



ELECTRONIC SYSTEMS

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Kraus Cable TV is a member of the NCTC, a cooperative that negotiates programming fees for over 900 cable companies across the U.S. NCTC is in negotiations with Viacom, owner of MTV Networks, to continue offering their channels, but believes the current proposal from Viacom would have costly repercussions for the company's customers. While we are restricted from talking about specific rates, Viacom demanded a rate increase that's 40 times the rate of inflation*. Imagine pulling up to the gas pump and finding that gas has gone from \$3.50 a gallon to \$6.00 – overnight. That's the scale of some of these large increases. In addition, Viacom is demanding we drop their networks if we don't agree to their proposal.

We want our customers to know that fees from these networks account for the bulk of monthly cable bills. Today's entertainment marketplace is changing rapidly, and we have seen consolidation among major media companies. These mergers allow large programming companies significant leverage over independent cable companies such as **Kraus**.

Our goal is to protect you our customers from significant programming fee increases. We pay programmers such as Viacom a fee per channel per month per customer for their programming. If both parties do not come to an agreement typically we would continue negotiations until an agreement is met and we would then just pay the difference at that time, this is done so as not to disrupt service to our customers. Viacom, a multi-billion dollar company, is demanding an unprecedented increase in its monthly fees, and is offering us a "take it or leave it" option.

These large increases impact all of us throughout the **Elwood, Gardner, Manhattan & Seneca communities** but there is a time as a cable operator when we must say "Enough is enough!" we must stand our ground to send a message to these programmers that although we as a member of the NCTC may be small in numbers we stand as one to fight the greed of companies like theirs.

We do apologize for any inconvenience this may cause you but hope that you do understand what we are trying to do for you and how this will benefit you and all of our customers now and into the future.

Sincerely,

Art Kraus