

Cable operators today are delivering on the broadband promise: they have deployed high-speed Internet service to more than 70 million homes and serve more than 15 million customers, all as a result of the industry's \$60 billion investment in infrastructure upgrades. This broadband investment, moreover, is not limited to urban and suburban areas. Cable operators that serve rural and small communities, like Susquehanna Communications, also are deploying broadband in the areas they serve. I'm here today to talk about what my company is doing, including our successes and the challenges we face.

Susquehanna Communications (SusCom) is a privately owned, mid-sized cable television operator serving approximately 206,000 customers in 5 states, PA, MS, ME, IN and IL. The company's largest systems are in York and Williamsport, PA with 91,000 and 41,000 customers respectively. While these systems serve the communities of York and Williamsport, both systems' cable plant extends beyond the more densely populated cities to more rural areas and smaller towns. For example, the Williamsport system extends its plant 45 miles west to serve the town of Renovo, with a population of approximately 2,100 and 750 cable customers. The company's smallest systems are located in Illinois and Indiana on single headends with as few as 3,600 customers.

<u>System Location</u>	<u>Customers</u>
<i>York, PA</i>	91,000
<i>Williamsport, PA</i>	41,000
<i>Rankin County, MS</i>	23,000
<i>Brunswick, ME</i>	20,500
<i>Lawrenceburg, IN</i>	11,200
<i>DuQuoin, IL</i>	8,000
<i>Shelbyville, IN</i>	7,700
<i>Olney, IL</i>	3,600
	206,000

SusCom has deployed fiber optic technology to consolidate multiple headends, clustering groups of customers in smaller towns, making it more cost effective to introduce advanced services like digital cable and high speed cable modems. For example, in Brunswick, ME, 20,500 subscribers are now served from one headend where previously there were four. Density of homes in this area is low at 38 homes/mile of cable plant. Our most recent consolidation is DuQuoin, IL, where 8,000 customers are served from one headend where previously there were three, as shown in the table below.



DuQuoin, IL
Headend Consolidation

<u>Towns Served</u>	<u>Population</u>	<u>Customers</u>	<u>Original Headend</u>	<u>Current Headend</u>
<i>DuQuoin</i>	7,019	2,013	DuQuoin	DuQuoin
<i>St. Johns</i>	223	57	"	"
<i>Buckner</i>	555	136	Buckner	"
<i>Coello</i>	608	149	"	"
<i>Christopher</i>	2,776	858	"	"
<i>West City</i>	746	222	"	"
<i>Benton</i>	7,111	2,257	"	"
<i>Ewing</i>	280	86	"	"
<i>Franklin Co.</i>	1,765*	519	"	"
<i>Pinckneyville</i>	3,578	1,026	Pinckneyville	"
<i>Perry Co.</i>	2,217*	652	"	"

* Estimated population for portions of county served.

SusCom has aggressively upgraded its cable plant utilizing a hybrid fiber coax architecture to improve signal reliability and provide the bandwidth necessary to offer new services. As shown in Exhibit A, by year-end 2002, it is anticipated that 87% of all plant miles will have been rebuilt to 550 Mhz or greater with two-way capability. Plans are being finalized to complete the remaining plant rebuilds in 2003-04.

SusCom offers digital cable service in all systems. Service was initially launched in November 1999 in York, PA, and the final digital launch was in Brunswick, ME in August 2000. Total digital penetration for the MSO is approximately 19% as of the end of May with slightly less than 39,000 digital terminals deployed. Penetration levels for digital cable range from as low as 5% in our most recently acquired Lawrenceburg, IN system to 28% in Rankin County, MS.

SusCom Digital Cable
Penetration of Customer Homes
As of May 2002

<i>York</i>	21%
<i>Williamsport</i>	16%
<i>Rankin County</i>	28%
<i>Brunswick</i>	15%
<i>Lawrenceburg</i>	5%
<i>DuQuoin</i>	15%
<i>Shelbyville</i>	18%
<i>Olney</i>	12%



High speed data service is available in the PA, ME and IN systems and was first launched in ME in 1997. As of the end of May, approximately 18,000 residential cable modems and 1,500 commercial cable modems were deployed. Penetration levels for residential modems range from as low as 3% in Shelbyville, IN to 20% in Brunswick, ME.

**SusCom Cable Modem
Penetration of Homes Passed by Two-Way Plant
As of May 2002**

<i>York</i>	7%
<i>Williamsport</i>	8%
<i>Brunswick</i>	20%
<i>Lawrenceburg</i>	4%
<i>Shelbyville</i>	3%

Susquehanna's high speed data business strategy varies by market. In Pennsylvania, the York and Williamsport systems were formally @Home affiliates. After the @Home bankruptcy in December 2001, which adversely impacted penetration levels, SusCom began functioning as an ISP.

In Maine, Susquehanna partners with a local ISP, Great Works Internet (GWI). GWI provides Internet circuits and e-mail service with SusCom providing customer service-related functions. A similar strategy has been deployed in Shelbyville, IN, where originally, we offered customers a choice of three local ISP's over the cable network. Eventually, these ISP's were acquired by a consortium of local businesses that include a hospital, a rural phone company, and an electric utility who now serve as an ISP trading as Lightbound.

SusCom is planning to launch high speed data service in its Illinois systems before year-end 2002. The business strategy is to partner with a local ISP in DuQuoin, IL and a local telephone company that provides Internet service in the Olney, IL area. Over the next 6 months, broadband plant will be upgraded for two-way capability, headend equipment installed and service agreements negotiated with local partners.

While SusCom is proud of its deployment of high speed data service, in many instances subscriber levels have not met expectations due to unforeseen developments (e.g. @Home bankruptcy/ISP acquisitions in Indiana). In order to provide a sufficient return on invested capital, we need approximately 5% penetration annually. However, we believe demand is growing for broadband services and for the moment, competition in smaller rural markets is still developing as DSL technology through local exchange carriers is typically not available. Another consideration in the deployment of high speed



SUSQUEHANNA COMMUNICATIONS

data service is the monthly price. The price point must be attractive to consumers compared to what they are currently paying for dial-up service. At the same time, the price must be high enough to generate sufficient revenues to provide the necessary return on invested capital.

Susquehanna has used private capital to upgrade its cable systems and launch advanced broadband products. While the majority of our plant has already been upgraded, we hope to acquire more systems in Tier II markets that likely will require new broadband architecture. As the RUS implements its broadband loan and grant programs, we strongly urge it to do so in a way that (1) is technology neutral, and (2) focuses on areas that are unserved and are the least likely to be served without government assistance. Such an approach recognizes the risks taken and the investment companies like mine have made and are making to deploy broadband and other advanced services in the rural and smaller communities we serve.

Exhibit A

Susquehanna Communications
System Rebuild Status – Projected EOY 2002

	Headends	<u>300 – 330</u> Mhz	<u>450 Mhz</u>	<u>550 Mhz</u>	<u>750 Mhz</u>	<u>862 Mhz</u>
<i>York</i>	1				100%	
<i>Williamsport</i>	1				100%	
<i>Rankin</i>	2	4%	62%	24%		11%
<i>Brunswick</i>	1			33%	67%	
<i>Lawrenceburg</i>	1		38%		62%	
<i>DuQuoin</i>	1			100%		
<i>Shelbyville</i>	2			55%	45%	
<i>Olney</i>	1			100%		
Total MSO	10	1%	12%	17%	69%	1%
= or >		100%	99%	87%	70%	1%