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Quincy Rodgers
Vice President,
Government Affairs

RECEIVED

FEB 11 1998

February 12, 1998

**Federal Communications Commission
Office of Secretary**

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Via Hand Delivery

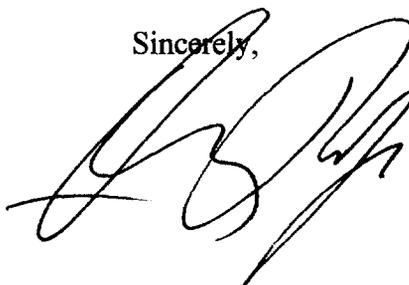
Re: *Ex Parte* Notice, CS Docket No. 97-80 (Retail Sale of Navigation Devices)

Dear Ms. Salas:

This letter provides notice that on February 5, 1998, General Instrument Corporation ("GI"), which designs and manufactures equipment used in the secure delivery of cable television programming, made a presentation to about thirty Commission staff concerning GI's digital set-top terminals. The presentation consisted of an update about the technology involved in GI's advanced digital terminals, as well as the rollout plans for the technology. Recent agreements with nine major cable operators to deploy GI's set-top terminals were discussed, as was a strategic alliance between GI and Sony. GI personnel also presented possible strategies for making digital set-top terminals available to cable subscribers through a retail channel.

The attached materials were handed out during the meeting. They include copies of the agenda for the presentation, slides used during the presentation, materials about GI's products and recent press releases. Also attached is the sign-in sheet listing the FCC staff in attendance.

Sincerely,



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Digital Cable Update

General Instrument Corporation

February 5, 1998

10:00 a.m. to 3:00 p.m.

10:00 – 11:30 a.m.

| | |
|-------------------------------------|--|
| Welcome | Christine Crafton Director, Industry Affairs |
| Agenda and Introductions | Faye Morrison Government Affairs Representative |
| Overview | David Robinson Vice President and General Manager Digital Network Systems |
| Digital Cable Update | David Fritch Senior Manager, Marketing and Strategy Digital Network Systems |
| Retail Sale of Set-Top Terminals | Dwight Sakuma Director, Consumer Products and Services Digital Network Systems |
| Questions & Answers | |

11:30 a.m. - Noon

| | |
|---|--------------------------------|
| Presentation of Digital Cable Applications | David Fritch and Dwight Sakuma |
| Questions & Answers | |

Noon – 3:00 p.m.

Open Session*

* GI personnel will remain in room 110 to answer questions and allow for continued display of GI equipment.

General Instrument Washington Office: Two Lafayette Centre, 1133 21st Street, NW, Suite 405
Phone: 202-833-9700 Fax: 202-466-3295



Digital Cable Update

*David M. Fritch
Senior Manager - Marketing & Strategy
Digital Network Systems
General Instrument Corporation*

Digital Deployment Update

- To date, the industry's digital deployment includes:
 - Over 500 digital headend systems, passing over 24 million N. American homes
 - Shipment of over 700,000 digital set-tops
- Commercial launches:
 - TCI
 - Comcast
 - Shaw
 - Cox
 - Adelphia
 - GTE
 - Bell Canada
 - Other MSOs
- Pre-launch deployments include:
 - Century
 - Other MSOs
 - Jones

The Field of Digital Suppliers is Widening

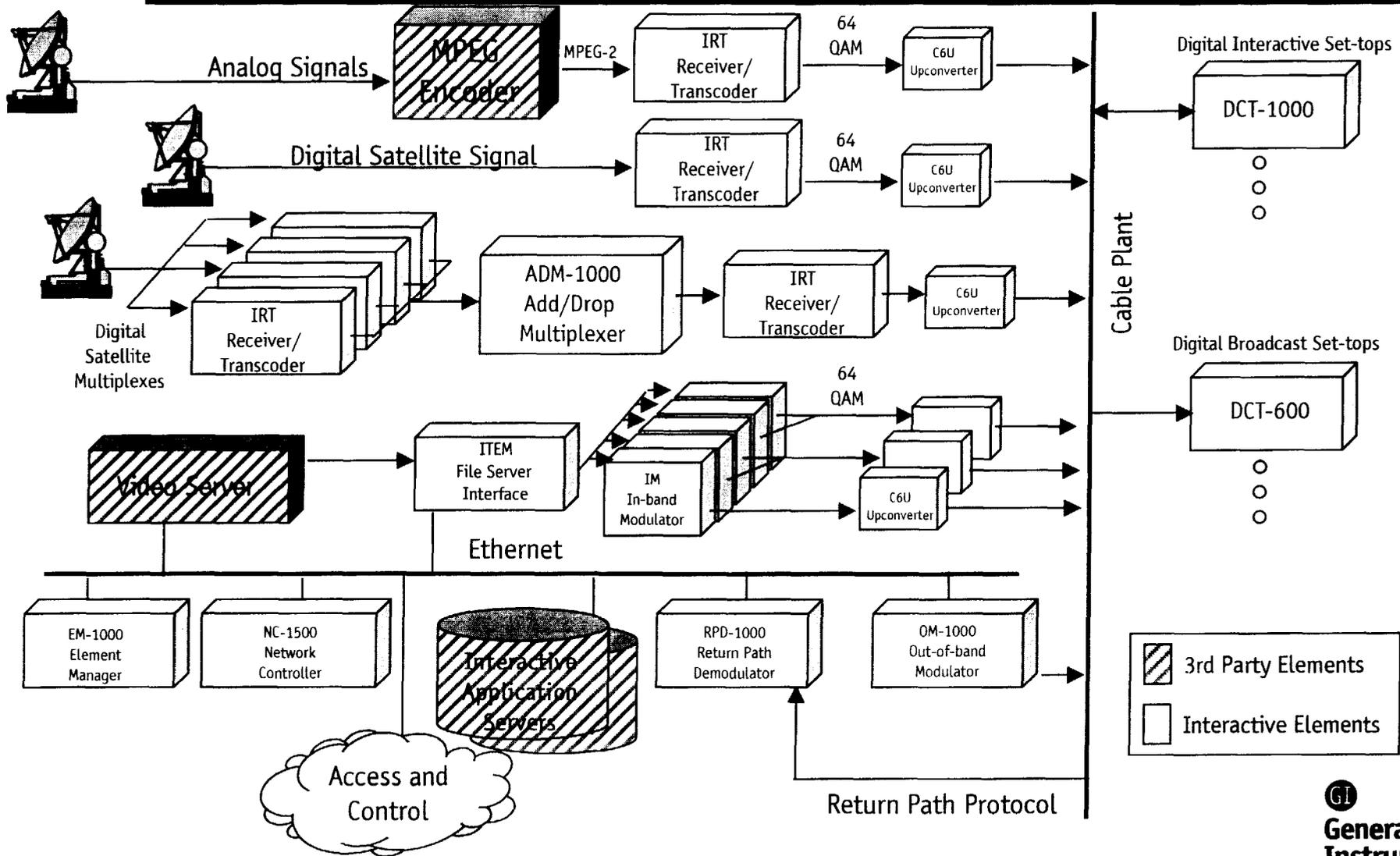
- Current players - Hardware/Systems



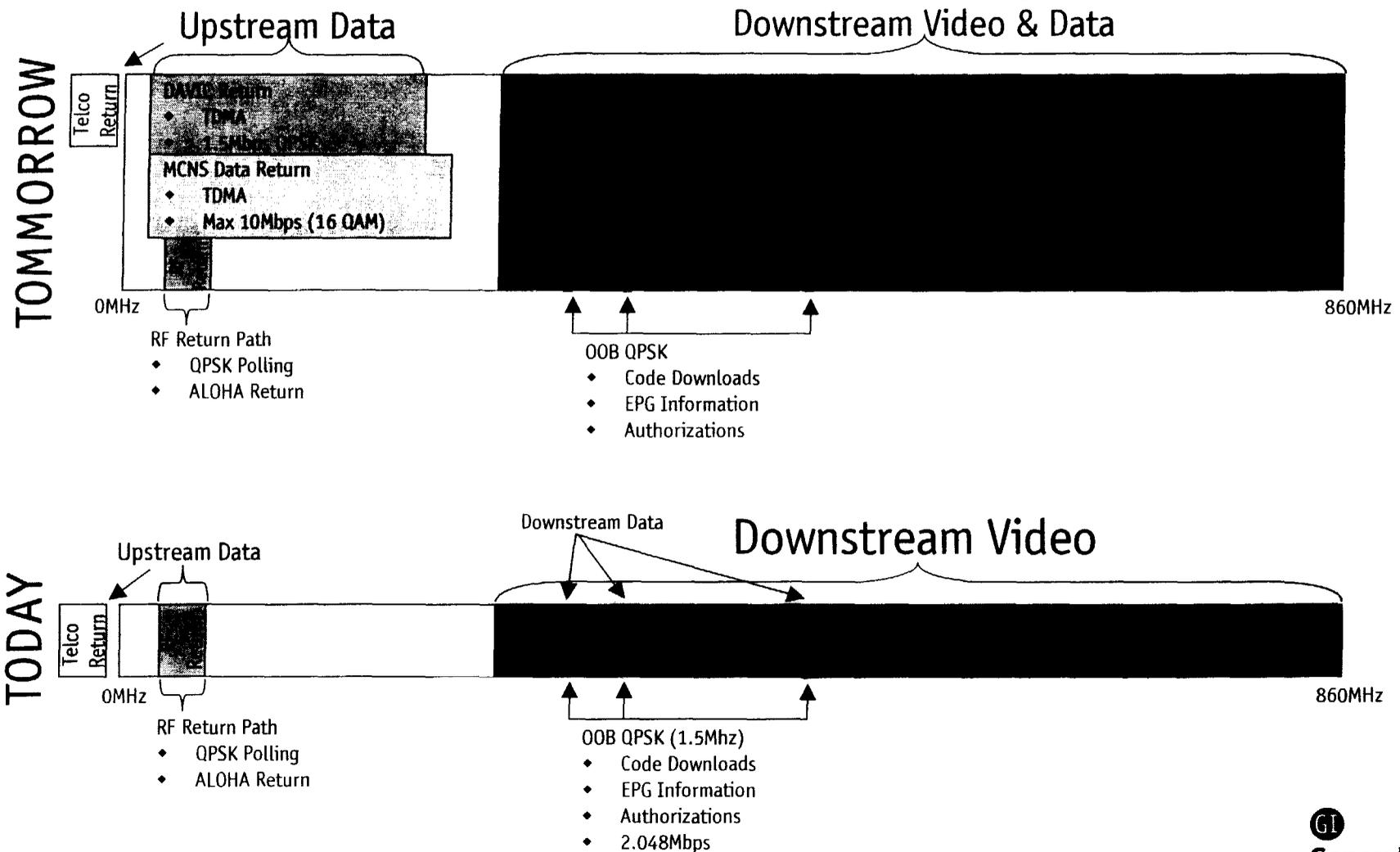
- Current players - Applications Development



Digital Interactive System System Architecture



System Complexity is Increasing



Industry is Moving Towards Compatible Platforms

- Harmony
 - Digital specification for security and encryption standards agreed to by CableLabs, S-A, and GI in October, 1996
 - Intent
 - Enable dual conditional access (DigiCipher and PowerKEY) to co-reside on a single system
 - Enable GI and S-A set-tops (as well as their licensees) to co-reside on a digital system
 - Give MSO's more freedom of choice and leverage

Industry is Moving Towards Compatible Platforms

- OpenCable
 - Established to foster interoperability among advanced digital set-top terminals
 - Established consensus within the industry for key interfaces
 - Formats for digital television signals (MPEG-2)
 - Copyright protection system
 - Interfaces for high-speed Internet connections
 - Interfaces required to author interactive applications (HTML, JavaScript, etc.)
 - Will ultimately certify device's compliance, and foster interoperability of digital set-tops

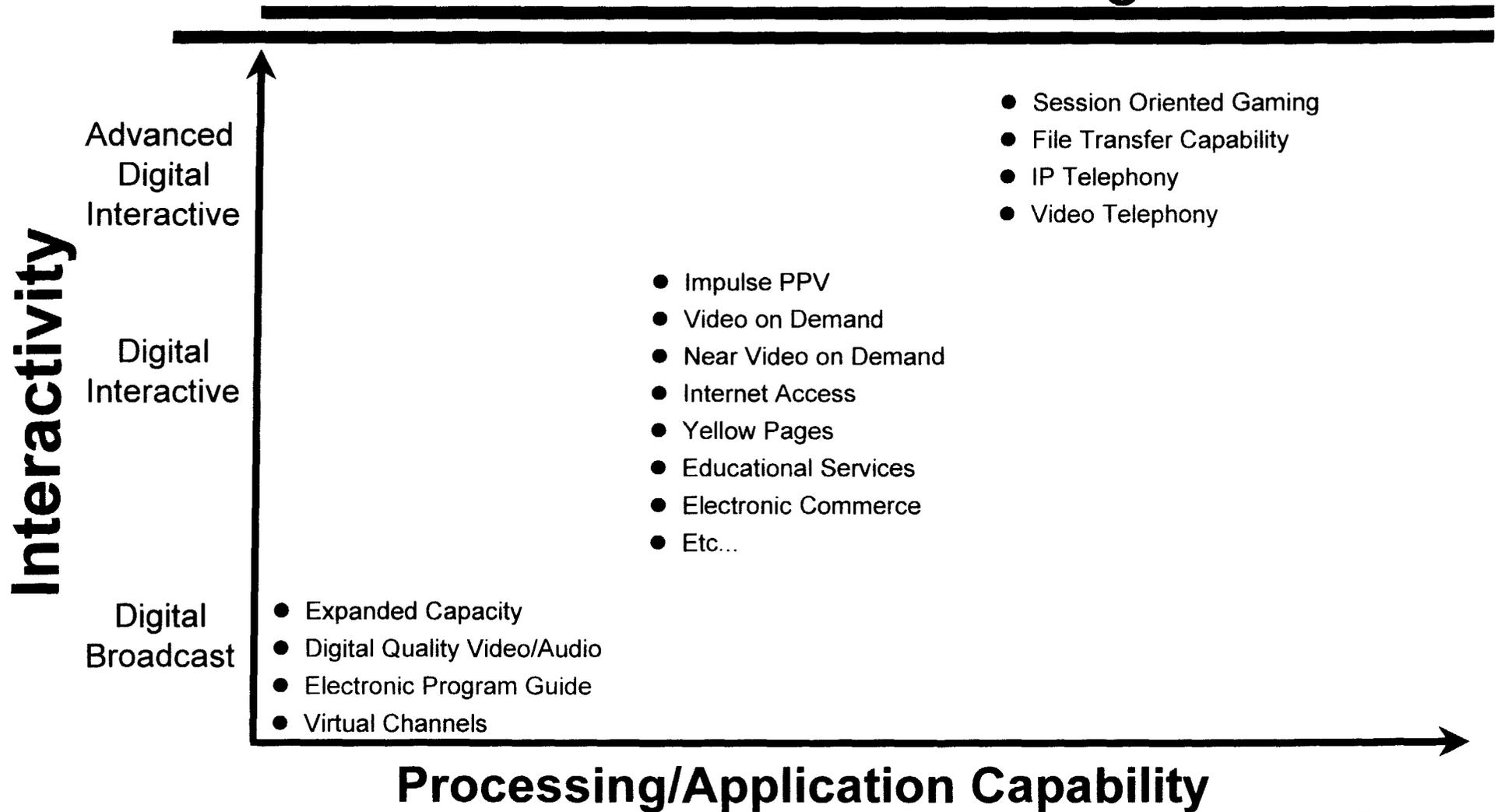
Recent Developments

- Nine major North American operators committed to purchase 15 million OpenCable compliant digital set-tops over the next three years
 - Operators include TCI, Time Warner, Comcast, Cox & Cablevision
- Will help fuel the industry's move to digital
 - Digital cable deployment
 - Delivery of digital & HDTV programming
 - Rollout of new digital services
 - Development of alternate retail channels
 - Open the industry to new players and standard platforms

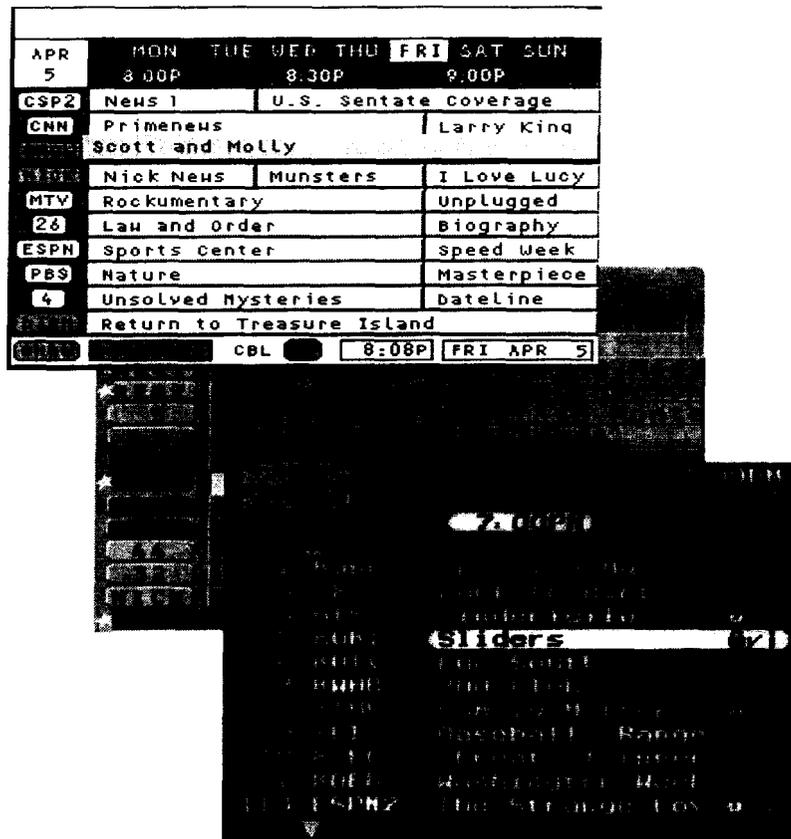
National Access Control

- GI also recently acquired a national access control facility from TCI
 - Provides a “neutral” party to provide national access control services for digital rollouts
 - Helps smaller operators move forward with digital deployments
 - Facilitates development of consumer retail channels

Digital Applications *Segmentation*

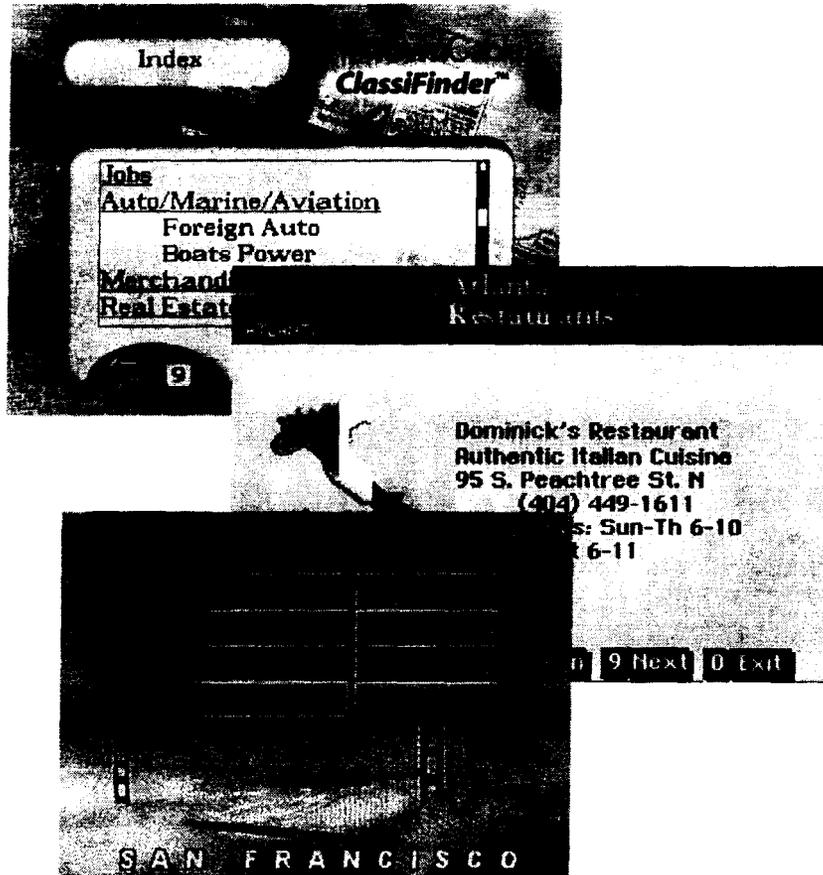


Electronic Program Guides



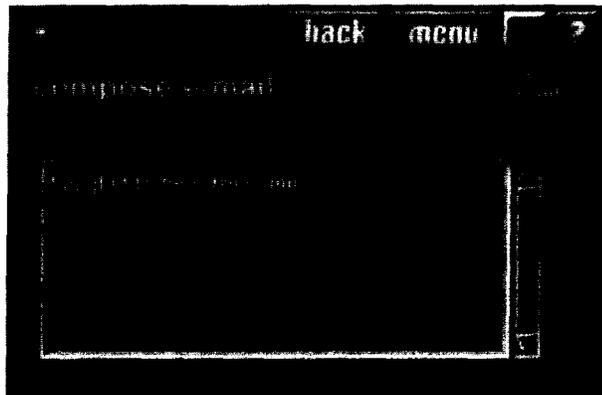
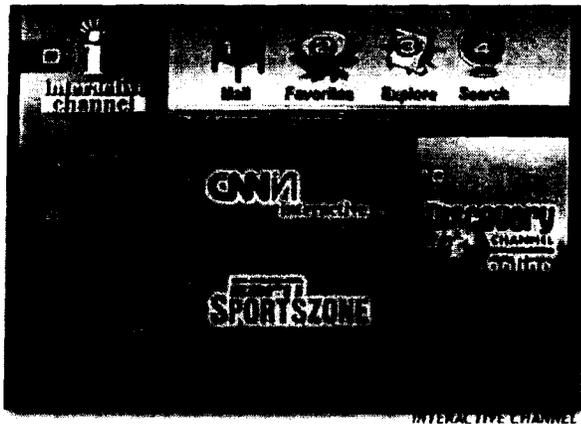
- Prime navigator for a digital system
 - Increases visibility of channel lineups
 - Simplifies consumer interface
 - Increases system branding
- Gateway to interactive services
 - “Main screen” for your digital system

Information Services



- Offer community networking services
 - Electronic yellow pages
 - Local classifieds/ advertisements
 - Electronic commerce
 - Local community information
- Revenue opportunity
 - Advertising/classified revenues
 - Transaction revenues
 - Sponsorship revenues for community information

Internet Access



- Better service
 - Instant log-on
 - Access 1000x faster than conventional telephone modems
 - No tying up Phone Line
 - No local phone charges
 - No busy signals
- Revenue opportunities
 - Offering a better service with a significantly lower cost structure than current means
 - Larger target audience -- PC ownership not required

Augmented Programming



- Addition of value-added content to your programming stream
 - Make your programming even more valuable to the customer
- Can take the form of
 - Information services
 - Targeted advertising
 - New digital-only programming

General Instrument (“GI”)

Cable Set-Top Terminals: A Retail Sales Channel

Dwight Sakuma

Director, Consumer Products and Services

Digital Network Systems

GI Cable Set-Top Terminals: A Retail Sales Channel

Benefits:

- Provides consumer choice: purchase vs. lease; retailer vs. operator
- Increases consumer awareness of digital cable services
- Allows cable operator to remove cost of capital (set-top) from balance sheet
- Increases convergence and consumer demand for digital technologies, leading to cost reductions

GI Cable Set-Top Terminals: A Retail Sales Channel

Components:

- Geographic Deployment
- Distribution
- Pricing Example
- Subscriber Marketing

GI Cable Set-Top Terminals: A Retail Sales Channel

Geographic Deployment:

- Identify cable systems where:
 - dominant digital cable reach in geographic region
 - high penetration of upper programming tiers

GI Cable Set-Top Terminals: A Retail Sales Channel

tribution:

cal / regional retailer with consultative
es force and consumer electronics
pecialty

explains programming, digital footprint,
features, benefits

uses power of local advertising

uses POP effectively

GI Cable Set-Top Terminals: A Retail Sales Channel

Pricing Example*:

- GI sells set-top to retailer for \$150
- Retailer sells set-top to subscriber for \$199.95
- After purchase of set-top, cable operator activates subscriber and pays GI \$200
- GI will provide terms to retailer

* All prices are examples only. Assumes total cost of set-top is \$350.

GI Cable Set-Top Terminals: A Retail Sales Channel

Subscriber Marketing:

- **GI Sales Program**
 - pricing, “retail box” design, target retailers
 - Ad Co-op Program
 - POP material, EPG demo, etc...
- **Operator Marketing Information**
 - programming tiers
 - digital services footprint
 - activation / installation fees information
 - service number plan

Who Is General Instrument Corporation?

General Instrument Corporation ("GI") has been in the business of delivering entertainment and information to consumers' homes for more than 70 years. A world-class engineering organization, General Instrument developed a number of technology "firsts," including the very first set-top terminals used for cable television, the first set-top terminals allowing pay-per-view purchases on impulse, a satellite broadcast encryption technology that became the industry standard, and the first digital high-definition television (HDTV) system.

Cable

Cable multiple system operators (MSOs), such as TCI, MediaOne, Comcast, Cox and Time Warner, currently use General Instrument's technology to deliver cable TV programming to millions of households throughout the United States. Internationally, GI has contracts to build cable systems in Canada, the United Kingdom, Latin America, the Pacific Rim, Australia and Saudi Arabia, as well as a joint venture in India.

Most cable MSOs in the U.S. are working to upgrade their cable systems to digital technology. Digital compression allows operators to offer increased channel capacity by "squeezing" up to sixteen channels into the same amount of space occupied by one analog channel. In addition, digital cable television brings consumers crystal-clear video and audio, near-video-on-demand, interactive programming guides and parental control features, as well as access to community information and the Internet. To date, GI has delivered over 500 digital headends, meaning that some 24 million homes in the U.S. can access digital cable services through advanced set-top terminals. GI recently announced that it has entered into agreements to supply at least 15 million of these advanced digital terminals to nine leading cable operators over the next 3-5 years. GI also announced the formation of a strategic alliance with Sony to jointly develop digital television technologies.

For cable operators who offer Internet service to their customers, GI provides its SURFboard™ cable modems which connect computers to the Internet using the high capacity cable television infrastructure. Cable modems can transmit data up to 1,000 times faster than traditional telephone modems. GI's SURFboard™ cable modems operate both in systems that use a telephone return path and in systems that have been upgraded to two-way cable.

Satellite

General Instrument pioneered the market for C-band, or "big dish" satellite communications. The company's recently introduced 4DTV receiver enables consumers to receive up to 700 channels of both analog and digital satellite programming -- all navigable with an easy-to-use interactive programming guide. General Instrument also serves the direct broadcast satellite (DBS) market as the equipment manufacturer for PrimeStar. GI's private network business unit has developed secure satellite communications systems for numerous corporations and educational institutions, including Ford Motor Company and American Express, and the Nebraska and Louisiana state educational systems.

General Instrument Corporation (NYSE: GIC) has approximately 7,000 employees and annual sales of approximately \$1.8 billion. General Instrument is headquartered in Horsham, Pennsylvania, with other main U.S. facilities located in San Diego and San Jose, California, and Carrollton, Texas. Additional information about General Instrument can be obtained by calling the corporation at 215-674-4800 or visiting the company's World Wide Web site at <http://www.gi.com>.

FOR IMMEDIATE RELEASE

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**NEXTLEVEL SYSTEMS TO SUPPLY AT LEAST 15 MILLION
ADVANCED DIGITAL SET-TOP DEVICES TO CABLE OPERATORS**

**MSOs To Become Shareholders In NextLevel,
Which Will Change Name Back To General Instrument**

Breen Named Chairman and CEO Of General Instrument; Other Executives Named

CHICAGO, December 17, 1997 – NextLevel Systems, Inc. (NYSE: NLV) today announced that it has entered into long-term understandings worth a total of at least \$4.5 billion over the next 3-5 years to supply at least 15 million advanced digital set-top devices to nine leading cable system operators (MSOs) under the industry's Open Cable specifications.

The understandings reached by NextLevel, which is changing its name back to General Instrument Corporation, include commitments from MSOs representing about half of the entire cable industry. As part of these understandings, the MSOs will receive warrants to purchase approximately 16% of General Instrument equity at a price of approximately \$15.00 per share. These warrants will vest only as set-top orders are actually shipped in the years 1998-2000.

General Instrument will also acquire from Tele-Communications, Inc., in exchange for approximately 10% of General Instrument equity, the digital transport and authorization functions of TCI's Head End In