

**Sun Cable Services, Inc.**

10801 National Boulevard  
Los Angeles, California 90064  
(213) 475-6711 or 272-9914

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**kaufman  Broad**

September 20, 1983

Sacramento Metropolitan Cable Television Commission  
Suite 2500  
700 'H' Street  
Sacramento, CA 95814

Gentlemen:

On behalf of A Community Cable Entertainment/Services System (ACCESS) of Sacramento, Inc., and its parent company, Sun Cable Services, Inc., I am pleased to submit this application for the Sacramento Area Cable Television System.

The citizens of the greater Sacramento area want and deserve an innovative, state-of-the-art cable system which offers reasonable rates, the latest technology and outstanding customer service. Further, we believe they demand a reliable, responsive system which provides an affordable balance between rates and services to ensure that the consumer's value is always paramount. These are the essential ingredients of the ACCESS proposal.

ACCESS and Sun Cable Services are wholly-owned subsidiaries of Kaufman and Broad, Inc., one of the 50 largest corporations in California. With over \$1 billion in assets and a history of quality service to over two-thirds of a million California customers, Kaufman and Broad is uniquely positioned through ACCESS to bring its financial strength, industry stature and responsible corporate citizenship to the construction of a quality cable system for the people of Sacramento.

We at ACCESS invite a comprehensive review of our application. We believe it is direct, straightforward and embodies only those promises we know we can keep. We look forward to working with the City and County of Sacramento and the Cities of Folsom and Galt to build a system which sets new standards of excellence for the cable television industry.

Sincerely,



William A. Schainker

Encls.  
WAS:lc

**CABLE TELECOMMUNICATIONS IN SACRAMENTO**

Cable telecommunications technology has advanced rapidly far beyond the expectations of most individuals, and certainly far beyond the days--not long ago--when television offered limited program selections, all in black and white. Today, a state-of-the-art cable television system features extensive channel capacity, diverse programming options, two-way communication opportunities and information resources limited only by one's imagination. Increasingly, cable television service provides individuals with the opportunity to view and, more importantly, the opportunity to participate in, the expression of ideas and the transfer of information.

A Community Cable Entertainment/Services System of Sacramento, Inc., hereinafter ACCESS, proposes a cable television system for the Sacramento Franchise Area which meets and many times exceeds the standards set forth in the Cable Television Ordinance. The system design reflects solid engineering principles and maximizes the latest technological achievements. Community use commitments ensure ongoing opportunities for local residents to develop, produce and cablecast programs of special interest. Cost efficiency, community involvement and customer satisfaction have been and will continue to be key factors in all system decisions. Finally, a highly qualified and professional management team and solid financial strength guarantee that the Sacramento Area Cable Television System will be constructed in a timely manner and operated successfully.

ACCESS: A California Company with Realistic and Honest Commitments

Unfortunatly, the history of cable television franchising is fraught with countless examples of companies from afar which proceed from community to community, promising much but delivering very little. It was only recently that responsible city governments, cable consultants and leading cable spokespersons began to question and protest the industry's infatuation with "bells and whistles" which cost the consumer and add only nominal value.

To propose such an economically unfeasible system would be in direct contrast to the ACCESS philosophy. Ours is a corporate philosophy which prides itself on honest and realistic commitments. We do not promise more than we can deliver.

Nor do we believe in extravagant and costly extras, for it is the consumer who ultimately pays for these bells and whistles, regardless of the system proposed.

Instead, ACCESS reflects the commitment of a responsible and reliable California company--a local corporate citizen, with strong financial resources, which relies on the State of California for its livelihood. This is our home, and it has been the home of our parent companies for more than two decades.

ACCESS of Sacramento is a subsidiary of Sun Cable Services, wholly owned by Kaufman and Broad, Inc. Over the years, Kaufman and Broad has demonstrated its consistent commitment to quality and customer satisfaction, serving over two-thirds of a million California customers through its cable, housing and life insurance businesses. A pioneer in the cable television industry, Kaufman and Broad companies built their first cable system in California in 1967.

Today, ACCESS desires to bring this same commitment to the people of Sacramento by building a quality, state-of-the-art cable system with reasonable costs, innovative technology and exceptional customer service. In the past, ACCESS has been praised by independent cable consultants for its unique and realistic assessment of economic and community needs, and for its dedication to provide consumers with an excellent system which embodies an affordable balance between rates and services.

This is our mandate--and it is our promise to the City and County of Sacramento and the Cities of Folsom and Galt.

To make this system a reality, we not only reviewed the many reports and other documentation made available in the franchising process, but we actively sought the recommendations and suggestions of community representatives and leading Sacramento citizens. We at ACCESS of Sacramento look forward to working together in a partnership which brings quality, state-of-the-art television service to the citizens of the Sacramento community.

Highlights of our cable television proposal for the Sacramento area are set forth on the following pages.

## OVERVIEW OF PROPOSAL

### Ownership and Management of System

ACCESS of Sacramento, Inc. is 100% owned by Sun Cable Services, Inc., which is an affiliate of Sun Life Group of America, Inc., a wholly-owned subsidiary of Kaufman and Broad, Inc., a pioneer in the cable television industry.

### Financial Commitments

ACCESS of Sacramento makes a financial commitment exceeding \$200 million to construct and operate the cable system.

### System Design and Construction

ACCESS of Sacramento has designed a 550 MHz Subscriber Network and a separate 550 MHz Institutional Network. A total of 1,448 aerial miles and 1,235 underground miles will be constructed within 63 months.

### Signal Carriage and Channel Allocations

The dual cable Subscriber and Institutional Network will have a total channel capacity of 152 downstream and 32 upstream channels. 71 full video channels, 4 upstream channels, 23 FM radio/audio signals and extensive two-way data capacity will be available on the Subscriber Network. A full complement of premium services, satellite programming and pay-per-event options are available.

### Local Origination and Access

Twelve Community Use/Access channels and two Local Origination channels have been specifically dedicated for carriage of local programming. More than \$30 million over the life of the franchise for production facilities and equipment, professional staff and program funding has been allocated for local origination and access programming.

ACCESS of Sacramento will create the Corporation for Community Programming, an independent body whose purpose is to promote community use activities within the franchise area. A total of \$4.5 million is committed for the operation of the Corporation for Community Programming.

Separate funding, estimated to be over \$10,000,000, will be available for community use programming Years 11 through 20.

#### Rates

Basic Service (Tier I):	18 channels	\$2.95/month
Super Basic Service (Tier II):	56 channels	\$8.95/month
Expanded Basic Service (Tier III):	71 channels	\$12.95/month
Premium Pay Service Options (9):		\$5.95-9.95/month
Installation Rate:		\$29.95

#### Institutional Services

A full complement of institutional services will be available on a 78-channel capacity (50 downstream, 28 upstream), discrete, separately dedicated institutional cable. Services include data transmission as well as two-way video.

#### Other

##### Interactive Services

A wide range of interactive data services will be available to Subscriber Network customers by Year 6 of the franchise, including home computer interface, electronic mail, shop-at-home, bank-at-home and video games.

##### Employment Policies and Affirmative Action

ACCESS of Sacramento will employ approximately 550 people by Year 6 of the franchise; staff will increase to 750 by Year 20. Equal Employment and Affirmative Action principles and policies will govern all personnel decisions.

##### Customer Service

ACCESS of Sacramento's top priority is customer service excellence.

OWNERSHIP AND MANAGEMENT OF SYSTEM

ACCESS of Sacramento, Inc. is a wholly-owned subsidiary of Sun Cable Services, Inc., an affiliate of Sun Life Group of America, Inc., and a wholly-owned subsidiary of Kaufman and Broad, Inc. ACCESS and its parent companies are California corporations.

Kaufman and Broad was a pioneer in the cable television industry. In 1966, it founded Nation Wide Cablevision, which by 1968 had expanded from 7 to 36 cable franchises, enjoying a greater percentage of internal growth than any other major CATV firm in the nation. An industry leader, the company by 1972 held 51 franchises in major West Coast metropolitan areas, including the oldest cable system in the country, established in 1949 at Bellingham, Washington. It was the ninth largest cable company in the U.S., encompassing 436,000 dwelling units and 56,000 subscribers throughout California, Oregon and Washington.

In 1972 Kaufman and Broad merged its cable business with Tele-Communications, Inc., then among the largest cable companies in the country, and now the number one company in terms of cable subscribers served. Sanford N. Levine, Vice Chairman of ACCESS of Sacramento, joined the Board of Directors of TCI where he remained until 1980.

Today, Kaufman and Broad, the largest home builder in the State of California, is a multi-national leader in housing, life insurance and financial services. With over \$1 billion in assets, Kaufman and Broad is eager to bring its financial stability, management and marketing expertise, and responsible corporate citizenship back into the communications industry, where it once enjoyed a major position.

ACCESS of Sacramento will be operated within the spirit of Kaufman and Broad and its subsidiaries. Eli Broad, Chairman and Chief Executive Officer

of Kaufman and Broad, as well as ACCESS of Sacramento, sets a compelling standard for corporate citizenship through his involvement as trustee of the California State University System, as Chairman and founding trustee of the Museum of Contemporary Art, and through lifelong service to community civic and cultural endeavors. Mr. Broad's spirit of community involvement has carried over to all aspects of Kaufman and Broad's business activities, complementing the corporate success realized by Kaufman and Broad, which is exemplified by a dedication to the highest quality products and services, customer responsiveness, employee satisfaction and sound business judgment. It is this special combination of personal interaction and technical expertise which will be the hallmark of the Sacramento cable television system.

Kaufman and Broad: A Cable Pioneer

- 1966 Kaufman and Broad entered the CATV field and formed Nation Wide Cablevision with Mr. Sanford N. Levine as its president.

Belmont Cable in Northern California and International Cable in Southern California were purchased.

- 1967 Additional franchises were obtained from Northern and Southern California communities.

Construction began and service commenced in Belmont, Glendora, La Verne and Monrovia.

- 1968 In December, Total Telecable, Inc. and Subsidiaries, a Seattle based cable operator which served fourteen communities in Washington and Oregon, was acquired.

Seven additional franchises were awarded in Southern California and one franchise in Northern California.

Construction was completed in the San Carlos-Redwood City area of one of the first cable systems with the capacity to offer 20 channels of viewing with a converter.

- 1970 A public access and local origination studio was completed in San Carlos that serviced the tri-cities of Belmont, San Carlos and Redwood City. This studio was the most progressive studio in California at that time.

Construction was completed in various locations in Southern California and an innovative underground system of 100 miles was completed in Foster City.

- 1972 By 1972, Kaufman and Broad's cable business was the ninth largest cable operation in the United States, passing more than 436,000 homes and representing a total population of 1.5 million.

In September, 1972, it was merged with Tele-Communications, Inc.

Sanford N. Levine, president of the company's cable operations, joined the board of Tele-Communications, Inc. at the time of the merger and remained a board member until 1980.



- 1980 Sanford N. Levine resigned from the Board of Directors of Tele-Communications, Inc. in order to avoid a conflict of interest due to Kaufman and Broad's decision to actively reenter the cable television business.
- 1981 Kaufman and Broad formed a new subsidiary, Sun Cable Services, Inc., a California corporation, for the purpose of seeking cable television franchises and acquiring existing cable television systems in the Southwest.
- 1982 Sun Cable Services submitted a cable television proposal to the City and County of Los Angeles for the South Central cable television franchise.
- 1983 Sun Cable Services' subsidiary, ACCESS, was unanimously awarded the Los Angeles City South Central cable television franchise which includes 182,000 households.

## FINANCIAL COMMITMENTS

ACCESS of Sacramento projects the cost of construction and operation of the cable television system to be \$359 million. The financial resources necessary to ensure completion of the Sacramento Area Cable Television System will be obtained from two reliable sources.

Forty percent (40%) of necessary funds will be raised through a limited partnership offering. Sun Life Group of America, Inc., a wholly owned subsidiary of Kaufman and Broad, has guaranteed to purchase all limited partnership units not sold at the time the offering closes.

The remaining sixty percent (60%) of the necessary funds will be obtained from ACCESS of Sacramento's \$90 million unsecured line of credit. Letters from Security Pacific National Bank and Morgan Guaranty Trust Company are included in this proposal.

In part, financial commitments for the cable system include:

- . \$81 million for initial construction of the Subscriber and Institutional Networks.
- . \$65 million for average annual operating expenses.
- . \$75 million budgeted in Years 14, 15 and 16 for plant upgrading.

It is anticipated that all debts will be retired by Year 17 and the Return on Investment (ROI) in Year 15 will be 18.75%, and in Year 20, the ROI is expected to be 22.72%.

ACCESS of Sacramento has developed this proposal utilizing prudent business judgment. Our projections for costs and revenues are realistic, and thus the cable system will be a viable business, capable of fully meeting all the commitments made in this proposal.

## SYSTEM DESIGN AND CONSTRUCTION

The Sacramento Cable Television System design is in all aspects the most advanced cable-delivered entertainment and data system available to the industry today.

Some highlights of our design concepts are:

- . Fully redundant, state-of-the-art electronics
- . 82-channel capacity Subscriber Network, plus 4 channels of reverse capacity
- . Modern, "radial hub" design to maximize service reliability and signal quality
- . Full, 24-hour status monitoring of system operation
- . Redundant alternate power sources to ensure continuous service, even in commercial power outages
- . Full emergency alert capability
- . Pole-mounted converters to reduce maintenance costs and increase subscriber options
- . Free parental lock-out capability with each converter
- . Interactive and pay-per-event services
- . Home security services
- . Fully interactive Institutional Network parallel to and integrated with the Subscriber Network and entertainment system.

Construction will commence within nine (9) months from final acceptance of the franchise and will be completed within 63 months (includes 9 months pre-operation). A total of 2,683 miles of cable plant are required: 1,448 miles of aerial plant and 1,235 miles of underground cable.

Manufacturers and proposed equipment include:

- . C-COR SCAT-10 off-premise converters
- . CommScope Quantum Reach 550 MHz cable
- . Hughes 5 watt, 82 channel, high power AML microwave
- . Four Hughes 6.0 meter, prime focus, TVRO earth stations
- . Hughes 5 watt FM/AML CARSband reverse system intraconnect microwave
- . Hughes high performance, broadcast quality modulators
- . Andrews bi-directional, dual-polarized, high-performance microwave antennas
- . Jerrold Electronics redundant status-monitored, failure switched 550 MHz trunk amplifiers
- . Jerrold Electronics redundant 550 MHz distribution electronics
- . Jerrold Electronics status monitoring module for all distribution line ends

## SIGNAL CARRIAGE AND CHANNEL ALLOCATION

ACCESS of Sacramento has designed a three-tiered, 82-channel capacity cable service, featuring a total of 7 over-the-air local broadcast signals, 8 imported broadcast signals, 22 satellite services, 12 access channels, 2 local origination channels, 9 pay services, pay-per-event options, and numerous data channels. Thirteen channels are reserved for future use, while 2 Subscriber Network channels may be used for institutional purposes. Four channels are available for upstream transmissions.

Customers may choose from various service options.

### Basic Service (Tier I). 18 channels.

- . 7 over-the-air local broadcast signals
- . 4 community use channels
- . 4 satellite services
- . 1 local origination channel/Job Bank/Community Bulletin Board
- . Comprehensive Program Guide
- . Home Theater Network (optional pay service)

### Super Basic Service (Tier II). 56 channels.

- . All of Tier I
- . 3 imported distant signals
- . 5 San Francisco area signals
- . 9 optional premium services, including HBO, Showtime, GalaVision, The Movie Channel and The Disney Channel
- . 18 satellite services
- . 6 dedicated community use channels

Expanded Basic Service (Tier III) (activation Year 6). 71 channels.

- All of Tiers I and II
- 8 reserved channels for future services
- 3 reserved community use channels
- 1 reserved Teletext channel

FM Radio/Audio Service and Pay-per-Event programming options are available on all tiers of service.

LOCAL ORIGATION AND ACCESS

ACCESS of Sacramento is committed to maximizing community involvement in local programming while at the same time ensuring that community use programming is "user supported." Some of the highlights of our local programming plan for the Sacramento Franchise Area are:

- . More than \$30 million total commitment to local origination and access
- . 12 community use channels dedicated exclusively to public, municipal and educational access
- . Ongoing funding for the Corporation for Community Programming totaling \$4.5 million over the life of the franchise
- . A professional/technical staff of 11 full-time individuals responsible for local programming, complemented by 20 paid interns
- . Fully equipped mobile van, cable radio facility, Community Video Center studio facility and community viewing centers
- . Training and internship programs
- . \$2 million over the life of the franchise for local origination programming
- . \$250,000 Local Producers' Fund to pay local professionals to produce local origination programs
- . Community use program funding estimated to be \$10 million, available Years 11 through 20--this fund is directly tied to gross revenues and may reach as much as \$20 million
- . Over \$180,000 in free installations and service to area institutions

ACCESS of Sacramento will also supply several keyboards to the community to program and update "alphanumeric" channels with community announcements, job listings and city information on dedicated community channels. Portable production equipment is also available at four remote sites. Studio facilities and portable equipment will be made available at no cost to qualified community users.

ACCESS of Sacramento discussed community programming with individuals and representatives of local institutions and is fully committed to successful and innovative local programming. Our extensive access and local origination facilities and support systems have been created to ensure maximum community involvement.



RATES

	<u>Monthly Rate</u>	<u>Second Set</u>
Basic Service (Tier I)	\$ 2.95	N/A
Super Basic Service (Tier II)	8.95	\$ 4.50
Expanded Basic Service (Tier III)	12.95	7.50

Installations will be free to all subscribers for the first 90 days service is offered in an area, after which installation will be \$29.95.

FM Radio Service \$ 4.50 per month

<u>Premium Pay Service</u>	<u>Monthly Rate</u>	<u>Second Set</u>
Home Theater Network	\$ 5.95	\$ 2.95
Home Box Office	9.95	4.95
Cinemax	9.95	4.95
Showtime	9.95	4.95
The Movie Channel	9.95	4.95
The Disney Channel	9.95	4.95
GalaVision	9.95	4.95
Bravo!	9.95	4.95
Apollo Entertainment Network	TBD	TBD

There is no converter monthly charge; parental lock-out devices will be provided free of charge. Remote control devices will be made available at a monthly rate of \$1.95 each.

ACCESS of Sacramento is committed to maintaining low subscriber rates and excellent customer service throughout the franchise. ACCESS has opted to operate the Sacramento Cable Television System under the provisions of Section 53066.1 of the Government Code.

## INSTITUTIONAL SERVICES

ACCESS of Sacramento will build a 2,683-mile Institutional Network 550 MHz cable and assign a full-time Institutional Services Manager to develop and market institutional services. When fully activated, the Institutional Network will have a total capacity of 78 channels (50 downstream and 28 upstream) and will offer complete interactive telecommunications services, including high-speed data transfer, voice, full two-way video, teleconferencing, computer controlled monitoring and telemetering, energy management and financial services.

A \$50,000 Institutional Network Grant is being made to the Sacramento Area Chamber of Commerce to assist ACCESS in educating area business men and women on the uses and benefits of the cable INET and developing innovative, cost-effective applications.

While there is not sufficient demand to totally activate this second cable, ACCESS will activate the upstream and downstream capacity on an as needed, demand basis. The ACCESS Institutional Services Manager will coordinate the development of services on these channels, as well as the two channels dedicated for initial institutional use on the Subscriber Network. The Institutional Network (INET) will be utilized by schools, hospitals, community institutions, public agencies and commercial businesses.

OTHERHome Security

Home security/alarm systems will be offered.

Affirmative Action Summary

The Affirmative Action Plan of ACCESS has been developed in strict accordance with federal, state and local statutes and ordinances governing fair employment practices. However, we have gone far beyond the letter and the spirit of the law in the following policies, practices and procedures:

- . The Affirmative Action Plan of ACCESS is backed by specific goals and timetables which have been committed to by ACCESS and all of its subcontractors.
- . Every effort will be made to hire residents of the Sacramento Franchise Area; our goal is 100% of the workforce.
- . We will provide equal opportunity in all aspects of the employment, consulting, and purchasing practices in the building and operation of the cable system.
- . Our policy is to ensure that there is absolutely no discrimination against any person on grounds of race, color, religious creed, national origin or ancestry, sex, age, or physical handicap.
- . We will assist in redressing the historical discrimination against minority contractors and suppliers by promoting affirmative action strategies and incentives to increase the number of minority, local and female suppliers and contractors participating in the Sacramento Cable System operation and construction.

ACCESS has a commitment to work with the City and County of Sacramento, and the Cities of Galt and Folsom, as well as with community-based organizations to implement our Affirmative Action Plan and to achieve effective affirmative action results in the cable system. We are also committed to assisting our suppliers and contractors in meeting their affirmative action obligations under the goals, terms and requirements of our affirmative action plan.

#### Customer Service Commitment

ACCESS of Sacramento has clearly stated its Customer Service policies in this proposal. During the construction phase, Customer Service Representatives will notify residents prior to commencement of work in their neighborhoods.

Landscaping will be maintained and every effort will be made to minimize resident inconvenience as well as maintain environmental aesthetics.

Customer Service Representatives will be available 24 hours a day including weekends and holidays to assist customers.

#### Future Developments and Flexibility

ACCESS of Sacramento has designed its Sacramento cable television system to meet today's needs and to be easily capable of responding to tomorrow's demands. Technically, the system is readily expandable, and financially, the system has been designed to ensure funds are there for new equipment and service procurement, as well as ongoing repair and maintenance.

CONCLUSION

ACCESS of Sacramento has proposed an affordable cable television system which reflects sound business practices, incorporates efficient cable communications technology, promotes community involvement, utilizes local resources and stresses customer service. Demonstrated financial strength and management expertise ensure that Sacramento's cable system will be built and will be a distinguished and noteworthy community asset. We at ACCESS of Sacramento look forward to working with the community and providing residents with the highest quality cable television service.