

TELECOMMUNITY FOR APPALACHIA

KENTUCKY

NOW

As we all know, Appalachia has a host of well publicized problems. It also has however, a resource to do something about it problems that is as yet virtually untapped. That resource is cable television.

There are well over one hundred cable systems operating in Central Appalachia alone, ranging from systems with less than 100 subscribers to a giant complex in Johnson City, Kingsport, and Bristol with about 34,000 subscribers. Unfortunately, only a handful of these systems are doing any kind of local program origination. Practically none are currently involved in "community programming."

Under a grant from the Appalachian Regional Commission, we began work in April, 1971, to study the feasibility of using cable television for rural community development in Central Appalachia.

The study, which we've dubbed the Appalachian Community Television Project, began with an exclusive focus on ways local origination may help in solving community problems.

Background research included a CATV facilities survey, a survey of existing program sources, and an ascertainment of need survey. As we got deeper into the subject it became apparent that local program origination was only one of a number of areas that needed concentrated work.

We felt that any comprehensive scheme for development of cable for community purposes must include some means of access to cable for those not now served, some means of influencing communities considering franchises, some way of instituting a "community access" channel, and some means of bringing broad band cable services to rural Appalachia.

LATER

Our recommendations to the Commission will include a request for funds to establish a multi-purpose non-profit telecommunication development corporation based within the Region. It will be the purpose of "Appalachian Telecommunity" to promote evolutionary social change in Appalachia through usage of telecommunication. Project areas that we are interested in pursuing include:

(A) *CATV Program Origination*—providing technical assistance and funds to selected local communities for demonstrations of the feasibility and viability of various methods of producing local programming, i.e. cable system produced programs, independent productions, outside source.

(B) *Community Programming*—helping a local community get started in grass roots television by providing portable equipment, training personnel, to see that EVERYONE has the opportunity of using the local channel.

(C) *Community Construction and Operation of CATV*—aid local communities groups in identifying funding sources for construction and operation of local cable system. Many mountain towns are too small to support a profit making cable company but could support a nonprofit CATV company locally franchised and operated, also a good way to insure long-term support for community programming.

(D) *Legal Aid*—community advocacy for those towns not now cabled, legal help in those areas already cabled, model franchises, other services.

(E) *Regional Production*—foster development of cable and broadcast outlets to provide more programming specifically produced for the Appalachian audience.

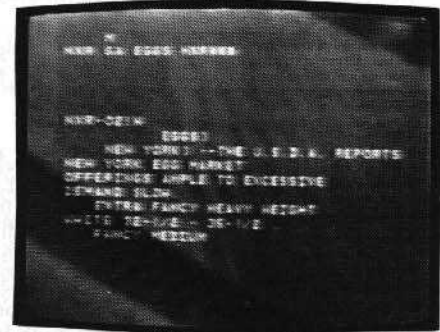
IMMEDIATELY

We are now busily preparing our final report for the Appalachian Regional Commission. It is our immediate goal to convince them that the potential of cable warrants an operational phase of our project that will put our proposals in the field. We need money, people, and equipment to start working toward making CATV systems in Appalachia more than master antenna systems.

Above the immediate, there stands the long range implications of our actions. We must begin exploring cable's community applications now, if for no better reason than the fact that the twig is still green and pliable. As the Sloan Commission has stated, choice is still possible in regards to cable television. Citizens may still take a hand in shaping cable television's growth and institutions in a fashion that will bend it to society's will and society's best intentions.

There is, in short, still time . . . time to be used in attempting to shape a technology that, in time, will shape us.

Lamar Marchese
Appalachian Community TV
Morehead State University
Morehead, Ky. 40351



THE COMPANY

Cable Funding Corp. (the "Company") intends to be principally engaged in the business of making loans to cable television companies to finance the construction and start-up of new cable television systems and the construction of additions to or modifications of existing cable television systems. The Company will be assisted by Malarkey, Taylor & Associates, Inc. ("Malarkey, Taylor"), a cable television management, engineering and consulting firm which will evaluate potential loan situations for the Company and perform other services relating to the Company's loans. In addition to interest on its loans, the Company expects to obtain equity participations in cable television companies which it finances. The Company may also receive additional fees for financial services related to construction of cable television systems, including fees for arranging loans by others and for stand-by commitments to franchise applicants.

The Company was incorporated in Delaware on November 23, 1971 and has its principal executive offices at 375 Park Avenue, New York, New York 10022. Its telephone number is (212) 371-3700.

RISK FACTORS

The shares of Common Stock offered hereby involve a high degree of risk. Since the Company has no history of operations, it is difficult to call attention to all possible risks or to indicate the relative importance thereof. Careful attention should be given, however, to the matters referred to in the following summary as well as to the information set forth elsewhere in this Prospectus.

1. *No Assurance of Revenues or Profits.* The Company was incorporated in November 1971 and has no history of operations. The Company's only revenues to date consist of a loan commitment fee of \$14,500 received from a potential borrower. See Note 3 of Notes to Financial Statements. No assurance can be given that the Company will be profitable.

2. *Developmental Nature of Borrowers.* Most of the companies to which the Company will be making loans will be in the developmental and initial construction stage. Accordingly, loans will be subject to substantial risks because the ability of the borrower to complete a cable television system or repay the loan may be adversely affected by such factors as changes in regulations affecting the industry, general economic conditions and the borrower's inability to control costs. Failure by a borrower to observe the conditions of his franchise could result in cancellation of the franchise. In the event of a default, it may be necessary for the Company to foreclose on its security interest or engage in further expenditures to protect its investment, in which event it is possible that the total amount recovered by the Company may be less than its total funds advanced. In certain cases, the Company may, if permitted by the terms of the franchise, be placed in the position of owning and managing the borrower's cable television system.

In addition to interest on the loans it makes to cable television companies, the Company expects to receive equity interests in such companies as part of its compensation. See "Business—Operations of the Company" To the extent that the Company's compensation is expected to be derived from these equity interests, realization of such compensation may not occur for many years, if at all, and will depend upon the successful development of such companies and possibly upon the development of a public trading market for their capital stock (see "Restrictions on Transfer of Equity Securities Held by the Company" below) and other factors outside the Company's control.

Other than Mr. Ewen, none of the executive officers or Directors of the Company will devote full time to the business and affairs of the Company.

The principal past and present business associations of the executive officers and directors of the Company are as follows:

Milton A. Gordon, Chairman of the Board: Since 1969 his principal occupation has been Senior Partner and, since the date of incorporation, President and Chief Executive Officer of Halle & Stieglitz, Inc., members of the New York Stock Exchange, Inc. From 1945 to 1952 he served as Senior Vice President and Director of Walter E. Heller & Company, Inc., a finance company. In 1953 he founded and since that date has served as President or Chairman of Television Programs of America, Inc., an independent television production and distribution company which, upon the sale of its assets in 1958, became M. A. Gordon & Company, Inc., a private investment company. He founded and, from 1961 to 1968, served as Chairman of the Board of People's National Fund, Inc., a finance company making construction and home improvement loans, which was acquired in 1968 by a life insurance company.

Morton L. Janklow, Chairman of the Executive Committee and Director: His principal occupation is the private practice of law with the law firm of Janklow and Traut, which he founded in 1967, having been engaged in practice in New York since 1953. He was a founder and, from 1962 to 1967, a Vice President and director of Trans-Video Corp., which built and operated the cable television systems in San Diego (then and now the largest system in the United States), and Bakersfield, California, until sale of their assets to Cox Broadcasting Corporation in 1967. He was a member of the Sloan Commission on Cable Communications.

Martin F. Malarkey, Chairman of the Loan Committee and Director: His principal occupation is President of Malarkey, Taylor, which he founded in 1965. His 21 year involvement in the cable television industry includes experience as a system builder, owner and operator. He was the founder and is a past president of the National Cable Television Association.

Harold D. Ewen, President and Chief Executive Officer and Director: He has been Divisional Vice President of Economy Finance Corporation since 1963, and has been responsible for its cable television division.

Martin R. Smith, Vice President, Treasurer and Director: His principal occupation has been Vice President for Finance of Malarkey, Taylor since its founding in 1965.

Stephen M. Gordon, Vice President and Secretary: His principal occupation is associate at Halle & Stieglitz, Inc. where he has been a senior research associate in its Equity Research Associates Division since 1970. From 1969 to 1970 he was engaged in the private practice of law in New York.

Joseph V. Charyk, Director: He is President and a Director of Communications Satellite Corporation (COMSAT). He served as Under Secretary of the Air Force from 1960 to 1963.

Walter Cronkite, Director: He is a radio and television news correspondent for Columbia Broadcasting System, Inc.

David J. Mahoney, Director: He is Chairman of the Board, President and Chief Executive Officer of Norton Simon Inc.

Harrison E. Salisbury, Director: He is Associate Editor of the New York Times.