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William A. Schainker  
President

April 25, 1985

Councilwoman Joan Milke Flores  
Honorable Chairperson of the Industry  
and Economic Development Committee  
City Hall  
200 North Spring Street, Room 237  
Los Angeles, California 90012

Re: South Central Cable Television Franchise

Dear Councilwoman Flores:

You have requested that we submit final documentation on the availability of \$46 million to construct, equip and operate the South Central Cable Television Franchise within ninety days following the March 1, 1985 decision of the Preferred Communications' lawsuit by the Ninth Circuit Court of Appeals. The decision by the Ninth Circuit indicated the City of Los Angeles is violating the First Amendment through its procedure relative to South Central Los Angeles Cable Television Franchise and sent the case back to lower court for trial on factual details.

After a careful review of the decision and the surrounding facts associated with the case by us and our financial lenders, we have concluded that until this matter is satisfactorily resolved, it continues to have an adverse affect on the reasonable expectations we had when we submitted our bid and on the terms and conditions of our performance under the Franchise. As you recall, the Preferred Communications' lawsuit was filed after our bid had been prepared, after the bid was submitted and after the Franchise had been awarded to ACCESS.

We believe, and have been told by our lenders, that the Lawsuit places a cloud over the Franchise. (Please note the attached letters from our co-agents, Security Pacific Bank and Morgan Guaranty Bank). This cloud must be removed before we can proceed.

In good faith, we have expended over \$1 million toward this Franchise since 1982. Working diligently, we have overcome many obstacles. For example, after the Franchise was awarded, the Department of Water and Power and Pacific Telephone Company stated publicly to the Industry and Economic Development Committee of City Council that they felt that the "make-ready" costs for the South Central cable television plant would exceed \$18 million. This, of course, bears no resem-

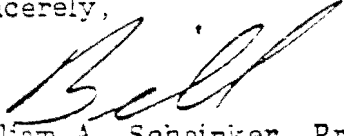
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EX-101  
FOR IDENTIFICATION  
MAY 19 1985  
CARLA VALLEAU, N.P.  
WITNESS

Councilwoman Joan C e Flores  
April 25, 1985  
Page Two

blance to the pro formas and rate schedule submitted in our bid. Our numbers were those customarily utilized by cable companies in the Los Angeles area. After in excess of six months of meetings between the Department of Water and Power, Pacific Telephone and ourselves, including substantial field testings and actual stranding of cable of designated city blocks, we reached an understanding concerning the "make-ready" costs. The Department of Water and Power and Pacific Telephone stated publicly that the costs would not be greater than the \$2,500/mile we had originally bid.

We appreciate the confidence you have demonstrated and your willingness to work with us towards resolution of many difficult issues that have occurred. We also understand your interest in having the system constructed as quickly as possible. We recognize our obligation to facilitate the construction and operation of the system under the terms of the Franchise agreement. We continue to have confidence and faith in the ultimate success of a cable television franchise system in South Central Los Angeles and would like to continue to participate if you believe our involvement would assist rather than hinder the project. If, however, under the circumstances, our removal from the project is the only way to facilitate the system's immediate construction and operation, we would be willing to assist you in such a transition in whatever ways would be helpful to all parties. We are prepared to step aside in favor of another operator who would provide immediate and full performance under the terms of the Franchise agreement from their own funds. We will cooperate with you in any way you decide provided that you have a commitment to operate the system according to the current specifications of the Franchise agreement. However, fairness would be an issue if after we stepped aside you were asked to adopt modified terms and conditions that would have facilitated our financing had such terms been available earlier.

Alternatively, if based on the circumstances that exist today, you would like to continue to work with us, we would be willing to enter into negotiations with the City of Los Angeles towards a new agreement to provide limited service to portions of the system we and our banks deem reasonably prudent at this time, pending the final outcome of the lawsuit.

Sincerely,  
  
William A. Schainker, President  
Sun Cable Services, Inc.

cc: Charles Firestone, Chairman, Telecommunications Commission  
Susan Herman, Manager, Telecommunications Department  
Don Howery, General Manager, Department of Transportation

EXHIBIT  
FOR IDENTIFICATION  
CARLA VALLEAU, NP  
WITNESS:

Morgan Guaranty Trust Company of New York  
Representative Office

444 South Flower Street Los Angeles, CA 90017

J. Haywood Davis  
Vice President

Telephone 213 489-9363

# The Morgan Bank

April 24, 1985

Mr. William A. Schainker  
President  
Sun Cable Services, Inc.  
11601 Wilshire Boulevard  
Los Angeles, CA 90025

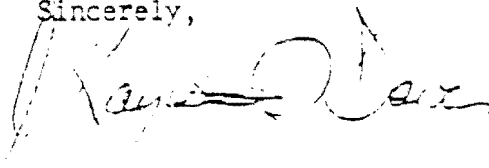
Dear Mr. Schainker:

In response to your inquiry the following sets forth our position in regard to financing the South Central Cable TV franchise.

It is our understanding that any settlement of the law suit brought by Preferred Communications against the City of Los Angeles is still in doubt.

The uncertainty precludes Morgan Guaranty from making any financing commitment at this time particularly as pending litigation could affect our normal secured financing of cable TV loans.

Sincerely,



EX-10  
FOR IDENTIFICATION  
BY  
CARLA VALLEJO  
WITNESS



# SECURITY PACIFIC NATIONAL BANK

HEAD OFFICE, SECURITY PACIFIC PLAZA, 333 SO. HOPE STREET, LOS ANGELES, CALIFORNIA

MAILING ADDRESS: P. O. BOX 2097, TERMINAL ANNEX, LOS ANGELES, CALIFORNIA 90051

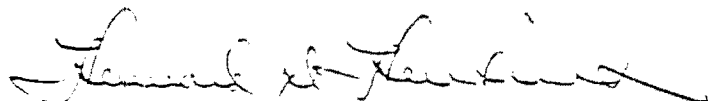
April 16, 1985

Mr. William A. Schainker  
President  
Sun Cable Services, Inc.  
11601 Wilshire Boulevard  
Los Angeles, California 90025

Dear Mr. Schainker:

In response to your inquiry the following sets forth our position relative to financing the South Central Cable Television Franchise. It is our understanding that any settlement of the lawsuit brought by Preferred Communications against the City of Los Angeles is still in doubt. This uncertainty precludes Security Pacific Bank from making any financing commitments at this time, particularly as pending litigation could affect our normal secured financings of cable television loans.

Yours very truly,

  
Howard D. Hawkins  
Vice President

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VIA 1-2-3 Messenger Service

EXHIBIT  
FOR IDENTIFICATION

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CARLA CALLEJA

ATTN: