for all hubs (including Galt)
Intraconnection microwave				
Number of channels	82 outbound 4 inbound	2 outbound 2 inbound (Galt)	20 downstream 5 upstream (main area hubs); 88 downstream 3 upstream (Galt)	60 downstream (all hubs)

Characteristics	ACCESS	American	Cablevision	UTS
Intraconnection cables				
Number of channels	--	Dual 450 MHz cables utilizing FM	Dual 400 MHz cables utilizing both AM and FM	Dual 550 MHz bi- directional cable utilizing FM**
Distribution System				
Subscriber Network				
Number of cables	1	1	2	1
Miles of cable	2683	2400	3014	3030
Upper band limit	550 MHz (if ampli- fiers available; will temporarily install 450 MHz amplifiers, if not)	450 MHz	400 MHz (each of two cables)	550 MHz (if ampli- fiers available; will temporarily install 450 MHz amplifiers, if not)
Downstream channel capacity	77 (60, if 450 MHz amplifiers tempor- arily installed)	60	104 (52 per cable)	77 (60, if 450 MHz amplifiers tempor- arily installed)
Downstream channels initially activated	All	47	88 (44 per cable)	All
Upstream channel capacity	4	4	8	4
Upstream channels initially activated	Only as required for status monitoring	All	All	All
Status monitoring	Yes; all amplifiers	Partially; only at selected amplifiers	Yes; all amplifiers	Yes; all amplifiers

**Changed from Preliminary Report to indicate dual cable.

Characteristics	ACCESS	American	Cablevision	UTS
Standby power	Yes	Yes	Yes	Yes
Equipment manufacturer	Jerrold	Century III	Jerrold	Jerrold
Institutional Network				
Miles of cable	2683	600	734	875
Upper band limit	550 MHz (450)	450 MHz	400 MHz	550 MHz (450)
Downstream channel capacity	50	35	25	53
Upstream channel capacity	28	30	24	25
Initially activated	No	Partially; plant electronics will be initially installed, but central equipment will only be installed "as needed"	Partially; 17 downstream channels will be initially activated; all 24 upstream channels will be initially activated	Yes
Subscriber Premises Equipment				
Converters				
Manufacturer	C-COR	Zenith	Jerrold	Jerrold
Type	SCAT-10, off-premises	ST-1000	Several models	Starcom V

Characteristics	ACCESS	American	Cablevision	UTS
Technical Specifications				
Carrier-to-noise ratio <u>1/</u>	44.5 dB	45.3 dB	45.4 dB**	45.4 dB
Carrier-to-composite triple beat ratio <u>1/</u>	52.0 dB	53.1 dB	53.3 dB**	53.3 dB
Maximum trunk amplifier cascade	20	25	25 (Draft Resolution) 19 (Subsequent)	18
Maximum line extender cascade	2	2	2	2
Longest trunk	40,000 ft	62,000 ft	46,200 ft	28,300 ft
Longest feeder	3,000 ft	5,000 ft	2,000 ft	3,300 ft
System completion	63 months	63 months	48 months	60 months

1/ Tabulated figures based on latest calculated data supplied by each applicant:

ACCESS data based on Jerrold turnkey quote included as Attachment B to October 19, 1983, Response to Questions.

American data based on Draft Resolution submitted with September 20, 1983, proposal.

Cablevision data based on November 11, 1983, letter from John Dahlquist to William Quinn.**

UTS data based on calculations in Form I of September 20, 1983, proposal.

**Changed from Preliminary Report to reflect latest data from Cablevision.

Changes/Clarifications From the Preliminary Report.

For each of the proposed systems, the strengths listed in the Preliminary Report remain essentially unchanged. Many of the weaknesses listed in the Preliminary Report have either been eliminated or reduced, due to information provided in the interim period. Outlined below are the major changes and some details on the remaining concerns.

UTS

1. Complexity of Design. There is no change regarding the complexity of central facilities or regarding the extensive AML facilities. UTS will test the proposed AML microwave system for fading and will modify the system design as appropriate.
2. Compliance to Specifications. UTS has now promised that system conditions not meeting specifications will be corrected within a period of seven (7) days rather than 90 days.
3. 550 MHz. The issue regarding unavailability of 550 MHz equipment has been addressed in an earlier paragraph.
4. Starcom V Converter. The availability of the Starcom V converter is also still an issue.

Cablevision

1. Bay Area Signals. If direct reception of the Bay Area signals is not satisfactory at the four hub sites, Cablevision will do whatever is required to provide signals meeting the pertinent technical specifications.
2. Simulsat Antennas. There is no additional resolution regarding the future use of Simulsat antennas for 2° satellite spacings, but it must be recognized that the whole cable industry will need to deal with this problem when the time comes.
3. Additional Off-Air Signals. Space for additional off-air signals is no longer a concern since the cable network and the converter permit the expansion of the Basic tier.
4. Distant FM Signals. There is no change regarding the unavailability of distant FM signals and the complexity of the main area hubs.
5. Microwave Frequencies. The proposed Cablevision plan for the reuse of microwave frequencies appears to insure that sufficient spectrum will be available for all the microwave facilities proposed. There are still some minor concerns regarding the AML system for Galt, but most have been mitigated by new calculations provided by Cablevision and by Cablevision's promise to test the system for fading and make any required changes.
6. Hub Intraconnect. There is no change regarding the restricted intraconnection cable between the three northern area hubs.

7. Distribution System Specifications. The failure to meet the distribution system specifications has generally been resolved. Cablevision has provided additional details regarding the required amplifier cascade and the performance of the system for both 44 and 52 channels per cable. If the Cablevision system is considered as an 88-channel system (44 channels per cable), still the most of any bidder, its specifications are fully acceptable. At a 96-channel capacity (48 channels per cable) the specifications are still adequate. It is likely that at a loading of a full 104 channels (52 channels per cable) the additional channels would be used for purposes other than television carriage, such as data services, and these services can be made less sensitive to system degradation and thus can be carried satisfactorily on the remaining channels.

ACCESS

1. Downtown Tower. The changed location for the main tower eliminates concern over the 600-foot height.
2. Concentrated Initial Construction. There is no change regarding the concentrated initial construction, although it should be noted that the percentage of homes served versus time is similar to that of other applicants.
3. Reserved Channels. There is reduced concern regarding other uses for reserved channels, since the Basic service tier can be expanded due to the nature of the converter used.
4. Microwave System. There is less concern regarding the extensive microwave system since several alternatives have been offered if the final nine channels cannot be obtained. All applicants will have to deal to some extent with other users of the CARS microwave band.
5. Fading. ACCESS has promised to test fading of the long microwave paths and to make changes in the system design as necessary.
6. 550 MHz. The unavailability of 550 MHz equipment has been dealt with in an earlier paragraph.
7. Non-activation of I-Net. There is no change regarding the non-activation of the institutional network, although ACCESS points out that the subscriber network can be used temporarily to provide such service to a given user until the necessary portion of the institutional network is completed. It is possible that future devices will be available at reasonable cost to permit the reception of the wideband institutional network channels proposed.
8. Technical Specifications. The apparent failure of the ACCESS system to meet certain technical specifications have been resolved.
9. System Capacity. The comparative system capacity of 77 channels was primarily a clarification comment. It is likely that by the time the SCAT-10 converter units are required, that 550 MHz units will be available.
10. SCAT-10 Converter. While the converter has been used in only one small system, there is approximately three years of experience there with its use.

There is no change in the concern regarding the physical size of the converters to be mounted both on poles and underground throughout the system, although ACCESS has indicated the possibility of mounting some units in cabinets next to residences. ACCESS has firmly committed to mounting all SCAT-10 units in underground vaults rather than in pedestals in areas of underground construction. ACCESS will provide a converter for every television set receiving authorized service, which may increase the bulk of converters to be accommodated but which will eliminate certain concerns regarding second set service, parental lockout, and channel number confusion. The parental lockout feature of the keypod is still a concern, and an alternative new method has been proposed by ACCESS.

American

1. Minimum Technical Details. American did not provide full answers to all questions in the RFP, and the lack of technical details reduces confidence in the system design to some degree.
2. Galt Headend. American has promised that the separate headend in Galt will completely duplicate the facilities of the main system headend.
3. Future Off-Air Signals. The Z-TAC converter will permit an expansion of the Basic service tier, allowing space for future off-air signals.
4. Interactive Services. There is no change regarding the lack of interactive services, the least extensive cable network, the minimal status monitoring, and the lack of bridger switching capability.
5. Channel Capacity. The 60-channel capacity proposed, while the minimum of any proposal, was incorrectly stated in the Preliminary Report as being nonconforming to the Ordinance, since the Ordinance only recommends a minimum capacity of 70 channels for the subscriber network.
6. Peak-to-Valley Specifications. No additional information regarding the peak-to-valley specification was provided, but this is probably adequately covered by other specifications.
7. Drop Cable. American has indicated that the proposed drop cable was an error, and a newer part number has been provided, but the new cable is still of somewhat less quality than provided for the other systems.
8. Downtown Construction. The delayed construction of the central downtown area was commented upon by American but no firm earlier date was provided.

IV. SERVICES AND RATES

The Services and Rates Section is divided into two parts; Entertainment and Non-entertainment Services and each has now been ranked separately.

Entertainment Services

Since release of the Preliminary Report, no significant changes, errors, clarifications or omissions have been identified which would necessitate any adjustment to the ranking in the Entertainment Services Section. The applicants continue to be ranked as follows:

1. Cablevision
2. UTS
3. ACCESS
4. American

The strengths and weaknesses of each applicant are summarized below and in the table, Services Summary of Four Applications at the end of this Section:

Cablevision is ranked first because they--

Offer on Tier 1, at \$2.00 per month:

- ° The most number of services, 36
- ° The widest variety of service; covering eight of the 11 categories (as defined in the Preliminary Report)
- ° The highest number of the eight most watched services (2), including the only sports channel, USA. (The Satellite News Channel has merged with the Cable News Network, leaving eight most watched services)

Offer the lowest cost for HBO and a Sports channel, \$15.00

While there is only limited control of rates by local governments, and specific services may be eliminated and replaced, the rates proposed by Cablevision for the above mentioned services are the lowest of any applicant. In addition, Cablevision commits to maintaining these basic rates for a period of five years.

Cablevision's second tier at \$8.00, offers 58 services. While not offering the highest number of services, (ACCESS has 59) priced lower than any other applicant. Tier 2 offers 4 Bay Area and 1 Los Angeles broadcast station and the other 6 most watched services. Cablevision also offers HBO and a sports channel for \$15.00 per month which is the lowest of any applicant. The 9 premium services offered each have a rate of \$9.00 per month, with the exception of HBO, the most watched service nationally, which is \$7.00. These premium rates are also lower than those proposed by the other applicants, with the exception of the Home Theatre Network "mini-pay" service offered on Tier 1 by ACCESS and UTS, at \$5.95 and \$7.95 respectively.

Cablevision commits to building the entire Imposed Service Area, and has proposed a series of marketing packages that provide progressive discounts, thus increasing value to the subscriber who is interested in multiple premium services.

Finally, the major concern of Cablevision's entertainment services offering is relative to the limitation placed on distant signal copyright fees. Should current legal proceedings be decided in opposition to the Cablevision assumptions, or should distant signal fees be increased faster than Cablevision's revenues, there is a likelihood that the 3 superstations and/or 5 out-of-area broadcast signals currently proposed could be reduced. At the public hearing on November 14, Cablevision did not identify which signals would be eliminated should such action be necessary.

UTS offers strong entertainment services and is ranked second because they--

Offer on Tier 1 at \$2.95 per month:

- ° A total of 27 services
- ° Two premium services
- ° Services in 5 of the 11 categories

Offer HBO and a Sports channel, \$18.90.

UTS is the only applicant to offer two premium services, Home Theatre Network and Galavision, on Tier 1. UTS allocates space for future broadcast channels and includes 13 of its 14 community channels on this Tier.

UTS' second tier at \$8.95 is moderately priced and provides 7 of the 8 most watched services, having excluded superstation WOR from New York. The 6 additional premium services offered are also priced moderately at \$9.95.

UTS commits to servicing 100% of the Imposed Service Area. They do not offer any form of rate control, nor are they providing services in all 11 of the variety categories, having excluded an Adult service. Also UTS has not included any Bay Area or Los Angeles broadcast stations.

Lastly, UTS proposes a third tier at \$10.95 consisting primarily of specialized interactive services. These will be discussed separately in the Non-Entertainment Services Section which follows this Section.

ACCESS also offers a strong services package because they--

Offer on Tier 1, at \$2.95 per month:

- ° A total of 21 services
- ° A low cost premium service.
- ° Services in 7 of 11 categories

Offer HBO and a Sports channel, \$18.90; the same as UTS.

ACCESS' \$5.95 premium option, on Tier 1, Home Theatre Network, is the lowest priced such premium service offered.

On Tier 2 at \$8.95, ACCESS offers 5 Bay Area Broadcast stations and all 8 of the most watched services. ACCESS proposes a third tier which like UTS is primarily for expansion and interactive services; however no specific services are committed.

ACCESS proposes to use a particular off-premises converter which offers increased theft of service protection and the flexibility to modify its tier structuring very easily from the headend. Services in 10 of the 11 categories are provided with an Adult Service excluded. The cost to receive HBO and a sports channel is \$18.90, the same as UTS. ACCESS does not propose to wire the entire Imposed Service Area, exempting approximately 6% of the homes for low density.

ACCESS agrees to be bound by the Ordinance provisions for rate control, subject to the exemptions provided by existing State law allowing deregulation upon satisfaction of certain community benefit requirements, and following completion of 80% of the build, plus two years.

At this point there is a marked separation in the overall quality of the services offered. American offers substantially less services, at higher cost than the other applicants. American has a relatively weak set of entertainment services and is ranked last because they--

Offer on Tier 1 at \$4.45:

- ° The least number of services, 18
- ° No premium services
- ° None of the most watched services
- ° Services in 5 of the 11 categories

Offer HBO and a Sports channel, \$24.00; the highest of all applicants.

American's Tier 1 rate is the highest of all the applicants. Only two services, C-SPAN and the Learning Channel, provide any uniqueness or variety beyond community and must-carry broadcast channels.

On Tier 2, American offers seven of the most watched services and includes only 7 of the 11 categories. The rates for premium services are \$12.00, which like the Tier 2 rate of \$12.00, is the highest of any applicant, and is also at the top of the range of the systems surveyed nationwide. In their response to the Preliminary Report submitted on November 14, American asserted that the service counts were incorrect. Staff has reviewed this and has concluded that American included future services in its count, whereas staff systematically eliminated future services and reserved channels from its calculations. The cost to receive HBO and a sports channel on American is \$24.00, the highest of all the applicants.

American proposes to serve only 86% of the homes in the Imposed Service Area, based on a Year 10 comparison of their homes passed per the low density exemption and the Uniform Data included in the RFP.

American has agreed to be bound by the Ordinance provisions for rate control, subject to the exemptions provided by existing State law allowing deregulation upon satisfaction of certain community benefit requirements, and following completion of 80% of the build, plus two years.

Non-entertainment Services

This Section will discuss and rank non-entertainment services in two parts. The first will address interactive services, including transactional. The second component will address institutional services.

This Section was not ranked in the Preliminary Report, as the analysis indicated that there were insufficient contractual commitments on which to base a ranking. Subsequent to the Preliminary Report, clarifications and modifications were made to the Resolutions which resolved inconsistencies in wording and established commitments for physical plant, system capacities, and/or services offered.

Although security services can be offered as both a Subscriber interactive service and as an Institutional service, for the purposes of this section security services will be considered within interactive services as predominately a home subscriber service.

The overall ranking for Non-entertainment Services is:

1. UTS
2. Cablevision
3. ACCESS
4. American

Interactive Services. As noted in the Table "Two-Way Services" at the end of this Section, UTS commits to provide home security services by the fifteenth (15) month of activation of the system. In addition, upon system activation, UTS commits to provide the necessary equipment and system capabilities and capacities to provide the following interactive services:

- ° Impulse-pay-per-view
- ° Opinion polling

Further, UTS proposes a telephone based shopping service on its Tier 3, along with two premium business oriented interactive services, Reuters-Interactive Data Retrieval, and Dow Jones I and II.

UTS will provide additional capacities and services at Month 37, including electronic mail, transactional banking and shopping services, if in their determination these services are available and are technically and economically feasible.

Cablevision is committed to providing channel capacity for security services to third parties but will not directly offer such services themselves. Cablevision does commit to provide full interactive equipment and interactive capacities. In addition, Cablevision commits to providing the following services upon system activation;

- Impulse-pay-per-view
- Opinion polling
- Simple two-way response services

Cablevision also agrees to provide text retrieval, electronic mail and transactional services by month 63, but it may delay the initiation of any such service in its sole discretion. However, should the Commission find at a public hearing called specifically for that purpose, that any interactive service is unwarranted in view of the subscriber demand and the costs of providing it, that particular service may be discontinued. Further, should the Commission find that a particular service should not be discontinued, Cablevision reserves the right to take the issue to arbitration.

UTS and Cablevision are close in their interactive offerings, as both initially commit to provide opinion polling and pay-per-view services. UTS provides security services early in the system activation; Cablevision commits to providing the capacities for enhanced interactive services in their design and initial build.

However, in keeping with the overall philosophy of this Report, the commitment to security services and the unqualified commitment to two interactive services at system activation by UTS, slightly outweigh Cablevision's commitments including the enhanced capacity of its system.

At this point, there is a distinct difference in the level of interactive services offered. ACCESS and American have clearly offered substantially less.

ACCESS commits to provide security services by Month 63 through a third party. While ACCESS identifies spectrum space for future interactive services, there is no commitment to provide any such capacities or services.

American does not offer any security services, nor are any interactive service capacities identified, offered or committed.

Institutional Services. There have been no major changes in the Institutional Network offerings since the release of the Preliminary Report. The offering of Institutional services must be viewed with extreme caution because these services are not vested, and therefore there is no enforceable or committed obligation of any applicant to provide any service.

In assessing these proposed institutional networks, staff could not identify for comparison any operating example of a metropolitan cable television-based institutional network. There are examples of private and public local area networks, which serve a single corporate structure using cable technology, or serve a series of libraries using cable television for data interconnects, but there are none which combine cable television and users from different entities using the variety of services which are described for Sacramento. Therefore, such a system would place Sacramento on the front-edge of institutional marketing, service delivery, and technology.

UTS commits to activating an 875 mile Institutional Network with both video and data electronics by month 37. This system will have the capacity of 53 downstream channels and 25 upstream channels. UTS includes two detailed studies of the potential institutional market in their application, and was the only applicant to do so.

UTS commits to providing free drops to non-commercial institutions, \$200,000 to the Libraries, and 4 channels to the Education Consortium, as well as data transmission rates reduced relative to commercial rates. In total, UTS proposes over \$5 million in developmental grants and/or incentive packages including \$1 million to an Institutional Network Research Foundation.

Cablevision proposes a 734 mile institutional network with both video and data electronic capacities. The system Cablevision proposes has 25 downstream and 24 upstream channels, of which only 17 of the downstream will be initially activated. Thirty MHz of bandwidth has been granted for free use by the Educational Consortium., Additional use of the I-Net will be at 50% of Commercial rates. Cablevision commits to \$800,000 in developmental grants/incentives.

As with interactive services, there is a clear separation in the level of institutional services committed below this point. American does not include any data electronics on its institutional cable, and ACCESS includes neither video nor data electronics.

American proposes a 600 mile institutional network, activated with video capabilities concurrently with the Subscriber Network and having 35 downstream and 30 upstream channels. Usage will be free to all programming public institutions. All agencies listed in the RFP will receive free drops. However, American has not designed its I-Net to be initially capable of providing data services. Further, the services described are primarily those of video uses and do not develop any data service functional possibilities. American identifies spectrum space on its subscriber cable for I-Net services to subscribers not on the I-Net.

ACCESS proposes to place a 2683 mile institutional cable in tandem with its subscriber cable and provides 750 free drops to public institutions and private schools. However, no electronics for either video or data are provided. The potential capacity of this cable is 50 downstream and 28 upstream channels. This is a shadow cable, with no committed uses or services, with a clearly defined restriction on its activation such that a 20% return on investment must be reached. As ACCESS stated at the public hearing on November 14, the financial usefulness of this cable may prove to be as an additional subscriber cable. ACCESS, like American, allocates some spectrum space on its subscriber cable for I-Net services.

SERVICES SUMMARY OF FOUR APPLICATIONS

	CABLEVISION			UTS				ACCESS				AMERICAN		
TIER STRUCTURE	2			3				3				2		
Cost/Tier, 1	Basic, \$2.00			Tier1, \$2.95				Basic, \$2.95				Basic, \$4.50		
Cost/Add'l Set	\$6.00			\$2.95				Not Offered				\$2.25		
Cost/Tier, 2	Family, \$8.00			Tier2, \$8.95				Super, \$8.95				Star, \$12.00		
Cost/Add'l Set	\$6.00			\$4.50				\$4.95				\$4.00		
Cost/Tier, 3				\$10.95				\$12.95						
Cost/Add'l Set				\$5.50				\$7.50						
Installation Cost Tier, 1	\$25.00			\$14.95				\$29.95				\$20.00		
Installation above Tier 1	\$55.00			\$14.95				\$29.95				\$20.00		
Cost to Get HBO & Sports	\$15.00			\$18.90				\$18.90				\$24.00		
	T1	T2	Total	T1	T2	T3	Total	T1	T2	T3	Total	T1	T2	Total
Channels Programmed	28	22	50	27	24	1	52	19	35	4	58	18	26	44
Reserved	2	36	38	5	5	15	25	7	1	11	19	5	11	16
Total	30	58	88	32	29	16	77	26	36	15	77	23	37	60
Services Offered	36	22	58	27	25	1	53	21	38	3	62	18	29	46
Categories Offered/11	8	7	n/a	5	7	1	n/a	7	9	1	n/a	5	7	n/a
Premiums Offered	0	9	n/a	2	6	0	n/a	1	7	0	n/a	0	8	n/a
9 Most Watched	2	6	8	0	7	7	n/a	0	8	0	8	0	7	7
YEAR 10: Basic Subs	255,900			204,258				237,497				159,707		
Penetration%	61%			50%				60%				48%		
Density to Uniform Data	103%			100%				94%				86%		
Total Broadcast Channels	12			11				15				9		
Non-Super/ Local	7			7				7				7		
Other	5			0				5				0		
Future	0			4				3				2		
AUDIO														
Basic	\$2.00			\$2.50				\$4.50				\$2.00		
Premium	\$5.00													
Sep. Audio Installation	\$25.00			\$10.00				\$19.95				\$15.00		
VOLUNTARY RATE CONTROL	Basic for 5 years			None				Per Ordinance, then Govt. Code 53066.1				Per Ordinance, then Govt. Code 53066.1		

SUMMARY OF TWO-WAY SERVICES **

	UTS	Cablevision	ACCESS	American
HOME ALERT SECURITY	Yes Yes-Month 15 Direct/Third Party	Yes Yes-Capacity for third parties	Yes Yes-Month 63	Yes None Third Party
INTERACTIVE: Physical Capacity	Yes Yes, Capacity for the Services Below:	Yes Yes, Capacity for the services below:	Not Functional None	Not Functional None
Services	To provide upon activation, the following interactive services: -Pay-Per-View -Polling Services To provide, if available and if technically and economically feasible, by Month 37, the following services: -Transactional: banking, shopping -Electronic Mail -Videotex (Information & Financial)	To provide upon activation the following interactive services: -Impulse Pay-Per-View -Opinion Polling -Simple 2-Way Responses To provide by Month 63: -Alphanumeric text retrieval -Electronic Mail -Transactional services, subject to availability of software and services providers. Except that the initiation of these services may be delayed at company's sole discretion. Any of the above services may be discontinued if the Commission determines at a public hearing that the demand for any such service is insufficient relative to the cost of providing that service. If the Commission denies such discontinuance, Cablevision has the right to subject the issue to arbitration.	None	None
** For services other than status monitoring.				
INSTITUTIONAL Physical	875 mile system	734 mile system	2,683 mile system	600 mile system
Video Electronics	Yes	Yes	None	Yes
Data Electronics	Yes, to be activated by Month 37	Yes, to be activated with S-Net	None	None
Services	No Services Vested	No Services Vested	No Services Vested	No Services Vested

V. COMMUNITY PROGRAMMING

There have been several significant changes in the Community Programming offering of two of the Applicants since the release of the Preliminary Report. This resulted in a change in the ranking of applicants in the Community Programming section. Applicants are ranked as follows:

1. Cablevision
- 2/3. UTS/American (Tie)
4. ACCESS

Cablevision ranks above the other applicants in the innovative scope of their community programming proposal. Cablevision is offering to spend 62.5% of their Basic Service Revenues for community programming. This support will be in the form of programming contracts with Cablevision's Independent Body (the Sacramento Community Trust), the Educational Consortium, KVIE, and the Cities and County. Altogether, Cablevision is guaranteeing that 60 hours per week of community use programming will be produced by these organizations. This is the highest number of guaranteed hours of all the applicants and is reflected in an enforceable Resolution.

Cablevision is providing 2 studios for general Community Use, as well as a studio for the Educational Consortium and one for Government use. Their Local Origination commitment is backed up by a studio and 6 mobile production vehicles. Their capital commitment is the highest of all the applicants.

Overall, the Cablevision proposal is an attractive array of guaranteed funding, programming hours, training, and production equipment. Their proposal should result in more local programming than those of the other applicants.

UTS and American are now tied for second place. American has responded to staff's concerns in several key areas which are described in detail later in this section. This essentially makes American and UTS equal in the following areas:

- ° Each offers 4 production studios for local programming
- ° Each offer 10 hours per week of Community Use programming
- ° Funding for Community Use and Public Access programming are almost identical
- ° Each offers some community grants tied to revenue
- ° Each has an enforceable Resolution
- ° Each has an Independent Body that allows for subscriber participation

The major difference between UTS and American is in the number of Local Origination program hours produced by the operator: American is guaranteeing 10 hours per week of LO and UTS is guaranteeing 20 hours per week. Overall, however, both companies have developed well-balanced, solid and attainable community programming plans.

ACCESS has also modified their community programming commitments since the release of the Preliminary Report. The most significant change is an increase in community grants funding. This results in ACCESS' total Community Use funding exceeding that of both American and UTS. However, there is no guarantee of Community Use hours in the ACCESS Resolution. The result is a well-funded but less enforceable proposal.

Although ACCESS has increased their equipment offerings, staff is still concerned about the company's ability to meet the demand for production they may encounter as a result of their generous training package and large number of local programming channels. Although ACCESS has increased the amount of equipment available in the Satellite offices, the one 1/2-inch editing system they have proposed seems to be insufficient to edit the resulting programming. Although ACCESS has greatly improved their community programming package, their Resolution is still less enforceable than the other applicants, and for that reason they are ranked close to but below UTS and American.

American has agreed to use population parity as its goals for affirmative action hiring, rather than workforce parity as originally stated in their proposal. They will use Sacramento County population figures as their standard. However, in their revised goals, they do not seem to include the disabled. This is a major weakness in their plan.

American has revised their MBE/FBE program to set aside 10% of its contracts for minority/female businesses in the first year of the franchise, 15% in the second year, and 20% in the subsequent years of the franchise. No specific breakdown has been made between women and minority contractors.

Cablevision has expanded their goals and timetables in response to staff concerns. They appear to have revised their original goal of not reaching population parity in the early years of the franchise, and now attempt to reach parity by Year 2, using Sacramento County percentages.

They have agreed to an MBE/FBE set-aside of 23% for contracts awarded in Sacramento. They have also agreed to a purchasing set-aside of 23%. There is no specific breakdown between women and minority contractors.

Cablevision contractors must submit an EEO plan and agree to population parity as their hiring standard. Cablevision has included a sexual harassment policy which was not a part of their original plan.

With these changes, Cablevision has met most of the major concerns raised by the Preliminary Report.

UTS has clarified that they will use Sacramento County statistics as a goal to measure population parity. They have included the disabled and veterans in their sample goals that they submitted in response to staff concerns.

Their MBE/FBE commitment has been increased to 20%, but it is now unclear what specific set-aside are made for female contractors. Their original proposal set aside 3% of contracts for women; their revised goals of 20% total MBE/FBE does not give a specific breakdown for female contractors.

COMMUNITY PROGRAMMING SUMMARY

	Cablevision	UTS	American	ACCESS
Entries followed by an asterisk (*) have been changed since the Preliminary Report as a result of submissions from applicants.				
Guaranteed Hours:				
Local Origination--Produced	36	20	10	2
Local Origination--Purchased	7 (Note 1)	20	20	2
.338 Community Use	60	10	10	None
TOTAL	103	50	40	4
Number of Staff L.O.: 60 + Part-time- (Note 1). C.U.: Not specified.		34	35	10.5 plus paid Interns
Video Channels	7	14	8 *	15
# of .336/.338 TV Studios	3	4	4	1
Proforma penetration rates:				
.336/.338 Operating Support	\$38.7 Million	\$10.9 Million	(Note 2) \$12.0 Million	(Note 2) \$10.0 Million
.342/.344 Direct				
Operating Grants	\$31.6 Million	\$13.5 Million	\$10.2 Million *	\$18.4 Million *
TOTAL CU SUPPORT	\$70.3 Million	\$24.4 Million	\$22.2 Million *	\$28.4 Million *
Penetration limited to 50%:				
.336/.338 Operating Support	\$32.4 Million	\$10.9 Million	(Note 2) \$12.0 Million	(Note 2) \$10.0 Million
.342/.344 Direct				
Operating Grants	\$26.5 Million	\$13.5 Million	\$10.2 Million *	\$15.0 Million *
TOTAL CU SUPPORT	\$59.0 Million	\$24.4 Million	\$22.2 Million *	\$25.0 Million *
COMMUNITY PROGRAMMING GRAND TOTALS:				
Proforma penetration rates:				
Capital	\$6.6 Million	\$4.8 Million	\$4.9 Million	\$2.3 Million
L.O. Operating Support	\$49.6 Million (Note 1)	\$10.6 Million	\$4.4 Million	\$5.3 Million
C.U. Operating & Grants	\$70.3 Million	\$24.4 Million	\$22.2 Million *	\$28.4 Million *
TOTAL	\$126.5 Million	\$39.8 Million	\$31.5 Million *	\$36.0 Million *
Penetration limited to 50%:				
Capital	\$6.6 Million	\$4.8 Million	\$4.9 Million	\$2.3 Million
L.O. Operating Support	\$49.6 Million (Note 1)	\$10.6 Million	\$4.4 Million	\$5.3 Million
C.U. Operating & Grants	\$59.0 Million	\$24.4 Million	\$22.2 Million *	\$25.0 Million *
TOTAL	\$115.2 Million	\$39.8 Million	\$31.5 Million *	\$32.9 Million *

NOTES:

1. Cablevision's L.O. expenditures and purchased hours are not guaranteed--the proposed news channel must be self-supporting to continue. If news operation is successful, 7 hours of programs will not be purchased.
2. ACCESS and American each prorate C.U. operating costs across all four categories in their applications. This Table includes those costs under .336/.338 Operating Support.

Changes/Clarifications From the Preliminary Report

The following changes and clarifications to the Preliminary Report have been submitted by each applicant:

Cablevision

1. Training. Cablevision has defined "reasonable demand" as it relates to training as the numbers of persons enrolled in a class. This alleviates staff concerns regarding the enforceability of their training commitment.
2. Equipment. The Hitachi FP-60S cameras located in Cablevision's Local Origination studio were erroneously classified in the Preliminary Report as "broadcast level" cameras. They should be classified in the "professional level" category.

UTS

No changes or modifications have been received regarding UTS' community programming commitment.

American

1. Facilities. Instead of locating all studios at the headend, two of the studios will be located in other parts of the service area. In addition, American has stated that all of their production facilities will be accessible to the disabled population.
2. Independent Body. The Independent Bodies proposed by American, the Advisory Board and the Community Grants Board, will be structured to insure at-large subscriber participation. No company representatives or persons appointed by the Company will be on the Boards after their initial formation.
3. Grants Funding. American will fund the Grants Board at \$500,000 per year or 2% of gross revenue from Tier 1 and Tier 2 subscribers, whichever is greater. At their proforma levels, this equals approximately \$230,000 more support over the life of the franchise. If American's penetration increases, or their rates are raised, the community will benefit by increased funding for community programming.

In addition, although the Advisory Board receives a maximum of \$25,000 per year, the Commission may request that additional funding be allocated to this body.

4. Number of Community Use Channels. Although the Community Programming Comparison chart (Table V-5 in the Preliminary Report) listed 8 local programming channels, the narrative inadvertently only credited American with 6 channels. Of the 10 channels American states are available for local programming, staff can only count 8 as being available upon System activation for local programming. The additional 2 channels are available for future services.

5. Government Resources. American has included support for government programming in their overall package of public access/community use support. Government agencies have use of a dedicated channel, as noted in Table V-5, and may apply for funding to the Community Grants Board, as noted in the Preliminary Report.

ACCESS

1. Equipment. ACCESS has included the following additional equipment in their Resolution:
 - (1) 1/2" to 3/4" editing system
 - (4) VHS portable recorders for the satellite offices
 - (4) Beta portable recorders for the satellite offices
 - (4) additional cameras for the satellite offices
 - (4) additional cameras for coverage of live government meetings

The addition of two porta-paks for each satellite office will provide more flexibility for community users.

2. Studio space. The size of the ACCESS main studio has increased to 12,000 sq. ft., with 25% of the space dedicated for training uses.
3. Equipment replacement. ACCESS has removed the penetration trigger of 62% which limited equipment replacement after year 10. This essentially guarantees equipment replacement throughout the life of the franchise.
4. Training. Training of community programmers will start in Year 1, instead of Year 4.
5. Independent Body. The majority of the Board of Directors of the Corporation for Community Programming will be subscribers.
6. Grants Funding. ACCESS has removed the penetration limits of its "additional" community programming funding. Annual funding will be the greater of 1% of gross revenue or \$100,000 in Years 1-5, \$200,000 in Years 6-10, and \$300,000 in Years 11-20. Over the life of the franchise, this will result in \$18.4 million in grants at ACCESS' proforma rates, or \$15.4 million if penetration only reaches 50%. This is an increase of \$6 million at the proforma rate and \$13 million at the 50% penetration rate.

VI. Employment Practices

Training

There have been no modifications or additional information regarding training since the Preliminary Report.

Affirmative Action

All of the companies have made clarifications and modifications to their voluntary Affirmative Action Plans since the release of the Preliminary Report. In response to concerns raised by the staff of the Human Rights Commission, the City Affirmative Action Officer, and community organizations, each company has upgraded their plan so that all of them are complete, legal, and a good basis to ensure the participation of women, minorities, and the disabled in the operations of the Sacramento cable system. All of the Affirmative Action Plans are a great improvement over what was originally submitted in the applications.

It should be noted that all applicants have increased their Minority/Female Business participation to 20% or greater of the budget estimate for contractors. This percentage relates to population and while laudable, the companies may experience difficulty in finding sufficient minority/female contractors within the Sacramento community to meet that goal. Therefore, the Affirmative Action Task Force ought to review this commitment carefully after the franchise award.

The applicants have not been ranked in the area of Affirmative Action. Below is a discussion of the significant changes that have been submitted by each applicant and attached to their Resolution.

ACCESS has clarified that it will use population parity in its Affirmative Action goals for the Sacramento cable system. They will use statistics from the Sacramento SMSA, which have slightly lower percentages for minorities than Sacramento County. ACCESS submitted goals and timetables, but did not assign numerical or percentage values to them. A goal of reaching population parity within five years has been expressed.

A sexual harassment policy has been included in response to concerns raised by the Human Rights Commission.

ACCESS has strengthened their Minority/Female Business Enterprise Plan by increasing the contract set aside amount to 23%, which is parity with the minority population in Sacramento County. Some ambiguity remains of whether this set-aside includes women contractors, as the term "specific percentage minority" is used exclusively through some of the documents ACCESS submitted. No breakdown between women and minority contractors is made.

A \$100,000 revolving loan fund has been included to assist new businesses. This funding will be used as "start-up" money. ACCESS has included a requirement that prime contractors with contracts over \$250,000 must prepare a proposal indicating how they plan to meet the 23% contract set-aside adhered to by ACCESS.

Overall, ACCESS has put a lot of effort into improving their plan and responding to the concerns raised by the Preliminary Report.

RESOLUTION NO. 83-920

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

NOV 22 1983

RESOLUTION OFFERING FRANCHISE FOR CABLE TELEVISION SYSTEM TO CABLEVISION OF SACRAMENTO

WHEREAS, the County of Sacramento ("County"), the City of Sacramento ("City"), the City of Folsom ("Folsom"), and the City of Galt ("Galt") (hereinafter collectively "the County and municipalities") desire to award a franchise for the erection, installation, construction, reconstruction, operation, maintenance, dismantling, testing, repair and use of a cable television and communications system ("system") in, upon, along, across, above, over, under, or in any manner connected with the streets, public ways, or public places within the boundaries of the County and municipalities as now or in the future may exist; and

WHEREAS, the County and municipalities desire the widest possible range of cable communication services for their residents; and

WHEREAS, an ordinance relating to cable television franchises was enacted in substantially identical form and content by the Board of Supervisors of the County of Sacramento as Ordinance No. SCC 488 on November 24, 1981 ("the Ordinance"), by the City Council of the City of Sacramento as Ordinance No. 81-103 on November 23, 1981, by the City Council of the City of Folsom as Ordinance No. 467 on December 8, 1981, and by the City Council of the City of Galt as Ordinance No. 81-18 on December 8, 1981; and

WHEREAS, pursuant to Section 5.50.202 of the Ordinance the request for proposals for the initial franchise was approved by the County on July 21, 1983, and by the City on July 19, 1983; and

WHEREAS, in response to said request for proposals, five (5) applications were received from potential franchisees on September 20, 1983; and

WHEREAS, County and City gave careful and thorough review to each of the proposals submitted; and

WHEREAS, pursuant to Ordinance Section 5.50.210, the governing body of the County and the governing body of the City, acting as a combined issuing authority, selected Cablevision of Sacramento (hereinafter sometimes referred to as "Franchisee"), as the tentative selectee; and

WHEREAS, said tentative selection was based entirely upon the contents of the submissions of the five (5) applicants; and

WHEREAS, pursuant to Section 5.50.106, this Commission has come into existence pursuant to Subchapter 2 of the Ordinance and pursuant to the provisions of Title I, Division 7, Chapter 5 of the Government Code as a joint powers agency of the County and municipalities; and

WHEREAS, this Commission is now properly constituted for the conduct of its business; and

WHEREAS, prior to the initial selection, extensive negotiations have ensued by and between County, City, Commission and the Franchisee regarding the terms and conditions of this Resolution; and

WHEREAS, pursuant to Section 5.50.214 of the Ordinance, the governing bodies of the City and County have approved resolutions identical to this Resolution by means of Resolution No. 83-920 on November 22, 1983, by the City and Resolution No. 83-1450 on November 22, 1983, by the County.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION does hereby resolve as follows:

SECTION I

GENERAL PROVISIONS

1. Offer of Franchise. The Commission hereby offers to Cablevision of Sacramento, a California partnership, a non-exclusive franchise to erect, install, construct, reconstruct, operate, maintain, dismantle, test, repair, and use a cable television and communication system in, upon, along, across, above, over, under, or in any manner connected with the streets, public ways, or public places within the boundaries of the County and municipalities as now or in the future may exist, in strict accordance with the terms of the Franchise Documents, the laws of the United States of America, the State of California, the County of Sacramento, the City of Sacramento, the City of Folsom, and the City of Galt, now existing or hereafter adopted, amended, supplemented, or interpreted by a court of competent jurisdiction.
2. Interpretation of Resolution Terms. Unless the context clearly indicates that a different meaning is intended or unless this Resolution expressly sets forth a different meaning, all terms, phrases, words, and their derivations in this Resolution shall have the meaning given in the Ordinance.

3. Commission as Sole Obligor. This Commission is intended to be the sole obligor as franchisor under this Resolution. Neither the County, the City, Folsom, or Galt shall be obligated to perform any of the obligations of the franchisor hereunder, except as provided in Paragraph 4 of this Section.
4. Existence of Commission. If, for any reason, the Commission should cease to exist prior to the expiration of the franchise or any extension thereof, the obligations of the Commission as franchisor hereunder shall devolve upon the parties to the joint powers agreement establishing the Commission.
5. Franchise Documents as Contract. Pursuant to Section 5.50.018 of the Ordinance, upon acceptance in accordance with the provisions hereof by Franchisee, this Resolution and the attendant Franchise Documents shall be deemed a contract between Franchisee and this Commission.
6. County and City as Intended Third Party Beneficiaries. While the County and municipalities are not parties to this contract, this contract is made expressly for the benefit of the County and municipalities on behalf of the citizens of the County and municipalities. The City and the County are intended third party beneficiaries and shall be entitled to enforce any of the provisions hereof without the concurrence or participation of any other party or entity.
7. Franchisee Not Intended Third Party Beneficiary of Joint Power Agreement. Neither the Franchisee nor any of the named owners of the Franchisee or affiliated entities thereof shall be deemed to be an intended third party beneficiary of the agreement of formation of the Commission pursuant to Section 5.50.112 of the Ordinance. Neither the Franchisee nor any of the named owners of the Franchisee or affiliated entities thereof shall have any right to enforce the provisions of said agreement of formation against any of the parties thereto.
8. Identification of Franchisee. The Franchisee pursuant hereto shall be Cablevision of Sacramento, created and established as a General Partnership pursuant to the laws of the State of California in accordance with a certain Partnership Agreement annexed to Franchisee's Application as Attachment A.1. The general partners of the Franchisee shall be Charles F. Dolan, Cablevision Systems Sacramento Corporation, Scripps-Howard Cable Company of Sacramento, Inc., and River City Cablevision, Inc. The Commission, City and County are hereby expressly designated as intended third party beneficiaries of said agreement and any amendments thereof and shall have the right to enforce any provisions thereof against any party thereto without the participation or concurrence of any other party or entity.
9. Reformation of General Partnership Agreement. Notwithstanding any contrary provisions of the Partnership Agreement, the partners and the named

owners of the Franchisee expressly agree that the Partnership may not be terminated prior to the expiration of the franchise term without the prior written approval of the Commission.

Where the Commission shall have given its prior written consent to a transfer of the entire interest of a proposed transferor pursuant to Ordinance Section 5.50.758, said approval shall operate to release and relieve the proposed transferor of any further obligation or liability under the franchise documents. Unless such prior written consent shall have been obtained and notwithstanding any contrary provisions of the Partnership Agreement, the sale or transfer by the Franchisee, a partner or any named owner of the franchisee of all or part of its ownership interest in the system or franchise shall not operate to relieve the transferor of its obligations or liabilities under the Franchise Documents to any degree whatsoever.

10. Related Entities. All of the shares of Cablevision Systems Sacramento Corporation, a California corporation, ("CSSC") are owned by Charles F. Dolan. All of the shares of Scripps-Howard Cable Company of Sacramento ("SHCC"), a Delaware corporation, are owned by Scripps-Howard Broadcasting Company, an Ohio corporation, ("SHBC"), of which seventy-five and four one-hundredths percent (75.04%) of the shares are owned by The E. W. Scripps Company. River City Cablevision, Inc., is a California corporation.
11. Named Owners Specified. Charles F. Dolan, CSSC, SHCC, and River City Cablevision, Inc., are hereby identified as named owners for purposes of Section 5.50.756 of the Ordinance. The provision of subparagraph (i) of Section 5.50.756 of the Ordinance shall apply to any acquisition or accumulation by any party or association of parties of the requisite percentage of the voting shares of the stock, conversion or warrant rights thereto, or beneficial interest therein, of any named owner of the Franchisee whether such acquisition or accumulation results from a purchase, sale, exchange, or issuance of stock or beneficial interest therein, or conversion or warrant rights thereto; provided that the aforesaid acquisition or accumulation provision shall not apply to acquisition or accumulation by a registered investment company or investment trust or a registered investment advisor.
12. Foreign Corporation Law. The named owners of the Franchisee which are not domestic corporations shall, prior to the submission of a Certificate of Acceptance hereto and at all times during the term of the franchise, comply with the provisions of Chapter 21 of Division 1 of Title 1 of the General Corporation Law of California (Corporation Code Section 2100, et seq.). Breach of the provisions of this paragraph shall allow the Commission a right of purchase pursuant to Subsection a of Section 5.50.248 of the Ordinance.

13. Joint and Several Liability of Certain Named Owners. The obligations, commitments and promises of the Franchisee under the Franchise Documents shall be the direct, joint and several obligations, commitments and promises of SHCC, CSSC, River City Cablevision, Inc. and Charles F. Dolan, and shall not be deemed to be secondary in nature or those of a guarantor or a surety. By the filing of the Certificate of Acceptance hereto, SHCC, CSSC, River City Cablevision, Inc. and Charles F. Dolan each expressly agree that in the event of any default or breach by the Franchisee, the Commission, City or County may proceed directly against SHCC, CSSC, River City Cablevision, Inc. or Charles F. Dolan in any litigation which may be undertaken without first seeking a judgment or satisfaction thereof from the Franchisee.
14. Guaranty of Related Entity. For the purpose of inducing the Commission, City and County to offer the franchise to the Franchisee, by filing a Certificate of Acceptance hereto SHBC hereby unconditionally and irrevocably guarantees to the Commission, City, and County the full, prompt, and complete performance by SHCC, a general partner of the Franchisee, of all of the obligations of SHCC contained in the Franchise Documents (the "Obligations"). No action of the Commission, City, or County and the Franchisee, or SHCC, whatsoever in modifying, amending, or compromising any of the Obligations shall in any fashion alter, impair, or invalidate this Guaranty, whether or not notice is given to SHBC of any such modification, amendment, or compromise.

SHBC further agrees that the remedy of specific performance against it as Guarantor will be available to the Commission, City and/or County in the event that a court of proper jurisdiction determines such remedy to be appropriate under the circumstances. In this respect, SHBC waives any requirement that the Commission, City or County demonstrate its having suffered a monetary loss in order to be entitled to the remedy of specific performance.

SHBC further represents and warrants to the Commission, City, and County by the filing of a Certificate of Acceptance hereto that this Guaranty is a valid and binding obligation of SHBC enforceable against SHBC in accordance with its terms; the execution and delivery of the Certificate of Acceptance has been duly authorized and approved by the Board of Directors of SHBC; the persons who have executed the Certificate of Acceptance are duly authorized to do so by all necessary corporate action by SHBC; SHBC owns all of the issued and outstanding capital stock of SHCC; and the execution and delivery of the Certificate of Acceptance will not violate any provision of the Articles of Incorporation or Code of Regulations of SHBC.

By filing a Certificate of Acceptance hereto, SHBC shall incur no liability whatever for the obligations, commitments and promises of the Franchisee under the Franchise Documents except as set forth in this paragraph. By filing the Certificate of Acceptance hereto, SHBC

acknowledges the receipt and sufficiency of good and valuable consideration herefor.

15. Parties to Whom Franchise Offered. The "party to whom the franchise is offered" as that phrase is utilized in Section 5.50.220 of the Ordinance shall be Cablevision of Sacramento, CSSC, Charles F. Dolan, SHCC, SHBC and River City Cablevision, Inc. The failure of Cablevision of Sacramento, CSSC, Charles F. Dolan, SHCC, and River City Cablevision, Inc. and with respect to Paragraph 14 above, SHBC to comply fully with the provisions of the aforementioned section of the Ordinance shall render any certification proffered pursuant thereto a nullity and, in such event, this Resolution shall be deemed to be repealed.
16. Involuntary Transfer. The provisions of Article 5-a of the Ordinance shall apply to involuntary transfers (except transfers caused by death) as well as voluntary transfers. Franchisee and the named owners of the Franchisee shall notify the Commission in writing of any condition, event or occurrence which constitutes an involuntary transfer under the provisions of this paragraph and the Ordinance or of the entry of any final judgment rendered against Franchisee or any of the named owners thereof within twenty-four (24) hours of such occurrence.
17. Award Fee. The award fee established by the Request for Proposals pursuant to Section 5.50.204 of the Ordinance and required to accompany the Certificate of Acceptance by Section 5.50.220 shall be Two Hundred Fifty Thousand Dollars (\$250,000.00) and shall be submitted in the form of a certified or cashier's check made payable to the order of the Commission.
18. Acceptance. This Resolution Offering the Franchise shall be accepted by the parties to whom the franchise is offered in strict conformity to the provisions of Section 5.50.220 of the Ordinance. The Certificates of Acceptance shall be in the forms set forth by the Commission. The submission of any Certificate of Acceptance by the Franchisee in any form or subject to any conditions other than as set forth as "Exhibit A" hereto as applicable shall be a nullity and this Resolution shall be deemed repealed.
19. Approval of Form of Policies of Insurance and Performance Bond. The performance bond and the policy or policies of insurance prescribed by Sections 5.50.700 and 5.50.706 respectively of the Ordinance and required to accompany the certificate of acceptance pursuant to Section 5.50.220 of the Ordinance shall be in a form acceptable to the County's Risk Manager. In the event that the said County Risk Manager should reject either the performance bond and/or the insurance policies by reason of its form, Franchisee shall resubmit said performance bond and/or the insurance policies in acceptable form within thirty (30) days from the date of said rejection. Failure of the Franchisee to resubmit such documents in said acceptable form

within the period specified shall render the accompanying certificate of acceptance a nullity whereupon this Resolution shall be deemed to be repealed.

20. Definitions. As used in this Resolution and the Ordinance the following terms shall be ascribed the following meanings:

- a. "Electronic Mail" -- means a type of bidirectional service in which a cable television subscriber creates and transmits an electronic textual message via the cable television network to another location.
- b. "Home Entertainment Services", "Home Educational Entertainment Programming", and "Home Educational and Entertainment Services" -- as used in Sections 5.50.500 through 5.50.512 of the Ordinance, the Request for Proposals and this Resolution, mean services offered on the Subscriber Network to Home Subscribers, as those services described in Form J of the Application, together with those premium and pay-per-view services also described in Form J of the Application, plus future similar services or substitute services as programming may change from time to time.
- c. "Home Subscriber" -- means a person occupying a residential dwelling who is lawfully entitled to receive Home Entertainment Services or Non-Entertainment Services from the Franchisee.
- d. "Institutional Services" -- means any service provided through the cable television system to other than Home Subscribers.
- e. "Institutional User" -- means the operator of a commercial enterprise, including, but not limited to, business and professional offices; retail, wholesale and industrial firms; Cities, County, School Districts, other Special Districts, State and Federal agencies, offices, facilities, schools and services of whatever kind of nature; public and private utilities; private nonprofit educational, philanthropic, social service, health and other service entities; and hotels and motels; who are lawfully entitled to receive cable television services from the Franchisee, including any person legally entitled to receive such services on behalf of the operator.
- f. "Non-Entertainment Services" -- means videotex, teletext, electronic mail, telemonitoring, transactional and any other service other than Home Entertainment Services which may be offered to Home Subscribers and/or Institutional Users.
- g. "Telemonitoring Services" -- means a type of service in which the status of certain cable installations are monitored by computer activation or headend, including security and burglar alarm monitoring, other surveillance monitoring, and polling of Home Subscribers or Institutional User preferences.

- h. "Teletext Services" -- means a method of information retrieval under which information is continuously transmitted from a headend through the Subscriber or Institutional Networks to Home Subscribers or Institutional Users in pre-formatted and cyclical page formats. Such signals originating with a television broadcast station shall be referred to as "Broadcast Teletex Services"; such signals originating with the cable operator or otherwise designed specifically as a cable television service shall be referred to as "Cablecast Teletext Signals".
- i. "Transactional Services" -- means a type of interactive service in which a Subscriber initiates, processes and completes a transaction through interaction with a local or remote computer based service, utilizing at least, in part, the cable television network as the local communications medium. Examples of such services include, but are not limited to banking, shopping, reservations, etc.
- j. "Videotex Services" -- means a method of information retrieval which is interactive in the sense that a Home Subscriber or Institutional User transmits a signal from the viewing location through the Subscriber or Institutional Network to a headend which requests particular information in a database, and the information is transmitted back from the headend through the Subscriber or Institutional Network and displayed on the screen of the viewer until released. Videotex Services include data base access, computing, data processing, storage and retrieval.
- k. "Drop" -- means one or more coaxial cables attached to the feeder of the distribution system. The cables are attached to the franchisee's terminal equipment on the subscribers premises. A drop shall terminate at a junction point suitable for, and adjacent to an interconnect with subscriber equipment, or at the service location desired by the subscriber.
- l. "Headend" -- means a facility which houses modulation, signal processing, transmission, reception and monitoring equipment designed to control or monitor signals distributed throughout the entire cable system.
- m. "Hub" -- means a facility which houses switching equipment, processing equipment and back-up equipment necessary to accomplish regional signal distribution.
- n. "Actual Cost" -- means direct cost of labor, including benefits, materials at cost and direct overhead for vehicles, equipment, etc.
- o. "Equivalency" -- means the process and procedures described in Section II, Systems Design.

- p. "Institutional Network" -- means the facilities by which Institutional Services are delivered to Institutional Users.
- q. "Basic Service Revenue" -- means all revenue derived from the monthly charge (initially Two Dollars (\$2.00)) for the first television outlet for the first tier of home video subscriber service as defined in Section VI B.3.a. herein; provided, however, that in the event that any such subscriber is not obliged to pay such charge, Basic Service Revenue shall include revenue derived from such Subscriber in an amount equal to such charge.
- r. "Consent of the Commission" -- shall mean a written resolution of the Commission duly adopted by the Board of Directors containing the approval of consent referenced.

SECTION II
SYSTEM DESIGN

A. GENERALLY

1. Incorporation of Application.

- a. The Franchisee has set forth in substantial detail in Form I of the Application a complete description of the system design and architecture (hereinafter "design" in this section) which it proposes to utilize in Sacramento. During the selection process, the Franchisee's design was subjected to critical analysis by the Commission's consultants and the results of that analysis were a material inducement to the City and County in their tentative selection of the Franchisee.
- b. Accordingly, the design set forth in Form I of the Application, and each and every specification, description, and reference to it in said Application, is hereby incorporated into this Resolution as fully and completely as though fully set forth herein.
- c. The Franchisee agrees, by the filing of the Certificate of Acceptance, that the system shall be constructed in all respects and particulars in strict conformance with the aforementioned design unless:
 - (1) An alternative design shall have been previously approved by the Commission pursuant to Paragraph 2 of this Section II; or
 - (2) Specific substitutions of components or equipment shall have been approved pursuant to the equivalency evaluation process set forth in Paragraph 9 of this Section II; or
 - (3) Additional and higher standards of design are expressly set forth elsewhere within this Resolution; or
 - (4) Additional and higher standards of design are required in order to provide the level of services specifically required of the system by Section VI, the Services Section of this Resolution.

2. Alternative System Design.

- a. The Franchisee may submit a proposed revision of the design at any time during the Franchise term. No revision of the design shall be permitted to any degree whatsoever except as expressly set forth in this Paragraph 2 and Paragraph 1c above . . .
- b. Any such proposed revision shall include not less than the following:
 - (1) A certification by the Chief Executive Officer of the Franchisee stating in clear and unequivocal terms that to the best of his knowledge and belief the proposed revision of the design is in all aspects, including but not limited to quality, anticipated useful life and performance characteristics, equal to or superior to the design set forth in the Application; and
 - (2) Complete descriptions, plans and specifications for the proposed revisions to the design; and
 - (3) Complete copies of any independent engineering studies of such proposed revision to the design which may have been obtained by the Franchisee.
- c. Upon receipt of such a proposed revision from the Franchisee, the Commission shall retain, at the Franchisee's expense, an independent engineer to study, evaluate and analyze the proposed revision to the design and report to the Commission on the matter of its equality to or superiority to the original design contained in the Application.
- d. After due consideration of the submission of the Franchisee, the report, evaluation and analysis of the Commission's Engineer and such other and additional evidence as may properly come before it at a noticed public hearing, the Commission shall approve or reject such proposed revision of the design within ninety (90) days after a complete submission of the proposed revision of the design pursuant to subparagraph b hereof. The Commission shall act upon such request as expeditiously as possible. The Commission shall approve the proposed revision if and only if the Commission determines that the Franchisee has shown by clear and convincing evidence that the proposed revision of the design meets the standards set forth in the Certification required by subparagraph b(1) above.
- e. If the Franchisee shall be dissatisfied with the determination of the Commission, Franchisee may appeal the Commission's decision pursuant to the standards and procedure specified in Paragraph 9f of this Section. All references therein to "equipment" or "component" shall be deemed to refer, for

purposes of an appeal under this paragraph, to the entire system.

3. Reception System Interface Mitigation. The Franchisee shall take all necessary mitigation measures to eliminate interference with satellite signals, including but not limited to placing antennas in pits, building berms, adding shielding, or filtering the signal received.
4. Subscriber System. On one tier of service, the Franchisee may offer a converterless option to subscribers with "cable-ready" TV sets, where such an option does not result in significant signal degradation at the subscriber's television set as determined by the subscriber. When the Franchisee chooses to offer a converterless option, the installer shall demonstrate reception both with and without a converter, and obtain a written waiver from the subscriber accepting the quality of reception without the converter.
5. Institutional Network Requirements.

- a. The Institutional Network as it relates to City/County utilization shall upon activation be capable of the broadband equivalent of the following digital network interface requirements as defined in industry nomenclature:

Upon Activation.

- (1) RS-232-C (EIA)
--0 to 19.2 KBPS
--ASYN or SYNC
- (2) V.35 (CCITT)
--0 to 64 KB
--SYNCH
- (3) TTY 20 MA. Current Loop Contract Closure (ANSI)
--0 to 1200 BPS
--ASYN
- (4) T-1 1.554 MB - Carrier (AT&T)

On or Before January 1, 1985.

- (1) X.21 (CCITT)
--0 to 56 KB
--SYNCH
--Switched or permanent virtual circuit
- (2) Project 802 (IEEE)

- (3) RS442/443/449 Family (ANSI/EIA)
--0 to 2.0 KMPs
--ASYNC/SYNCH

NOTE: "()" denotes appropriate standards setting body.

- b. The Institutional Network shall be totally data and protocol independent. It may not look at, modify, or alter in any way, data and/or command flow except for purposes of accomplishing network transmission and control functions. Further, the data may not be communicated to any entity without the express authorization of the City or County. The Franchisee is to be responsible for network integration so as to provide services equivalent to those of a comparable service provider, including selection of a third party integrator if desired, coordinating system maintenance and change, identifying and isolating system problems and effecting their resolution, and providing service to the data entry ports.
- c. The Institutional Network shall have a bit error rate of not more than 1 error per 10 million bits, a mean time to repair of not more than two (2) hours, seven (7) days a week, with reliability of ninety-nine percent (99%) overall, twenty-four (24) hours per day, seven (7) days a week measured on a weekly basis, and a propagation delay of not more than fifty (50) milliseconds throughout all portions of the system used for City or County transmission.

6. Institutional Services.

- a. The Institutional Network shall pass those institutions listed in Appendix A of the RFP, Uniform Data.

The Franchisee shall provide, free of charge, and upon request; one (1) basic cable drop, one (1) basic converter, and one (1) Institutional drop to all County and City office buildings, public school buildings, libraries, and police and fire stations within the Service Area.

The Franchisee may charge its actual cost for custom installation requested by the Commission on behalf of any public institution.

The internal wiring and distribution system within each institution so connected shall be solely the responsibility of the institution, and each institution shall assume responsibility for the compatibility of its internal wiring and the cable system.

- b. Designation. The Commission shall designate each of the institutions to be passed and connected (as set forth in Section 6.a above) on a census tract by census tract basis. Such designations shall be made not less the sixty (60) days prior to the scheduled date of construction in each census tract, as set forth in the Franchisee's construction schedule.

B. TECHNICAL PERFORMANCE STANDARDS

7. Minimum Operating Standards.

- a. The cable communications system shall be designed, installed, maintained and tested to conform with the technical performance specifications contained herein. In addition, should the Federal Communications Commission (FCC) or other State or Federal Authority having jurisdiction impose on Franchisee's system technical performance standards exceeding those contained herein, or requiring a higher level of cable system performance, those standards shall supersede those set forth herein. If for any reason the referenced FCC or other technical standards are reduced in their relative scope or service level below those set forth herein, the standards specified herein shall remain applicable.
- b. Demonstration of system performance to the technical standards contained herein shall be performed by measurement upon request by the Commission. Where any television signal parameter is under the control of the Franchisee, these specifications shall apply equally to Class I, II, and III signals as defined in Section 76.5 of the FCC Rules. The specifications included throughout the Application shall also apply to the system, and where any discrepancy exists between the proposed standards and these standards, the standards contained herein shall apply.
- c. The Franchisee shall maintain the system to these standards under all conditions stated. However, if the Franchisee can demonstrate that a failure to meet specific standards for a specific service is due to a condition beyond its control and that the Franchisee has undertaken all technologically possible means to achieve the standard, a waiver of that standard may be granted for that particular service.
- d. These standards include a section on headend specifications and a section on distribution system specifications. The headend specifications apply to signals at the "interface" while the distribution system specifications apply to the transmission path between the "interface" and any subscriber receiver. The "interface" is defined as the point following all headend processing equipment at major headend sites and prior to any signal distribution or signal transportation equipment. The specifications apply under all normal operating conditions and levels in the system, and apply with the system fully loaded and carrying signals on all proposed channels. The carriage of data or other non-video signals shall not degrade the performance of the system below these standards.

8. Performance Standards. For measurements made at any point within the system at any given time, 95% of all such measurements shall meet the applicable specifications herein. If the system fails to meet any test of these specifications, the system shall be corrected so as to meet specifications within seven (7) days or such longer period of time as the Commission may approve upon application by the Franchisee for good cause shown.

a. Headend.

- (1) The equipment installed at all headend and central facilities shall be selected and operated so as to maintain at the interface described in Section II.B.7.d the following minimum standards for all Class I, II, and III television signals as applicable:
 - (a) The maximum spurious signal levels over the band 5 to 400 MHz shall be 60 dB below the level of the nearest visual carrier level.
 - (b) The frequency boundaries of cable television channels delivered to subscriber terminals shall conform to those set forth in FCC 73.603 (a) or a subsequent FCC standard or waiver per FCC 76.605(a)(1) to allow for an HRC or IRC channel configuration.
 - (c) The center frequency of the aural carrier shall be 4.5 MHz +/- 1 KHz above the frequency of the visual carrier.
 - (d) The frequency response of headend processors or modulators shall be +/- 1.5 dB from 0.5 MHz below visual carrier to + 3.75 MHz above visual carrier.
 - (e) The depth of modulation, where under control of the Franchisee, shall be maintained as follows:
 1. For Class I signals received directly off the air, or by microwave feed from local broadcast stations, the reference white level of the luminance signal shall be maintained within +2.5 and -2.5 percent of the reference white level in percent of peak carrier level as transmitted by the station. The aural modulation level shall be maintained within +/- 0.5 dB of the transmitted level. These requirements are intended to insure that the cable system not significantly alter the modulation levels as broadcast and are not intended to require the system to correct broadcast station modulation errors.

- ii. For all other video signals, the reference white level of the luminance signal shall be 12.5 percent \pm 2.5 percent of peak carrier level, and the blanking level shall be 75 percent \pm 2.5 percent of peak carrier level. The aural modulation level shall be maintained between 75% and 100% for peaks of frequent recurrence, where 100 percent modulation is defined as \pm 25 kHz frequency deviation.
- (f) The quality of each signal shall be such that, if demodulated, the signal-to-noise ratio is not less than the following:
- i. For any signal received off air or via microwave from a local or distant broadcast station. 51 dB
 - ii. For any signal received via satellite. 50 dB
 - iii. For any other video signal generated by Franchisee. 50 dB
 - iv. For video signals from any other source (where signals not under the control of the Franchisee shall be replaced by a signal generator at the point first received by the Franchisee, for purposes of this specification). 60 dB
- (2) Class II and Class III signals shall meet the following additional baseband specifications:
- (a) Overall baseband system video frequency response shall be flat within \pm 1 dB over a DC to 4.2 MHz bandwidth.
 - (b) Baseband video tilt shall not exceed 1% as measured at the vertical or horizontal rates.
 - (c) A video synchronizing waveform shall comply with the following applicable standards (latest edition or its equivalent):
 - i. 2:1 Interlace monochrome - EIA RS-330
 - ii. Full Interlace monochrome - EIA RS-170
 - iii. Color - FCC 73.699 Figure 6
 - (d) All Class II and III system headend specifications shall meet or exceed the Technical Standards of the

FCC Regulations for Cable TV Systems, 76.605.
Further, all tests and measurements shall comply
with FCC Rules and Regulations 76.609 Measurements.

- b. Distribution System. The following specifications apply to all Class I, II, and III signals as applicable, and apply to the entire transmission path beginning with the interface between the headend and the transportation system and ending at the input to the subscriber's receiver. The system shall meet the specifications over a temperature range of 70 degrees +/- 50 degrees F.

- (1) Forward System. The forward system shall deliver signals to every subscriber's receiver to meet the following specifications:

- (a) Peak-to-valley frequency response (measured at unity gain points).

- A. Over any 6 MHz channel +/- 2 dB
B. Over 50 to 400 MHz band, trunk only N/10 dB
C. Over 50 to 400 MHz band, trunk plus distribution (N/10 + 1)dB

Where N equals the number of trunk amplifiers in cascade, and includes the equivalent effect of any intermediate transportation system. Within six (6) months, amplifier equivalency shall be developed for each of these items.

44 Channels 52 Channels

- | | | |
|---|---------|-----------------|
| (b) Carrier-to-Noise,
4 MHz bandwidth | 45.4 dB | 45.4 dB |
| (c) Cross Modulation Ratio | 54.3 dB | 51.3 dB |
| (d) Ratio of visual Carrier-
to-Hum or other low
frequency disturbances | 40 dB | |
| (e) Carrier-to-Composite
Triple Beat | 56.3 dB | 53.3 dB |
| (f) Carrier-to-discrete Triple
Beat (CW Carriers) | 56.3 dB | 53.3 dB |
| (g) Carrier-to-Second Order
Beat | 63 dB | |
| (h) Chrominance-Luminance Delay | | 120 nanoseconds |

- (i) Carrier-to-Echo ratio
 - A. Less than 0.5 microseconds displacement -40 dB
 - B. 0.5 to 2.0 microseconds displacement -45 dB
 - C. Greater than 2.0 microseconds displacement -45 dB
- (j) Subscriber Signal Levels
 - A. Minimum level 0 dBmV
 - B. Maximum level 10 dBmV
- (k) Terminal-to-terminal isolation over 50 - 400 MHz 40 dB
- (l) Intermodulation products or any discrete interfering signal -50 dB
- (m) Crosstalk between any two adjacent cables -65 dB

Normal Characteristic Impedance
for all cable (5) to (400) MHz 75+/-2 ohms
- (n) Maximum Trunk Amplifier Cascade 19
- (o) Maximum Line Extender Cascade 2
- (p) The visual signal level on each channel shall be maintained within:
 - A. 2 decibels of the visual signal level of any visual carrier within 6 MHz nominal frequency separation, and
 - B. 4 decibels of the visual signal level of any other channel, and
 - C. a maximum level such that signal level degradation due to overload in the subscriber's receiver does not occur, and
 - D. 6 decibels over any twenty-four (24) hour period.
- (q) The rms voltage of the aural signal shall be maintained between 14 and 16 decibels below the associated visual signal level.

(r) If no frequency converter is supplied to the subscriber, the visual carrier frequency shall be maintained 1.25 MHz +/- 25 KHz above the lower frequency boundary of the cable television channel. The following requirements shall be applied at the interface between the converter and the subscriber's terminal equipment: when the visual carrier at the output of the converter has been tuned to a frequency 1.25 MHz above the lower frequency boundary of a cable television channel with the converter stabilized at an ambient temperature between 20 and 25 degrees C, the frequency of the visual carrier shall not vary more than +/- 250 KHz for a period of at least three (3) hours, during which period the ambient temperature may vary +/- 5 degrees C about the initial ambient temperature. For any converter which remodulates a television signal, the reference white level of the luminance signal shall be 12.5 percent +/- n/a percent of the peak carrier level, and the blanking level shall be 75 percent +/- n/a percent of peak carrier level. The aural modulation level shall be maintained between +/- n/a and +/- n/a percent for peaks of frequent recurrence, where 100 percent modulation is defined as +/- 25 kHz frequency deviation.

(s) As an exception to the general provision requiring measurements to be made at subscriber terminals, and without regard to the class of cable television channel involved, radiation from a cable television system shall be measured in accordance with procedures outlined in FCC regulations, and shall be limited as follows:

<u>Frequencies</u>	<u>Radiation Limit (Microvolts/meter)</u>	<u>Distance (feet)</u>
i. Up to and including 54 MHz	15	100
ii. Over 54 up to and including 216 MHz	20	10
iii. Over 216 MHz	15	100

(t) The Telecommunications Systems shall be rated for continuous twenty-four (24) hour per day operation.

(u) The FM signal level across a 75 ohm terminating impedance as viewed from subscriber's terminals shall not be less than n/a microvolts (-15db) or greater than the actual cable Channel 6 aural signal level.

(v) The FM signal level on each channel shall be maintained within:

- i. 2 decibels of the FM signal level of any FM signal on an adjacent (200) KHz spacing channel, and
- ii. 4 decibels of the FM signal level of any other FM signal carried on the system.

(w) Notwithstanding any other specifications, all Class I, II, and III signals shall be carried without material degradation, defined as a degradation of two or more TASO levels between the point at which the signal is first under the control of the Franchisee and the point at which it is delivered to a subscriber receiver. The TASO rating scale is as follows:

<u>GRADE</u>	<u>NAME</u>	<u>DESCRIPTION</u>
1	Excellent	Extremely high quality
2	Fine	High quality; interference is perceptible
3	Passable	Acceptable quality; interference is not objectionable
4	Marginal	Poor quality; interference is somewhat objectionable
5	Inferior	Very poor quality; interference definitely objectionable
6	Unusable	Not watchable

(2) Reverse System. The reverse subscriber system shall deliver video signals from every subscriber to the headend interface that meet or exceed the following specifications at the mean system temperature +50 -70 F. This shall include the effects of drop cables, modulators, demodulators, and other terminal equipment.

(a) Frequency Response.

- i. Over any 6 MHz Channel +/-2 dB
- ii. Over 5 to 30 MHz band, Trunk Only (N/10) dB
Over 5 to 30 MHz band, Trunk plus distribution (N/10 +1) dB
(Where "N" equals the number of trunk amplifiers in cascade, and includes the equivalent effect of any intermediate transportation system. Within six months

amplifier equivalency shall be developed for each of these items.)

- (b) Carrier-to-Noise, 4 MHz bandwidth 45 dB
- (c) Composite Third Order ratio 60 dB
- (d) Carrier to Cross Modulation
(4 Channels loading) 60 dB
- (e) Chrominance-Luminance Delay 120 nanoseconds

9. Equivalency.

- a. Reliance. In the enactment of this Resolution, the Commission has carefully examined each and every specification of a component or equipment as set forth in the Application of Franchisee. In every instance in which a specified component of the system or its attendant equipment was specified by brand name and model number, the Commission has, with appropriate technical assistance, evaluated and relied upon those expressed denominations of components and equipment within the equipment categories set forth in subparagraph g below in adopting this offering Resolution. The Commission specifically finds that it may not have adopted this Resolution if other equipment or components had been specified.
- b. No Substitution. In view of the findings of subparagraph a hereof, the specifications of components and equipment of the system as set forth in the Application of Franchisee shall be strictly construed and strictly adhered to. No substitution within the equipment categories set forth in subparagraph g below shall be allowed for any system component or equipment regardless of its "equivalency" without the prior written approval of the Commission pursuant to the equivalency evaluation procedure set forth in this paragraph. Any substitution of any system component or equipment within categories set forth in subparagraph g hereof without the prior written approval of the Commission pursuant to this article may constitute a material breach of the Franchisee agreement and shall give rise to initiation of proceedings pursuant to Section 5.50.818 et seq. of the Ordinance.
- c. Application for Substitution. In any instance in which the Franchisee shall desire to substitute a component or piece of equipment within the equipment categories set forth in subparagraph g below for a denominated component or piece of equipment, Franchisee shall make written Application to the Commission for permission to do so on a form approved by the Commission for such purpose and accompanied by not less than the following:

- (1) A certification signed by the Chief Executive Officer of the Franchisee stating in clear and unequivocal terms that to the best of his knowledge and belief:
 - (a) the equipment proposed to be substituted is in all functional respects, including but not limited to quality, anticipated useful life and performance characteristics, equal to or superior to the equipment or component originally denominated within the Application; or
 - (b) while the proposed equipment performance specifications are less than those of the originally denominated equipment, the quality and anticipated useful life of the proposed equipment and the performance characteristics of the segment of the system of which the proposed equipment is a part are the equal to or superior to that of that originally proposed within the Application by reason of increases or improvements in performance characteristics of other components which shall be specifically and particularly set forth in said declaration.
- (2) Manufacturer's specifications for both the proposed equipment and the originally denominated equipment including performance specifications if they are available to Franchisee; and
- (3) Such additional supporting evidence as may be available to Franchisee which would tend to support a determination of equivalency.

The Executive Director of the Commission shall reject any Application for substitution which is incomplete in his sole discretion with regard to the requirements of this paragraph within fourteen (14) days of the submission of said Application. In the notice of said rejection, the Executive Director shall set forth the reasons for said rejections in terms of the foregoing subparagraphs. "Available" as that term is used in subparagraphs 2 and 3 hereof shall mean obtainable within not more than fourteen (14) days.

- d. Commission Consideration of Application. Upon the filing of an application for substitution accompanied by the requisite exhibits as defined herein, the Commission shall have not less than thirty (30) days following the date of said submission to approve or deny said application. If the Commission has not advised the Franchisee of the approval or denial of said Application on or before the close of business of the thirtieth

(30th) day following the day upon which the completed Application was filed by the Franchisee, the Application as submitted shall be deemed to have been approved by the Commission. The aforementioned notification by the Commission shall be deemed complete by depositing said notification in United States first class mail, postage paid, addressed to Franchisee at its address of record.

e. Denial of Acceptance. If the Commission should deny any application of the Franchisee for substitution, the Commission shall specify in its notice of denial the name of three (3) acceptable engineers, firms, consultants or laboratories which it desires to employ to further analyze, test or evaluate the component or piece of equipment proposed to be substituted in the event of an appeal by Franchisee.

f. Appeal by the Franchisee. If the Franchisee shall be dissatisfied with the determination of the Commission of nonequivalency, the Franchisee may appeal the Commission decision by filing with the Commission a notice thereof within five (5) days after receipt of the notice of denial from the Commission. In its notice of appeal, the Franchisee shall designate one (1) of the three (3) engineers, firms, consultants or laboratories ("engineer") specified in the notice of denial to make the final determination of Franchisee's appeal. Thereupon, the Commission shall be authorized to retain said engineer at Franchisee's cost to make the final determination of equivalency. In making said determination, said engineer shall find the proposed equipment to be the equivalent of the originally designated equipment if, and only if, the Franchisee shall show by clear and convincing evidence that the proposed equipment meets the standards set forth in the Certification required by subparagraph c(1) above. The determination of said engineer shall be final and not subject to further administrative appeal or arbitration.

g. Equipment Categories for Which Equivalency Approval Will Be Required.

- (1) Antennas
 - (a) Satellite TVRO's
 - (b) Off-Air TV and FM
 - (c) Microwave
- (2) Processors
 - (a) Satellite Receivers
 - (b) FM Radio Processors
 - (c) TV Processors
- (3) Modulators/Demodulators
 - (a) Headend

- (4) Amplifiers
 - (a) Trunk
 - (b) Bridger
 - (c) Line Extender
 - (d) Low Noise Amplifiers - (Satellite Receive System)
 - (e) Return Amps
- (5) Home Terminals
 - (a) Converters
 - (b) Security
- (6) Computers
 - (a) Headend Computers
- (7) Microwave (AML and Other)
 - (a) Transmitters
 - (b) Receivers
 - (c) Combiners
- (8) Switches
 - (a) Audio and video matrix switchers
- (9) Taps or directional couplers
- (10) Coaxial and fiber optic cable
- (11) Power Supplies
- (12) Any enclosure visible to the public
- (13) Studio Equipment
 - (a) Character generators
 - (b) Television cameras
 - (c) Switchers
 - (d) VTR's or VCR's
 - (e) Portable recording equipment
 - (f) Telecine equipment
 - (g) Editing equipment
 - (h) Lighting equipment
 - (i) Video monitors
 - (j) Mobile Van
 - (k) With respect to the categories of studio equipment listed in this subparagraph, the Commission may agree upon certain criteria for the selection of said equipment with the Franchisee.
- (14) Test Equipment
 - (a) Spectrum Analyzers
 - (b) Signal level monitors
 - (c) Waveform monitors

- (d) Vectorscopes
- (e) Time domain reflectometers

10. Master Antenna Connection.

- a. The Cable Television System shall not be connected to any master antenna system serving any multiple dwelling which does not meet all performance requirements and technical standards of the cable television system.
- b. Detailed testing procedures shall be specified for all facilities prior to the commencement of construction of each facility. The procedures shall, as appropriate and at the discretion of the Commission, be developed by the Commission or its representative, or shall be required to be developed by the Franchisee in which case the Commission or its representative shall have the right of modification and approval.

11. Antenna Switch. An RF switch shall be made available to subscribers, upon request, permitting conversion from cable to antenna reception.

12. RF Leakage. RF leakage will be checked at emergency radio and air navigation reception locations in accordance with Section 5.50.314(g) of the Ordinance.

13. Microwave Testing. The reliability of all microwave communication paths used in the system is considered to be of key importance. Prior to implementation of any proposed microwave facilities, the following steps shall be completed:

- a. A preliminary design of the most critical path in each microwave system shall be completed and submitted to the Commission for review within thirty (30) days of the date the Certificate of Acceptance is filed. This preliminary design shall be accompanied by a description of a test procedure designed to gather operational data for this path over a several month period. The procedure shall include tests of diversity reception or any other such alternative design, if such a design is proposed for this path.
- b. Within sixty (60) days of the date the Certificate of Acceptance is filed, testing over the most critical path of each system shall commence. Continuous record keeping techniques acceptable to the Commission's Engineer shall be used to demonstrate the pertinent path parameters over the period of the test. The test shall extend for a period of at least three months. Within thirty (30) days of the completion of the tests, a report shall be provided to the Commission indicating the performance characteristics for each path tested and showing the estimated number of seconds per day that the noise contribution of this microwave path will degrade the overall path of which it is a part to each of the following levels:

- (1) To 0.5 dB below the value stated in Resolution Section II, Paragraph 8.a(1)(f) if the microwave path is used for the transportation of any signal type listed therein; or 0.5 dB below the value listed in Resolution Section II, Paragraph 8.b.(1)(b) where the microwave path is used as part of the delivery system to subscribers.
 - (2) A degradation sufficient to reduce either of the overall path values described in (1) above to 44 dB.
 - (3) A degradation sufficient to reduce either of the overall path values described in (1) above to 40 dB.
 - (3) A degradation sufficient to reduce either of the overall path values described in (1) above to 36 dB.
 - c. Subsequent to or concurrent with the submission of the report required in (2) above, a final design of the microwave network shall be submitted for the Commission's review.
 - d. If the path tests and final system design do not indicate that sufficient reliability will be provided by the proposed microwave system, the operator will be required to submit an alternative design of a transportation system, before approval of the intraconnection system will be granted.
14. New Technology. As new and improved equipment or other technology becomes available in the market, Franchisee agrees, upon request by the Commission, to discuss with the Commission the technical and economic feasibility of incorporating such equipment or other technology into the System in addition to or in place of the System components herein specified.
15. Final Review.
- a. In order to assure compliance with the technical performance specifications contained herein, Franchisee shall submit to the Commission prior to actual plant construction the following proposed system design information ("Design"):
 - (1) The proposed location of all headend and earth station facilities;
 - (2) The longest amplifier cascade originated from each of these facilities;
 - (3) The guaranteed technical performance specifications to be delivered to the farthest subscriber served by this cascade.

Within 30 days of this submission, the Commission shall give written notice to the Franchisee of its approval or disapproval thereof. The sole basis for disapproval shall be that the Design fails to comply with the technical specifications contained herein. Any such notice of disapproval shall include complete and precise detail as to any deficiencies in the Design which may be asserted by the Commission. Promptly following its receipt of any such notice of disapproval, Franchisee shall endeavor in good faith to cure any such deficiency and shall modify and resubmit its Design to the Commission. Should any further deficiency be asserted by the Commission, the foregoing procedure shall be repeated until the Commission gives written notice of its approval.

- b. If and to the extent that the foregoing review process requires a period longer than thirty (30) days after Franchisee's initial submittal of its Design, then each of the time periods set forth in the Franchise Documents for performance of the obligations therein provided on Franchisee's part shall be extended accordingly.

SECTION III

CONSTRUCTION PROVISIONS

1. Progress Toward Completion.

- a. By the filing of the Certificate of Acceptance hereto, the Franchisee agrees that any two (2) consecutive failures to comply with the provisions of Paragraph 2 dealing with the Construction Activation Table or Paragraph 3 dealing with the Census Tract Progression Table, shall constitute a breach of this franchise agreement and give rise to all of the rights of the Commission as set forth in Section 5.50.804 of the Ordinance, provided, however, that no such failures within the first twenty-four (24) months after the filing of the Certificate of Acceptance shall constitute a breach if such failures will not prevent the Franchisee from being in substantial compliance with the requirements of the Construction Activation Table and the Census Tract Progression Table by the end of such twenty-four (24) month period, and provided further that no such failures during the term of the franchise shall constitute a breach if they result from reasons (including, but not limited to those disallowed or restricted by Section 5.50.434 of the Ordinance) not within the Franchisee's reasonable control. Franchisee shall give prompt written notice to the Commission of the occurrence and expected duration of any such failures, together with such revisions of Form H of the Application as may be appropriate.
- b. Compliance with either of the aforementioned paragraphs and tables shall not be deemed to excuse or mitigate in any fashion the failure of compliance with the other section and table or with any other provision of the Ordinance or this Resolution.

2. Cumulative Mileage.

- a. Derivation and Use of Table. The Construction Activation Table set forth at Page 3 of 5 of Form H of the Application was developed by Franchisee to set forth the minimum number of miles of installed cable plant which must be achieved by the end of each quarter in order to allow for the timely completion of the entire system in accord with the date set forth elsewhere herein. Accordingly, (but subject to the provisions of Paragraph 1.a of this Section) the numbers specified in the Table for each quarter of the anticipated period of construction of the system constitutes the minimum number of cumulative miles which shall be completed for the entire system by the last day of each quarter.

- b. Declaration of Compliance. The Chief Executive Officer of the Franchisee shall file with the Clerk of the Commission, not later than the fifth (5th) day after the end of each quarter after the filing of the Certificate of Acceptance and prior to the filing of a Certificate of Completion, a declaration certifying the total cumulative number of miles of the total plant which have been completed as of the last day of the quarter and certifying the compliance or noncompliance of said completion with the terms of this section. Any single failure to file such a declaration or the filing of a false declaration shall give rise to proceedings pursuant to Article 5-b of the Ordinance. The Franchisee shall make available to the Commission upon request such maps, documents and other data as were used to compile the aforesaid declaration.

3. Census Tract Progression.

Derivation and Use of Table. The Census Tract Progression Table in "Exhibit B" attached hereto, was developed from material prepared by Franchisee to set forth the minimum number of miles of installed cable plant which must be achieved upon each anniversary of the filing of the Certificate of Acceptance for each census tract category within the jurisdiction of the Commission. The Franchisee has represented that the construction schedule reflected by the Census Tract Progression was devised after giving due weight and consideration to various socioeconomic neighborhoods as well as sound engineering practices. Accordingly, by the filing of the Certificate of Acceptance hereto, the Franchisee covenants that the relationships between the mileage to be built in lower quartile income census tracts and the mileage to be built in upper quartile income census tracts in any given period as reflected in "Exhibit B" shall be substantially maintained for the corresponding period of the build.

4. Complaint Resolution.

- a. Prior to the initiation of any phase of construction, Franchisee shall provide a pre-construction pamphlet (hereinafter "Pamphlet") to the owner of each parcel of private property which will be affected to any degree whatsoever by the proposed construction. Said Pamphlet shall be of a form and substance to be approved by the Commission. Any complaint received in any manner by the Franchisee relating to the installation of the system and its effect upon private property shall be referred by the Franchisee to the Commission.
- b. If and when the Commission or its Executive Director determine that a given complaint cannot reasonably be expected to be resolved through consultation, mediation and conciliation, the Commission shall refer the complaint to a hearing officer who

shall be selected by the Commission and retained at the expense of the Commission and Franchisee equally, but who shall not be an employee, officer or agent of either the Commission or the Franchisee.

- c. Said hearing officer shall receive such evidence in such manner and form as he shall reasonably deem necessary to the proper determination of the complaint. Said hearing officer shall be empowered to, but shall not be required to, receive such evidence in a formal hearing called for that purpose, and receive testimony under oath and/or additional documentary evidence under penalty of perjury. In any such hearing, the complainant may be represented, at his option, by the Commission, by counsel which he has retained, or in propria persona. The determination of the hearing officer shall find the validity or invalidity of the complaint. If the hearing officer shall find the complaint valid, the hearing officer shall be authorized to allow the Franchisee to make further attempts to restore or replace necessary items or landscaping and/or to order payments made to the property owner in an amount sufficient to allow the property owner to resolve the matters complained of directly.
 - d. In any instance in which the hearing officer orders such payments, the Commission is authorized to withdraw such moneys from the fund to be maintained by the Franchisee pursuant to Section 5.50.702 of the Ordinance. Nothing contained in this Section is intended to preclude either party to the complaint resolution process from having or obtaining a trial de novo of the matter in any court. However, the Commission may determine in any case that said case shall not be referred to a hearing officer without the prior written agreement of the property owner and the Franchisee that the decision of the hearing officer may be admitted into any subsequent judicial proceeding as a final determination of the facts in the case pursuant to the California Arbitration Act. A copy of all complaints received by the Commission shall be referred to the County or City within whose jurisdiction the action or event complained of shall have occurred.
5. Number of Dwelling Units. For the purposes of determining compliance with the provisions of subparagraphs "b" and "c" of Section 5.50.410 of the Ordinance, the total number of dwelling units within the service area shall be deemed to be 331,000 dwelling units in 1984.

6. Above Ground Pedestals. Above ground amplifier boxes and pedestal mounted terminal boxes shall not be used except in strict accordance with the provisions of Section 5.50.456 of the Ordinance.
7. Additional Poles. Where the number of existing poles is insufficient for installation of the cable plant in an area of the proposed system which would allow aerial installation, the method of installation shall be subject to the approval of the permit issuing authority.
8. Completion of Institutional Network. Notwithstanding any other provision of this Resolution, the installation of the cable for the Institutional Network shall be completed not later than the sixty-third (63rd) month following the filing of the Certificate of Acceptance.

SECTION IV

STAFFING

1. Purposes.

- a. The Franchisee has represented in connection with its Application that, if awarded a franchise, it will operate a business enterprise which is: (i) efficient, provides effective service, and is adaptive to new and changing conditions; (ii) responsive when malfunctions occur, and provides rapid and satisfactory repair and other corrective action in a manner which builds business goodwill and public confidence; (iii) ambitious in seeking markets for new services and affirmatively develops consumer demand therefore, particularly with respect to emerging Institutional Services; (iv) a promoter of community interest in cable related artistic endeavors and local utilization of the Cable Television System through citizen and organizational participation in Local Origination, public access and Community Use Programming; (v) an active and enthusiastic member of the Sacramento business community and a contributor to programs which improve the community; (vi) vested with delegated authority to operate autonomously in a manner which permits the prompt and creative solution of local problems without the need to await deliberations in the corporate headquarters of parent companies; and (vii) willing to maintain a strong and cooperative relationship with local government in a manner which leads to positive and constructive solutions to subscribers' concerns.
- b. These promises cannot be fulfilled unless the Franchisee maintains adequate staffing during the entire term of the franchise which can provide the performance and results delineated in this Resolution. The purpose of this Staffing Section is to describe the functional staffing requirements to be maintained during the term of the franchise and, as to community use, public access and local origination programming, set forth the Application staffing schedule which may be invoked by the Commission in the event that lesser levels of staffing employed by the Franchisee within specific personnel functions, as set forth, are insufficient to meet the specified performance standards set forth herein and achieve the results represented by the Franchisee in the Application. With respect to Community Use and Public Access Programming Franchisee has not proposed specific numbers and positions for staff on the premise that such decisions are best left to the Sacramento Community Trust in cooperation with Franchisee. Thus, the Application provides for discretionary in-kind staff support grants for such programming.

- c. The provisions of the Application relating to the subject matter of this Section shall constitute legally enforceable obligations of the Franchisee; provided that the express terms, conditions, requirements and provisions of this Section shall prevail over any terms, conditions, requirements and provisions of the Application which are inconsistent or in conflict herewith.
2. Staffing Standard. At all times during the term of the franchise, the Franchisee shall maintain staffing at levels sufficient to fulfill the promises described in Paragraph 1, and to fulfill and satisfy all express terms, conditions, provisions and requirements of the Franchise Documents.
3. Scheduled Staffing. The staffing descriptions set forth in Form G-18 and Form G-20 of the Application and more particularly described in the Personnel Function descriptions set forth below within this Section, shall constitute the Application Staffing Schedule as that term is used herein. Except as otherwise expressly provided in the Personnel Function descriptions, the duties of the positions shall be determined in accordance with the connotations of position titles and cable industry practice with respect to similarly titled positions.
4. General and Administrative Personnel. At all times during the term of the franchise, the Franchisee shall employ general and administrative personnel in such numbers and in such functional categories as are necessary to perform the management, marketing, advertising/sales, business, customer service, accounting and clerical activities and achieve the qualitative and quantitative performance represented by the Franchisee in its Application and/or this Resolution.
5. Plant Personnel. At all times during the term of the franchise, the Franchisee shall employ personnel in such numbers and in such functional categories as is necessary to perform the installation service, repair and maintenance of the system and its components and achieve the qualitative and quantitative performance represented by the Franchisee in its Application and/or this Resolution, including but not limited to:
- a. Employ sufficient distribution system technicians to reasonably ensure that outages will not exceed, and performance specifications will not be inferior to, the levels stipulated in this Resolution except during situations beyond the control of the Franchisee as that phrase is exemplified in Section 5.50.436 of the Ordinance.
- b. Employ sufficient installers to reasonably ensure that new installations, upgrades, downgrades, service changes, and outlet installations occur according to the schedule specified in the Resolution and/or the Application.

- c. Employ sufficient bench technicians to reasonably ensure that equipment is maintained to meet the performance and results stipulated in this Resolution and/or the Application.
 - d. Employ sufficient converter repair technicians to reasonably ensure that a subscriber, after notifying Cablevision, obtains a properly functioning converter within seventy two (72) hours. For the purposes of the calculation of the seventy-two (72) hour period Saturday, Sunday and national holidays shall be excluded.
 - e. As used in the Application, "same day" repair service shall mean twenty-four (24) hours after receipt of customer call. For the purposes of the calculation of the twenty-four (24) hour period, Saturdays, Sundays and national holidays shall be excluded.
6. Customer Service Representatives. At all times during the term of the franchise, the Franchisee shall employ sufficient customer service representatives such that the performance and results stipulated in its application shall be met in a timely and consistent manner as follows:
- a. Incoming callers shall encounter "busy" signals no more than one (1) out of every two (2) attempted calls placed to Franchisee telephone numbers over a thirty (30) day period.
 - b. Incoming callers shall encounter "hold" time of no more than two (2) minutes, on the average across all callers over a thirty (30) day period.
 - c. In computing the averages set forth in subparagraphs (a) and (b) above, Franchisee shall have the option to exclude from any such thirty (30) day period either (i) any two (2) days of Franchisee's selection or (ii) the actual number of days in which a system failure occurred which affected service to more than one hundred (100) subscribers. In respect to "busy" signals, calls from the same household made within two (2) minutes of each other (if such can be determined) shall be deemed a single call.
7. Institutional Network Personnel. At all times during the term of the franchise, the Franchisee shall employ Institutional Network Personnel in such numbers and in such functional categories as is necessary to achieve the qualitative and quantitative performances relating to the Institutional Network represented by the Franchisee in its Application and/or this Resolution.
8. Local Origination Personnel. At all times during the term of the franchise, the Franchisee shall employ personnel in such numbers and in such functional categories as is necessary for the production and cablecasting of Local Origination Programming, as defined by Paragraph 19 of the Community Programming Section of this Resolution, and to achieve all of the quantitative and qualitative performances

represented by the Franchisee in the Application and this Resolution as follows:

- a. Beginning in the first week of the fifth (5th) year following the filing of the Certificate of Acceptance and in each week thereafter, the Franchisee shall produce locally not less than thirty-six (36) hours per week of original, non-repeated and non-automated programming which has not previously been shown in the Sacramento area. In addition, if the local news service as described in the Application and subparagraph b below has not yet been instituted by the first week of the fifth (5th) year or if said local news channel has been diminished or discontinued pursuant to the provisions of subparagraph b below, Franchisee will purchase seven (7) hours per week of programs that have not been previously cablecast or broadcast, and are not network or satellite programming or programming intended for national or regional distribution.
- b. The Franchisee will provide one full time local news channel to be known as 'The Sacramento Channel', which will provide community news and civic and cultural programming twenty-four (24) hours per day, seven (7) days per week. Five (5) full time equivalent professional announcers, thirty (30) full time equivalent professional reporters, twenty (20) full time equivalent camera persons/editors/technician, five (5) full time equivalent producers and thirty (30) part-time technical and production assistants shall be engaged in the development and presentation of material for this channel. The Sacramento Channel shall become operational on a full-time basis not later than sixty (60) days after the Franchisee shall first have obtained a total number of subscribers to Basic video Services of not fewer than one hundred thousand (100,000) persons. If Franchisee has (i) attained 100,000 subscribers and (ii) devoted all reasonable efforts to develop, market and promote the Sacramento Channel, and the advertising revenues and other revenues solely and directly attributable to the Sacramento Channel ("Revenues") are nonetheless insufficient to defray Franchisee's total costs solely and directly related to producing and disseminating the Sacramento Channel ("Costs") during any full calendar year of the Franchise period, then Franchisee may, in its discretion, during any calendar year thereafter, reduce (i) the hours per day, and/or (ii) the days per week, and/or (iii) the number or types of personnel required by this paragraph to the extent required to prevent Costs from exceeding Revenues in such year. For purposes of this Paragraph, the terms "Revenue" and "Cost" and the term "solely and directly related to..." shall be determined according to generally accepted accounting practices consistently applied. Notwithstanding the foregoing, Franchisee shall at all times satisfy the minimum requirements of subparagraph (a) hereof, it being understood that all original, non-repeated and non-automated

news, civic and cultural programming hours on the Sacramento Channel shall at all times be credited towards the thirty-six (36) hour requirement set forth in said subparagraph a. of this paragraph 8.

- c. All programming produced by the Franchisee pursuant to this Paragraph shall meet the technical and engineering standards set forth for all system programming in the System Design Section of this Resolution.
- d. All programming produced by the Franchisee pursuant to this Paragraph shall meet the criteria for excellence in community programming as established by the National Cable TV Association and:
 - (1) shall cover a wide range of topics of local interest;
 - (2) shall be responsive to the needs of the community;
 - (3) shall be of high artistic and technical quality;
 - (4) shall be of unique and effective nature; and
 - (5) shall be suitable for cablecasting to the local audience.
- e. If, at any time during the term of the franchise, the Board of Directors of the Commission shall determine, in its sole discretion and after a noticed public hearing in which the Franchisee shall be entitled to present evidence, that the Franchisee has not met one or more of the quantitative and qualitative performances represented by the Franchisee in the Application and this Resolution relating to local origination programming, it may issue an order to the Franchisee that shall require the Franchisee to augment its staff to provide not more than those types of positions and in not more than those numbers set forth in Form K.5(B)(2), which types and numbers are hereby incorporated by reference, or in this Section, as appropriate. The duties of such personnel shall be as defined by those applicable job descriptions contained in Form K.5(B)(2) of the Application.
- f. Each such employee who is hired and retained pursuant to such a staffing order of the Commission shall be adequately and properly qualified for such position and shall receive a salary commensurate with his/her responsibility, skill, training and experience.
- g. If, within ninety (90) days from the issuance of such a staffing order, the Franchisee shall fail, neglect or refuse to augment its local origination programming staff to at least the types of

positions and the number specified in the order, the provisions of Section 5.50.820 et. seq. of the Ordinance may be invoked by the Commission.

9. Community Use Programming Personnel. At all times during the term of the franchise, the Franchisee shall employ personnel to be utilized exclusively by the Sacramento Community Trust (SCT) for the production and cablecasting of video and audio Community Use Programming as defined by Paragraph 21 of the Community Programming Section of this Resolution, in such numbers and in such functional categories as necessary to achieve all of the quantitative and qualitative performances represented by the Franchisee in the Application and this Resolution including but not limited to the following:
- a. On the dates set forth in the Application and thereafter, the Franchisee shall provide staff to assist the SCT in the production locally of all of those performances required by the provisions of Paragraph 22 of the Community Programming Section of this Resolution.
 - b. The Franchisee shall employ and retain at all times sufficient employees at each center to reasonably insure:
 - (1) The safety of users of all facilities;
 - (2) The protection of property and equipment from abuse, damage, destruction and theft;
 - (3) That the presence of knowledgeable staff is available at all times equipment is being utilized to insure proper utilization of equipment;
 - (4) The ability of all users to check out and check in equipment as desired in accordance with the Franchisee's procedures; and
 - (5) Compliance within ninety (90) days of receipt of those recommendations of the SCT as to improvements or modifications of service to the general public that can be accomplished without significant increase in Franchisee's cost of providing such service and that are consistent with Franchisee's other obligations under the Franchise Documents.
 - c. The Franchisee shall employ and retain at all times sufficient employees to insure that training is provided to members of the general public in not less than the number and types of courses specified in Paragraph 17 of the Community Programming Section of this Resolution.

d. The Franchisee shall employ and retain at all times sufficient maintenance and repair employees to reasonably insure that:

- (1) All equipment is in good working order at all times;
- (2) Emergency repair of equipment can be accomplished within seven (7) days of malfunction or failure;
- (3) Replacement of equipment which cannot be repaired shall be accomplished within thirty (30) days of malfunction or failure; and
- (4) Any failure to meet the foregoing time limitations on repairs or replacement shall be reported to SCT on a quarterly basis for review and recommendation to the Commission.

e. The only limit on the personnel to be employed by the Franchisee pursuant to the provisions of this paragraph is that direct salary, overtime, and benefit expense of said employees, both full and part-time employees, during each year shall not during any quarterly period exceed six and one quarter percent (6.25%) of the Basic Service revenues of the System for the next preceding quarterly period.

10. Public Access Personnel. At all times during the term of the franchise, the Franchisee shall employ personnel to be utilized exclusively by the SCT for the supervision and provision of assistance in the production and cablecasting of video Public Access Programming, as defined in Section 5.50.336 of the Ordinance, in such numbers and in such functional categories as necessary to achieve all of the quantitative and qualitative performances represented by the Franchisee in the Application and this Resolution including but not limited to the following:

a. The Franchisee shall employ and retain at all times sufficient employees at each production facility to reasonably insure:

- (1) The safety of users of all facilities;
- (2) The protection of property and equipment from abuse, damage, destruction and theft;
- (3) That the presence of knowledgeable staff is available at all times equipment is being utilized to insure proper utilization of equipment;
- (4) The ability of all users to check out and check in equipment as desired in accordance with the Franchisee's procedures; and

- (5) Compliance within ninety (90) days of receipt of those recommendations of the SCT as to improvement or modifications of service to the general public that can be accomplished without significant increase in Franchisee's cost of providing such service and that are consistent with Franchisee's other obligations under the Franchise Documents.
- b. The Franchisee shall employ and retain at all times sufficient training employees to reasonably insure compliance with all the provisions of Paragraph 17 of the Community Programming Section hereof.
- c. The Franchisee shall employ and retain at all times sufficient maintenance and repair employees to reasonably insure that:
 - (1) All equipment is in good working order at all times;
 - (2) Emergency repair of equipment can be accomplished within seven (7) days of malfunction or failure; and
 - (3) Replacement of equipment which cannot be repaired shall be accomplished within thirty (30) days.

Any failure to meet the foregoing time limitations on repairs or replacement shall be reported to the SCT on a quarterly basis for review and recommendation to the Commission.

- d. The only limit on the personnel to be employed by the Franchisee pursuant to the provisions of this paragraph is that direct salary, overtime and benefit expenses of said employees, both full and part-time, during each year shall not during any quarterly period exceed five-eighths of one percent (0.625%) of the Basic Service revenues of the system for the next preceding quarterly period.
11. Surplus. If and to the extent a surplus arises because the personnel needs and functions specified in Paragraph IV-9 and IV-10 can fully and reasonably be satisfied at a cost less than the combined maximum limits specified in subparagraph IV-9(e) and IV-10(d), such surplus shall accrue to Franchisee's benefit. Such surplus shall be deemed to exist whenever (i) the total direct salary, overtime and benefit cost of the employees provided by Franchisee is less than the upper limit specified in subparagraph IV-9(e) and IV-10(d); and (ii) no person or agency benefited by the provisions of this resolution regarding community use programming or public access programming has made a written request for an increase in the level of staffing provided by Franchisee which request has not been satisfied, or (iii) if such request has been made, the Commission upon proper application by Franchisee has determined that there is no reasonable basis for such increased level of staffing.

12. Prevailing Rates. The provisions of this Section of the Resolution shall not be construed to relieve the Franchisee from the obligation to pay prevailing rates to the extent required by Sections 5.50.316 through 5.50.326, the prevailing rate so established shall be applicable and supersede the contrary provisions of this Section.

13. Reporting. Not later than twelve (12) calendar months following the filing of the Certificate of Acceptance, and not less frequently than every three (3) calendar months thereafter during the term of the franchise, the Franchisee shall file with the Clerk of the Board of Directors of the Commission, a written report which contains the following information: (i) the job title of each position which the Franchisee maintains on the date of filing of the report; (ii) a brief description of the job duties of each such position; (iii) the number of full-time personnel (or if part-time personnel are hired, the number of equivalent full-time positions occupied) on the date of filing of the report; (iv) the precise period of time during the twelve (12) calendar months preceding the filing of the report each full-time position or equivalent full-time position has been occupied by persons employed by the Franchisee; and (v) the evaluation and recommendations prepared by Sacramento Community Trust or an independent contractor selected by the trust; and (vi) such other and further information as the Board of Directors of the Commission may from time to time require. The Franchisee's work sites, employment and other appropriate records shall be subject to inspection and audit by authorized representatives of the Commission from time to time during business hours on reasonable notice for the purpose of verifying compliance by the Franchisee with term, conditions and provisions of this Section.

14. Affirmative Action Requirements.

a. Franchisee will abide by all laws of the United States and the State of California designed to assure equal employment opportunities and nondiscriminatory hiring and employment practices.

b. Franchisee commits, in furtherance of goals established by said laws, that:

(1) Franchisee will implement the company-wide affirmative action and equal opportunity policy set forth in the Application on Pages M-1 through M-10, as amended by "Exhibit C" attached to this Resolution and as this policy may be refined in such post-award implementation meetings as may be sponsored by the Commission;

(2) Franchisee will take affirmative action in its employment practices toward meeting the parity goals for hiring women, minorities and the handicapped as set forth in "Exhibit C" attached to this Resolution;

- (3) all facilities of Franchisee will be barrier free; to insure ease of access to the handicapped; and
 - (4) Franchisee will create the Implementation Task Force, described in Form M of the application on Pages M-8 and M-18, to ensure local participation in the creation and implementation of Cablevision's policies for equal employment and affirmative action.
- c. Vendors and Contractors - Franchisee agrees to a goal of 23% of all locally subcontracted dollars to minority and female businesses during the construction phase. All Franchisee's subcontractors must be Equal Employment Opportunity Employers and submit plans of their own that reflect parity with the population. Franchisee will target 23% of all goods and services purchased in Sacramento to be purchased from minority and female businesses.
 - d. Local preference - Cablevision will give a preference in all hiring and outside purchasing decisions to residents of Sacramento and to companies whose central offices are in the county and city of Sacramento.
 - e. Franchisee will implement all training programs detailed in Form M of the Application.

SECTION V

COMMUNITY PROGRAMMING

1. Purposes - Application.

The Franchisee has proposed in its Application a variety of facilities for the benefit of the community, guaranteed volumes of local origination and community programming, promised financial and other assistance to specified entities and a variety of other community benefits, and proposed the establishment of the Sacramento Community Trust (SCT) as an independent entity to distribute and regulate utilization of various resources. The promises made by the Franchisee respecting these matters constituted a material inducement to select the Franchisee from among other applicants for award of the franchise.

The purposes of this Section are to more specifically identify the promises contained in the Application, clarify the terms and conditions thereof, articulate standards for performance in order to improve enforceability of the commitments which the Franchisee has made, and otherwise establish a more clearly expressed mutual understanding of the legal obligations which the Franchisee will assume by accepting the franchise.

The provisions of the Application relating to the subject matter of this Section shall constitute legally enforceable obligations of the Franchisee; provided that the express terms, conditions, requirements and provisions of this Section shall prevail over any terms, conditions, requirements or provisions of the Application which are inconsistent or in conflict herewith.

A. COMMUNITY PROGRAMMING FACILITIES

2. Telecommunications Facilities. The Franchisee shall lease space to be used for the following telecommunications facilities:

- a. a local origination studio,
- b. a production studio for the community use programming of the Sacramento Community Trust,
- c. a production studio for public access programming,
- d. an audio access studio,
- e. an SCT community use audio production studio,
- f. a production studio for the use of the County and Cities, and
- g. a production studio for the use of the Sacramento County Corporation for Educational Telecommunications ("SCCET").

3. Facility Development. These facilities (hereinafter referred to as the "telecommunications facilities") shall be located and designed as follows:

- a. Location. The telecommunications facilities shall be situated within the County, and shall be located, subject to applicable zoning ordinance requirements, on such sites as the Franchisee, in consultation with the SCT, County and Cities and SCCET, as appropriate, may select.
- b. Lease Terms. The Franchisee will lease the sites upon which the telecommunications facilities are located. The terms of each lease shall be subject to the advance approval of the Commission in relation to the following matters, and each lease shall; except as otherwise approved by the Commission:
 - (1) Be for a term which expires not earlier than the conclusion of the term of the Initial CATV Franchise;
 - (2) Terminate on the date of termination of the Initial CATV Franchise, subject to an option vested in the Franchisee, as lessee, or the Franchisee's assignee or sub-lessee, to renew the lease for an additional term not less than fifteen years;
 - (3) Be assignable or subject to sub-lease by the Franchisee to the Commission or any party who the Commission may designate; and

- (4) Not grant to the lessor or any other party a right to use the telecommunications facilities which is paramount to those rights of use established by this Resolution, or in any manner impairs the rights of use established by this Resolution.
- c. System Component. The telecommunications facilities shall be deemed to constitute components of the Cable Television System as defined by Section 5.50.012-b and within the meaning of Section 5.50.242-a, and all related equipment, appliances, apparatus or other personal or other property described herein and located at the telecommunications facilities shall be deemed to be property subject to purchase within the meaning of Section 5.50.242-c of the Ordinance.
4. Same - Design and Facilities. Except as authorized under Sub-Paragraph 7 below, the telecommunications facilities shall include not less than nine thousand seven hundred twenty-five (9,725) square feet in floor space as shown in Form K.1 of the application.
5. Same - Equipment. All equipment listed in the following sections of Form K shall be maintained at the following telecommunications facilities for utilization in their operation:
- a. SCT Main Studio - All equipment listed in Form K.7 (C)(1) under the headings "Central Production Studio" and "Field Production Truck".
 - b. SCT Audio Studio - All equipment listed in Form K.7 (C)(1) under the heading "Audio Studio".
 - c. Local Origination Studio - All equipment listed in Form K.5 (A)(2) under the headings "Local Origination Production Studio", "Field Production Truck" and "News Gathering Fleet".
 - d. Access Studio - All equipment listed in Form K.6 (B)(1) under the headings "Public Access Production Studio" and "Porta Pak Systems for Public Access".
 - e. Audio Access Studio - All equipment listed in Form K.6 (B)(1) under the heading "Audio Access Studio".
 - f. County and Cities Production Studio - All equipment listed in Form K.10(A) under the heading "Government Access Studio".
 - g. SCCET Studio - All equipment listed in Form K.10 (B)(1) under the heading "SCCET Central Studio".

Hereinafter in this Resolution, all references to these facilities, equipment, and ancillary equipment by those names shall refer to them as defined in this paragraph.

6. Space Utilization. All facilities shall be allocated and utilized in the volumes and configurations and for the purpose indicated during the term of the franchise, except pursuant to and in compliance with the provisions of Paragraph 3b.
7. Substituted Telecommunications Facilities. The Board of Directors of the Commission may, in its sole discretion, approve modifications of the design of the telecommunications facilities.
 - a. Request. At any time and from time to time, the Franchisee may file with the Clerk of the Board of Directors of the Commission a written request for approval of a change or changes in the telecommunications facilities. The request shall contain or be accompanied by the following:
 - (1) A specific and detailed description of the changes for which approval is requested;
 - (2) A statement of the reasons for the request, together with engineer's estimates containing information sufficient to enable the Board of the Directors to make the findings of Sub-paragraph "c" below; and
 - (3) Such other and further information as the Board of Directors may request.
 - b. Public Hearing. Upon receipt of such a request, the Clerk shall schedule a public hearing to commence as soon as practicable but not later than thirty (30) calendar days following the date of filing of the Request. Notice of the public hearing shall be given in the manner prescribed by Section 5.50.024 of the Ordinance.
 - c. Determination. At the conclusion of the public hearing, the Board of Directors of the Commission may, in its sole discretion, approve the changes in design of the telecommunications facilities, subject to such conditions as it may deem necessary or appropriate, if it finds that such changes will not have a negative effect upon the delivery of services to the community. Any such approval shall be incorporated in a written resolution adopted by the Board of Directors which contains a description of the changes authorized, the required finding, any conditions of the approval, and becomes legally enforceable obligations of the Franchisee as components of the Franchise Documents.
8. Cost Estimates. The Franchisee has included within its Application in Form K estimates of costs for all equipment, appliances, hardware, other personal and other property to be provided, and rental for leases. Such estimates have been provided for the purpose of facilitating comparisons of competing applications. Except as expressly otherwise provided by this Resolution, the obligations imposed upon and assumed by the Franchisee in this section shall not

be limited or otherwise qualified by any estimates of costs, and the Franchisee shall comply with said provisions whether or not the actual costs differ from the estimates contained in its Application.

9. a. Maintenance. At all times during the term of the franchise, the Franchisee shall maintain all buildings, facilities and grounds described in Paragraph 2 of this Section V in good and safe condition and repair, suitable for the purposes and uses intended, and shall within a reasonable time, replace any building or facility which is destroyed or damaged beyond repair.

- b. Repair. All equipment, appliances, hardware and other personal and other property described herein shall, at all times during the term of the franchise, be maintained by the Franchisee in good and safe condition and repair, suitable for the purpose and uses intended.

Any such property which becomes incapable of use or the purposes intended, whether as a result of exhaustion of useful life, obsolescence, destruction or damage beyond repair, or loss through theft or otherwise, shall be replaced within a reasonable time by the Franchisee.

- c. Replacement. The replacement capital allotment identified in Form K.3 of the Application, and any other replacement allotment in the Application relating to the facilities, equipment, appliances, hardware and other personal and other property described in Paragraph 2 of this section, shall not constitute a monetary limitation upon the obligations imposed by this Paragraph.

10. Completion. The facilities and all equipment, appliances, apparatus and other personal and other property for each facility described in Paragraph 2 of this Section shall be completed, provided, in place, and operational within the following times;

- a. On or before the first day of the twentieth (20th) month following the filing of the Certificate of Acceptance:

- (1) the public access studio;
- (2) public access studio portable equipment;
- (3) the community use audio studio; and
- (4) community use portable equipment.

- b. On or before the first day of the forty-fourth (44th) month following the filing of the Certificate of Acceptance:

- a. the community use main studio;
- c. On or before the first day of the forty-ninth (49th) month following the filing of the Certificate of Acceptance:
 - a. all other community use, government, and educational community studios, facilities and equipment.

B. USE OF COMMUNITY PROGRAMMING FACILITIES

11. Use of Facilities and Equipment proposed under Section 5.50.336 of the Ordinance. Subject to Paragraph 16 below, use of the access studio and the audio access studio and of the equipment, appliances, hardware and other personal and other property thereof, shall be made available, without rental, deposits or any other charges whatsoever, for use twenty-four (24) hours per day, seven (7) days per week, and utilization shall be limited to use by members of the general public for the production and cablecasting of video and FM audio channels on the Subscriber Network which are dedicated to public access pursuant to the provisions of Section 5.50.336 of the Ordinance, or in the Application.
12. Use of Facilities and Equipment Proposed under Section 5.50.338 of the Ordinance.
 - a. Use of the SCT main studio and and the equipment, appliances, hardware and other property thereof, shall be available for use, without rental, deposits or any other charge whatsoever, at least forty (40) hours per week, subject to allocation by the SCT pursuant to a contract between the SCT and the Franchisee approved by the Commission. Such use shall be for the production and cablecasting of Community Use Programming on video and FM audio Channels on the Subscriber Network pursuant to the provisions of Section 5.50.338 of the Ordinance and Paragraph 21 of this section by non-profit community organizations whose central offices are situated within the County and by the Cities, County and other public agencies situated within the County for the production of governmental programming.
 - b. The SCT Main Studio may, in the discretion of the SCT, be used for the purposes described in Section 5.50.336 of the Ordinance.
13. Use of Local Origination Facility.
 - a. The Local Origination Studio shall be utilized primarily and on a priority basis by the Franchisee for the production and cablecasting of Local Origination Programming. The Franchisee may, to the extent of excess capacity after fulfilling the Local Origination Programming requirements contained in this Resolution in Paragraph 20 of Section V, lease the studios, equipment, appliances, apparatus or other personal or other property therein at rates and charges which are vested within the exclusive discretion of the Franchisee.
 - b. When the Local Origination Studio is not being used for the purpose listed above, it may be made available, at the option of the Franchisee, to Section .338, .342, and .344 users.

14. Use Priorities. Consistent with the terms, conditions, restrictions and requirements of this Resolution, the Board of Directors of the SCT shall be empowered to establish priorities among non-profit community organizations and among members of the general public and non-profit agencies in relation to utilization of the SCT Main Studio, the SCT Audio Studio and the Audio Access Studio and particular facilities, equipment, hardware, appliances and other personal and other property therein for the purpose of promoting maximum utilization of the resources and promoting effective Community Use Programming.
15. Supervision. During all hours the telecommunications facilities are open and available for use by members of the general public, non-profit community organizations or public agencies, each such facility shall be directly supervised by the Franchisee through qualified and responsible persons on-site, or through the provision of operational support grants pursuant to paragraph 34 of this Section V provided to producing groups for the purpose of insuring safety of users of the facilities, effective and efficient utilization of equipment, appliances, hardware and other personal and other property, and protecting such property from abuse, damage, destruction, theft, loss or other harm.
16. Hours. The Franchisee shall make the Public Access Studio available for use by members of the general public, non-profit organizations and public agencies twenty-four (24) hours per day, seven (7) days per week. However, the actual hours and days each such facility is open and available for such use shall be prescribed by the Board of Directors of the SCT, which may prescribe different hours or days of use for different facilities, and may change the prescribed hours or days from time to time during the term of the franchise for the purpose of relating use availability to use demand; provided further, however, the Access Studio and the Audio Access Studio, committed exclusively to Public Access Programming pursuant to Section 5.50.336 of the Ordinance, shall not be permitted by the SCT to be closed in such a manner that use thereof for the production, cablecasting or broadcasting of programming pursuant to Section 5.50.336 of the Ordinance by members of the general public is delayed more than seventy-two (72) hours after a request for use thereof.
 - a. The Franchisee shall not establish or levy any fees or charges of any kind or nature to members of the general public, non-profit community organizations or the representatives thereof, whose central offices are situated within the County, or the Cities, County or other public agencies situated within the County in connection with the production of community use programming cablecast on the Subscriber Network, for non-commercial purposes. The Franchisee shall provide all facilities, community use and public access staffing assistance, materials and supplies, equipment and channels or time thereon to such parties for such purposes without rental, use, fee or other charges or costs to the users, and at the sole cost of the Franchisee.

- b. The benefits of this Paragraph shall not extend to the production of programming which the Franchisee reasonably believes to be for commercial purposes. "Commercial purposes" consist of any utilization of programming produced which yields a return of revenue which exceeds the costs of producing the programming. The sale by a producer of a program whether through syndication or otherwise, constitutes a commercial purpose within the meaning of this Paragraph. The use of facilities, staffing or other resources to produce for cablecasting of the System of telethons or other similar programming by which contributions from subscribers for charitable or other purposes are solicited also constitute commercial purposes. The Franchisee may levy rental, service charges, use charges or other fees in such amounts as it, in its exclusive discretion, may set for use of facilities, equipment, staffing, materials or supplies or channels or time thereon in connection with use for commercial purpose.
 - c. Commercial Purposes as used herein shall not include fund raising programming by nonprofit organizations in Sacramento where the proceeds of such fund raising are limited to the direct support of Community Use Programming, as defined in Paragraph 21 of this Section, and the programming is subject to the rules and regulations, if any, relating to such fund raising as established by the SCT.
 - d. Franchisee may require all persons or entities who use its facilities, equipment or staff for community programming represented to be noncommercial to execute agreements governing such use, which agreements may require, inter alia, that the first revenues derived by such person or entity from such programming which exceed the cost, if any, incurred by such person or entity in the production of the programming shall be applied to the payment of the rates and charges established by Franchisee for those who use its facilities, equipment and staff for commercial purposes. Nothing in the immediately preceding sentence shall be construed to limit in any way Franchisee's power, such as it is, to control the use of its facilities, equipment and staff by third parties.
17. Training Required. The basic and advanced training programs outlined in Form K.8(C) shall be provided to members of the general public and representatives of non-profit organizations and public agencies by the Franchisee at its sole cost and expense, and without any admission, tuition, or other charges for instruction. Except as herein provided, any and all texts or other course materials shall be made available by the Franchisee without charge.
- a. Basic Training shall be commenced not later than the commencement of the second year following filing of the Certificate of Acceptance. A new course of Basic Training will

commence monthly for the remainder of the term of the franchise, subject to reasonable demand.

b. Advanced Training shall be commenced not later than the commencement of the twenty-seventh month following filing of the Certificate of Acceptance. A new course of Advanced Training will commence monthly for the remainder of the term of the franchise subject to reasonable demand.

c. "Reasonable demand" for purposes of the foregoing subparagraphs shall be deemed to exist if, at the time a course is scheduled to commence, at least the following numbers of students desire to participate:

(1) During the period expiring forty-eight (48) months after the filing of the Certificate of Acceptance, fifteen (15) students; and

(2) Thereafter during the term of the franchise, ten (10) students.

18. Restrictions on the Use of Facilities. The Franchisee may deny members of the general public and individual representatives of non-profit community organizations and public agencies the right to use facilities or equipment described by Paragraphs 2 of this Section as follows:

(a) Users under the age of eighteen may be required to be accompanied by a responsible adult; and

(b) Any user who has established a pattern of past abuse of equipment may be denied further use. The Franchisee may establish standards relating to attendance and successful completion of training programs as a condition precedent to the uses described above. Any such standards shall be subject to advance approval by the SCT and the Franchisee shall be empowered to finally resolve any disputes arising out of the application of such standards.

C. PROGRAMMING

19. Local Origination Programming Defined -- As used in this Resolution, "Local Origination Programming" consists of Home Entertainment Programming which is:

- (a) Franchisee Programming -- produced by the Franchisee in the local origination studio, or with equipment, appliances, apparatus or other personal or other property maintained at the local origination facilities; the programming to consist of events occurring within the Sacramento County or pertain to issues or matters of special interest to be shown on the Franchisee's local origination channel on the Basic Service Tier on the Subscriber Network; and
- (b) Purchased Programming -- from sources other than the Franchisee and acquired for cablecast on Franchisee's local origination channel on the Basic Service Tier on the Subscriber Network.

Local Origination Programming shall not include or consist of: (i) Community Use Programming as defined by Paragraph 21 of this section; (ii) Public Access Programming cablecast pursuant to the provisions of Section 5.50.336 of the Ordinance; (iii) the cablecasting of Home Instruction by educational institutions; (iv) menu type programming as described in Form J of the Application; (v) cablecasting of meetings of public bodies; or (vi) public service announcements. Local Origination Programming may be immediately preceded, immediately succeeded or interrupted by commercial advertising. Local Origination Programming shall be professionally produced and technically equal to or of a higher quality than such local programming produced by cable systems in service areas of comparable size to the Imposed Service Area. Such quality will be measured by comparing expenditures for Local Origination programming by such other cable systems, and by utilizing the criteria established for programming excellence by the National Cable Television Association.

The purpose of this definition is to define the types of programming which will meet the volume commitments assumed by the Franchisee under the following paragraph of this section, not to regulate or restrict the quality, content or types of programming which the Franchisee is permitted to cablecast on the Cable Television System.

20. Local Origination Programming Volumes. During the term of the franchise, video Local Origination Programming shall be cablecast by the Franchisee on one channel as described in the Services Section of this Resolution, Basic Service Tier of the Subscriber Network, as follows:

- (a) Beginning in the first week of the fifth (5th) year following the filing of the Certificate of Acceptance and in each week thereafter, the Franchisee shall produce locally not less than

thirty-six (36) hours per week of original, non-repeated and non-automated programming which has not previously been shown in the Sacramento area. In addition, if the local news service as described in the Application and subparagraph (b) below has not yet been instituted by the first week of the fifth (5th) year or if said local news channel has been diminished to the provisions of subparagraph (b) below, Franchisee will purchase seven (7) hours per week of programs that have not been previously cablecast or broadcast, and are not network or satellite programming or programming intended for national or regional distribution.

- (b) The Franchisee will provide one full time local news channel to be known as "The Sacramento Channel", which will provide community news and civic and cultural programming twenty-four (24) hours per day, seven (7) days per week. Five (5) full time equivalent professional announcers, thirty (30) full-time equivalent professional reporters, twenty (20) full-time equivalent camera persons/editors/technicians, five (5) full-time equivalent producers and thirty (30) part-time technical and production assistants shall be engaged in the development and presentation of material for this channel. The Sacramento Channel shall become operational on a full-time basis and not later than sixty (60) days after the Franchisee shall first have obtained a total number of subscribers to Basic Video Services of now fewer than one hundred thousand (100,000) persons. If Franchisee has (i) attained 100,000 subscribers and (ii) devoted all reasonable efforts to develop, market and promote the Sacramento Channel and the advertising revenues and other revenues solely and directly attributable to the Sacramento Channel ("Revenues") are nonetheless insufficient to defray Franchisee's total costs solely and directly related to producing and disseminating the Sacramento Channel ("Costs") during any full calendar year of the Franchise period, then Franchisee may, in its discretion, during any calendar year thereafter, reduce (i) the hours per day, and/or (ii) the days per week, and/or (iii) the number or types of personnel required by this paragraph to the extent required to prevent Costs from exceeding Revenues in such year. For purposes of this Paragraph, the terms "Revenue" and "Cost" and the term "solely and directly related to..." shall be determined according to generally accepted accounting practices consistently applied. Notwithstanding the foregoing, Franchisee shall at all times satisfy the minimum requirements of subparagraph (a) hereof, it being understood that all original, non-repeated, and non-automated news, civic and cultural programming hours on the Sacramento Channel shall at all times be credited towards the thirty-six (36) hour requirement set forth in said subparagraph (a) of this paragraph.

21. Community Use Programming Defined. As used in this Resolution, "Community Use Programming", as defined by Section 5.50.012-e of the

Ordinance, is limited to Home Entertainment non-automated, video and audio only programming produced by SCT with assistance of the Franchisee or by non-profit community organizations whose central offices are situated within the Sacramento Community, which, as to video programming, is shown exclusively on the channels described in the Services Section of this Resolution, Basic Service Tier on the Subscriber Network, as to audio only programming shall be cablecast on any community use, basic service FM radio channels set aside for that purpose by the Franchisee; and is presented pursuant to Section 5.50.338 of the Ordinance.

22. Community Use Programming Volumes. During the term of the franchise, video Community Use Programming shall be cablecast in the following volumes:

- a. Twenty-fourth Month. Commencing at the beginning of the twenty-fourth calendar month following filing of the Certificate of Acceptance and continuing through the end of the thirty-sixth (36th) month following filing of the Certificate of Acceptance, the Franchisee shall:
 - (1) Cablecast between the hours of 6:00 a.m. and 5:00 p.m. not less than twenty (20) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community; and
 - (2) Cablecast between the hours of 5:00 p.m. through 11:00 p.m. not less than twenty (20) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community.
- b. Thirty-seventh Month. Commencing at the beginning of the thirty-seventh (37th) calendar month following filing of the Certificate of Acceptance and continuing through the end of the fiftieth month following filing of the Certificate of Acceptance, the Franchisee shall:
 - (1) Cablecast between the hours of 6:00 a.m. and 5:00 p.m. not less than twenty (20) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community; and
 - (2) Cablecast between the hours of 5:00 p.m. through 11:00 p.m. not less than thirty (30) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community.

- c. Fifty-one Months. Commencing at the beginning of the fifty-first (51st) calendar month following filing of the Certificate of Acceptance and continuing through the conclusion of the term of the franchise, the Franchisee shall:
- (1) Cablecast between the hours of 6:00 a.m. and 5:00 p.m. not less than twenty (20) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community; and
 - (2) Cablecast between the hours of 5:00 p.m. through 11:00 p.m. not less than forty (40) hours per week of original, non-repeat Community Use Programming which has not previously been cablecast or broadcast within the Sacramento Community.
23. Community Use Obligation. The Franchisee's responsibility for the production and cablecasting of the number of hours of programming prescribed by the immediately preceding paragraph shall be deemed fulfilled by the Franchisee's compliance with Paragraphs 34 and 35 of this Section V and with Paragraph 9 of Section IV of this Resolution.
24. Public Access Programming. Commencing at the beginning of the twenty-fourth calendar month following filing of the Certificate of Acceptance and continuing thereafter during the remainder of the term of the franchise, public access programming pursuant to the provision of Section 5.50.336 of the Ordinance shall, as to video programming, be cablecast on the channel described in Paragraph 5(a)(2) of Section VI of this Resolution, Basic Service Tier and, to the extent made available, on the other channels described in subparagraph 5(a)(2) of Section VI of this Resolution.
25. Public Access Budgeting. During the term of the franchise, the Franchisee shall provide all staffing, facilities, equipment, materials and supplies required to permit the production of public access programming pursuant to the provisions of Section 5.50.336 of the Ordinance to the extent of the channel, studio and equipment, and staffing resource allocations prescribed respectively by Paragraph 5 of Section VI, Paragraphs 2 and 5 of this Section and Paragraph 10.d of Section IV. The dollar amounts of the equipment grants described in Forms K.1, Form K.2 and Form K.3 of the Application shall not constitute a limitation upon the programming obligations assumed by the Franchisee under Paragraph 24 above and under this paragraph but are provided only for the purpose of estimating the cost to the Franchisee of fulfilling said obligations.
26. Conflict Resolution.
- a. It is understood that the cost of Public Access and Community Use Programming is being underwritten by the Franchisee, that

such programming will be cablecast on Systems owned by the Franchisee, and received by consumers who must pay for the services received, and are vested with an option not to subscribe. It is also understood that the nature, quality, and content of such programming may materially influence the volume of subscriptions to cable services.

- b. Authority of SCT. Subject to the limitations set forth in the following Paragraph 27, the SCT shall resolve the following types of issues and questions with regard to Public Access and Community Use Programming pursuant to the criteria set forth on pages 95-97 of Form K of the Application provided that those criteria shall be subject to further elaboration, modification, and addition by agreement of the Franchisee and SCT:
- (1) The time or date on which a particular program will be cablecast to Subscribers;
 - (2) Whether the content of a particular program is sufficiently related to the subject matter of a particular theme channel to warrant cablecast on that channel as distinguished from another channel;
 - (3) Whether the production quality of a particular program is sufficient to warrant cablecasting to subscribers;
 - (4) In the event of a demand to program channels or time thereon allocated to Community Use Programming which exceeds the capacity of the channels (i.e., a demand for programming which exceeds the volume which can be accommodated by twenty-four (24) hours per day, seven (7) days per week cablecasting), the determination of which programs are to be cablecast and which are not;
 - (5) The permissible length of program;
 - (6) The appropriateness of the content of programs;
 - (7) The monopolization by particular users of production facilities or equipment;
 - (8) In the event of a demand to utilize production facilities or equipment which exceeds capacity, determination of who will be permitted use and who will not be;
 - (9) Denial of the use of facilities or equipment on the basis of past abuse, misuse, or inadequate care thereof.
 - (10) Determination of how staffing provided by the Franchisee for Community Use Programming will be allocated to assist particular parties in the production of such programming

or assist in the production of particular types of Community Use Programming.

27. Limitations on SCT. The discretion of the SCT under Paragraph 26b above shall be subordinate to, limited by and consistent with the following limitations:
- a. The use of facilities and equipment allocated for Public Access Programming pursuant to Section 5.50.336 and the cablecasting of such programming on channels allocated therefor, shall be based upon a first-come-first-served basis pursuant to Section 5.50.336 of the Ordinance provided that the Board of Directors of the SCT (5.50.334) shall be authorized to regulate such use for the purpose of preventing the monopolization of such facilities, equipment and channels and expanding the breadth of utilization thereof;
 - b. The terms, conditions and limitations prescribed by the Application, including, but not limited to regulatory or other authority vested in the Board of Directors of the SCT over matters identified in Paragraph 26b. The Franchisee shall be authorized at any time during the term of the franchise to clarify any ambiguities relating to the authority of the SCT by filing with the SCT and the Clerk of the Board of Directors of the Commission a written statement which irrevocably delegates specific authority pertaining to such matters to the Board of Directors of the SCT;
 - c. The terms, conditions, requirements and provisions of this Resolution; and
 - d. The authority of the Board of Directors of the Commission reserved under Section 5.50.512 of the Ordinance.
28. Franchisee. The Franchisee reserves to itself the exclusive authority to resolve and finally determine whether to cablecast programming that may subject it to liability.
29. Discrimination. In the exercise of discretion authorized by this Paragraph 26b, neither the Franchisee nor the SCT shall discriminate upon the basis of race, national origin, sex, religious preference, age, political preference or social philosophy.

D. SACRAMENTO COMMUNITY TRUST

30. Pursuant to the provisions of Section 5.50.334 of the Ordinance and the Application, the Franchisee shall create a Steering Committee to form a non-profit California Corporation to be known as the Sacramento Community Trust ("SCT").

The Steering Committee shall file the Articles of Incorporation and all necessary tax certificates for the Trust, and shall prepare the by-laws, arrange and provide for appointment of the Board of Directors, and otherwise form, organize and be responsible for creation of the SCT in accordance with the response to question 8(B) in Form K of the Application. The SCT shall be formed and fully competent to transact business not later than twelve (12) calendar months following filing of the Certificate of Acceptance.

The SCT shall be funded pursuant to Paragraph 34 of this section. The SCT shall perform the following duties:

- a. Support and manage the production of programs as envisioned by Section 5.50.336 of the Ordinance and Application;
- b. Administer grants for the production of Community Use Programming to non-profit community groups and organizations whose central offices are situated within the County as envisioned by Section 5.50.338 of the Ordinance and Application;
- c. Produce Community Programming as envisioned by Section 5.50.338 of the Ordinance and Application;
- d. Coordinate and work with the Franchisee and others to ensure effective promotion of Community Use Programming and effective use of Community Use Programming facilities;
- e. Coordinate and work with the Franchisee and others to design training programs in the use of the Community Use Programming facilities;
- f. Resolve conflicts in respect to Community Use and Public Access Programming as provided in Paragraph 26 of this Section; and
- g. Provide, upon application by the Commission, grants to purchase equipment, software or other facilities or improvements for the Subscriber Network or the Institutional Network which in the discretion of the Commission and the SCT will benefit the subscribers or other users of all or any part of the System.

E. MISCELLANEOUS PROVISIONS

31. Program Accounting. The Franchisee shall maintain during the term of the franchise logs or other written records showing all video Local Origination and Community Use Programming cablecast on the Cable Television System, which records shall include the following detailed information: (i) a description of each program cablecast; (ii) the date and time of cablecast, including the length of the program; (iii) the Channel on which the program was cablecast; and (iv) the name and address of the sponsor of the program. The Franchisee shall similarly maintain a log or other written record showing, with respect to all public access programming, the type of program cablecast, the date and time of cablecast, the length of the program, and the name and address of the sponsor.
32. Auditing. All records maintained by the Franchisee pursuant to the provisions of Paragraph 31 shall be subject to inspection and audit by authorized representatives of the Commission, during business hours and upon reasonable notice.
33. Annual Reports. Not later than July 1, 1986 and the first day of each July thereafter during the remainder of the term of the franchise, the Franchisee shall file a written report with the Clerk of the Board of Directors of the Commission which describes in detail the volume of hours of and types of Local Origination, Community Use and Public Access Programming cablecast on the Cable Television System during the preceding twelve (12) month period, and the results of the annual ascertainment conducted pursuant to Page 146 of Form K of the Application and includes such further and other information concerning such Programming as the Board of Directors may require. The starting and ending dates of the period covered may be modified by mutual agreement of the Commission and the Franchisee.
34. Contracts. Pursuant to the provisions of Section 5.50.336, 5.50.338, 5.50.342 and 5.50.344 of the Ordinance, the Franchisee will enter into contracts with, at a minimum, the Educational Consortium, public television station KVIE, public radio station KXPR, the Counties and the Cities acting jointly, and the SCT, ("grantees") pursuant to which contracts the Franchisee will provide direct monetary grants collectively totaling fifty percent (50%) of Basic Service Revenues of the system annually, but in no event less than the sum of five hundred thousand dollars (\$500,000) annually, and staff support comprised of employees of the franchisee employed for the purpose of aiding the aforementioned entities in the production and cablecasting of community programming to the extent that the compensation, (i.e. direct salary, overtime and benefits) equals not more than twelve and one half percent (12.50%) of the Basic Service Revenue of the system on an annual basis. As used in the preceding sentence, "employed exclusively" shall include all time of employees that is directly devoted, or otherwise properly allocable, to the purpose set forth in said sentence, provided, however, that no such allocation of employee

time shall be permitted with respect to managerial or administrative employees. Such contracts shall comport with the minimum terms and conditions approved by the Commission and shall be incorporated within this Resolution upon their execution and approval by the Commission. Such contracts in the aggregate shall require the grantees to produce and cablecast programming satisfying the requirements of Paragraph 22 of this Section. Within the aforementioned collective totals, as to both direct monetary grants and staffing services, said resources shall be apportioned as follows:

The SCT (for community use 50% and public access 5%)	55.0%
The Educational Consortium	25.0%
KVIE	12.5%
The County and Cities	5.0%
KXPR	2.5%
TOTAL	<u>100.0%</u>

The staff support grants covered by this Paragraph shall be subject to the provisions of paragraph 11 of Section IV of this Resolution, in the event of any surplus.

35. Reallocation. If any contract described in the immediately preceding paragraph is for any reason terminated prior to its normal expiration date, the Franchisee shall reallocate to a third party grantee selected by mutual agreement of the Commission and the Franchisee all payments or other benefits Franchisee would have made under each such contract in a manner (including, without limitation, use of appropriate channels) and for such purposes as are mutually agreed to by the Commission and Franchisee. In no event shall any such funds accrue to the benefit of the Franchisee or the Commission. The foregoing sentence shall not, however, disqualify the Commission from acting as trustee on behalf of the County and the Cities for purposes of receiving funds and staff support and administering the production and cablecasting of community use programming on behalf of those entities nor shall such sentence disqualify the Franchisee from acting as such trustee for the foregoing purposes pending the selection of an appropriate third party grantee to succeed to the benefits provided in respect to the SCT, SCCET or television station KVIE or public radio station KXPR.
36. Significant Change In Circumstances. There is pending at the time of the enactment of this Resolution certain proposed federal legislation which, if enacted, would allow the Franchisee to reduce and/or eliminate programming which would otherwise be required under the Franchise Documents where there has been a "significant change in circumstances" since the Franchisee's offer to provide such programming. Inasmuch as the Franchisee carefully evaluated its offer in light of a wide variety of possible circumstances and desires to induce the Commission to offer a franchise to Franchisee in reliance upon the promise of said programming, the parties hereto have agreed that, if such legislation shall be enacted utilizing such language or

its equivalent, the phrase "significant change in circumstances" or its equivalent shall not include the following:

- a. The failure of the Franchisee to achieve the degree of market penetration anticipated in its application;
- b. The failure of the Franchisee to achieve the level of revenues or the degree of profitability anticipated in its application; or
- c. The failure of any grantee or subcontractor of the Franchisee to produce the requisite volume of programming except that the complete unavailability of such programming or any reasonable equivalent thereto shall constitute such a change in circumstance.

37. No Expansion of Programming Obligations. Nothing in Paragraph 36 above shall be construed to expand the programming obligation of the Franchisee as elsewhere set forth in this Resolution.

SECTION VI

SERVICES

A. GENERALLY

1. Subscriber Network. The Subscriber Network shall:

a. Consist of--

- (1) Two cables (A and B).
- (2) Each within a frequency spectrum of 5-400 MHz with:
 - (a) at least four (4) 6 MHz channels upstream within a frequency spectrum of 5-30 MHz on each cable; and
 - (b) at least fifty-two (52) 6 MHz video channels downstream within a frequency spectrum of 50-400 MHz, on each cable. These figures reflect the actual spacing and capacity of the Network. Initially the system will be activated to 350 MHz.

b. Be utilized -- in the absence of Commission consent to other uses, solely for the purpose of providing:

- (1) Home Entertainment Services;
- (2) Non-Entertainment Services;
- (3) The transmission of Home Entertainment Services and Institutional services for Institutional Users; and
- (4) System support functions, such as status monitoring.

2. Institutional Network. The Institutional Network shall:

a. Consist of one (1) institutional cable which shall cover approximately seven hundred and thirty-four (734) miles within the Imposed Service Area and with at least forty-nine (49) 6 MHz video channels within a frequency spectrum of 30-400 MHz ; and,

b. Be utilized in the absence of Commission consent to other uses, for the purposes of providing Institutional Services in accordance with the provisions of Paragraph 15 of this Section VI. Notwithstanding anything to the contrary contained herein, the Institutional Network shall provide connections to at least the locations set forth in Paragraph 6a of Section II hereof, as therein provided.

B. HOME ENTERTAINMENT SERVICES

3. Tier Structure. Home Entertainment Services shall be offered within four tiers: Basic Service, Family Cable, Premium Cable Services, and Pay-Per-View Services. Modification of the number of channels in any grouping of program services (i.e., a tier of service) and modification of the hierarchy of tiers shall be subject to the provisions of Section 5.50.510 of the Ordinance. However, the Franchisee shall have discretion with respect to the formation of tiers of service not mentioned in its Application and with respect to any premium service that is offered on an individual basis in its Application.

The Franchisee shall utilize Cable A and Cable B within, at least, the frequency range from 50-350 megahertz (MHz) on each cable, to provide Home Entertainment; Educational; and Home Non-Entertainment Services in four tiers or packages as follows:

- a. Basic: Shall consist of not less than thirty video channels (including FAA conflict channels.)
- b. Family Cable: Shall initially consist of not less than thirteen video channels, subject to subparagraph 4d below.
- c. Premium Cable Services: Shall initially be available on eleven video channels.
- d. Pay Per View Programming: Shall be available when economically feasible and viable.

Use of the above specified channels for any use or purpose other than that specified in the Application and this Resolution shall be subject to the provisions of Section 5.50.510 of the Ordinance.

4. Programming Commitments

- a. .338 Programming. The programming shown on Channel A2, as described in Forms J.1 at Page 1 of 3 and J.4 at Page 2 of 3 of the Application shall, subject to the provisions of Section 5.50.510 of the Ordinance, be maintained as described in the Application and in the volume of hours stated below during the term of the franchise.
- b. Volumes of Hours. Those volumes of hours shown in Form K.7 at pages K-92 through K-94 inclusive of the Application, designated "24th month - 36th month", "37th month - 51st month" and "51st month - End of Franchise Term" shall, subject only to the provisions of Section 5.50.510 of the Ordinance, respectively:
 - (1) Be maintained from the beginning of the 24th month following filing of the Certificate of Acceptance through the end of the 36th month;

- (2) Be maintained from the beginning of the 37th month following filing of the Certificate of Acceptance through the end of the 50th month;
- (3) Be maintained from the beginning of the 51st month following filing of the Certificate of Acceptance through the conclusion of the term of the franchise.

c. Local Origination Programming.

The programming shown on Channel A4, as described in Forms J.1 at Page 1 of 3 and J.4 at Page 2 of 3 of the Application, shall, subject to the provisions of Section 5.50.510 of the Ordinance, be maintained as described and in the volume of hours stated, during the term of the franchise:

- (1) Volumes of Hours. Those volumes of hours shown in Form K.5(B)1 at Page K-61 of the Application shall, subject only to the provisions of Section 5.50.510 of the Ordinance, be maintained from the beginning of the 51st month following filing of the Certificate of Acceptance, through the term of the franchise.

d. Distant Signal Network and Satellite Programming. Imported stations, network services and satellite programs and services which are not premium services or pay-per-view services, shown in Form J.1, shall be offered by the Franchisee in accordance with the programming structure proposed in the Application subject only to the provisions of Section 5.50.510 of the Ordinance and the limitations stated in Form J.1; provided however, that:

- (1) During each year of the franchise, the Franchisee shall be expressly permitted to reduce the number of distant channels cablecast upon the system to the extent, and only to the extent, that, in the next preceding franchise year, the actual expenditures for copyright fees on distant signal channels shall not have averaged less than 24.778% of the Basic Service Revenues of the system as determined herein. To the extent that such expenditures in any year shall be less than the aforementioned percentage, the amount of the difference shall be set aside in a copyright fee reserve. When the level of funds in such reserve added to the aforementioned percentage of basic service revenues shall be sufficient to pay the copyright fees for an additional distant signal channel, said channel shall be restored to the system until said copyright fee reserve shall be exhausted.
- (2) If reduction in the number of distant signal channels is made by the Franchisee pursuant to the provisions of the immediately preceding subparagraph above in any given year,

the aforesaid test shall be reviewed annually thereafter and such distant signal channels shall be restored as are necessitated by the result of said test in succeeding years.

- (3) Distant signal channels reduced or eliminated pursuant to the provisions of Paragraph 4d(1) above shall not constitute a material reduction of elimination of "programming of the nature, extent, volume or quality identified in the Application" as that phrase is utilized in Section 5.50.510 of the Ordinance.
5. Basic Service Tier. The services described in this Paragraph shall be deemed to constitute "Basic Service" as those terms are used in Section 5.50.012-a of the Ordinance, and such services shall be provided during the term of the franchise within the Imposed Service Area.

a. Basic Service Tier Channels. A minimum of Thirty (30) channels shall constitute the Basic Tier, and the programming and volumes of hours thereof described by Form J.1 and Form J.4 of the Application and Paragraph 4 above and this paragraph shall be provided during the term of the franchise, subject only to the provisions of Section 5.50.510 of the Ordinance. The following terms, conditions, restrictions and requirements shall be independently applicable to such channels:

- (1) Channels which are subject to FAA conflicts shall not be allocated for any use set forth in subsection (2) of this subparagraph and shall not be utilized for any purpose, in the absence of consent by the Commission and the FCC, except for low level data transmission.
- (2) Channel A2 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed for that channel by Form J.1 at Page 1 of 3, Form J.4 at Page 2 of 3, Form K.7 at Pages K-92 through K-94 inclusive, Form K.8 at Pages K-95 through K-102, and Form K.11 at Pages K-134 through K-136 of the Application.

Channel A4 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed for that channel by Form J.1 at Page 1 of 3, Form J.4 at Page 2 of 3, Form K.5 at Pages K-61 and K-62, and Form K.11 at Pages K-137 through K-139.

Channel A5 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed for that channel by Form J.1 at Page 1 of 3, Form J.4 at Page 2 of 3, Form K.10 at Pages K-126 through K-131, and Form K.11 at Pages K-134 through K-137.

Channel A7 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed for that channel by Form J.1 at Page 1 of 3, Form J.4 at Page 2 of 3, Form K. at Page K-131, and Form K.11 at Pages K-134 through K-137 inclusive.

Channel A18 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed for that channel by Form J.1 at Page 1 of 3, Form J.4 at Page 2 of 3, (there designated as "A8"), and Form K.6 at Page K.63.

Channel A28 shall not be utilized by the Franchisee and the Franchisee shall not permit it to be utilized by any other person for any purpose or type of programming except as prescribed by Form J.1 at Page 1c of 3, Form J.4 at Page 2f of 3, Form K.10 at Pages K-122 through K-125, and Form K.11 at Pages K-134 through K-137.

Nothing contained in this paragraph shall be construed to prevent the utilization of Channels A2, A5, and A7 by entities not named in the Application but selected pursuant to Paragraph 35 of Section V of this Resolution.

- (3) Basic Service Programming shall be carried in strict accordance with the nature, extent, volume and quality set forth in Form J.1 and Form J.4 of the Application, subject only to the provisions of Section 5.50.510 of the Ordinance.

b. Audio Services. The Basic Audio Services and Premium Audio Services shown and described in Form J.2 and Form J.5 shall constitute Franchisee's Audio Services. Said services shall be offered, in accordance with the limitations set forth in Form J.5 at Pages 21 and 2m of 3 and Form L.2 of the Application, on an optional basis to Home Subscribers during the term of the franchise, subject only to the provisions of Section 5.50.510 of the Ordinance. Revenue from the Basic Audio Service tier shall not constitute revenue from Basic Services for the purposes of the commitments made in Form K and Sections IV and V of this Resolution.

6. Basic Service Rates and Charges. The rates and charges prescribed below as derived from Form L1 of the Application shall constitute the rates and charges for Basic Service, and shall remain the same for five (5) years after the commencement of Subscriber service or such further period as required by law.

Except as expressly provided below, the rates and charges prescribed above for Basic Service shall be the only ones charged or collected for Basic Service, and no other or additional charges, whether for equipment rental or otherwise, shall be levied, charged or collected except as permitted by the Ordinance. The Franchisee shall provide all equipment, apparatus and appliances required in order to enable a subscriber to receive a defined service which is provided directly by the Franchisee and not through a second party vendor, including, but not limited to converters and text decoders, without rental, sales, use, service, subscription or any other charges except as prescribed below.

The following rates and charges shall be uniformly applicable within the Imposed Service area, and shall be uniformly applicable to services to single family residences, duplex units apartments and apartment buildings, condominiums and other multiple family housing under common ownership and management, except as otherwise specifically prescribed.

The Franchisee has expressly chosen to fix and assure its Basic Service rates and charges without reference to Section 5.50.620 et seq of the Ordinance. Accordingly, no deviation whatsoever from the Basic Service rates set forth in this Paragraph shall occur during the period specified above and the procedures relating to approval of increases during the period of regulation (Section 5.50.620 et seq) shall not be applicable to the Franchisee.

a. Subscription rates.

- (1) Basic Service Channels. The following rates shall be applicable to subscriptions for those Basic services described by Paragraph 5-a of this Section.

- (a) First Television Outlet -- \$2.00 per month;

- (b) Each Additional Television Outlet -- \$6.00 per month;

- (2) FM Audio Services. The subscription rates for the provision of FM Audio Services as described by Paragraph 5(b) of this section shall be as follows:

- (a) Basic FM Service shall be available to Basic Service Home Subscribers at a rate of \$2.00 per month per outlet for service. No installation fee per outlet will be charged if installed at the same time as Basic service.

b. Installation Charges.

- (1) Basic Service Channels

- (a) First Television Outlet -- \$25.00;

- (b) Each Additional Television Outlet -- No Charge, if installation occurs at the time of installation of the first outlet; and \$25.00 if installation occurs at a time later than installation of the first outlet;
- (c) Relocation of Each Television Outlet -- 15.00;
- (d) Reconnection of Each Television Outlet -- for the purpose of resuming service following disconnection -- 15.00;
- (e) There may be a charge for disconnection or discontinuance of service if converter is not returned.

With respect to apartments and apartment buildings, condominiums, and other multiple family housing under common ownership and management, the installation charge for the First Television Outlet and each Additional Television Outlet shall be negotiable, but in no event shall such charges exceed those specified for single family dwellings above.

(2) FM Audio Services

- (a) Basic Audio - Service with cable service - No installation charge if installed at the time of Basic service. \$25.00 charge if installed later.

c. Miscellaneous Charges. A one-time deposit charge in an amount not exceeding the cost of a converter may be imposed upon Home Subscribers whose converters have been negligently or intentionally damaged. The deposit may be forfeited as a result of subsequent damage, and a new deposit required as a condition precedent to on-going services.

d. Other Charges. All charges for ongoing cable service, maintenance or repair shall be limited to and based upon the time spent at the site where service is rendered, and the cost of materials and supplies.

e. Billing Practices.

- (1) The Franchisee shall, during the term of the franchise, comply with those billing practices identified in Form L.7 of the Application. Service disconnection for delinquency in the payment of rates and charges shall not occur earlier than thirty (30) days following the due date for payment.
- (2) A clear disclosure shall be prominently displayed in all service contract informing prospective subscribers of the costs of the lower tiers of service and that they do not have

to purchase all tiers of service in combination in order to obtain the lower cost tiers.

- (3) Any installation fees or other one-time charges may be reduced or waived by the Franchisee from time to time, at the Franchisee's sole discretion.

7. Services above Basic Tier (Tier Channels). The services described in this Paragraph shall be offered only in conjunction with subscription to Basic Tier Services, and such services shall be provided during the term of the franchise within the Imposed Service Areas.

- a. Thirteen (13) channels shall initially constitute the Family Cable Tier, to consist of the programming described in Form J.1 and Form J.4 of the Application and to be available during the term of the franchise, subject only to the provisions of Section 5.50.510 of the Ordinance and Paragraph 4 of this Section. The following terms, conditions, restrictions and requirements and other sections of this Resolution shall be independently applicable to the Family Cable Tier:

- (1) Channels which are subject to FAA conflicts shall not be utilized for any purpose, except for low level data transmission, in the absence of consent by the Commission.

- b. Premium cable service shall initially be cablecast on eleven (11) channels, and shall consist of the programming described in Forms J.1 and J.4 of the Application and Paragraph 3 of this Section, and shall be available during the term of the Franchise, subject only to the provisions of Section 5.50.510 of the Ordinance and said paragraph 3 of this Section. The following terms, conditions, restrictions and requirements shall be independently applicable to such channels:

- (1) The Premium Cable Services shall be available only in conjunction with the Family Cable Tier.

- (2) Channels which are subject to FAA conflicts shall not be utilized for any purpose, except for low level data transmission, in absence of consent by the Commission.

- c. Pay-per-view programming shall be offered on the channels described in Form J.1 and J.4 of the Application when it is economically feasible and viable to do so.

C. NON-ENTERTAINMENT SERVICES

8. Emergency Alert System. An Emergency Alert System shall be provided on the Subscriber and Institutional Networks within the Imposed Service Area to each Home Subscriber and Institutional User who purchases a Home Entertainment Service (with the exception of FM service only), without request by the Subscriber or User, and without subscription, installation or any other charge whatsoever.
 - a. Functional Capabilities. The Emergency Alert System shall have the capability to override all channel audio and video.
 - b. Activation Capabilities. The City and County Headquarters for Civil Defense, Disaster and Emergency Services shall be connected, without charge, to the cable television system, shall be equipped with an Emergency Console, and shall be provided with the capability of immediately activating the Emergency Alert System without intervening contact with Franchisee personnel, if in the sole discretion of the City and County Emergency Services Coordinators, such activation is necessary. An Emergency Services Plan shall be developed initially by the City and County Emergency Alert System Activation Plan Coordinators.
9. Security Service System. During the term of the franchise, the Franchisee shall make channel capacity available to third parties for the provision of security services.
10. Interactive Services System. At all times during the term of the franchise, the Franchisee shall offer and provide Interactive Services as described by and pursuant to the terms, conditions and requirements contained in this Paragraph to Home Subscribers within the Imposed Service Area. The Interactive Services, as described in this Paragraph and in Form I of the Application, shall be deemed to be "vested" Non-Entertainment Services under the provisions of Section 5.50.504 and 5.50.506 of the Ordinance, and shall be provided during the term of the franchise subject to the on-going regulatory authority of the Commission reserved under Section 5.50.508 of the Ordinance.

At all times during the term of the franchise, the Franchisee shall install, establish, operate and maintain pursuant to the requirements of this paragraph within the Imposed Service Area the following Interactive Service System for Home Subscribers.

- a. Equipment Capabilities. The Interactive Service System shall provide Home Subscribers with the capacity for a variety of two-way information and other services as described by Form I of the Application. The functional capabilities of the System shall include data bases, subscriber opinion response capacity, transactional services either through equipment or provided by the Franchisee or through the Franchisee's equipment through "gateways" or interfaces to a third party or joint venture Service Provider's equipment. Functionally the system shall utilize the

cable television distribution system, interactive service computer facility(ies), and home interactive terminal service units.

- (1) Computer Control Facilities. The Franchisee shall install and maintain interactive services computer control facilities such that the system will, at all times, be capable of providing sufficient computer capacity to serve Home Interactive Service Subscribers within response times for local data access not to exceed two (2) seconds at the seven (7%) percent simultaneous usage level.
 - (2) Home Terminal Unit. The Home Terminal Unit (HTU) shall be the installed device through which the Subscriber can request and receive interactive services through appropriate interface to the system. The Home Terminals shall have the capacity to provide at least transactional, opinion response and text retrieval services. The Home Terminal Unit may be integral with the Cable converter or may be a separate unit.
 - (3) Network Architecture Capacity and Protocols. The Franchisee shall utilize a network architecture with the appropriate capacity and utilizing the necessary protocols to be capable of supporting simultaneous usage by at least seven (7%) percent of Home Interactive Subscribers with response time not to exceed two (2) seconds. The Franchisee shall submit detailed specifications of the interactive system to the Commission for its approval prior to implementation and activation of the system. Such approval shall not be unreasonably withheld.
 - (4) Response Time. Response time for the purposes of measurement and evaluation of the interactive system, shall be defined to be that time in the use of a locally maintained random access data base under the control of the Franchisee beginning at the time that the Subscriber's message enters the upstream cable system network path terminating upon receipt of the requested information or message(s) by the appropriate Subscriber Home Terminal Unit.
- b. Functional Capabilities. The request for service entered from the Home Terminal by the Subscriber or User shall be evaluated by the headend computer system. The headend computer system then responds to the Home Terminal Unit with the appropriate service or set of instructions. The maximum system response time as defined in subparagraph a(4) above shall be not greater than two (2) seconds.
- c. System Capacity. The Interactive Service System shall be designed and installed with the ultimate capacity to provide the full range of Interactive Services described by Paragraphs 11 and 12 below to each and every household within the Imposed Service Area. The functional capability of these Interactive Services shall be as set forth in Form I of the Application.

11. Two-Way Response Services. Upon activation of the System and thereafter during the term of the franchise, the Franchisee shall make available as independent offerings the following service options:

- a. Impulse Pay-Per-View.
- b. Opinion polling.
- c. Simple two-way response services.

12. Additional Services. Not later than sixty-three (63) months after the filing of the Certificate of Acceptance and thereafter during the term of the franchise, the Franchisee shall offer the following additional services:

a. Text Retrieval Services: that is, a two-way interactive service whereby the user requests information upstream using home terminal having an alpha-numeric key pad. Communicom service is expected, when available, to provide access to such services as:

- (1) News and reference resources.
- (2) Business/Financial Markets.
- (3) Catalogue shopping.
- (4) Home and leisure.
- (5) Education and career.
- (6) Electronic mail service.
- (7) Work processing and computing.
- (8) Specialized industrial databases.
- (9) Other areas as available.

b. Electronic Mail Services. The Franchisee shall provide Electronic Mail services without separate subscription charges, but subject to such usage charges as the Franchisee may prescribe. Messages shall be stored for not less than twenty-four (24) hours following transmittal unless erased earlier by the recipient or sender.

c. Transactional Services. The Franchisee shall provide capacity, both in terms of System architecture and Home Terminal Units, for the provision of a range of Transactional Services. The initiation of these services will be dependent on the availability of software and independent service providers.

13. Discontinuance.

a. The Franchisee reserves the right to suspend or discontinue any of the services described in Paragraph 11 above if at a public hearing called for such purpose the Commission finds that the Subscriber demand for any such service, at a charge reasonably reflective of the cost to provide such service, is insufficient to warrant a requirement that the service be continued. If the Commission refuses or otherwise fails to make such a finding within sixty (60) days after its receipt from the Franchisee of a written request to do so, accompanied by such showing in support of such finding as Franchisee may elect to provide, then

Franchisee shall have the right to submit the issue for de novo determination by arbitration pursuant to the procedures set forth in Section 5.50.830 et seq of the Ordinance. At the public hearing and at any arbitration proceeding, the Franchisee shall present its evidence first but neither the Franchisee nor any other party shall have the burden of proof or persuasion that said finding should be made, or not made.

- b. The Franchisee reserves the right to delay the initiation of any of the services described in Paragraph 12 above if, in its reasonable business judgment, the potential subscriber demand for such service, at a charge reasonably reflective of the cost to provide such service, is insufficient to warrant the initiation of such service. Franchisee shall give the Commission at least ninety (90) days prior written notice of its intention to delay the scheduled initiation of any such service and shall, at the request of the Commission, discuss the basis for such a determination with Commission staff and/or appear at such public hearing as the Commission may wish to call to hear such discussion.
- c. Following the initiation of any of the services described in Paragraph 12 above, its discontinuance shall be governed by the procedure set forth in Paragraph 13.a above.

D. INSTITUTIONAL SERVICES

14. Introduction. The Franchisee shall provide Institutional Services according to the range, capacity and activation schedule set forth in Form I of the Application.
15. Vesting. The Institutional Services described within Form I of the Application shall constitute Non-Entertainment Services which are not "vested" within the meaning of Sections 5.50.504 and 5.50.506 of the Ordinance, and as such are not required to be provided. However, the provision of such services during the term of the franchise shall be subject to the ongoing regulation of the Commission reserved under Section 5.50.508 of the Ordinance and this Resolution.
16. Marketing Strategies. Marketing strategies for the promotion of Institutional Services shall be employed in a manner consistent with that set out in Form I of the Application.
17. Demonstration Grants. The Franchisee shall (i) provide, free of charge or cost to the user, a total of thirty (30) terminal modulators to potential users of the Institutional Network on or before the first day of the thirty-seventh (37th) month following the filing of the Certificate of Acceptance, and (ii) disburse or provide institutional services demonstration grants of cash and/or in kind grants (of technical and other staff support, electronics and other equipment) to such potential users on or before the seventy-fourth (74th) month following the filing of the Certificate of Acceptance in a dollar amount and/or actual cost to Franchisee which when added to the actual cost to Franchisee of the modulators will provide a total of Eight Hundred Thousand Dollars (\$800,000.00), in cash and in kind grants. If the Franchisee should fail, neglect or refuse to make such grants and/or provide such modulators, or any portion or number thereof, on or before said date the Franchisee shall immediately thereupon pay such undisbursed amounts and deliver such unallocated modulators to the Commission in trust for allocations to potential users for the purpose of facilitating use of the Institutional Network.
18. SCCET Band Width. The Franchisee shall provide to SCCET (the Educational Consortium), free of any charge or cost to SCCET, 30 MHz of bandwidth on the Institutional Network to be used solely for direct educational uses. This bandwidth shall be allocated upstream or downstream, for video or such other non-business purposes as the SCCET in its sole discretion may from time to time determine.

SECTION VII

MISCELLANEOUS PROVISIONS

1. Debt Definition. Debt shall be defined as obligations of the Franchisee or the named owners thereof which are fixed as to amount and which give the obligee rights as to assets of the Franchisee or any portion thereof which are superior to the rights of the owners of the Franchisee.
2. Equity Definition. Equity shall be defined as the total of book value of tangible and intangible assets which exceeds the amount of debt.
3. Application of Definitions. The foregoing definitions shall be applied pursuant to generally accepted accounting standards as determined and applied by a reputable national certified public accounting firm acceptable to Commission and retained by Franchisee, whose determinations of debt and equity pursuant hereto shall be certified by unqualified opinion. If said firm cannot certify such amounts in unqualified opinion, the amount of actual equity shall be deemed to be reduced by the amount of any such qualifications insofar as they can be quantified by said firm.
4. Debt Equity Statements. Certified statements of debt and equity shall be prepared on an unaudited basis quarterly and on a basis of an unqualified audited statement not less than annually. This statement shall be submitted to the Commission no later than April 1 as of the end of each calendar year after the filing of the Certificate of Acceptance.
5. Minimum Equity and Limited Subordination. The levels of minimum equity, if any, to be maintained by the Franchisee and the degree to which the rights of the Commission in the franchise may be subordinate, if at all, to the rights of any creditor shall be determined by the Commission in accordance with the provisions of Section 5.50.752 of the Ordinance.
6. Change of Auditors. Franchisee shall retain one of the certified public accounting firms belonging to that group commonly known as "The Big Eight", unless prior written approval of the Commission is obtained to retain some other firm.
7. Management Rights in Debt Instruments. Without the consent of the Commission, no debt instrument as defined herein shall be executed by Franchisee, which shall convey to creditor any right to restrain, influence or impose management action prior to foreclosure of said instrument by judicial action or statutorily sanctioned private action.

8. Transfer of Assets to Creditor. Any transfer of ownership of any of the assets of Franchisee pursuant to any debt instrument to which Commission has subordinated its rights, unless otherwise provided for in said debt instrument, shall be deemed an unauthorized transfer of Franchisee's property pursuant to Section 5.50.750 as of the date said transfer occurred and shall give rise to the right to terminate the Franchisee's franchise pursuant to Section 5.50.818(c).
9. Assignment of Debt Senior to Commission's Rights. No debt instrument or interest therein to which the Commission has subordinated its rights may be assigned without the prior written consent of the Commission.
10. Criminal Convictions. Upon the conviction of a misdemeanor or felony in a criminal proceeding of the Franchisee or any named owner of the Franchisee or any person, firm, corporation, partnership, joint venture, or other entity who or which owns or controls fifty percent (50%) or more of the voting stock or interest of the Franchisee or any named owner of the Franchisee or any director of the Franchisee or any named owner of the Franchisee of an offense denominated as or necessarily including fraud, embezzlement, tax evasion, bribery, extortion, jury tampering, obstruction of justice, false or misleading advertising, perjury, antitrust violations, anti competitive practices, violations of FCC regulations, or conspiracies to commit any of the foregoing offenses, whether or not related to the ownership or operation of the System, the Commission shall have the right to terminate the franchise and purchase the assets thereof at a value established pursuant to subsection a of Section 5.50.248 of the Ordinance provided, however, that such right shall not obtain in the event that the connection between the convicted person and the Franchisee is severed within a reasonable time after such conviction, but in no event more than thirty (30) days after the exhaustion of all appeals from a final judgement of conviction, or two (2) years, whichever is sooner. Notice to the Franchisee shall be given pursuant to Section 5.50.818 (f) of the Ordinance. Nothing contained in this paragraph shall be deemed to apply to activities of any limited partners of a Franchisee that is a limited partnership, provided that said limited partners shall have no right under the limited partnership documents to participate actively in the management of the entity.
11. Duplicate SEC Filings. Franchisee shall file with the Commission duplicate copies of all 8K, 10K, 10Q reports and any Registration or Prospectus filings made by the Franchisee or any of the named owners of the Franchisee with the United States Securities and Exchange Commission within ten (10) days of said filing.
12. Environmental Mitigation Measures. By acceptance of this offering resolution, Franchisee agrees to undertake and implement all mitigation measures identified in the first stage of environmental analysis and attached to this Resolution. Additionally, Franchisee agrees to undertake and implement all mitigations declared by the Commission to be necessary or desirable as part of the second stage environmental

analysis pursuant to the procedures outlined in this Section. The second stage environmental analysis shall be prepared in conformity to the provision of the California Environmental Quality Act and the regulation promulgated in connection therewith. Upon the presentation of the draft second stage environmental report to the Commission, the Commission shall hold a public hearing to consider possible mitigation measures which may not have been identified by such report. At that meeting, Franchisee shall have an opportunity to testify. At the conclusion of that hearing, the Commission shall declare those mitigation measures which it deems to be necessary or desirable. The Franchisee, by filing the Certificate of Acceptance, agrees to adopt and implement the mitigation measures thus declared in the construction and operation of the system.

13. Franchise Fees. Franchisee shall make a one-time additional minimum advance franchise fee payment in an amount equal to a sixty (60) day proration of the then existing Commission budget. Said payment shall be made within ten (10) days of the award of the franchise.

Further, notwithstanding the provision of the second paragraph of Section 5.50.604 of the Ordinance, to the extent that amounts advanced pursuant to this Section or Section 5.50.604 of the Ordinance exceed the amounts which otherwise would have been paid pursuant to Section 5.50.602 of the Ordinance, the excess shall be credited against the subsequent franchise fee payments to the extent that the total franchise fee payment for that year exceeds the then existing Commission budget until the entire amount advanced to the Commission pursuant to this section is accounted for; provided that in no event shall such credits be used to reduce the actual payments to the Commission below the amount of the then existing duly adopted budget of the Commission. In no event shall the Commission, the County or municipalities become or be liable to the Franchisee for payments made pursuant to provisions of this Section.

14. Accounting Standards. Not less than annually, the Franchisee shall provide the Commission with a unqualified certification of an independent certified public accountant certifying the accuracy of the quarterly franchise fee payments paid within the preceding twelve (12) months pursuant hereto. Said certification shall be prepared in accordance with generally accepted accounting standards as established by the Financial Accounting Standards Board (FASB).

15. Gross Revenues.

- a. For purposes of the gross revenue calculations required by Section 5.50.602 of the Ordinance the phrase "financial interest" as used in Section 5.50.012(m) of the Ordinance shall include:

- (1) Any contract in which the Franchisee or any named owner thereof is to receive a percentage of the gross revenues and/or a percentage of the net income of the other party to

the transaction by reason of the activities encompassed by said contract;

- (2) Any debt relationship in which the Franchisee or any named owner thereof as debtor borrows funds at a rate more advantageous than that generally available to similarly situated entities of similar credit worthiness;
 - (3) Any debt relationship in which the Franchisee or any named owner thereof as creditor receives a rate of interest exceeding that which would otherwise be paid by a similarly situated debtor of similar credit worthiness;
 - (4) Any option or warrant to purchase the stock or other equity interest in an entity or entity related to an entity which generates revenues arising from or attributable to the operation of the system;
 - (5) Any debt relationship which has conversion privileges to a form of equity of the nature described in the preceding subsection.
- b. At any time during the term of franchise, Franchisee may apply to the Commission for exclusion of gross revenues of any entity where Franchisee's only financial interest in such entity is one defined by subparagraph a above. After a noticed public hearing called for that purpose in which Franchisee shall have been entitled to present evidence, the Commission shall exclude such revenues, notwithstanding the provisions of subparagraph a above, if the Commission shall determine that:
- (1) said contract embodies a legitimate arms-length business transaction; and
 - (2) said contract does not represent an artifice or device to avoid the payment of franchise fees under the Ordinance.

Evidence that the contracting entity has concluded the same or similar contracts with other entities of similar size shall be relevant and competent evidence to support an affirmative determination of the factors set forth above. A determination shall be based upon a preponderance of the evidence presented at the hearing.

Franchisee may appeal the Commission's determination at such hearing to arbitration pursuant to the provisions of Section 5.50.830 et. seq. of the Ordinance.

- c. For purposes of the gross revenue calculation required by Section 5.50.602 of the Ordinance, the phrase "arising from or attributable to operation of the cable television system" as used in Section 5.50.012(m) of the Ordinance shall include:

- (1) Any activity, product or service which generates revenue of any type whatsoever and which is offered to the subscribers of the system by means of the system or any related service;
 - (2) Any activity, product or service which is revenue producing and is offered to the subscribers of the system by any medium other than the system including but not limited to direct mail and home delivery if the system's subscriber list or any portion thereof is utilized for purposes of solicitation;
 - (3) Any activity, product or service in the production or provision of which any of the assets of the system including but not limited to cable, production facilities, and administrative facilities, are utilized, unless reasonable consideration is paid to the system for such utilization;
 - (4) Any television programming or other services offered to the citizens of Sacramento County within the term of the franchise by any means of delivery whatsoever where such programming or services are or could be offered by means of the system.
- d. The provisions of subparagraph c(4) above shall not be construed to include gross revenues derived by an entity, in which the Franchisee or any named owner thereof has a financial interest, by reason of the provision or delivery of television programming by means of microwave delivery, commonly known as Satellite Master Antenna Television (SMATV) system, during the first fifty-one (51) months following the filing of the Certificate of Acceptance provided that such gross revenues from any particular subscriber to such system shall be included within the gross revenues of the Franchisee as soon as the cable television system shall be completed to such a degree as to allow delivery of services to said subscriber by means of the cable system.
16. Possessory Interest Taxation. The Commission hereby declares that as a result of this contract, a possessory interest subject to property taxation may be created hereby and any such property interest may be subject to property taxation if it is created. The Franchisee, as the party in whom the possessory interest will be vested, may be subject to the payment of property taxes levied upon such an interest.
17. Interest on Delinquent Amounts. As to any amount which the Franchisee is obligated to pay to the Commission or to any other party under this Resolution which is not paid by the Franchisee to the obligee on or before date specified by the Resolution or any contract referenced hereby, interest shall be levied upon such amount from the date of the accrual of the obligation at the maximum legal rate as it now exists or should hereafter be modified. The payment of this interest is not in lieu of or a part of the damages which are liquidated pursuant to

Section 5.50.804 of the Ordinance and shall not be deemed to mitigate or excuse in any way the nature of the breach occasioned by the non-payment.

18. Renewal Discussions.

- a. Within One Hundred Eighty (180) days following the filing of the notice that the Franchisee desires its franchise renewed, the Commission shall hold a noticed public hearing to receive comments on, but not limited to, the applicant's past performance and its compliance with the terms and conditions of the Franchise Documents.
- b. Following the public hearing, a needs assessment to determine the cable communications needs of the franchise area or areas over the proposed term of the requested renewal shall be performed. The needs assessment may be conducted by the Commission, or by the Franchisee if the Commission so requests. If Commission conducts the needs assessment, it may require the Franchisee to pay the actual cost of the assessment. The needs assessment shall be completed not more than two months after the close of the public hearing.
- c. The Commission or such representative as it may designate, and the Franchisee or such representatives as it may designate, shall have the mutual obligation personally to meet and discuss in good faith, promptly upon request by either party, the issue of renewal. In such discussions, which shall continue for a reasonable period of time, the parties shall exchange freely information, opinions, and proposals. The process shall be completed not less than three (3) years before expiration of the existing franchise.
- d. If agreement as to renewal is reached by the representatives of the Commission and the Franchisee, they shall jointly prepare a written memorandum of such understanding, which shall not be binding, and present it to the governing body or its statutory representative for determination.
- f. At least Sixty (60) days before a determination is made by the governing body, notice of the proposed agreement shall be published in one or more nationally recognized cable communications periodicals. The Commission may select the periodical or periodicals.

19. Replacement Cost Calculation.

- a. In the event the right to purchase is exercised so as to require the valuation of the property to be purchased pursuant to subparagraph "b" of Section 5.50.248 of the Ordinance, the provisions of this paragraph shall direct and control interpretations of the valuation of definition of "replacement cost" set forth in subparagraph "c" of Section 5.50.246 of the Ordinance made by the arbitration panel ("panel") pursuant to the authorization contained in subparagraph "b" of Section 5.50.258 of the Ordinance.
- b. As used in subparagraph "c" of Section 5.50.246 of the Ordinance, the following terms shall have the following meanings:
 - (1) "direct cost of construction"--shall mean the cost of necessary material, equipment and direct labor and related expenses, exclusive of profit.
 - (2) "utility and technological capacity and function"--shall mean those utilities, capacities and functions of the improvement being appraised which are economically self-sustaining.
 - (3) "modern materials"--shall mean those materials and methods of assembly and design most commonly used to accomplish the desired end as of the date of valuation, assuming continued indefinite use.
 - (4) "current standards, design and layout"--shall mean those standards, designs and layouts which would reasonably be expected to be used as of the date of valuation to accomplish and provide those utilities, capacities and functions of the improvement being appraised which are economically self-sustaining, assuming continued indefinite use.
 - (5) "depreciation and obsolescence from physical causes"--shall mean the proportional diminution of the utility and anticipated useful life of the improvement being appraised by reason of physical factors including, but not limited to, age, deterioration and degeneration.
 - (6) "depreciation and obsolescence from functional causes"--shall mean the diminution of the utility of the improvement being appraised to contribute to the development, provision or delivery of a larger utility, capacity or function by reason of advancements in technical or scientific knowledge, methods or designs and shall be fully reflected in the current standards, design and layout of the hypothetical system.
 - (7) "depreciation and obsolescence from economic causes"--shall mean the amount of value, if any, by which the replacement

cost of the hypothetical improvement exceeds the fair market value of the improvement being appraised assuming continued, indefinite use of the improvement being appraised for its intended purpose.

- (8) As used in subparagraphs b(2) and b(4) above, "economically self-sustaining" shall mean that a given utility, capacity or function of the improvement being appraised can reasonably be expected to generate, from the date of valuation over its reasonably foreseeable useful life, at least sufficient revenues to return the initial cost of the improvement plus a reasonable rate of return on the amount invested, assuming continued indefinite use.
- c. The panel shall construct "replacement cost" of the improvement being appraised by:
- (1) Estimating the direct construction costs of construction of a hypothetical system:
 - (a) having utility and technological capacity and function equivalent to the improvement being appraised;
 - (b) but built with modern materials; and
 - (c) according to current standards, design and layout giving full effect to depreciation and obsolescence from functional causes.
 - (2) Deducting the amount of depreciation and obsolescence from physical causes (determined by multiplying the proportional diminution of the utility and anticipated useful life of the improvement being appraised by the estimated direct construction costs of the hypothetical system); and
 - (3) Deducting the amount of depreciation and obsolescence from economic causes.
- d. The accounting and/or tax reporting treatment of the depreciation and/or amortization of an improvement by the Franchisee shall have no application whatsoever to the construction of "replacement cost" pursuant to this and Section 5.50.245c. of the Ordinance.

20. Consent to Transfer of Franchise. Pursuant to the provisions of Section 5.50.754 of the Ordinance, the Commission hereby consents to the transfer and assignment of the franchise offered hereby by the Franchisee to a limited partnership entity to be organized pursuant to the California Limited Partnership Act (Cal. Corp. C. 15621 et seq.) ("the limited partnership") provided that said transfer shall not become effective unless and until:

- a. The transfer shall occur within twelve (12) months after the filing of the Certificate of Acceptance; and
- b. The limited partnership shall acknowledge in a properly authorized writing that the transfer is subject and subordinate to the rights of the County, Cities and Commission under the Franchise Documents for the franchise and it agrees to comply with and be bound by the terms, conditions, provisions and requirements of the Franchise Documents; and
- c. Charles F. Dolan, CSSC, SHCC and River City Cablevision shall each acknowledge in a properly authorized writing that they are "named owners" and "named owners of the Franchisee" as those phrases are used in Section 5.50.756 of the Ordinance and this Resolution and that the undertakings, promises and covenants made by the filing of Certificate of Acceptance hereto are not diminished, impaired, or affected to any degree whatsoever by reason of the transfer; and
- d. At least Charles F. Dolan, SHCC, CSSC, and River City Cablevision shall be general partners in the limited partnership unless otherwise approved by the Commission pursuant to Section 5.50.756 et seq. of the Ordinance; and
- e. The limited partnership shall have no general partners which are not designated as "named owners of the Franchisee" herein, unless said additional general partners shall have applied for and received the approval of the Commission pursuant to Section 5.50.756 et seq. of the Ordinance; and
- f. The limited partnership agreement shall provide that:
 - (1) No limited partner shall be active in the conduct of the partnership's business;
 - (2) The Commission is expressly declared to be an intended third party beneficiary of the agreement and is entitled to enforce any provisions thereof against the general partners without the participation or concurrence of any other party or entity;
 - (3) Any amendments must be filed with the Clerk of the Commission on or before the date they take effect;
 - (4) The limited partnership may not be terminated prior to the expiration of the franchise term without the prior written approval of the Commission;
 - (5) The sale by a general partner of all or part of its interest shall not operate to relieve said general partner of any obligations under this Resolution unless the Commission shall have given its prior written consent to such relief; and

- g. Any amendment to the partnership agreement which has the effect of modifying or altering the provisions required by subparagraph f. hereof without the prior written approval of the Commission shall constitute a material breach of the Franchise Documents and give rise to proceedings under Section 5.50.820 et seq. of the Ordinance; and
 - h. The Franchisee shall file with the Commission a financial statement, certified in unqualified opinion by a certified public accountant reflecting that the sums of all considerations by the limited partnership to the Franchisee by reason of the transfer do not exceed the total of all sums expended by the Franchisee to parties other than the named owners of the Franchisee subsequent to the filing of the Certificate of Acceptance or if the sum of all considerations so paid does exceed said expenditures, that to the extent of such excess funds, the recipients of such excess funds are firmly and legally obligated to repay such excess funds to the limited partnership as necessary to complete the build of the system; and
 - i. The Franchisee shall not be in breach of any provision of the Franchise Documents at the time of the transfer; and
 - j. On not less than thirty (30) days notice, Franchisee may apply to the Commission for a Certificate of Compliance indicating whether or not Franchisee is in compliance with all of the provisions, terms and conditions of the Franchise Documents for the purposes of this paragraph. Said Certificate shall be issued as of the date of Franchisee's application. The limited partnership, and no other party or entity, shall be entitled to rely upon said certificate for the purposes of the transfer by this paragraph; and
 - k. The limited partnership shall file a fully executed copy of the partnership agreement and all necessary supporting documentation, in form acceptable to the Commission, with the Clerk of the Commission.
21. Paragraph Headings. Paragraph headings contained in this Resolution are intended solely for convenience of the reader and shall not be construed to augment, delimit or otherwise affect the content of such paragraphs.
22. Severability. To the extent that any provision of this Resolution is inconsistent with any provision of the Ordinance, or State or Federal law that provision of the Resolution shall be deemed completely severable from the balance of this Resolution and shall not be construed to condition, delimit or otherwise affect the validity of any other provision of this Resolution nor shall the apparent or presumed validity of the inconsistent provision be deemed to provide the basis

for any estoppel or reliance whatsoever in the enactment or acceptance of this Resolution.

23. Reference to Ordinance Section Numbers. The Ordinance under which this franchise is offered was enacted in identical form by the County of Sacramento and the Cities of Sacramento, Folsom and Galt as indicated in the recitals of this Resolution. All references to section numbers of the Ordinance within this Resolution are to the section numbers applied in the County version of that Ordinance.
24. Reference to Copy of the Application. The application of Franchisee, which is a Franchise Document pursuant to the provisions of Section 5.50.012 (j) of the Ordinance and is deemed to constitute a legally enforceable contract pursuant to Section 5.50.018 of the Ordinance, shall be that certain application on file with the Clerk of the Commission and incorporated as part of the Franchise Contract as to each and every term, condition and provision therein.
25. Enforcement Considerations. In the exercise of its powers pursuant to the Franchise Documents, the Commission shall at all times act reasonably, with due regard for the practices and standards generally applicable in the performance of cable television franchises, as may be relevant and appropriate under the circumstances. Except as otherwise expressly stated herein, Franchisee retains all rights afforded to it by applicable laws, whether of general or special application, to seek judicial review of actions taken by the Commission or other persons or entities pursuant to any of the Franchise Documents. The right of the Commission, the County or the City to specific performance or to any other equitable relief in respect to any of Franchisee's obligations arising under the Franchise Documents shall not require any showing that the Commission, County or City has itself suffered any monetary damages.
26. Equality of Regulatory Considerations.
 - a. Should the Commission subsequently permit any other person or entity to engage in those activities or services which are authorized or mandated hereunder to Franchisee in a manner competitive or potentially competitive to the business of Franchisee, or should such occur without consent of the Commission, such subsequent Franchise, permit, or authorization shall be issued on terms and conditions identical to those pertaining to Franchisee or, alternatively, those relevant terms and conditions set forth in the Franchise Documents and pertaining to Franchisee shall be modified or annulled in order to assure full parity of treatment between Franchisee and any subsequent franchisee of franchisees or unauthorized business operator. The sole purpose and effect of this provision is to prevent in the context of the Commission's regulatory powers and the Franchise Documents any preference or burden which might arise as the result of either the Commission's action in awarding a subsequent

authorization or the establishment of a directly competitive business in the Franchise Area without consent of the Commission. A "directly competitive business" hereunder shall not be construed to include any business which uses only radio wave propagation to reach public subscribers or which does not use City/County streets, thoroughfares, alleys or other public rights-of-way over and under which to place lines (excluding conventional telephone wire lines) or cables over which service may be transmitted to the public.

- b. If the franchise is terminated pursuant to Section 5.50.050 of the Ordinance, the Commission shall purchase the System at a value determined pursuant to Section 5.50.248b. of the Ordinance.
 - c. Franchisee shall be excused from its obligations under the Franchise Documents to the extent that performance of such obligations is prevented by circumstances beyond its control. Such "circumstances beyond its control" shall be determined by reference to Section 5.50.436 of the Ordinance and shall in no event include those of the type and nature set forth in Section 5.50.434 of the Ordinance. "Prevented," as that term is utilized in this subparagraph, shall mean instances in which performance is rendered impracticable because of excessive and unreasonable difficulty and expense as contrasted with mere unforeseen difficulty or expense as those standards are articulated in California law.
27. Commission Expenditures. Except as otherwise expressly authorized by the Franchise Documents, including without limitation, Sections 5.50.600 through Section 5.50.614 inclusive of the Ordinance, or expressly permitted by appropriate federal, state or local law or regulation, the Commission shall apply all monies it receives from the Franchisee under the franchise documents to defray its expenses, of whatever nature and kind incurred in the sole discretion of the Commission, and to assist in the regulation and remediation of any breaches of the franchisee under the franchise documents. The Commission shall not exercise any of its rights under the Franchise Documents for any purpose or intent which is inconsistent with the purposes set forth in Section 5.50.010 of the Ordinance.

CERTIFICATE OF ACCEPTANCE

CABLEVISION OF SACRAMENTO, a General Partnership, hereby unconditionally, irrevocably and without reservation accepts the Cable Television Franchise offered by Resolution Number 83-023 dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents") and each and every term, condition, restriction and provision of said Franchise Documents. By the execution, delivery and filing of this Certificate, the undersigned further:

- (1) Covenants and promises to faithfully undertake and perform each and every promise, covenant, commitment and undertaking contained in the Franchise Documents;
- (2) Represents and warrants that this Certificate, the Franchise Documents and the resulting contract constitute a valid and binding obligation, as to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (3) Represents and warrants that the execution and delivery of this Certificate has been duly authorized and approved by the General Partners of the undersigned;
- (4) Represents and warrants that the persons who have executed this Certificate are duly authorized to do so by all necessary partnership action;
- (5) Represents and warrants that the execution and delivery of this Certificate does not violate any provision of the General Partnership Agreement;
- (6) Expressly declares and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (7) Expressly declares and agrees that the grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in the Franchise Documents.

In witness whereof, this Certificate is executed effective _____,
1983.

CABLEVISION OF SACRAMENTO, a General
Partnership,

BY: _____
Charles F. Dolan, a General Partner

BY: CABLEVISION SYSTEMS SACRAMENTO
CORPORATION

BY: _____
Title: _____

(Acknowledgement)

BY: SCRIPPS-HOWARD CABLE COMPANY OF
SACRAMENTO, INC.

BY: _____
Title: _____

BY: RIVER CITY CABLEVISION, INC.

BY: _____
Title: _____

Each a General Partner

CERTIFICATE OF ACCEPTANCE

SCRIPPS-HOWARD BROADCASTING COMPANY, an Ohio corporation, hereby unconditionally, irrevocably and without reservation accepts the obligation, commitments and undertaking of Paragraph 14 of the General Provisions Section of Resolution Number 83-023 of the Sacramento Metropolitan Cable Television Commission dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents"). By the execution, delivery and filing of the Certificate, the undersigned further:

- (1) Represents and warrants that this Certificate and Paragraph 14 of the Franchise Documents constitute a valid and binding obligation of the undersigned, as set to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (2) Represents and warrants that the execution and delivery of this Certificate has been duly authorized and approved by the Board of Directors of the undersigned;
- (3) Represents and warrants that the persons who have executed this Certificate are duly authorized to do so by all necessary corporate action;
- (4) Represents and warrants that the execution and delivery of this Certificate does not violate any provision of the Articles of Incorporation or Code of Regulations of the undersigned;
- (5) Expressly declare and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (6) Expressly declares and agrees that that grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in Paragraph 14 of the Franchise Documents.

In witness whereof, this Certificate is executed effective _____,
1983.

SCRIPPS-HOWARD BROADCASTING COMPANY,
An Ohio corporation,

BY: _____

Title: _____

(Acknowledgement)

CERTIFICATE OF ACCEPTANCE

CABLEVISION SYSTEMS SACRAMENTO CORPORATION, a California corporation, hereby unconditionally, irrevocably and without reservation accepts the Cable Television Franchise offered by Resolution Number 83-023 dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents") and each and every term, condition, restriction and provision of said Franchise Documents. By the execution, delivery and filing of this Certificate, the undersigned further:

- (1) Covenants and promises to faithfully undertake and perform each and every promise, covenant, commitment and undertaking contained in the Franchise Documents;
- (2) Represents and warrants that this Certificate, the Franchise Documents and the resulting contract constitute a valid and binding obligation, as to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (3) Represents and warrants that the execution and delivery of this Certificate has been duly authorized and approved by the Board of Directors of the undersigned;
- (4) Represents and warrants that the persons who have executed this Certificate are duly authorized to do so by all necessary corporate action;
- (5) Represents and warrants that the execution and delivery of this Certificate does not violate any provisions of the Articles of Incorporation or Bylaws of the undersigned;
- (6) Expressly declares and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (7) Expressly declares and agrees that the grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in the Franchise Documents.

In witness whereof, this Certificate is executed effective _____,
1983.

CABLEVISION SYSTEMS SACRAMENTO
CORPORATION, A California corporation,

BY: _____

Title: _____

BY: _____

Title: _____

(Acknowledgement)

CERTIFICATE OF ACCEPTANCE

SCRIPPS-HOWARD CABLE COMPANY OF SACRAMENTO, INC., a Delaware corporation, hereby unconditionally, irrevocably and without reservation accepts the Cable Television Franchise offered by Resolution Number 83-023 dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents") and each and every term, condition, restriction and provision of said Franchise Documents. By the execution, delivery and filing of this Certificate, the undersigned further:

- (1) Covenants and promises to faithfully undertake and perform each and every promise, covenant, commitment and undertaking contained in the Franchise Documents;
- (2) Represents and warrants that this Certificate, the Franchise Documents and the resulting contract constitute a valid and binding obligation, as to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (3) Represents and warrants that the execution and delivery of this Certificate has been duly authorized and approved by the Board of Directors of the undersigned;
- (4) Represents and warrants that the persons who have executed this Certificate are duly authorized to do so by all necessary corporate action;
- (5) Represents and warrants that the execution and delivery of this Certificate does not violate any provision of the Articles of Incorporation or Bylaws of the undersigned;
- (6) Expressly declares and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (7) Expressly declares and agrees that the grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in the Franchise Documents.

In witness whereof, this Certificate is executed effective _____,
1983.

SCRIPPS-HOWARD CABLE COMPANY OF
SACRAMENTO, INC., a Delaware corporation,

BY: _____

Title: _____

BY: _____

Title: _____

(Acknowledgement)

CERTIFICATE OF ACCEPTANCE

RIVER CITY CABLEVISION, INC. a California corporation, hereby unconditionally, irrevocably and without reservation accepts the Cable Television Franchise offered by Resolution Number 83-023 dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents") and each and every term, condition, restriction and provision of said Franchise Documents. By the execution, delivery and filing of this Certificate, the undersigned further:

- (1) Covenants and promises to faithfully undertake and perform each and every promise, covenant, commitment and undertaking contained in the Franchise Documents;
- (2) Represents and warrants that this Certificate, the Franchise Documents and the resulting contract constitute a valid and binding obligation, as to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (3) Represents and warrants that the execution and delivery of this Certificate has been duly authorized and approved by the Board of Directors of the undersigned;
- (4) Represents and warrants that the persons who have executed this Certificate are duly authorized to do so by all necessary corporate action;
- (5) Represents and warrants that the execution and delivery of this Certificate does not violate any provision of the Articles of Incorporation or Eylaws of the undersigned;
- (6) Expressly declares and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (7) Expressly declares and agrees that the grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in the Franchise Documents.

In witness whereof, this Certificate is executed effective _____,
1983.

RIVER CITY CABLEVISION, INC.,
a California corporation,

BY: _____

Title: _____

BY: _____

Title: _____

(Acknowledgement)

CERTIFICATE OF ACCEPTANCE

CHARLES F. DOLAN, an individual, hereby unconditionally, irrevocably and without reservation accepts the Cable Television Franchise offered by Resolution Number 83-023 dated November 22, 1983, in compliance with the terms, conditions, and requirements of the Resolution, the Application, the Request for Proposals and the Ordinance ("the Franchise Documents") and each and every term, condition, restriction and provision of said Franchise Documents. By the execution, delivery and filing of this Certificate, the undersigned further:

- (1) Covenants and promises to faithfully undertake and perform each and every promise, covenant, commitment and undertaking contained in the Franchise Documents;
- (2) Represents and warrants that this Certificate, the Franchise Documents and the resulting contract constitute a valid and binding obligation, as to each and every term thereof, enforceable against the undersigned in accordance with the terms thereof;
- (3) Expressly declares and agrees that the courts of the State of California shall have jurisdiction over the undersigned in any action arising under the Franchise Documents and expressly consents to service of process pursuant to California Code of Civil Procedure Section 415.20(a) at any Sacramento office of the Franchisee as to any action arising under or purporting to arise under the Franchise Documents; and
- (4) Expressly declares and agrees that the grant of a cable television franchise to the Franchisee by the Commission constitutes adequate and sufficient consideration for each and every promise, covenant, commitment and undertaking of the undersigned contained in the Franchise Documents.

In witness whereof, this Certificate is executed effective _____, 1983.

CHARLES F. DOLAN

(Acknowledgement)

YEAR ONE

(A) Census Tracts to be constructed
Cable Zones A1, A2 (partial), C1 (partial), C5

5660	6552	6541(P)	8961
5670	6562	7060	7933(P)
5680	7010	7150	7910(P)
5901(P)	7891	7892	5724
5640	6811	6812	6814(P)
6813(P)	6815	6816	6817
6818			

(B) Mileage by Income Quartile

<u>Quarter</u>	<u>Low</u>	<u>Middle</u>	<u>High</u>
1	0	0	0
2	30	45	25
3	66	99	54
4	67	99	54
	<u>163</u>	<u>243</u>	<u>133</u>

YEAR TWO

(A) Census Tracts to be constructed
Cable Zones A2 (partial), A3, D3, B4, C4

5630	5690	7020	7522
5650	6542	7030	7523
5660	6552	6541(P)	8961
5670	6562	7060	7933(P)
5680	7010	7150	7910(P)
7901(P)	7891	7892	5724
5640	6811	6812	6814(P)
6813(P)	6815	6816	6817
6818			

(B) Mileage by Income Quartile

<u>Quarter</u>	<u>Low</u>	<u>Middle</u>	<u>High</u>
5	51	100	54
6	51	100	54
7	52	100	54
8	52	102	55
	<u>206</u>	<u>402</u>	<u>217</u>

YEAR THREE

(A) Census Tracts to be constructed
Cable Zones A6, B3, C2, C3

9200	8230	8240	8250	8260
9210	8330	8351	8352	8360
8220	8390	8340	8381	8400
8410	8420	8430	8-90*	5746
5747	6610	6541(P)	6621	6600
6551	6561	6562	6572	6582
6592	6571	6581	6591	6750
6825(P)	6822(P)	7821	7830	7840

(B) Mileage of Income Quartile

<u>Quarter</u>	<u>Low</u>	<u>Middle</u>	<u>High</u>
9	65	119	22
10	65	119	22
11	65	119	21
12	66	120	22
	<u>261</u>	<u>477</u>	<u>87</u>

YEAR FOUR

(A) Census Tracts to be constructed
Cable Zones B1, B2, A4, A5, D2

5721	5723	5722	5741	5742
5743	5744	6813(P)	7170	7180
7270	7280	7290	7370	7442
7441	7461	7462	7310	7311
7312	7321	7522	7480	7500
7511	7822(P)	7825(P)		

(B) Mileage of Income Quartile

<u>Quarter</u>	<u>Low</u>	<u>Middle</u>	<u>High</u>
13	15	146	44
14	15	146	44
15	15	147	44
16	15	149	45
	<u>60</u>	<u>588</u>	<u>177</u>

* Unreadable on master map.

November 15, 1983

Exhibit C

The Honorable Bill Bryan
Chairman
Sacramento Metropolitan
Cable Television Commission
700 H Street, Suite 2500
Sacramento, CA 95814

Dear Supervisor Bryan:

Having had an opportunity to obtain feedback from local community organizations such as the Sacramento Telecommunications Forum (STF), we are offering this letter of commitment to resolve many of the concerns raised about the minority plans in our initial proposal.

We are committed to the following minority provisions and plans which are listed categorically.

(a) Minority Business Contracts/Subcontracts

- o Jointly sponsor with STF a series of procurement seminars to disseminate information to minority businesses about contracting opportunities with attending corporate buyers or purchasing agents who will meet with minority business owners one-on-one;
- o Establish a list of certified minority businesses and their service or product for use by corporate buyers;
- o Solicit and work with business assistance organizations and associations to help minority businesses with bidding or bonding requirements of the corporation;
- o Develop a loan guarantee program with California banks to help minority businesses who need loans against a contract to meet necessary operating capital; and

- o Target 23 percent of our corporation's procurement activity in Sacramento for minority and women businesses.

(b) Geographical Construction Priorities

- o Our construction plan calls for a simultaneous building construction plan which balances each community's access to cable to ensure an equitable extension of cable service to all Sacramentans.

(c) Affirmative Action (AA)/EEO Plan

- o Our Affirmative Action Plan is based on statistics reflecting Sacramento's population parity instead of workforce parity;
- o Our Affirmative Action Plan will be implemented on all levels of the cable company's employment structure; and
- o Establish an Affirmative Action unit with authority to implement and require compliance with the AA Plan.

(d) Training

- o Develop a training program for minorities and women which shall include the diverse socioeconomic strata within ethnic minority communities and emphasize the technical training of women; and
- o We will develop an outreach program which will encourage local minority college students, who would willingly enter the telecommunications field, if an avenue were available, to explore cable carriers.

(e) Programming

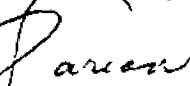
- o We are committed to using the works of independent minority producers;
- o We will contract with Black and other minority-owned film companies for local origination programming; and
- o We will provide training and outreach opportunities to encourage minority community organizations to utilize the cable system to produce programming.

The Honorable Bill Bryan
November 15, 1983
Page Three

(f) Support a joint city/county/community organization task force which will assist us in refining the comprehensive minority participation program after the franchise has been awarded. The task force will have representatives from ethnic minorities, women, the Cable Commission, the Sacramento Human Rights Commission, and our corporation. The task force will complete its refinement of the minority participation plan no later than May, 1984.

These provisions are an important and reasonable beginning to ensure that a positive and productive minority participation plan is implemented in the cable franchise process.

Sincerely yours,



Varian Ayers
Director of Human Resources

cc: Tyrone Netters
Sacramento Telecommunications Forum

November 16, 1983

Mr. Robert Smith
Executive Director
Sacramento Metropolitan Cable
Television Commission
700 H Street, Suite 2500
Sacramento, CA 95814

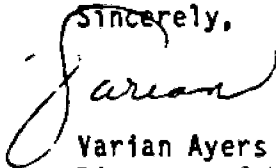
Dear Mr. Smith:

Attached are the answers to the questions posed by the City of Sacramento's Affirmative Action Officer and the Executive Director of the City and County of Sacramento's Human Rights/Fair Housing Commission.

We have also amended the Affirmative Action Requirements Section of the Draft Resolution to incorporate these tables and have included them here as part of our submission.

If there are any further questions, I can be reached at our office here.

Sincerely,



Varian Ayers
Director of Human Resources

VA:lab

Enclosure

Employment Practices

Although the Commission staff has not ranked the applicants in this area, Cablevision would like to take the opportunity to respond to the detailed analyses provided by the Affirmative Action Officer of the City of Sacramento and the Executive Director of the Human Rights/Fair Housing Commission of the City and County of Sacramento. Cablevision welcomes this opportunity to clear up and supply information missing from our application.

A) Human Rights/Fair Housing Commission

1) EEO Policy/Affirmative Action Plan Statement:

Given the past history of discrimination against minority groups, women, and the handicapped, an Equal Employment policy based simply on a pledge not to continue such discrimination is insufficient to meet the needs of these communities for full integration into the workforce at all levels. Such needs can only be met by an Affirmative Action Plan on the part of employers to make strong efforts to reach into the affected communities.

Thus an Affirmative Action Plan is necessary to insure that passivity on the part of employers not result in the de facto continuation of past discriminatory practices.

There exist several important tools for effectuation of an Affirmative Action Plan, and Cablevision pledges to make use of them all. One of the most important of these is a clear statement of goals for hiring of minorities, and the handicapped which are included in its application. Cablevision has expanded those goals and included them here. It should be noted that we have based our goals on population parity - not workforce parity - for the reasons pointed out by the Commission that workforce parity goals tend to reinforce the status quo of structural discrimination.

In Form M of the Application, Cablevision has listed the means to be used to help achieve our goals. They include: community outreach through aggressive recruitment using media effective in reaching affected communities; a commitment to make use of minority and female controlled businesses in all contracting and subcontracting activities; extensive consultation with the community through all responsible governmental agencies, community groups, and Cablevision's Implementation Task Force; and the adoption of internal policies to insure sensitivity to the needs of the affected communities at all levels of Cablevision's activities. These means have been effective for Cablevision in our other systems. For example, in Boston, we have exceeded our minority employment goal of 25%. Thirty-one percent of Cablevision's Boston employees are members of minority groups.

One of the general partners of Cablevision of Sacramento is River City Cablevision, a California corporation consisting of approximately 70 Sacramento residents, representing an extraordinarily diverse cross-section of the Sacramento community, including significant representation from Sacramento's minority communities and a large number of women. They have been involved in a substantial way in the

preparation of Cablevision's Sacramento application from the beginning of the process. They will continue to be involved after the award of the franchise in the management, programming, and employment policies of the system.

Cablevision has asked River City Cablevision to form a group from among themselves to be called the Implementation Task Force. This Task Force will monitor and recommend action directly to the General Manager in the areas of hiring, training, purchasing, and subcontracting. Minorities and women on the Implementation Task Force will account for 50% of the membership. At all times, the members of the Task Force will be in touch with the Sacramento community, because those members will be chosen from the Sacramento community. The Implementation Task Force will be an important tool for the community outreach and community sensitivity that is essential to the success of any Affirmative Action Plan.

Thirty trainees, as discussed in the section on training in Cablevision's application, will be taken primarily from minority groups, women, and the handicapped, and their training, for jobs at all levels of Cablevision's operations, will be targeted especially toward those areas in which workforce parity is significantly less than population parity. The addition of these trainees, in appropriate job classifications, should enable Cablevision to reach its goals and to provide the community with a more highly skilled minority and female workforce.

2. Sexual Harassment Policy:

Cablevision stated in its application that it will meet the 1980 EEOC Sexual Harassment Guidelines. Apparently, a more specific statement is desired. Such a statement follows:

It is Cablevision's policy fully to meet the 1980 EEOC Sexual Harassment Guidelines. Any employee complaints of sexual harassment will be thoroughly investigated and substantiated complaints will result in appropriate disciplinary action, including immediate termination of employment.

3. MBE:

Cablevision agrees to a goal of 23% of all locally subcontracted dollars to minority and female businesses during the construction phase. All Cablevision's subcontractors must be Equal Employment Opportunity Employers and submit plans of their own that reflect parity with the population. In addition, we will target 23% of all goods and services purchased in Sacramento to be purchased from minority and female businesses.

B) City of Sacramento, Affirmative Action Office

Cablevision will hire handicapped residents of Sacramento in proportion to their numbers within the employable workforce of Sacramento County. Goals are included in the attached table.

The attached table, to be included as an exhibit to Cablevision's Draft Resolution, sets forth employment goals for the second and fifth years of system operation. After the fifth year, employment is greatly stabilized. Growth in Cablevision's staff will be conditioned by the same goals of population parity.

CABLEVISION'S POPULATION PARITY GOALS: YEAR 2

(POPULATION PARITY	ESTIMATED TOTAL EMPLOYMENT	FEMALE (51%)	WHITE, NOT HISPANIC (77%)	BLACK, NOT HISPANIC (7%)	HISPANIC ALL RACES (9 1/2%)	ASIAN & PACIFIC ISLAND (5%)	NATIVE AMERICAN (1%)	OTHER (1/2%)	TOTAL MINORITY (23%)
<u>Officials & Managers</u>	14	7	11	1	1	1	--	--	3
<u>Professionals</u>	91	46	70	7	9	4	1	--	21
<u>Technicians</u>	39	20	30	3	4	2	--	--	9
<u>Sales</u>	25	13	19	2	3	1	--	--	6
<u>Office and Clerical</u>	46	23	35	3	5	2	1	--	11
<u>Laborers</u>	35	18	27	2	3	2	1	--	8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	250 (3)	127	192 (1)	18	25	12	3	0	58 (2)

Handicapped people represent about 5% of the population, so we are also targeting a total of 21 jobs to be filled by handicapped people.

(1) + (2) = (3)

CABLEVISION'S POPULATION PARITY GOALS: YEAR 5

(POPULATION PARITY	ESTIMATED TOTAL EMPLOYMENT	FEMALE (51%)	WHITE, NOT HISPANIC (77%)	BLACK, NOT HISPANIC (7%)	HISPANIC ALL RACES (9 1/2%)	ASIAN & PACIFIC ISLAND (5%)	NATIVE AMERICAN (1%)	OTHER (1/2%)	TOTAL MINORITY (23%)
<u>Officials & Managers</u>	14	7	11	1	1	1	--	--	3
<u>Professionals</u>	91	46	70	7	9	4	1	--	21
<u>Technicians</u>	88	45	68	6	8	4	1	1	20
<u>Sales</u>	45	23	35	3	5	2	--	--	10
<u>Office and Clerical</u>	130	66	100	9	12	7	1	1	30
<u>Laborers</u>	58	30	44	4	6	3	1	--	14
TOTAL	426 (3)	217	328 (1)	30	41	21	4	2	98 (2)

Handicapped people represent about 5% of the population, so we are also targeting a total of 21 jobs to be filled by handicapped people.

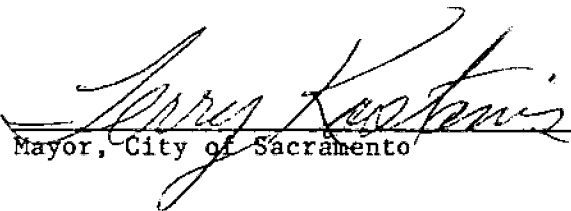
(1) + (2) = (3)

On a motion by Councilperson Pope, seconded by Councilperson Rudin, the foregoing Resolution was passed and adopted by the City Council of Sacramento, State of California, this 22nd day of November, 1983, by the following vote, to wit:

AYES: Councilperson, Shore, Fisher, Pope, Rudin, Serna, Kastanis, and Robie

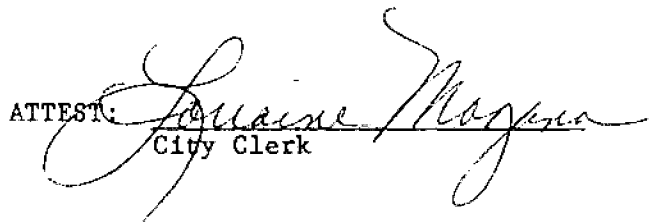
ABSTAIN: Councilperson, Mayor Miller

ABSENT: Councilperson, Garcia


Mayor, City of Sacramento

(SEAL)

ATTEST:


City Clerk