

3. What are your plans as to the restructuring of rates and tiers?

Response

Our plans include the following steps:

1. Heritage plans to retain the current programming line-up and will continue to operate the dual cables of the present system.
2. Heritage plans to invest in the first year of operation in state-of-the-art, customer friendly addressable converters, which will be substituted for the Qube converters currently in use. Our new converters are attractive and relatively maintenance free and will be provided to all subscribers who purchase at least one pay service. These converters are easy for subscribers to handle and use in selecting programming. Additionally, they will substantially reduce the need for service calls to the homes of subscribers who request a programming change, by permitting changes to be handled by computer at the system's headend.
3. Heritage plans to offer one tier of service, including all basic channels, to replace the present three tiers. The new single tier will be priced at \$12.95, which is the current cost of QUBE service. We believe a single tier will simplify the choices faced by potential subscribers, enhance their understanding of what cable television has to offer and will enable us to provide the best possible service package at the most affordable price. It will also simplify the billing procedure and provide customers with a clearer understanding of rates.
4. Heritage plans to introduce a hand-held wireless remote control converter free of charge to customers subscribing to two pay services. For those who do not subscribe to two pay services, the cost of the remote control unit will be \$2.95 per month. Customers and potential subscribers have expressed dissatisfaction with the cords on the present converters and we believe the new model will be an important selling tool in our drive to improve penetration levels.
5. Heritage plans to offer HBO, Showtime, the Movie Channel and Home Sports Entertainment at \$11.95 per month, Cinemax at \$10.95, The Disney Channel at \$8.95, Galavision at \$6.95 and Home Theatre Network at \$5.95. Combination packages also will be offered at discounts ranging from \$3.00 to \$11.00.
6. We also intend to continue to offer impulse pay-per-view service. While we still are formulating our plans for this service, we anticipate a subscriber charge of approximately \$3.50 for each pay-per-view movie.