

### **What is Broadband Services?**

Broadband Services is the division under the Golden Rain Foundation that provides quality cable television and high-speed internet service to the community of Laguna Woods Village.

### **What is under the division?**

GRF Broadband Services oversees the operation of the TV-6 studio, Media Services 55, the fiber optic cable system, including digital services, and high-speed internet service.

### **What is included in the TV-6 studio?**

TV-6 is the community's local origination station which offers many services to the residents including a message board, the trading post, and many services for no additional fees. Additionally, they offer programming broadcasts with invaluable information for residents, including community news, highlights of community events, feature stories, entertainment programs, and live broadcasts of monthly Board meetings.

### **What is Media Services 55?**

Media Services 55 is the advertising function within GRF Broadband Services. Media Services 55 is not a separate company; it is a trade name used to market outside the community. They provide advertising options for outside consumers and businesses, including commercial production, and market research.

### **I've heard that Media Services 55 is a \$5,000,000 tax loss for GRF. Is that correct?**

No, this is not the case. The 2009 budget (in the Redbook) shows that the net expense for the Broadband Services Division (including Media Services 55 amongst many other services) is \$4,936,065. This is not a "loss"; it is the **net expense** to operate the myriad of services GRF Broadband offers to the community, most of which is the cost of programming fees paid to the providers of content on the cable network.

### **What is a net expense?**

A net expense is the total expense of Broadband Service's operations minus the total revenue generated by fees, chargeable services, and other items listed in the 2009 Redbook.

### **How do taxes work for a non-profit corporation?**

GRF does not "write off" the approximately \$5,000,000 cost on its tax return, just like it doesn't write off the net expense of providing services in the Landscape, Recreation, or Security departments. GRF files its taxes as a 501(c)(4) corporation, which is a special type of not-for-profit entity, and most of its income is not taxable, GRF owes taxes only on its "unrelated business income" (UBI). UBI is any revenue generated that is not related to the corporation's exempt purpose, less any related expenses. For example, the advertising revenue

generated by the Broadband Services Division, less the compensation paid to the sales persons, is UBI and taxable to GRF.

**How much is all this costing me as an owner?**

Each homeowner pays \$32.30 per month through their assessments for broadband services that includes the maintenance and operations of the cable television system including the delivery of high speed service.

**What about the programming channels?**

All homeowners receive a basic service of 74 programming channels that is included in the \$32.30 per month assessment fee. When properly hooked up to a cable connection, cable-ready televisions and/or VCR's with a capacity of 70 or more channels will automatically receive the basic cable service. Basic cable provides a total of 74 channels offering an attractive selection of news, movies, sports, and culture.

**Are there any additional channels that I can receive?**

GRF Broadband Services is able to offer residents additional programming and/or services that are not included in the basic monthly assessment through its new digital options.

**What kind of programming and services?**

Services such as digital video channels, commercial-free audio channels, high definition (HD) programming, pay per view, an interactive program guide, and personal video recording are available.

**Is this included in my assessments or at an extra charge?**

Any resident can subscribe for extra programming and/or services for a monthly fee that is **in addition** to the basic monthly assessment. That additional cost paid by those who choose the premium channels is approximately the same as the cost to GRF to provide those channels.

**What if I'm satisfied with the current 74 channels?**

Then you can do nothing. As a resident you can choose to not pay additional fees and will continue to receive the basic service of 74 programming channels. Again, this is a choice, just like with an outside cable company, and just like with an outside cable company, you pay for the premium.

**How does GRF's cable system compare in cost to outside providers?**

GRF is a non-profit mutual benefit corporation and only charges residents the cost of providing the service. As a result, some services will be at a lower rate as it does not include any mark ups that outside providers include.

**The Following is a comparative list of services offered by GRF Broadband Services, a cable service provider, and a satellite service provider.**

**Table 1: GRF Broadband Services Cost Comparison**

<b>Service</b>	<b>Laguna Woods Village</b>	<b>Cable Service Provider</b>	<b>Satellite Service Provider</b>
<b>Basic Service (no activation required)</b>			
Basic Services (channel 2-99)	\$32.30	\$50.99	\$34.99
<b>Digital Programming (requires rental of set-top box)</b>			
Basic Digital Services (digital and HD channels)	Included w/ box	\$14.95	\$10.99
Digital Deluxe (family, lifestyle, sports and music)	\$4.00	Included	\$39.00
High Definition Programming (basic)	Included w/ box	Included	Included
High Definition Programming (premium)	N/A	\$4.95	\$10.00
HBO Movie Package	\$12.00	\$12.99	\$14.99
Cinemax Movie Package	\$10.00	\$12.99	\$12.99
Showtime Movie Package	\$10.00	\$12.99	\$12.99
Starz/Encore Movie Package	\$10.00	\$4.95	\$12.99
Foreign Language Programming	\$10.00 - \$15.00	\$11.99 - \$38.99	\$29.99 - \$39.99
Playboy Channel	\$15.00	\$14.99	\$15.99
Adult Pay Per View	\$9.00	\$6.99	\$14.99
<b>Equipment &amp; Fees</b>			
Installation (one-time fee)	\$30.00	\$54.50	Included
Standard Set-Top Box	\$5.00	\$5.50	\$4.99
HD Standard Set-Top Box	\$10.00	\$5.50	\$10.00
DVR/HD Set-Top Box	\$15.00	\$17.45	\$15.00
DVR Recording Service Fee	None	\$11.95	\$6.00
Contract Required	None	None	Yes
Additional Services (one-time HD/DVR box fee)	None	None	\$199.00
HDMI/Component Cables (one-time fee)	\$10.00/6ft	\$30.00/10ft	Included
Remote Control Replacement (one-time fee)	\$10.00	\$15.00	\$15.00
<b>High Speed Internet</b>			
Modem Fee (one-time fee)	\$50.00	\$79.00	N/A
Monthly Service Fee	\$20.95	\$44.99	N/A
All fees are on a monthly basis, unless otherwise indicated			

**It seems that many of the services offered by GRF Broadband generate revenue. What happens to this money?**

The revenue-generating services are clearly outlined in the Redbook, and include: merchandise sales, late charges, ad insertion, premium channels, service calls, commissions, high speed internet, modems, digital basic, digital premium channels, equipment rental, video tapes, video production, message board, production cancellation fees, and advertising income. These services create revenue that offsets the cost to offer these other services.

**How does that work?**

We can use high speed internet as an example. In order to offer high-speed internet, GRF had to purchase high speed cables, have the high-speed cables installed, specialized equipment install high speed internet in the manors that choose to receive it, upgrade its cable system to carry the internet traffic and provide ongoing technical support and staffing to ensure quality continued service .

**So, GRF is paying for it and the resident who chooses to subscribe to the service pays GRF back?**

Yes. Another example of a service offered by GRF Broadband Services that creates revenue is the new digital tiered system and the set-top boxes. GRF paid for the set-top boxes that allow residents to receive premium channels (if they choose) up front, and the subsequent installation and monthly fees are used to off-set the cost of the box and installation.

In other words, GRF paid for the boxes **upfront** and the residents who rent a set top box are paying a monthly fee to **pay GRF back**.

**How long will it take the resident who chooses to subscriber to the additional services pay GRF back for the set-top box?**

There is an approximate 4 year payback on the equipment that is required for the additional services, and both expenses and estimated income are included as part of the budget process. The residents who choose to receive the digital services will pay a one-time installation fee of \$30.00 and a monthly fee of \$5.00 - \$15.00 per set-top box.

**Again, if I don't want any of the additional services I continue to receive the current offering of 74 programming channels?**

Yes, you are correct. A resident can elect to not receive any of the digital services and will continue to receive the current offering of 74 programming channels. This does not require a set-top box.