

# Comcast/Midwest Cable Transfer of Franchise

Northern Dakota County Cable  
Communications Commission

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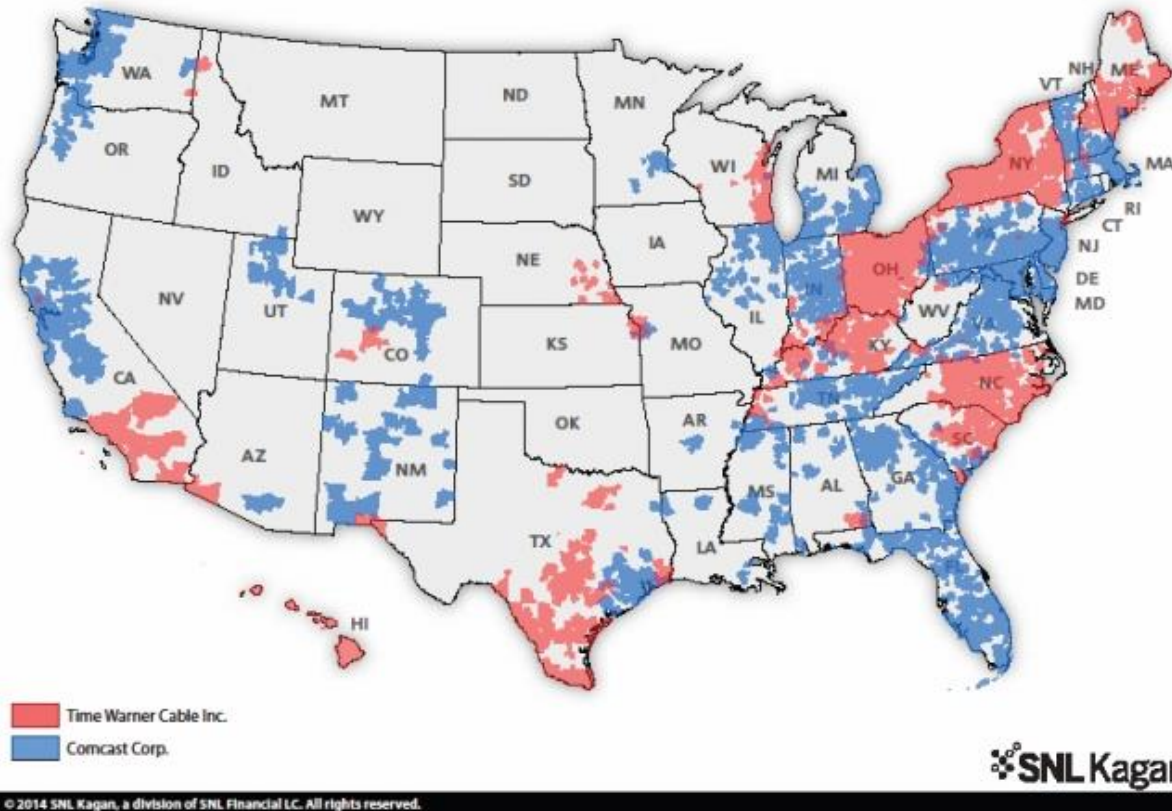
# Comcast/TWC Merger

- **Comcast merger with Time Warner Cable**
  - Announced February 12, 2014
  - Comcast acquires TWC's 11.4 M cable subs
  - Results in Comcast controlling 34 M cable subs
- **Requires local, state and federal approvals**
- **Comcast voluntarily offers to divest subs**
  - Comcast seeks to shed 4 M cable subs
  - Comcast seeks to get down to 30 M cable subs

# Comcast TWC

## 34 million subscribers

Time Warner Cable & Comcast Footprint



# Comcast / Charter

- **Comcast and Charter Communications**
  - Announced April 25, 2014
  - Comcast to sell 1.4 M cable subs to Charter
  - Comcast and Charter to swap subs
    - 1.5M to Charter
    - 1.6M to Comcast

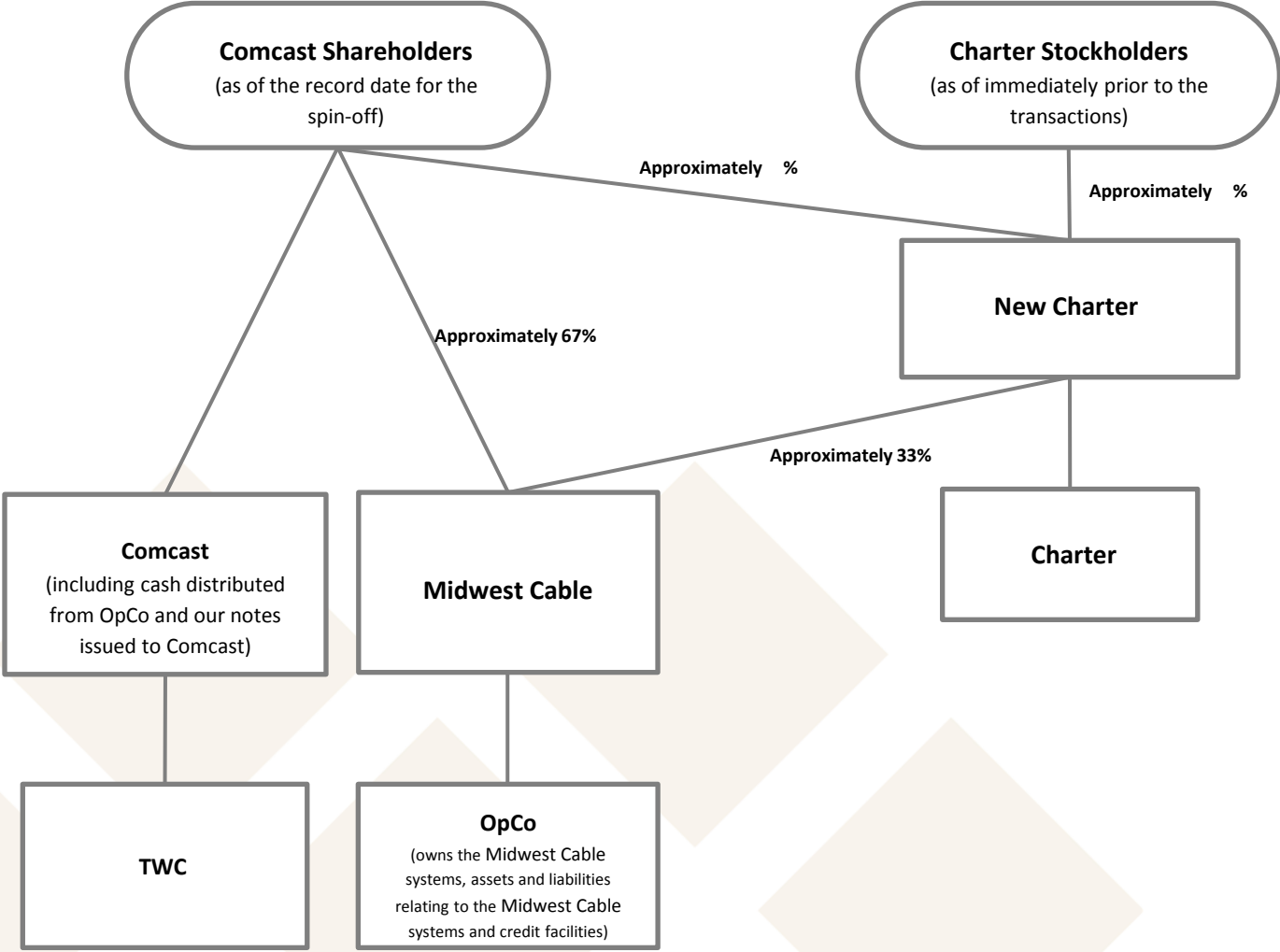
# Midwest Cable

- **2.5 M subs to be divested to new entity**
  - Former Comcast properties in MN, MI, IL, IN, AI and others
- **Twin Cities Comcast systems part of spin-off**
- **Midwest Cable – newly created entity**
  - After closing will be renamed “GreatLand Connections”
- **Midwest Cable will be publicly traded entity**
- **New Grantee = Comcast of Minnesota, LLC**
- **Financial review – challenging**
  - Given lack of operating history

# Who Will Run Midwest Cable?

- **Separate board of directors - owned**
  - 33% by Charter Communications
  - 67% by Comcast Shareholders
- **Midwest will initially have 9 board members**
- **Michael Willner**
  - President and CEO of Midwest
  - 40 year veteran
  - Insight Communications
  - No existing franchises under its control
  - Much of executive team worked at Insight
- **Midwest has no operating history**
- **Substantial operations handled by Charter**

# Structure After Merger



# Charter Overview

- **Charter operates cable systems in MN**
  - Duluth, St. Cloud, Marshall, Apple Valley, Lakeville, Rochester, Mankato, Winona and many others
- **Charter provides service to**
  - 6.1 million subs
  - In 29 states
- **Charter is a *Fortune 500* company**
  - Employs approximately 23,000 people





# Local Operations

- **Local field operational (technical) personnel**
  - Will be Midwest Cable employees
- **Government affairs personnel**
  - Interacting with local franchising authorities
  - Will be Midwest Cable employees
- **Other operational services**
  - Will be provided by Charter personnel

# Charter Services to Midwest

- **Midwest will pay Charter 4.25% of revenues**
  - 4.25% of all voice, video and data revenues
  - Procurement and Programming Management Services
  - Network Operations
  - Engineering & IT
  - Voice Operations
  - Field Operations
  - Customer Service
  - Billing & Collections
  - Marketing & Sales
  - Administrative and Back office Services
  - Other

# Impact on Services

- **Subs keep Comcast telephone numbers**
- **Subs keep cable equipment**
  - At least for initial transition – perhaps longer/permanently
- **Email**
  - Subs will have to transition away from comcast.net
  - Likely to Charter's email domain
- **Billing**
  - Will transition to Midwest
  - Online payments will require subscribers to contact bank

# Financial Review

- **Complexity of transaction and multiple filings at SEC = delayed consultant's report**
- **Midwest's initial debt leverage will be no greater than 5.0x its 2014 EBITDA**
  - Earnings before interest, taxes, depreciation and amortization
  - i.e. how much profit is made with present assets and operations on the products sold, as well as providing a proxy for cash flow
  - Consistent with some other cable operators
    - Charter at 5.0x,
    - Cablevision at 5.3x,
    - Suddenlink at 5.7x and
    - Mediacom at 5.3x).
- **Please refer to Consultant's financial report**

# Timeline for Local Action

- **Member Cities have right to review transfer of franchise**
  - Under franchise, state and federal law
  - Approve/not approve
- **Official request via FCC Form 394**
  - Received June 18, 2014
- **120 days to issue local decision**
  - October 18, 2014 = initial deadline
  - Comcast extended deadline
    - First to December 15<sup>th</sup>
    - Second to January 15<sup>th</sup>
    - New deadline – February 27<sup>th</sup>
- **Legal, technical and financial qualifications**

# Resolution

- **Approve transaction subject to:**
  - Written Acceptance by New Grantee - Comcast of Minnesota, LLC
  - Guaranty by GreatLand Connections Inc. (New name for Midwest)
  - Extension of existing Franchise
    - PEG funding – address grant funding
  - Renewal
    - Delayed due to transfer
    - Preservation of Needs Assessment
    - Commitment to meet and negotiate renewal –
  - Customer service
    - Quarterly meetings with New Grantee for 2 years
    - Escalated complaint process maintained
  - Reimbursement of all transfer costs

# Questions?

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# Pre-Merger Cable Markets

