

APPENDIX B

PROPOSED RULES

No Pay-TV station shall be permitted to operate in the 100 largest television markets except upon a showing, approved by the Commission, that such operation shall be consistent with the public interest, and specifically the establishment and healthy maintenance of free television broadcast service in the area. Commission approval of a request to operate a Pay-TV station in the foregoing circumstances will be granted where the Commission, after consideration of the request and all related material in a full evidentiary hearing, determines that the requisite showing has been made. The market size shall be determined by the rating of the American Research Bureau on the basis of net weekly circulation for the most recent year.

No Pay-TV station shall be permitted to operate where more than 10% penetration is proposed or will be achieved except upon a showing, approved by the Commission, that such operation would be consistent with the public interest, and, specifically, the establishment and maintenance of a healthy free television broadcast service in the area. Commission approval of a request to operate a Pay-TV station in the foregoing circumstances will be granted where the Commission, after consideration of the request and all related material in a full evidentiary hearing, determines that the requisite showing has been made. Penetration shall be determined by the rating of the American Research Bureau on the basis of the net weekly circulation for the most recent year.

Pay-TV stations shall file with the Commission monthly subscriber lists. Pay-TV stations shall either (1) maintain subscribers at this 10% penetration level (or at such other level as the Commission may have approved in an evidentiary hearing) or (2) request Commission approval of additional subscribers. Commission approval of such a request will be granted where the Commission, after consideration of the request and all related material in a full evidentiary hearing, determines that the requisite showing described above has been made.

No Pay-TV authorization shall be granted except upon the affirmative showing that the applicant has obtained at least 2,000 subscriber contracts. Only contracts under which the subscriber has agreed to pay the regular prescribed charges will be considered in ascertaining compliance with this rule.