

# Some Potential Benefits and Costs of Cable TV

**Proposition No. Six** raises the advisability of government ownership of a cable TV system or network.

A report prepared for the Dayton, Ohio area describes this issue in these words:

*Still another broad issue is the role of government in ownership of the system. To use two-way, high capacity systems effectively will require extensive experimentation with hardware (such as the home terminal) and with software (such as instructional programming to supplement formal education as well as to innovate in applications in such areas as health and welfare services). Thus the capital costs will exceed \$21 million if the system is fully utilized. The difficulty of private entrepreneurship in raising capital on a long-term basis, 10 to 15 years, and high cost of capital for construction, suggest the potential desirability of joint ventures between the local governments and cable TV system operators. In these joint ventures, the local governments could provide funds through bond issues and the operators could provide technical and managerial expertise. This should result in a reduced cost of service to subscribers while providing equity ownership for the city comparable to that provided to other investors. This is one of many arrangements that deserves careful examination.*

Other forms of ownership might be based upon the public utility model, or be vested in local or regional development authorities.

The issue of public ownership and/or regulation comes down to the question as to the best way to capture a portion of the "monopoly profits" represented by the development of a cable franchise. But as indicated in Proposition No. Five, there are other profits which will be accruing to other beneficiaries, especially producer and manufacturing interests. Public state policy should also seek to develop a public policy to help Wisconsin receive a portion of these benefits as well. This is the intent of Proposition No. Nine below.

**Proposition No. Seven** is that an attempt should be made to monitor the cash flow resulting from the expansion of cable within the community to some extent. It is difficult to establish however at this point in time which elements of the cash flow will really represent a "surplus." If, over time and with experimentation, it is possible to identify and capture some of the surplus from a cable system, it then becomes a question as to whether this surplus should be (1) used to expand service; (2) returned to the consumer in terms of lower service costs, or (3) used for other forms of public investment and improvement.

**Proposition No. Eight** returns to the conclusion that many of the economic benefits of an extended cable system are difficult to ascertain at this time. It is as if we, in the year 1902, attempted to predict the full array of costs and benefits associated with the development of the automobile and all attendant circumstances including freeways, parking lots, urban sprawl, adolescent behavior, etc. In 1972, with the full development of the automobile culture, we are only now drawing some appropriate conclusions. What then can we say about a cable TV culture in the year 2002 or 2042. The economic impact on business services, the very nature of the city itself, the effect on property values all are issues ultimately related to the expansion of cable TV. In fact the newer developments of "futures forecasting" would allow us to make some rough first estimates but these studies have yet to be done.

*In my final Proposition No. Nine let me urge that a spirit of experimentation be the criteria for your explicit recommendations. Don't kill the Golden Goose before we see if in fact her eggs are golden. More explicitly do not sell away our future rights in this new public domain. Encourage a variety of ownership forms. Indeed establish at least a public ownership system. Perhaps the communities around the campuses of the universities would be a good place to institute a public ownership cable system for which experimentation could be developed.*


Along with this should be an explicit policy to encourage manufacturers of both hardware and software items to locate their laboratory and manufacturing facilities in Wisconsin in return for some access to the experimental system. We might as well get some employment fallout from the expansion of cable while we are at it. Perhaps the engineering community on our universities and in Milwaukee should be given a five year grant to begin to develop cable laboratory facilities.

Likewise the University of Wisconsin/Milwaukee could be encouraged explicitly to develop a research and education competence in urban telecommunications as part of their "urban mission." Not only could UWM possibly develop a masters level degree program, but, in connection with Extension, a college without walls could be developed to which other communities could send their personnel for short courses in the development of all aspects of cable TV.

In sum what I am suggesting is that the development of urban telecommunications become an explicit part of the Wisconsin Idea—that unique association between government, the working community, business and engineering, and the university. As I suggested at the beginning great public wealth will be created from the advent of cable. *It will be in the best traditions of Wisconsin if we show the way in which this great wealth can enhance the quality of life in our society.*

PRELIMINARY PROSPECTUS DATED JULY 7, 1972

PROSPECTUS



1,000,000 Shares  
**Cable Funding Corp.**  
Common Stock  
(Par Value \$0.02 Per Share)

**THE SHARES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK.**  
There is no present market for the Common Stock of the Company. Accordingly, the public offering price has been determined by negotiation between the Company and the Underwriters.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

	Price to Public	Underwriting Discount (1)	Proceeds to Company(2)
Per Share .....	\$15.00	\$	\$
Total .....	\$15,000,000	\$	\$

(1) See "Underwriting" for information as to indemnification of the Underwriters and (c) below for information as to additional underwriting compensation.  
(2) Before deducting expenses estimated at \$ payable by the Company, including an allowance of \$50,000 payable to the Underwriters for expenses incurred in connection with the offering.

**This offering involves:**

- (a) Special risks concerning the Company. See "Risk Factors", page 3.
- (b) Immediate substantial dilution of the book value of the Common Stock from the public offering price. See "Risk Factors", page 3.
- (c) Additional underwriting compensation through the issue to White, Weld & Co. Incorporated of warrants to purchase 48,000 shares of Common Stock of the Company at an exercise price of \$18, subject to adjustment in certain events, exercisable during the period commencing one year from the date hereof and terminating five years from the date hereof. See "Underwriting", page 21.

The shares of Common Stock are offered by the several Underwriters named herein, subject to prior sale, when, as and if delivered to and accepted by such Underwriters, and subject to approval of certain legal matters by counsel and to certain other conditions.

**White, Weld & Co.**  
Incorporated

The date of this Prospectus is 1972.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission and has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement is declared effective by the Commission. This prospectus is not to be used in connection with the offer to sell or the solicitation of an offer to buy any share of these securities in any State in which such offer, solicitation or registration is not required by law.

# 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.

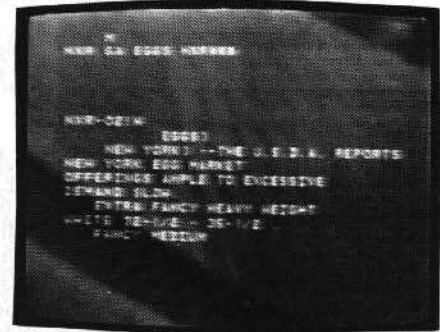
## IMMEDIATELY

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.