ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

Front Range Consulting, Inc.

REPORT
REGARDING
THE
SPIN-OFF
OF
CABLE SYSTEMS
TO
MIDWEST CABLE, INC.

January 2015

Introduction

Ashpaugh & Sculco, CPAs, PLC and Front Range Consulting, Inc. (the "Consultants") have been retained by several LFAs[1] to assist them in the financial analyses of the transfers of the cable television franchises now held by Comcast in a newly formed subsidiary of Comcast, Midwest Cable, Inc. and which are to be spun off to a new company, GreatLand Connections, Inc. ("GreatLand") assuming the Transaction is completed.[2] This spin-off[3] is part of a larger transaction that involves:: (i) acquisition of Time Warner Cable, Inc. ("Time Warner") by Comcast Corporation, Inc. ("Comcast"); (ii) sale of systems by Comcast to Charter Communications, Inc. ("Charter"); (iii) swap of systems between Comcast and Charter; (iv) spin-off of systems from Comcast to SpinCo, (v) the reorganization of Charter (collectively, the "Transactions").[4] The Consultants are also assisting LFAs who have authority to review other elements of the Transaction. However, this particular report focuses on the Midwest Cable, Inc. / GreatLand Connections, Inc. spin-off.

Executive Summary and Recommendations

As the Transfer (that is, the spin-off from Comcast into a new independent entity, GreatLand Connections, Inc. and associated Charter transactions) is currently structured, the Consultants have been given virtually no non-public data on which to assess this transaction

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[1] This report is prepared for the following municipal entities: Meridian Township, MI, the City of Southfield, MI, and the Minnesota Association of Community Television Administrators (MACTA) local franchise authorities (jointly the "Participating LFAs").

[2] The Consultants were not engaged to, and did not, perform an audit of Comcast, Time Warner, Charter or SpinCo (the "Companies"), the objective of which would be the expression of an opinion that the financial statements provide a representation of the operations for the period reviewed. Accordingly, we do not express such an opinion. Had the Consultants performed such additional procedures, other matters might have come to our attention that would have been reported to you. This memorandum relates only to the financial analysis of the proposed spin-off of cable systems owned by Comcast to Midwest Cable, Inc. and does not extend to any financial statements of the Companies or the Participating LFAs. This report is intended solely for the information and use of the Participating LFAs and is not intended to be and should not be used by anyone other than the Participating LFAs without the express written permission of the Consultants.

[3] GreatLand Connections, Inc. is the anticipated new name of the spun off company. During the LFA review process, the spun off company has also been referred to as SpinCo, Midwest Cable, LLC and Midwest Cable, Inc. For the purposed of this Report, GreatLand, SpinCo, Midwest Cable, LLC and Midwest Cable, Inc. are all referring to the same spun off entity. This report will generally refer to the entity as Midwest Cable.

[4] We have identified the following separate but interrelated transactions (jointly the "Transactions"): (1) Comcast acquisition of Time Warner ("Acquisition"); (2) purchase of subscribers by Charter from Comcast ("Sale"); (3) system swaps between Comcast and Charter ("Swaps"); (4) transfers of Comcast systems to SpinCo (aka Midwest Cable, LLC, Midwest Cable, Inc. to be renamed GreatLand Connections, Inc.) ("Transfers") and (5) creation of the new Charter ("New Charter"). They are all interrelated as items 2 through 5 would not occur if the Acquisition is not approved. The description of the transactions is based on the S-1 and S-1A filed by Midwest Cable, Inc. on October 31, 2014 and December 23, 2014.

notwithstanding numerous data requests and the execution of a confidentiality agreement. As part of this project, the Consultants were asked to determine whether Midwest Cable had shown, either as part of the Form 394 or through supplemental submissions, that it is financially qualified to perform as Franchisee. Neither it, nor Comcast and Charter have provided adequate information that establishes the financial qualifications of Midwest Cable. As will be explained below, without the requested data, the Consultants had to make informed estimates as to the projected financial condition of Midwest Cable after the spinoff. In its December 9, 2014 filed S-4, Charter made projections based on limited data, and Charter, Midwest and Comcast did not provide the support for those projections to the Consultants as requested. As a result, Comcast, Charter and Midwest Cable are asking the Consultants and the Participating LFAs to trust the limited projections included in the Charter S-4 and the limited pro forma estimates in Midwest Cable's S-1 as a reasonable basis to conclude that the new entity, GreatLand, will be financially capable of meeting the franchise requirements and subscribers needs. The Consultants cannot provide that assurance to the Participating LFAs without access to the requested data to allow a full and complete review of the resulting new entity and of the projections of that new entity's initial years' operations. Neither Comcast, Charter nor Midwest Cable have provided reasonable cooperation in this process.

Debt

One measure of financial health used in the cable industry is to compare EBITDA (earnings before interest, taxes, depreciation and amortizations) as a multiple of debt. A lower multiple suggests the company has greater ability to support operations and improve its system; a high multiple may mean the company will be unable to perform as promised because of the increased fixed costs associated with long-term debt. Based on the information provided by Comcast, Charter and Midwest Cable regarding Midwest's projected debt (which Comcast and Midwest indicated may be as much as $7.8 billion) and the historical EBITDA for the systems Midwest is obtaining in the spin-off (adjusted to include new costs that will be incurred as a result of the Transfer and operating as a stand-alone company), EBITDA is projected to range from approximately 6.4 times to over 10 times multiple of debt in their initial years' of operations. Comcast's EBITDA would be about a 3 times multiple of debt post-transaction.[5]

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[5] The $7.8 billion is the most recent estimate of the debt Midwest will assume from Comcast, according to the public filings of Comcast, Charter and Midwest Cable. (See Midwest Cable's 12/23/2014 S-1/A.) To be sure, the Transfer documents suggest that Midwest Cable's debt should be limited to no more than 5 times EBITDA – a high level, and still troubling in light of other aspects of the transaction, but at least at the high end of EBITDA/debt multiples in the industry. The so called "financing" EBITDA used to calculate the amount of debt to be assumed by Midwest is different from the EBITDA estimates the Consultants have determined as the projected EBITDA determined in Attachment D to more properly reflect the ongoing operations and costs for Midwest rather than a "financing" EBITDA that excludes real costs to Midwest like costs of executive staff, CSA costs, transactional and transitional related costs. Charter's S-4 filed December 9, 2014 seems to explain Midwest's EBITDA will be based on pro forma financials. However, based on the best information available to

Impact on Cash Flow

- Midwest is assuming significant deferred tax liabilities from Comcast. Midwest has asserted in its S-1 in its notes to its financial statements that approximately $2.2 billion of this deferred tax liability is related to intangible cable franchise rights which will not become payable unless "… we recognize an impairment or dispose of a cable franchise …"[6] The remaining balance of $600 million is where Comcast has taken advantage of accelerated depreciation on plant assets and thereby deferring taxes Comcast would owe in the future. However, it is leaving Midwest with the duty to pay those deferred taxes, and that additional tax liability would amount to about $5.25 per sub per month. This is also likely to impact cash flow, and the ability of Midwest to provide services and fund day-to-day operations.

Infrastructure

- Midwest is not receiving in the spin-off basic infrastructure now used by Comcast to provide services to subscribers, such as the backbone connections used in the delivery of national programming, Internet and phone services. Hence, the "price" it is paying for the system does not include basic building blocks, which it will need to obtain in other ways. Its flexibility in this regard is limited by the debt it is obligated to acquire in the spin-off.

Customer Service

- As part of the Transaction, Midwest is required to contract with Charter, which will then be responsible for providing basic customer services and day-to-day operations for an initial term of 3 years. In addition, Midwest will be contracting and paying Comcast for "transition" services. The costs of providing these services to Midwest by Charter under the Charter Service Agreement ("CSA") and by Comcast under the Transition Services Agreement ("TSA") are not known (except for the CSA's 4.25% of gross revenue management fee) and are likely further eroding Midwest's income and cash flow. The 4.25% fee is estimated to be an additional expense to Midwest of approximately $200 million annually.

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the Consultants, Attachment D shows our calculation of pro forma EBITDA for Midwest is a range from 1,215 million to $732 million. That is, assuming the $7.8 billion is accurate, the company is incurring from approximately $1.6 to $4.1 billion more in debt than the financial analyses support. Of course, if Comcast were to limit Midwest's debt to 5 times actual pro forma EBITDA, Midwest would be in a much better position to perform.

[6] Midwest S-1 at F-14.

Impact on Rates

- Midwest has a high likelihood of cash flow difficulties – it starts day one with no cash reserves, which may require Midwest to increase cash through additional debt (if any debt could be raised), reducing/eliminating capital expenditures, eliminating services and/or raising rates.[7] According to the Charter S-4 projections, Midwest will have increased revenues in 2015 from 2014 of $184 million compared to Wall Street consensus programming cost increases of $179 million.

Impact on Franchise Obligations

- There is significant question as to whether Charter, which is taking on the management of Midwest's 2.5 million subscribers and assuming significant new debt, will be in a position to perform in a manner that satisfies Midwest's franchise obligations. However, we have seen nothing, for example, that suggests that Midwest can perform if Charter does not; that Midwest can terminate the CSA if Charter fails to satisfy franchise obligations for customer service. While Charter and Midwest continue to maintain that the CSA is not yet final, the CSA does ensure Midwest will have significant expenses and it does not guarantee that Charter can or will be in a position to perform. From a review of the draft CSA, it appears that Midwest has limited "outs" if Charter does not perform adequately under the CSA for the first 3 years and Charter has virtually no incentive to ensure that it provides adequate services under the CSA.

Midwest's financial qualifications do not improve significantly if examined over the long term as compared to the short term. The charges under the CSA, the fee of 4.25% of total revenue plus costs for services provided, will continue for at least 3 years. The charges for services provided by the TSA are anticipated to diminish over the first 18 months, but that will require Midwest to have available funds to invest in needed accounting and management computer systems and training and backbone delivery systems for products such as voice, email and Internet. Additionally, Comcast is transferring $600 million in deferred tax liability to Midwest that may add over $159.57 million a year in income tax expense for 3 to 4 years.

As discussed in this report in detail, little information was provided and the typical response from Comcast, who, as its owner, was speaking for Midwest Cable, was that all needed information was publically available or "Midwest Cable does not yet own these properties and has not yet established definitive plans for future operations." The last statement is curious since Comcast did and does own these systems, has control of the data and is the guiding force behind the plans for the spin-off of Midwest Cable.

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[7] The Consultants have been advised that Midwest will have a $750 million line of credit in addition to the initial debt from the spin-off.

It should be noted that the original financial information contained in the FCC Form 394 as filed (and presented as Exhibit 6 to the filing) has changed materially. Comcast filed amended financial data on August 25, 2014 and September 3, 2014 with the Securities and Exchange Commission (the "SEC") in the form of S-4/As. Without explanation in these filings or to the Participating LFAs, the anticipated initial debt was reduced from $8.8 billion to $7.8 billion, reduced transferred deferred taxes from $3.053 billion to $2.859 and reduced initial start-up cash from $600 million to $300 million. Comcast did not notify the Participating LFAs of these changes and did not refile or amend the original FCC Form 394s.[8] By letter of September 30 to the Participating LFAs' counsels, it was made clear the reductions to the initial start-up debt were needed because revisions had caused Midwest Cable's anticipated income and EBITDA to drop significantly. The amounts for deferred taxes and cash were further changed in the October 31, 2014 S-1 filed by Midwest Cable, Inc., reducing deferred taxes to $2.836 billion and cash to zero. Both Midwest and Charter have provided some limited new information in Midwest's S-1, S-1/A and Charter's S-4 (filed on December 9, 2014) but have not provided the Consultants with any supporting information to verify their assertions regarding the going forward revenues, expenses and resulting EBITDA notwithstanding the various requests by the Consultants for that supporting data.

Comcast/Charter/Midwest did provide a confidential letter to the Consultants on December 11, 2014 that reiterated the Charter projections contained in the December 9, 2014 Charter S-4 as well as some "averaged" Wall Street consensus forecasts for Midwest.[9]

If the Transaction was approved, from a financial perspective the Consultants recommend the Participating LFAs obtain protections to reduce or protect against the risks identified above; that ensure that customers will receive adequate service, and that there will be adequate remedies if Charter fails to perform; and that ensures that the Participating LFAs have a remedy if Midwest and or Charter do not perform. For Participating LFAs that have significant past performance issues, it may be appropriate to ensure that Comcast either resolves non-compliance issues prior to consummating the Transfer, or otherwise addresses non-compliance in a way that will not burden Midwest Cable.

In addition, the Participating LFAs may wish to ensure that the deal does not change prior to consummation in a way that may harm consumers; and may need to ensure that revenues are not diverted to Charter, and are fully recognized in franchise fees. For example, the management fees paid to Charter should not be deducted from gross revenues before

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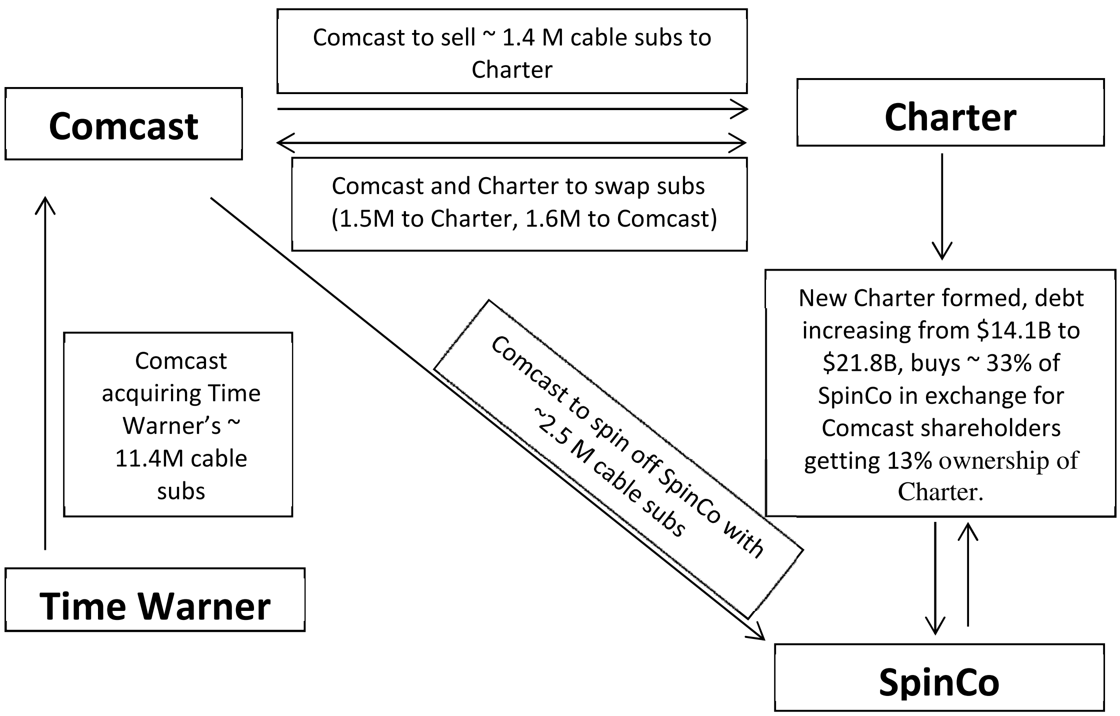
8 We are not aware of any LFA anywhere that received an amendment to the filed 394.

9 Attachment G contains the redacted version of the December 11, 2014 letter.

computing franchise fees due to the Participating LFAs.[10] The Consultants realize that other non-financial conditions and/or agreements might outweigh or mitigate the impact of the possible financial conditions. The Consultants understand that these non-financial conditions/agreements could involve renewal and extensions of current franchise agreements, PEG financial commitments and channel placements and customer service standards.

Overview of Transaction

Detailed below is a summary chart showing the Comcast-Time Warner-Charter-Midwest Cable transaction.



As explained above, the Acquisition is the initial transaction in a series of transactions that are all part of the same deal. When Comcast announced the Acquisition, it also explained that it would divest systems and subscribers to reduce its footprint to 30% or less of MVPD subscribers.[11] Comcast proposes to accomplish this through the sale of systems to Charter and the spin-off of systems to a new company, identified as SpinCo (aka Midwest Cable d/b/a

[10] The Consultants are not aware of Midwest Cable or Charter making such a claim at this time. However, protections can be made to prevent this in the future by specifically addressing it in the definition of gross revenues for franchise fees and PEG.

[11] See Comcast's Public Interest Benefits Summary of February 13, 2014.

GreatLand Connections, Inc.). In addition, Comcast is “swapping” systems with Charter to consolidate its holding in certain areas of the country. (See the public disclosure of April 28, 2014, “Comcast and Charter Reach Agreement on Divestitures”.) As explained above, we refer to the composite of all of the transactions as the Transactions.

SpinCo was recently created by Comcast to effectuate the spin-off of these 2.5 million subscribers from Comcast into this new, to be publically traded cable company. One reason Comcast has proposed this new SpinCo was to bring down the number of video subscribers that Comcast controls to under 30% of the marketplace, a prior FCC threshold no longer in effect. In the SpinCo structure proposed, Comcast will have no direct ownership of SpinCo as Comcast’s contribution of 2.5 million subscribers will be accomplished by a spin-off of SpinCo. Existing Comcast shareholders will receive SpinCo (Midwest Cable) stock, initially owning 100%. Charter Communications will swap 13% of its ownership shares with SpinCo shareholders resulting in Charter Communications owning 33% of SpinCo. In this fashion, Comcast Corporation has no attributable interest in SpinCo or in Charter.

The SpinCo structure also includes the Charter Service Agreement (“CSA”) between Charter and Midwest Cable to allow Charter to assumedly provide much of the engineering, technical, accounting, billing, etc. support functions for Midwest Cable. This is turn would make Midwest Cable potentially a very small employee-based company compared to a traditional cable company. For this service support, Charter will charge Midwest Cable a service fee of 4.25% of its gross revenues plus the cost of the services rendered. Unlike franchise fees that are only applied to cable gross revenues, this service fee will be applied to all gross revenues including data and VoIP revenues. Additionally, Midwest Cable will also have a Transition Service Agreement (“TSA”) with Comcast to provide specified transitional services to Midwest Cable for periods of up to eighteen (18) months. Comcast has stated that charges to Midwest Cable for the TSA-based services will be at Comcast’s incremental costs of providing the services. Midwest Cable will also have a Separation Agreement with Comcast that will address legal matters regarding the spin-off and tax and debt issues. Midwest Cable will have to secure new debt to pay Comcast for the debt associated with the spun-off 2.5 million subscribers, which is reported to be approximately $7.8 billion, although it is limited to 5 times Midwest Cable’s “financing” EBITDA. In its May 2014 S-4/A and the original FCC Form 394, Comcast identified this new debt level to be acquired by Midwest Cable to be $8.8 billion. As currently described in filed documents, the new debt to be acquired by Midwest Cable is estimated to be approximately $7.8 billion based on a 5.0 times estimated 2014 EBITDA.[12] This is a substantial reduction in the debt that Midwest Cable will be issuing and, as described more fully below, includes potential contingencies that Charter will have to participate in additional financing if Midwest Cable is unable to secure this new debt. Essentially the debt being issued by Midwest

[12] See Charter’s S-4 filed December 9, 2014.

Cable will allow Comcast to lower its own debt as the Midwest Cable debt will be exchanged for current Comcast debt. Should Midwest's "financing" EBITDA not support the level of $7.8 billion, since it is limited to 5 times by the terms of the Transactions, any reduction will be absorbed by Comcast in the spin-off.

Review Methodology

The Consultants have employed a seven step approach to its financial review of the Transactions that include: 1) a review of publicly available information on the Transactions, 2) a review of the FCC Form 394s filed with each of the Participating LFAs, 3) an initial assessment of the financial impacts of the Acquisition, 4) a development of an initial and follow-up data requests related to the Form 394 and underlying documents, 5) an assessment of the data provided by the companies to the data requests, 6) an independent assessment of the resulting financial impacts of the Acquisition and 7) providing this report to the Participating LFAs explaining our analyses and conclusions. In addition, the findings of this report have been discussed with Comcast, Midwest Cable and Charter prior to release.

Consideration of the Franchisor

The Franchisor may consider many aspects of the transaction of the transfer. When the transfer is to a different company, these considerations include the "legal, financial, technical and character qualifications of the transferee." In the case of a transfer of interest, the franchisor may consider the public interest impact of the transaction if that is permitted by local franchise or state law. For example, the language of Comcast's current franchise with one Minnesota city states:

> 121.(d). For the purpose of determining whether it shall consent to a transfer, except as federal law prohibits it from doing so, the city may inquire into the qualification of the prospective transferee, and the company shall assist the council in any such inquiry. The proposed transferee must show financial responsibility as determined by the city and must agree to comply with all provisions of the franchise. A request for a transfer will not be granted unless the council determines, in light of the record before it, including the transfer application, that:
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> 121.(d).(1). there will be no adverse effect on the public interest, or the city's interest;
>
> 121.(d).(2). the transferee will agree to be bound by all the conditions of the franchise and to assume all the obligations of its predecessor; and
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> 121.(d).(3). any outstanding compliance and compensation issues have been resolved or are preserved to the satisfaction of the city.
>
> 121.(e). The consent or approval of the council to any transfer shall not constitute a waiver or release of the rights of the city, and any transfer shall, by its terms,

be expressly subordinate to the terms and conditions of the franchise and any amendments or agreements related thereto.

121.(f). In the absence of extraordinary circumstances, the council will not approve any transfer prior to substantial completion of the system upgrade required by Article III.

121.(g). In no event shall any transfer be approved without transferee becoming a signatory to the franchise, and any amendments or agreements related thereto.

As the above referenced franchise states and Federal law also suggests, a franchising authority may consider franchise compliance in connection with a transfer, and the effect of the transaction on competition in the provision of cable services.

One of the key elements of any transfer review is a consideration of the "financial, technical and legal" qualifications of the franchise holder post-transaction. Section 617 of the Cable Communications Policy Act of 1984 ("Cable Act"), 47 U.S.C. Sec. the FCC developed a form that specifies the *initial* information companies 537 to trigger applicable deadlines for review of a proposed acquisition or merger. The FCC-required information is focused on permitting localities to assess the financial, technical and legal qualifications of the franchise holder post-transaction.[13] Section 617 states:

> A franchising authority shall, if the franchise requires franchising authority approval of a sale or transfer, have 120 days to act upon any request for approval of such sale or transfer that contains or is accompanied by such information as is required in accordance with Commission regulations and by the franchising authority. If the franchising authority fails to render a final decision on the request within 120 days, such request shall be deemed granted unless the requesting party and the franchising authority agree to an extension of time.

Additionally, the Code of Federal Regulations states in 47 CFR § 76.502:

> Time limits applicable to franchise authority consideration of transfer applications.
>
> a) A franchise authority shall have 120 days from the date of submission of a completed FCC Form 394, together with all exhibits, and

[13] While the FCC's form is focused on financial, technical and legal qualifications, it does not override local requirements or substantive standards for review. An application for a transfer should include the specific information required by the form, as well as information required by local ordinances and franchises governing transfers.

any additional information required by the terms of the franchise agreement or applicable state or local law to act upon an application to sell, assign, or otherwise transfer controlling ownership of a cable system.

b) A franchise authority that questions the accuracy of the information provided under paragraph (a) must notify the cable operator within 30 days of the filing of such information, or such information shall be deemed accepted, unless the cable operator has failed to provide any additional information reasonably requested by the franchise authority within 10 days of such request.

c) If the franchise authority fails to act upon such transfer request within 120 days, such request shall be deemed granted unless the franchise authority and the requesting party otherwise agree to an extension of time.

From the perspective of local franchising authorities and consumers, the financial issues surrounding a merger or other transfer has less to do with whether someone may profit from a transaction and more to do with the potential impact of the transaction on current and future operations and cable subscribers. If, for example, a company pays too much for a cable system, it may be forced to raise rates, reduce franchise obligations, cut back on day-to-day customer services or take other steps to cut costs or increase revenues to achieve its targeted financial results. If, for example, a company is required to assume debt as part of a transaction, that could affect the company's ability to issue debt in the future, and may limit the company's ability to finance service or system expansions, upgrades and improvements. If, for example, a transaction has significant "transition costs" - costs associated with changing over internal systems, changing out customer premises equipment, making the systems operationally and administratively consistent, training and severing employees, etc. – the company must have enough cash on hand and sufficient cash flow to cover normal expenses but also the expected expenses and losses that can be anticipated to accompany the transaction, while maintaining debt service covenants and ratios that will allow the company to obtain any needed additional debt for equipment, system expansions and operational changes. Otherwise, the company is either likely to become financially unstable, or must respond with actions that affect the quality (and price) of cable services immediately and into the future. One should not and cannot just assume that a deal involving experienced cable operators is a sound deal particularly when these cable operators are merging established companies, each with its own established traditions and methodologies. Experienced cable operators can and do go bankrupt, as was the case with Adelphia Communications filing bankruptcy in 2002 and Charter in 2009.

Complicating Circumstances in this Transaction

In this case, the financial analyses are complicated by at least three factors.

First, we need to analyze the financial position of Midwest Cable after the Spin-off. Midwest Cable-owned subsidiaries will own the local systems, and if the Spin-off results in insufficient cash flow, it will impact Midwest Cable's borrowing capabilities, redirects capital resources to transitional operations, etc. As a result, customers and franchise obligations may suffer. Financial detail of the spun off company has only been provided in summary and based on internal accounting allocations when these systems were part of Comcast, not as if Midwest Cable is a separate operating company. The emphasis included in the outside auditor's report, by Deloitte & Touche, LLP, dated October 24, 2014 contain the following caution:

> "As discussed in Note 1 [to the audited financial statements], the Company [Midwest Cable] is an integrated business of Comcast Corporation and is not a stand-alone entity. The accompanying combined financial statements reflect the assets, liabilities, revenue, and expenses directly attributable to the Company, as well as allocations deemed reasonable by Comcast Corporation management, and do not necessarily reflect the combined financial position, results of operation, and cash flows that would have resulted had the Company been operated as a stand-alone entity during the periods presented." (Midwest Cable S-1 dated October 31, 2014, page F-2)

As discussed below, the overall concern is that the data presented initially and as revised by Comcast and Midwest Cable are NOT financial statements reflecting Midwest Cable as a separate operating company but rather an allocation of what Midwest Cable financial results were as part of Comcast using Comcast "shared" services, management team, programming contracts, etc.

Second, the Transactions also include the acquisition of former Time Warner and Comcast franchises in the Sale and Swaps between Comcast and Charter. Charter's operating efficiencies will be impacted as it transitions new systems from Time Warner and Comcast into "new" Charter and also provides services for systems that will be owned or operated by Midwest Cable. Midwest Cable will be dependent upon Charter for a multitude of day-to-day operating activities. To the extent new Charter struggles with the increased debt load it will acquire as part of these acquisitions and the integration of these new franchises into new Charter, the level of services being provided by new Charter to Midwest Cable could be impacted. A recent S-1/A filed by Liberty Broadband, a 26% owner of Charter explains the risk factors. Among other things, "Charter has a significant amount of debt and may incur significant additional debt, including secured debt, in the future, which could adversely affect its financial health and ability to react to changes in its business." Liberty goes on to note that "If current debt amounts increase, the related risks that Charter faces will intensify." The proposed transaction does increase Charter debt.

With respect to the Comcast-Charter-Midwest deal, the S-1/A states:

> "Charter's management will be required to devote a significant amount of time and attention to the process of integrating the operations of the acquired assets with Charter's pre-Comcast Transactions operations. There is a significant degree of difficulty and management involvement inherent in that process. These difficulties include:

- integrating the operations of the acquired assets while carrying on the ongoing operations of the businesses Charter operated prior to the Comcast Transactions;
- integrating information, purchasing, provisioning, accounting, finance, sales, billing, payroll, reporting and regulatory compliance systems;
- integrating and unifying the product offerings and services available to customers, including customer premise equipment and video user interfaces;
- managing a significantly larger company than before consummation of the Comcast Transactions;
- integrating separate business cultures;
- attracting and retaining the necessary personnel associated with the acquired assets;
- creating uniform standards, controls, procedures, policies and information systems and controlling the costs associated with such matters; and
- the impact on Charter's business of providing services to GreatLand Connections, Inc. which will also face the foregoing difficulties.

> Charter and Comcast have agreed to provide each other with transition services in connection with the transferred systems and relevant assets. Providing such services could divert management attention and result in additional costs, particularly as Charter starts up infrastructure and staff to take over transitional services and provides transition services to Comcast for former Charter systems. In addition, the inability to procure such services on reasonable terms or at all could negatively impact Charter's expected results of operations. If Charter's management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Charter's business could suffer and its liquidity, results of operations and financial condition may be materially adversely impacted.

Of course, the fact that these risk factors exist does not mean that Charter believes it will fail, or that it will be unable to address the risk factors. Some of the risks are common to any transaction, and not just this one. But the statement of risk factors does recognize that there are likely to be significant additional costs associated with the transactions that are not reflected in historical data, and it does suggest that there is reason for an LFA to approach the transaction cautiously.

Third, the company refused to provide meaningful information regarding future costs to Midwest Cable or to Charter, or information regarding expected cash flows, despite repeated requests. As part of a financial analysis, the Consultants will typically seek information sufficient to allow the Consultants to evaluate the company's (in this case, Midwest Cable) operations against standard industry metrics, and to determine (i) the impacts on cash flow from each of these deals and (ii) what sort of cash flows would be required to meet operational and capital expenses of the resulting company and generate the sort of free cash-flow/return on investment expected in the industry. All that has been presented in the FCC Form 394 and made available in public filings are pro forma historical financials (balance sheet, income statement and a simplified cash flow for the first time in the S-1) showing Midwest Cable before the spin-off as operated by Comcast with limited pro forma adjustments from the spin-off (primarily the addition of the debt and the inclusion of the Charter Service Agreement gross revenue fee). No start-up or transition costs have been identified, and no information has been provided as to the costs that Charter will charge Midwest (remember, Charter recovers costs plus 4.25% of gross revenues under its deal with Midwest). Not only is information missing with respect to costs that clearly will be incurred, but the analysis is based on Comcast's performance as operator of the system.

That is, the financial information does not show if cash flow will be generated that will allow Midwest Cable to cover transitional and integration costs, without significant impact on rates, consumer service and investment throughout the spun off systems serving the Participating LFAs.

Charter's December 9 filed S-4 shows some projected financial data for Midwest Cable. This data cannot be analyzed by Consultants since the supporting detail has not been provided. However, Charter's projections show the following:

Midwest Cable Projected[14]

	2014	2015	2016	2017	2018	2019
Revenue ($MM)	$4,625	$4,809	$5,050	$5,378	$5,728	$6,043
EBITDA	$1,558	$1,575	$1,609	$1,713	$1,825	$1,925
CapEx ($MM)	$735	$818	$808	$753	$773	$786
Cash Flow Before Finance and Tax (EBITDA less CapEx) ($MM)	$823	$757	$801	$960	$1,052	$1,139

These Charter projections appear to be projections of what Charter believes the financial results of Midwest will be as a stand-alone entity as opposed to the financial results of Midwest as part of Comcast but cannot be reviewed or verified by the Consultants because Charter has refused to provide supporting detail.

Analysis of projected financials and cash flow would provide a basis for conclusions on shifts in revenues, expenses and capital budgets from the Transactions. Changes in revenues could signify rates increases above historical levels. Expense changes could identify changes in services, increased costs for the Transactions or discontinuation of some operations. Capital shifts from investment in customer premises equipment to distribution plant might suggest problems in providing enhanced services in legacy Comcast systems. Simply put, the financial

[14] Charter S-4 of December 9, 2015.

information provided to the Participating LFAs in the FCC Form 394, the multiple Comcast S-4/A's and the Midwest S-1 and S-1/A provide historical financial information on what Midwest Cable would look like as part of Comcast and not as a standalone entity. The Midwest S-1 and S-1/A contain financial information related to "shared" facilities costs from Comcast that will not continue after the spin-off and may or may not be replaced by new costs to Midwest Cable and/or part of the Charter Service Agreement ("CSA") and the Comcast Transition Service Agreement ("TSA"). It appears unlikely that Midwest would be able to replicate Comcast's performance, but the "financial qualifications" showing made by the company effectively is based on the assumption that Midwest Cable will be able to do so.

Efforts to Obtain Additional Information

Comcast filed with the SEC Form S-4/A on May 23, 2014 and established a data link on its website for "public information" associated with the Transactions. The S-4/A contained basic information about the Transactions, including the anticipated spinoff of Midwest Cable, e.g., balance sheets and income statements in summary form showing Comcast, the adjustments to spinoff Midwest Cable, the adjustments associated with the Swaps with Charter, the adjustments associated with the Sale to Charter and the resulting financials of Comcast after the Transactions.

The FCC Form 394s for the transfer of the franchise from Comcast to Midwest Cable was filed with the Participating LFAs on or about June 17, 2014 and relied on the same data as in the May 23 S-4/A. Each of the Participating LFAs within 30 days provided a letter to the identified contact at Comcast explaining the deficiencies in the filed 394 and requesting additional information on the transfer and the financial aspects of the transaction. Comcast responded on or about July 28, 2014 providing no financial information typically stating "(t)he requested information falls outside the scope of this proceeding" and to refer the Participating LFAs to a website of publically available information which contained copies of SEC and FCC filings. Comcast's non-financial responses typically included statements such as:

- "We disagree with the suggestion in your letter that the Application was incomplete or inaccurate."
- "Midwest Cable does not yet own these properties and has not yet established definitive plans for future operations."
- "At this time, Midwest Cable has not developed any specific plans that would impact operations or facilities for the member communities served by the Commission."
- "This request exceeds the scope of permissible review of the Form 394 because it seeks information about broadband services, which are outside the Commission's regulatory authority."
- "We can assure you, however, that if any change is made, it will be undertaken in manner that minimizes disruption to existing subscribers."

- "Midwest Cable does not have any current plans to change …"

On behalf of the Participating LFAs, the Consultants sent a follow-up request to Comcast, Charter and Midwest Cable on August 13, 2014. Without making any promises or commitments to providing additional information, Comcast and Midwest Cable by letter of August 22, 2014 granted each of the Participating LFAs "a 60-day extension to December 15, 2014, to complete review of the pending Form 394 Application."

On August 25, 2014, without any notice to the Participating LFAs, Comcast filed a SEC Form S-4/A that contained significant changes to the financial aspects of the spinoff of Midwest Cable, e.g., initial start-up debt was decreased from $8.8 billion to $7.8 billion, operating income was decreased by 11.8%. The Consultants provided an additional request on September 3 to address questions raised by the August 25 S-4/A.

The August 25 S-4/A was further corrected by Comcast's S-4/A filed September 3, 2014. On September 30, 2014 Comcast (without responding to the August 13 request) explained that due to the 11.8% reduction in carve out "Operating Income" and the resulting flow-through to EBITDA (earnings before interest, taxes, depreciation and amortization) that Midwest Cable could not support the original start-up debt of $8.8 billion requiring it to be decreased to $7.8 billion.[15] Comcast acknowledged that the "enterprise value" of Midwest Cable had decreased to $13 billion from the $14.3 billion amount put forth by Comcast in April 2014. Comcast also revealed for the first time narrative describing generally the "transition services" Comcast would provide to Midwest Cable "on an incremental cost basis." No additional information was provided on what those costs would be. As previously explained in public documents, the letter explained that Charter would provide services to Midwest Cable under the "Charter Services Agreement" ("CSA") and stated "Charter will provide a variety of services to Midwest Cable in exchange for cost reimbursement at actual economic cost with no markup." Again, no specific cost data was provided since the CSA had not been finalized. The letter stated that the Midwest Cable S-1 filing with the SEC was "expected to be filed by October 31, 2014." Finally, the letter stated that "Comcast and Midwest Cable are together granting an additional one-month extension to January 15, 2015." The Participating LFAs jointly responded to Comcast's September 30 letter on October 10, 2014.

The Participating LFAs' October 10 letter again included financial requests of Comcast, Midwest Cable and Charter, basically the August 13 requests updated to reflect the information in Comcast's September 30 letter, and explained that "it is very important" the October 31 response to the LFAs "include responses to pending data requests" and a revised Exhibit 6 to the filed FCC Form 394. Comcast responded by letter dated October 21, 2014 making it clear

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[15] $8.2 of the $8.8 billion was to be paid to Comcast and $600 million retained by Midwest Cable as start-up cash. The S-4/A shows all of the $7.8 billion going to Comcast and there has not been any explanation of the resulting $400 million reduction in the payment to Comcast or the lack of any start-up cash for Midwest Cable.

that the requests would not be specifically responded to, that it was planning to publicly release the audited and unaudited financial statements in the Midwest Cable Form S-1 by October 31, 2014 and that, upon execution of "an appropriate confidentiality agreement," these documents could be provided to the Consultants.[16] The confidentiality agreement ("CA") was executed on October 24. The Midwest Cable, Inc. "audited" combined financial statements as of December 31, 2013 and 2012 were provided plus the condensed combined financial statements for the 6 months ended June 30, 2014. Since these documents were made public 7 days later, the only thing executing the CA did was allow the Consultants to view them a week early. As it turned out these was nothing new or meaningful in these documents. No financial information was provided on Midwest Cable's costs from Comcast under the transition agreement and no financial information was provided on Charter's charges to Midwest Cable. No adjustments were made to reflect Charter's costs. For example, Midwest Cable will be receiving programming under Charter's contracts and at Charter's costs, which are different than Comcast's programming and Comcast's costs, but no adjustment was made or even discussed in these financials. The Consultants immediately responded back to Comcast requesting more detail and pro forma data for the calendar year 2014.

On October 31, Midwest Cable filed its S-1 with SEC that included the financial data provided to the Consultants on October 24. No additional financial information or explanations were provided that had not already been made public.

On November 7, Comcast emailed the TSA (see Attachment C) by and between Comcast Corporation and Midwest Cable, Inc., 48 Statements of Work ("SOWs") prepared in connection with the TSA and the CSA (see Attachment B) by and between Midwest Cable, Inc. and Charter Communications Operating, LLC. These documents again described the services that would be provided but did not provide any cost data that had not already been made public.[17] The TSA and CSA are current drafts of these documents and have not been signed by either party and according to the S-1 are subject to material changes.

Attachment A provides samples of each of the documents referenced in the above discussion.

The publicly available information provided directly to the LFAs, or made available on the web by the companies has been provided to meet requirements of Federal regulatory agencies and shareholders. It is not designed to meet the needs of the Participating LFAs trying to assess the financial impacts of the Acquisition, Sale, Swaps and Transfers, and as suggested above, in this

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[16] It should be noted that starting with the Participating LFAs initial response to the 394 by letters generally dated on or around July 17, Comcast was told that the Consultants were willing to execute a confidentiality agreement with Comcast to protect confidential information from release. The October 21 letter was the first time Comcast had responded to the offer.

[17] The TSA, SOW and CSA are not included in Attachment A.

case clearly omits information relevant to an analysis of Midwest's capabilities as a standalone company.

In sum: the Participating LFAs made requests of Comcast/Charter/Midwest Cable for the required additional information. However, Comcast largely did not provide any additional detail and, again, only referenced the publically available information. As we explain below, the Consultants therefore developed an analysis of Midwest's position based on the information that was provided, adjusted conservatively for costs that Midwest will incur.

The Consultants had a conference call with Comcast, Midwest Cable and Charter on December 15, 2014 to discuss this report. While criticisms were made by Comcast and Charter, little additional information was provided in the call or in subsequent correspondence. This report, where appropriate, addresses the comments of Comcast, Midwest Cable and Charter. Changes were made based on clarifying information provided.

Overview of Midwest Cable

Midwest Cable, Inc. was created as an operating subsidiary of Comcast Corporation[18] as part of the overall Transactions to house the cable systems that were being transferred to Midwest Cable assuming the approval of the merger. Midwest Cable, following the spin-off, will issue classes of common stock to each shareholder of Comcast's Class A, Class A Special and Class B common shareholders shares of Midwest Cable Class A and Class A-1 common stock. The Class A-1 will be converted in New Charter common stock whereby the Comcast shareholders will own approximately 13 percent (13%) of New Charter. After all of these technical and complicated stock transactions, the resulting ownership of Midwest Cable will be approximately sixty-seven percent (67%) will be owned by Comcast's three current classes of common stock and approximately thirty-three percent (33%) owned by New Charter directly.[19] The shares of Midwest Cable will be publically traded on the NASDAQ under the symbol "GLCI." Midwest Cable will be a separate stand-alone company with its own Board of Directors and Management team with two major caveats: first, the initial Board is appointed by Comcast and Charter, and second New Charter will be responsible for providing most of Midwest Cable's day-to-day operations under the Charter Service Agreement.

Midwest Cable presented the following chart of the post Transaction ownership structure in its S-1.

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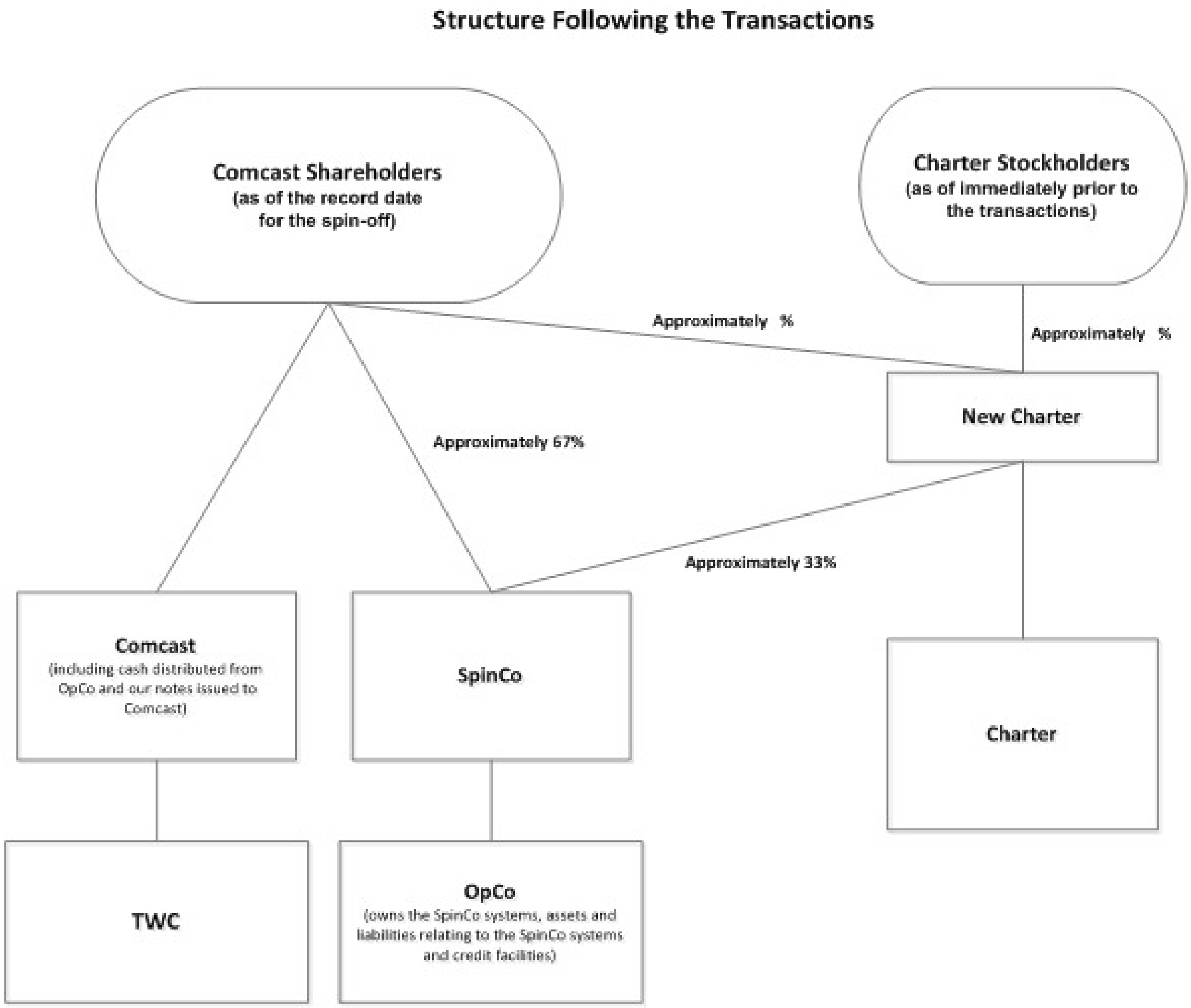
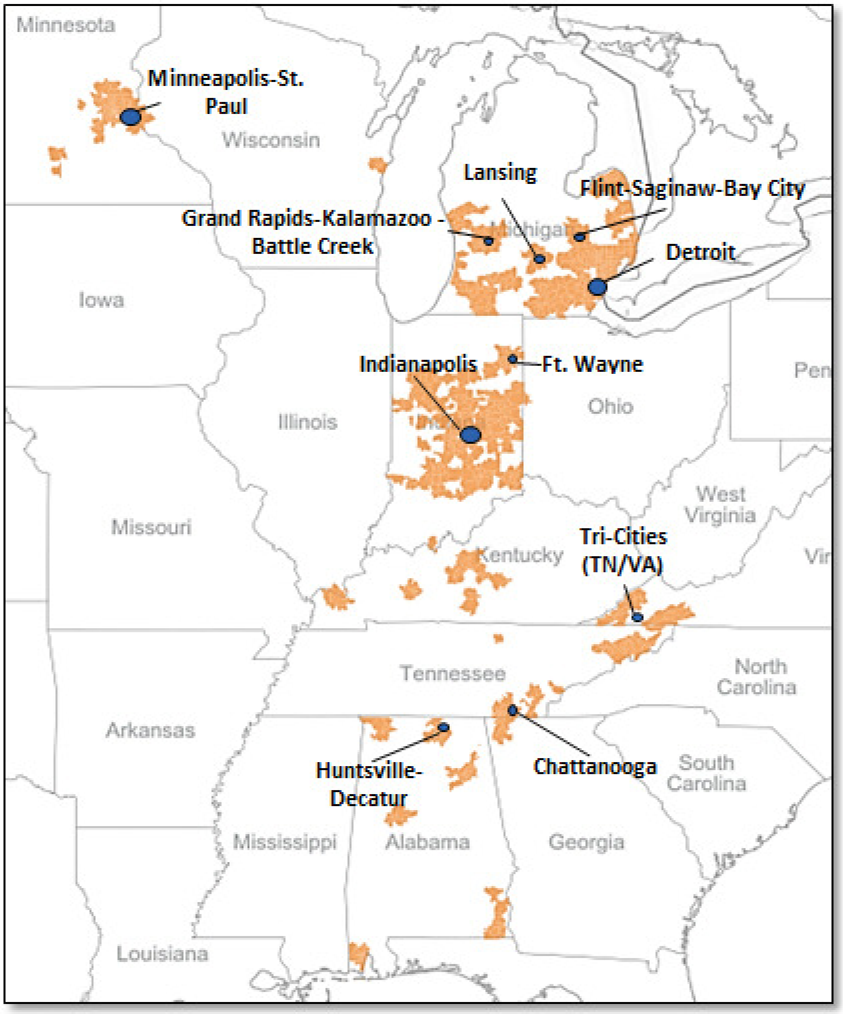
[18] Midwest was formed in May 2014 as a wholly owned subsidiary of Comcast.

[19] As the shareholders of Comcast will own 13% of New Charter, the real ownership of Midwest Cable by Comcast shareholders will be 67% plus approximately 4% (New Charter's 33% times Comcast shareholders' 13%) or over 71% of Midwest Cable.



Midwest presented the following map in its S-1 depicting where approximately 90% of its 2.5 million subscriber base will reside.



The three largest clusters for Midwest Cable appear to be in the metropolitan areas including and surrounding Detroit (28%), Indianapolis (14%) and Minneapolis-Saint Paul (22%).

The Board of Directors initial make-up is very interesting as Comcast has appointed three (3) of the Board members, New Charter has appointed three (3) members and Comcast has selected three (3) members from a list presented by New Charter. Mr. Michael S. Willner (previously CEO of Insight Communications, which was sold to Time Warner in 2012) will serve as President and CEO of Midwest Cable. Mr. Thomas M. Rutledge (currently President and CEO of Charter Communications) will become the Chairman of the Board of Midwest Cable. The September 30, 2014 letters sent to the Participating LFAs details other executive management employees that are to be part of Midwest Cable. As a result, it is not unreasonable to assume that the direction of Board of Directors and the executive management team will be greatly aligned with the strategy being used by Comcast and Charter.

Midwest in its S-1 has identified "risks" associated with this Transaction. They identified the following risk factors:

- *We currently face a wide range of competitors, and our business and results of operations could be adversely affected if we do not compete effectively.*
- *Newer technologies and services are driving changes in consumer behavior, which may increase the number of competitors we face and adversely affect our businesses.*
- *Our programming expenses may increase materially following the spin-off.*
- *Programming expenses for our video services are increasing, which could adversely affect our businesses.*
- *We face risks inherent in our commercial business.*
- *Our business depends on keeping pace with technological developments.*
- *We are subject to regulation by federal, state and local authorities, which may impose additional costs and restrictions on our businesses.*
- *Changes to existing statutes, rules, regulations, or interpretations thereof, or adoption of new ones, could have an adverse effect on our business.*
- *Tax legislation and administrative initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.*
- *A decline in advertising expenditures or changes in advertising markets could negatively impact our businesses.*
- *We rely on network and information systems, properties and other technologies, and a disruption, cyber attack, failure or destruction of such networks, systems, properties or technologies may disrupt or have an adverse effect on our business.*
- *Weak economic conditions may have a negative impact on our business.*
- *We may be unable to obtain necessary hardware, software and operational support.*
- *We may be unable to maintain intellectual property protection for our products and services.*
- *Our cable system franchises are subject to non-renewal or termination. The failure to renew a franchise in one or more key markets could adversely affect our business.*
- *The effect of changes to healthcare laws in the United States may increase the number of employees who choose to participate in our healthcare plans, which may significantly increase our healthcare costs and negatively impact our financial results.*

Midwest has identified additional risk factors associated with the Transaction. They identified the following risk factors.

- *We have no operating history as a separate company and may be unable to maintain our operating results at historical levels after becoming a stand-alone company.*
- *As a stand-alone company, we expect to expend additional time and resources to comply with rules and regulations that do not currently apply to us.*
- *Our historical and pro forma financial information may not be indicative of our future results as a separate company.*
- *The combined post-distribution value of Comcast, our and New Charter shares of common stock may not equal or exceed the pre-distribution value of Comcast shares of common stock.*
- *The transactions are subject to certain conditions, and therefore the transactions may not be consummated on the terms or timeline currently contemplated.*
- *After the transactions, certain members of management, directors and stockholders may face actual or potential conflicts of interest.*
- *The indemnification arrangements we entered into with Comcast in connection with the transactions may require us to divert cash to satisfy indemnification obligations to Comcast. In addition, Comcast's indemnity to us may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Comcast may not be able to satisfy its indemnification obligations to us in the future.*
- *Transfer or assignment to us of certain contracts and other assets may require the consent of a third party. If such consent is not given, we may not be entitled to the benefit of such contracts and other assets in the future.*
- *Our financial results may be impacted in the event we no longer receive services from Comcast or Charter*.
- *If the spin-off and SpinCo merger, together with certain related transactions, do not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, holders of Comcast common stock and Comcast could be subject to significant tax liability.*
- *If the spin-off is taxable to Comcast and Comcast is not at fault or is not otherwise indemnified by New Charter under the tax matters agreement, we will generally be required to indemnify Comcast; the obligation to make a payment on this indemnification obligation could have a material adverse effect on us.*
- *We may be affected by significant restrictions following the spin-off and SpinCo merger in order to avoid triggering significant tax-related liabilities.*

Finally Midwest has identified several risk factors associated with their indebtedness.

- *In connection with the transactions, we expect to incur indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations under anticipated agreements governing our indebtedness*.
- *We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.*
- *We may not be able to access the credit and capital markets at the times and in the amounts needed and on acceptable terms.*
- *The terms of the agreements governing our indebtedness are expected to restrict our current and future operations, particularly our ability to respond to changes or to take certain actions, which could harm our long-term interests*.

In any S-1, "risk factors" are identified to alert potential stockholders as to risks associated with a transaction, and, in many, risk factors are common to any merger. However, what the risks do show is what may happen if a company has excessive debt, is undercapitalized, has insufficient operating capital, or lacks the infrastructure and resources necessary to provide services itself. The question, then is whether the companies have shown that the Transfer is structured in such a way that there no real risk of non-performance or failure to perform as now required or as may be required to meet future needs, and no significant risk of harms to subscribers (in the form of increased rates, reduced services or poor customer service).

Four significant aspects of Midwest Cable's new structure will be: (1) issuance of approximately $7.8 billion of new debt[20], (2) entering into the Charter Service Agreement, (3) entering into the Comcast Transition Service Agreement and (4) assuming approximately $600 million in deferred tax liability associated with non-intangible assets. Midwest Cable has presented in its S-1 that the shareholder equity on a book basis at the time of spin-off be approximately a negative $2 billion. This negative equity coupled with the $10.6 billion of long term liabilities (debt and deferred taxes) suggests a new company saddled with a significant hill to climb before shareholders will see positive earnings results.[21] Impacts to the Participating LFAs could be difficulty in funding needed equipment, upgrades and promised franchise-related expenditures, fixing non-compliance issues and increases in rates.

The two service agreements, the CSA[22] and the TSA,[23] are very important in understanding the management of Midwest Cable on a stand-alone basis. Midwest Cable will enter into a service

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[20] See note 5 above.

[21] A more complete discussion of the debt level and deferred taxes is contained in the following section discussion Midwest's Financial Qualifications.

[22] See Attachment B.

[23] See Attachment C.

agreement, the TSA, with Comcast to provide a multitude of transitional services to Midwest Cable as it transitions from being Comcast owned and managed systems to a stand-alone entity at the time of spin-off. The S-1 description[24] of the TSA is:

> The nature and scope of the transition services will be as set forth in the transition services agreement and will otherwise be substantially consistent with the nature and scope of such services as provided by Comcast and its subsidiaries to the SpinCo systems immediately before the effective date of the spin-off. If, after the effective time of the spin-off, we identify additional services that are not provided under the transition services agreement (other than because Comcast and we agreed that those services would not be provided), and certain other conditions are met, Comcast and its subsidiaries will provide those services as they can reasonably provide and those services that Comcast and its subsidiaries provide will become transition services under the transition services agreement.
>
> Promptly following entry into the transition services agreement, we and Comcast will develop a joint migration plan, which will target completion of the migration of certain transition services to us or our designees by not later than the first anniversary of the effective date of the spin-off.
>
> In consideration for the transition services, the transition services agreement will provide that we will reimburse and pay to Comcast and its subsidiaries their actual, incremental costs (without overhead allocation) of providing the transition services (including in connection with the migration of the transition services).

While there has been no presentation of the estimated costs associated with this TSA included in the financial data supporting this Transaction, we find the inclusion of the incremental cost language and no overhead allocation to be a positive position for Midwest Cable. Having said that, many of the items that Comcast will be providing will only allow Midwest Cable to have a limited time to decide whether to include these services under the CSA or require Midwest Cable to internally provide these services. For example, if Comcast was providing any general accounting services to Midwest Cable for a fixed time period, Midwest Cable will be required if not covered by the CSA to develop these internal accounting systems to replace those being provided by Comcast under the TSA. This will require capital and significant management time and effort to take an empty shell company and bring it up to a fully functioning stand-alone company. Historically in the cable industry, mergers and acquisitions occurred where the surviving party was already a functioning operating company with all necessary back-office operations. That is not the case with Midwest Cable. The financial information provided about Midwest Cable in this spinoff does not reflect these potentially significant start-up costs that will be required. Additionally, the S-1 contains the following caveat:

[24] See pages 68 and 69 of the Midwest S-1.

> The terms of the transition services agreement have not yet been finalized; changes, some of which may be material, may be made to the terms of the transition services agreement before it is finalized, including to the terms described above. You should read the full text of the transition services agreement, which will be filed with the SEC as an exhibit to the registration statement into which this prospectus is incorporated.

As a result, the Consultants caution the Participating LFAs that this TSA needs to be fully understood especially with respect to the ongoing costs to Midwest Cable and the efforts Midwest Cable will need to accomplish in order to self-provision these TSA services within the estimated one-year term of the TSA. These costs to Midwest Cable could be significant and may result in capital expenditures and operational expenses to be diverted from day to day operations, like franchise compliance, in order to get this start-up company fully functioning.

The CSA is a much different agreement. Instead of being short-term in nature the CSA is for a minimum of three (3) years with automatic renews for one year periods. The services to be provided under the CSA include:

- Corporate Services;
- Network Operations;
- Engineering and IT;
- Voice Operations
- Field Operations Support Services
- Customer Service;
- Billing and Collections
- Product Services;
- Marketing Services;
- Sales;
- Business Intelligence; and
- Intellectual Property Licensing.

From this list it would appear that the CSA will cover virtually all of the day-to-day operations except for HR, Legal, Finance and Accounting and Government Affairs. The CSA provides the following compensation terms for Midwest Cable payments to Charter.

> In consideration for the services, the Charter services agreement will provide that we will pay to Charter and its subsidiaries the actual, economic costs of providing the services, without markup, which will comprise any direct costs incurred in providing the services and, subject to certain exceptions, an allocated portion of the compensation and overhead expenses incurred in providing the services. We will also reimburse Charter and

> its subsidiaries for out-of-pocket costs incurred in providing the services. In addition, in consideration for certain rights, including the rights to purchase goods and services, and the rights to obtain programming services, under Charter's third party procurement and programming agreements, we will pay Charter a services fee equal to 4.25% of our gross revenues.

Different from the TSA which provides for incremental costs without overhead, the CSA provides for a flat percentage of gross revenues (including non-cable revenues) at 4.25 % plus direct costs, out-of-pocket costs and allocated overhead expenses. Based on 2013 gross revenues, Midwest Cable has estimated the 4.25% service to be approximately $190 million exclusive of any direct and allocated overhead costs.

It does appear that Midwest Cable will be relying on new Charter's programming agreements to provide the necessary video programming to the Midwest Cable systems. While there has been no estimate of the potential programming cost increases provided by Comcast, Charter or Midwest Cable as a result of Midwest Cable subscriber's losing the expected lower programming costs from Comcast to the new Charter programming costs, sources from Wall Street reportedly estimate the increase to programming to be around $179 million in Midwest Cable first year of operation. If this $179 million is correct, that would mean that each video subscriber will cost Midwest approximately $6.00 per month or approximately 8% to 10% more. It is likely that if the programming costs under the CSA are greater than as part of Comcast, Midwest Cable will likely be incented to raise prices for its products to produce the same net income as it would have under Comcast ownership. In fact the Midwest S-1 states:

> Prior to the spin-off, programming expenses for our video services were our largest single expense item, even with the benefit of lower rates obtained by Comcast due to its scale as being the nation's largest cable operator. Following the spin-off, we will not receive the benefit of Comcast's lower programming rates. We expect that we will obtain our programming primarily through Charter's programming arrangements, as well as through some direct relationships with programmers. As a result, our programming expenses may increase materially due to the loss of benefits attributable to Comcast's scale.

The CSA has the same caveat as quoted above in that it is not final and may be revised. In the S-1, Midwest Cable also describes a second service agreement with Charter that will reverse the roles of the CSA, that is, Midwest Cable providing services to Charter. It is intended to have the same cost reimbursement procedures as the CSA with the notable exception of the elimination of the 4.25% gross revenue fee.

Additionally, the S-1 discusses a Separation Agreement between Comcast and Midwest Cable that addresses many corporate transactions and regulatory approvals required as part of the Transfer. Part of the provisions of the Separation Agreement relate to the issuance of the $7.8 billion in new debt to Midwest Cable. The S-1 states:

> The separation agreement will also provide that we [Midwest Cable] and Comcast will use reasonable best efforts to cause us to incur new indebtedness in an aggregate amount equal to 5.0 times the 2014 EBITDA of the SpinCo systems (as such term is defined by our financing sources for purposes of the financing). The indebtedness will consist of (i) credit facilities to be used to fund cash distributions to Comcast and for our general corporate purposes, and (ii) notes newly issued by us to Comcast, which notes will be used to enable Comcast to complete a debt-for-debt exchange whereby one or more financial institutions are expected to conduct a third-party tender offer for certain of Comcast's publicly-traded debt securities, which is referred to as the "debt tender offer", and will then exchange the tendered debt securities of Comcast for our new notes held by Comcast, which is referred to as the "debt-for-debt exchange."

Essentially what will take place is that Comcast will be able to retire its current debt by $7.8 billion and have that become long term debt of Midwest Cable. The $7.8 billion is the latest Comcast estimate of the debt that will be assumed by Midwest Cable, and based on the language above, appears to be based on the 2014 performance of the systems that will be spun-off: that is, the EBITDA, with small adjustments, seems to be based on the performance of the systems as part of Comcast. But the actual EBITDA of the systems post-transaction will be based on Midwest's revenues and costs, which will be affected by the costs of the CSA. Likewise, the financial position of the company as measured by EBITDA as a multiple of debt will be based on Midwest Cable's costs and revenues, not Comcast's costs and revenues.

Overview of Charter/New Charter

The Consultants have analyzed the current financial picture of Charter Communications as part of the Midwest Cable review because of the significant impact Charter will have on the day-to-day operations of Midwest Cable's systems under the CSA. Under the proposed Transaction, Charter will be swapping with Comcast approximately 1.5 million subscribers, acquiring approximately 1.4 million subscribers from the combined Comcast and Time Warner and managing the Midwest Cable properties covering approximately 2.5 million subscribers. As a result, Charter will be growing from its current 4.4 million subscriber to 5.7 million subscribers and then manage another 2.5 million Midwest Cable subscribers resulting in Charter owning or managing almost double its current subscriber amounts. As we have concluded in the Report on the Comcast Time Warner acquisition, substantial changes in subscribers served from the "Swaps", subscriber growth from the "Purchase" and the 2.5 million of Midwest Cable will require significant senior management attention to assimilate acquired systems into the Charter-way and will also require management attention to properly execute the CSA.

Because of these Transactions' impacts and the inter-company relationship with Midwest Cable, the financial qualification of New Charter is an important component of assessing the overall financial qualifications of Midwest Cable.[25] Charter emerged from bankruptcy 5 years ago, in November 2009. One of the largest changes to Charter was the restructuring and lowering of its debt levels. If these Transactions are completed, Charter will be returning to a total debt level that is close to its pre-bankruptcy level. Currently, Charter has about $14 billion in long term debt and will be acquiring another $8 billion in long term debt to fund the acquisition of the Comcast-Time Warner 1.4 million subscriber systems. On a per video subscriber basis after the proposed Transactions, Charter will have approximately $22 billion in long term debt and approximately 5.7 million subscribers or $3,900 of debt per video subscriber. This high level of debt does expose New Charter to substantial interest rate risk and a large portion of the long term debt in due within the next five (5) years.

New Charter will have a different subscriber base than current Charter. Current Charter has approximately 4.4 million subscribers across the country. Only approximately one-third (1/3) of those current subscribers will exist in new Charter owned and managed systems. Charter will be faced will a difficult task of integrating two-thirds (2/3) of its owned and managed subscribers into the new Charter day-to-day operations and corporate processes. Table 1 below shows the make-up of new Charters subscribers.

Table 1

Subscriber Sources[26]	Subscribers
Current Charter Subscribers	4.4 million
Current Charter Subscribers Swapped to Comcast	(1.6) million
Remaining Current Charter Subscribers	**2.8 million**
Comcast Subscribers Swapped to New Charter	1.5 million
New Charter Purchased Subscribers from Comcast	1.4 million
New Charter Subscribers	5.7 million
New Charter Managed Subscribers (Midwest Cable)	2.5 million
Total New Charter Owned and Managed Subscribers	**8.2 million**

Of primary concern to Midwest Cable will be the ability of new Charter to provide at least the same level of day-to-day services to Midwest Cable subscribers as Comcast is currently providing. While the CSA does provide Charter almost $200 million in additional revenues

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[25] The technical and legal qualifications are also important, but as noted above, this report is focused on a financial review of the transaction.

[26] *See* April 28, 2014 Investor Presentation

(under the 4.25% gross revenue portion alone), Charter's management structure and back-office systems could be over taxed by the addition of another 2.5 million managed subscribers, while incorporating the almost 3 million new subscribers acquired. Such pressures could affect new Charter's performance under the CSA. From what has been presented in the CSA, it does not appear that there are any performance standards that new Charter must meet in order to get the payments. As a result, Charter will have financial incentives to limit the resources devoted to providing services pursuant to the CSA, and Midwest Cable appears to have no simple mechanism for ensuring that Charter will perform to standards required under the franchise (and no obvious way to correct service deficiencies using its own employees). To be sure, the companies argue that because Charter owns a significant stake in Midwest Cable, it will have an incentive to ensure that the company does well.

In short, there is no assurance in the deal documents that Charter will perform adequately, and Midwest Cable, because of its obligations under the CSA, may not have the financial wherewithal or the ability to deliver adequate services.

Midwest Cable Financial Qualifications

The Consultants relied on publicly available information and their 40+ years of combined experience in preparing this analysis. Typically, evaluations of cable companies are driven based on cash flow, *i.e.,* the cash generated by the entity indicate its financial health. As noted above, in this case, Comcast, Charter and Midwest Cable have not provided any meaningful cash flow analyses relative to system cash flow after the Spin-off is completed, and instead have relied on historical data based on Comcast's performance. The Comcast's latest S-4/A of September 3 and Midwest Cable S-1 of October 31, 2014 provide the most update and detailed historical financial data publically available. The S-1 provides a simplified cash flow that simply shows that Midwest Cable has no cash because it is all transferred to Comcast. This is also shown on Midwest Cable's balance sheet in the S-1 with no cash shown for any period.

On December 9, 2014, Charter filed a S-4 that contained information concerning Midwest Cable. As discussed above on page 14 and shown in the table, Charter prepared projections based on the historical data from the Comcast S-4/A and Midwest Cable S-1 plus some adjustments associated with Midwest Cable as a stand-alone company taking service under the CSA. The Consultants have not been provided detail supporting the projections. Of major concern is the lack of support for programming cost changes and the cost adjustments related to Charter providing services under the CSA. While historical data for Charter shows it has higher operational costs per subscriber than Comcast, the adjustments Charter has made in its projections for Midwest Cable seem to indicate that costs under the CSA, the TSA and Midwest Cable's executive staff will be about the same amount as the costs of Comcast that are being replaced. The Consultants do not believe that is logical or supportable. Attachment F to this report shows the higher costs per subscriber that Charter incurs compared to Comcast. With respect to total operating expenses, Charter incurs between $18 to $22 more costs per subscriber than Comcast. Assuming Charter's costs will replace the current Comcast costs, Midwest will see additional pressure to raise rates and/or reduce services in order to achieve its EBITDA goals.

Throughout this review, the Consultants have notified the Participating LFAs and, through the requests for information, Comcast and Midwest Cable that additional information needed to be provided. We also pointed out that the FCC Form 394 filing was premature. These concerns have been verified over the course of this review.

- Charter will providing services at "actual economic cost with no markup" generally described in the documents provided, but the agreement for these services is still not final and the costs that Midwest Cable must bear from this agreement are still not known. Midwest Cable will pay Charter a "management fee" of 4.25% but it is still unclear how that fee will interact with the services provided at cost. Our assumption is that it will not have any impact, that no services are included for that fee.
- Comcast will be providing "transitional services" but those, again, are only generally described. And, again, the agreement is not final and the costs to Midwest Cable are unknown.
- The financial data of Exhibit 6 provided in the filed FCC Form 394 has changed dramatically in documentation from Comcast and Midwest Cable. Start-up cash has decreased from $600 million to zero. Debt has decreased from $8.8 billion to $7.8 billion. Annual net income based on 2013 data has decreased from $705 million to $272 million. While the latest S-1 pro forma (estimated) net income does now include an adjustment for Charter's management fee, it still does not include any cost changes from the spinoff and the associated changes. It does not include any transitional costs and it does not include Charter's service costs or programming costs, which apparently will be passed through to Midwest Cable. It does not include Comcast's charges for transitional services. It does not even include adjustments for to reflect the addition of executive management personnel to Midwest Cable hired earlier this year.

None of these costs are specifically estimated in any of the documentation provided to date. In addition, while the Consultants have repeatedly requested such data and support, no documentation or support for the adjustments shown to the financials in the S-1 to reflect pro forma Midwest Cable have been provided.

Exhibit 6 to Form 394

As stated above, Exhibit 6 contained the same financial information as in the May 23 S-4/A of Comcast. The unaudited pro forma financial information presented was "to give effect to the spin-off of cable systems serving approximately 2.5 million current Comcast subscribers into the newly formed public entity." Comcast was asked specific questions about the Exhibit by the LFAs. Comcast's response to the development of the financial information was:

29. With respect to Exhibit 6, please provide:

a. The methodology used, including all assumptions made by Comcast, Time Warner and/or Charter, by Comcast to allocate the assets, liabilities, revenues and expenses of the historical Comcast systems and those systems that are anticipated being spun-off that are currently Time Warner systems. Included, but not limited to, in the response should be the identification of the records used by Comcast to include current Time Warner systems;

RESPONSE: The cable systems that will comprise Midwest Cable are all legacy Comcast systems. Midwest Cable will not include any Time Warner or Charter cable systems. The cable systems' historical accounting records are maintained as part of Comcast's consolidated records. The accounting operating ledgers considered in preparation of the analysis underlying Exhibit 6 involve cable systems destined for Midwest Cable and no other cable systems. These accounting records serve as the base for the combined Midwest Cable financial statements. For those operating ledgers which are not fully comprised of cable systems that will be spun-off, an allocation methodology was adopted so as to properly represent the historical assets, liabilities, revenues and expenses of the particular systems being spun-off to Midwest Cable. The allocations were primarily based on the relative number of subscribers, however other allocations were used on particular accounts if deemed more reasonable.

b. The methodology used, including all assumptions and appraisals (whether in-house or prepared by a third party), by Comcast to estimate:

i. Property and equipment, net of $1.957 billion;

RESPONSE: Property and equipment value is based on the historical cost of the underlying asset. Property and equipment is comprised of the historical assets on the operating ledgers of the cable systems that will be included in the spin-off Transaction, as well as other assets that were deemed to be part of the historical operations of the cable systems. The value of these assets was based on the historical cost of the underlying asset with no fair value adjustment. To the extent allocations were used to value assets associated with these particular cable systems, a variety of methodologies were employed to best allocate the assets at issue. Plant, for example, was allocated based on the total pro-rata amount of plant miles. Customer premises equipment and vehicles, however, were based on specific identification. Land and buildings were based on the preliminary shared asset list.

ii. Franchise rights of $6.231 billion; and

RESPONSE: Franchise rights were allocated based on the estimated fair value of Midwest Cable compared to the overall "cable communications" segment of Comcast.

iii. Goodwill of $1.391 billion;

RESPONSE: Goodwill was allocated based on the estimated fair value of Midwest Cable related to the overall "cable communications" segment of Comcast.

c. Please provide support for the amount shown for "Deferred Taxes" of $3.053 billion that explains in detail the pro forma valuation at "Spin-Off";

RESPONSE: Deferred taxes is a preliminary estimate based on the difference between the estimated book basis of the assets to be included in the spin-off Transaction (exclusive of non-deductible goodwill), and the estimated tax basis of these assets.

d. An explanation regarding the plans of Comcast and/or Midwest Cable to change any asset depreciation rates for the properties being dedicated to Midwest Cable;

RESPONSE: There is no plan to change any asset depreciation rates at the current time. The basis used in spin-off scenarios is the historical cost basis of those assets and liabilities.

e. Detailed support for the identified shared facilities cost of approximately $245 million;

RESPONSE: The $245 million cost does not reflect shared facilities cost, but is an estimated allocation of overhead costs. These overhead costs include administrative support, technical support, and other back-office rules that are not performed at a regional level.

f. A list of and explanation regarding any known and measurable costs similar to the "share facilities" costs that Comcast has failed to include in Exhibit 6 - the explanation should include the reasoning for not including the costs in Exhibit 6; and,

RESPONSE: The shared facilities list is still being refined.

g. A list of and explanation regarding any other estimable costs, such as, but not limited to, transaction costs and integration costs, that have not been included in Exhibit 6 – the explanation should include the reasoning for not including the costs in Exhibit 6, an identification of the costs and estimates of the amounts for calendar years 2014 and 2015.

RESPONSE: It is not possible to calculate those future costs at the current time.

(Response to 29 of the July 17, 2014 letter of Bradley Hagen & Gullikson, LLC on behalf of its clients.)

Clearly, Comcast's responses show that financial data of Exhibit 6 were estimates and Comcast anticipated they would change. The changes that have occurred thus far are very significant. In Midwest Cable's filed S-1 total assets decreased $1.4 billion, primarily driven by the adjustments to intangible assets due to the $1 billion decrease in debt. Equity decreased from a negative $1.933 billion to a negative $2.029 billion.

Seventy-five percent (75%) of Midwest Cable's assets of $9.043 billion are $6.802 billion of intangible assets consisting of franchise rights of $5.561 billion and goodwill of $1.241 billion. Since Midwest Cable was required to "pay" Comcast $7.8 billion for the spinoff, the amount of intangible assets is a function the debt amount and needed to "balance" the financial statements. Otherwise, the only other balancing item would have been equity and lowered equity at start-up to a negative $8.831 billion. Midwest Cable describes its franchise rights in the S-1 as follows:

> Our largest asset, our cable franchise rights, results from agreements we have with state and local governments that allow us to construct and operate a cable business within a specified geographic area. The value of a franchise is derived from the economic benefits we receive from the right to solicit new customers and to market new services, such as advanced video services and high-speed Internet and voice services, in a particular service area. The amounts recorded for cable franchise rights are primarily a result of cable system acquisitions. Typically when cable systems are acquired, the most significant asset recorded is the value of the cable franchise rights. Often these cable system acquisitions include multiple franchise areas. We currently serve approximately 950 franchise areas in the United States. The value of our cable franchise rights represents the aggregate value for the cable systems attributable to our operations, which were previously components of two of Comcast Cable Communication's divisions.

Analysis of Exhibit 6 to Form 394

The Consultants review of Exhibit 6 noted the above deficiencies. In order to present a more appropriate representation of the pro forma operations of Midwest Cable going forward, the Consultants created the financial statements included as Attachment D. We have included the balances from the S-1, S-1/A and the S-4 as reported by the companies and no adjustments were made to the Balance Sheet. For the income/expense statement, again we used the nine-month S-1/A data as of September 30, 2014. The amounts were increased to show annualized pro forma revenues and expenses. We then made adjustments to reflect:

- Charter's advertising revenue, made on a per sub basis times Midwest Cable's 2.5 million subs (because Charter, and not Comcast's advertising performance is more likely indicative of the performance of the system post-transfer);
- Charter's expenses, made on a per sub basis times Midwest Cable's 2.5 million subs;
- The decrease in the Charter service fee due to the reduction in revenues;
- Estimated amounts of Midwest Cable funded transition costs; and,
- Elimination of the Comcast shared asset costs.

The adjustments to advertising revenue and to expenses were based on Charter's per subscriber amounts[27] times Midwest Cable's number of subscribers or 2.5 million. (See Attachments D and F.) Since the adjustment decreased advertising revenue, it was necessary to make a minor reduction to Charter's management fee.

The largest two components of the adjustment to reflect Charter's level of expenses were to programming expenses and other operating administrative and general. At the spin-off, Midwest Cable will be providing programming under Charter's programming contracts and paying the same fees for programming as Charter. Since these costs are more than Comcast's programming expenses an adjustment was required. The Consultants have used both the per subscriber programming costs from the trend reports and the Wall Street Consensus estimate on Exhibit D in Scenarios A and B, repectively. The increased programming costs range from approximately $15 per subscriber per month (Scenario A) to approximately $6 per subscriber per month (Scenario B). On a per subscriber basis, Charter's other operating administrative and general expenses are higher than Comcast's expenses. Charter will be providing these types of services and charging Midwest Cable for these services at cost. This adjustment is to reflect those costs. The Consultants have also addressed a concern raised by Comcast *et al* in their December letter that the Consultants have not eliminated the Comcast overhead included in the S-1 operating expenses of Midwest. Because the Consultants have not used any of the S-1 operating expenses (programming, other operating and advertising expenses) the Consultants have not included any legacy overhead expenses from Comcast in Exhibit D. The Consultants have also addressed the potential that the Charter trend reports include corporate overhead allocations of Charter by including an adjustment in Scenario B to reduce other operating and advertising costs by an estimated $200 million from the amounts shown in Scenario A. The Consultants would have been able to use an amount supported by the data instead of an estimate had Comcast/Charter/Midwest provided the information requested. In addition, Midwest Cable has an executive staff under contract, for example the S-1 states Mr. Willner will receive an annual salary of $1.5 million and be eligible for bonuses up 150% of his base or an additional $2.25 million. No adjustment was made in the Midwest Cable's S-1 or in Charter's *pro forma* S-4 calculations to reflect the additional costs of the executive staff or any other employees of Midwest. Our income statement also excludes any adjustment regarding this in order to present a conservative analysis. As shown in Attachment D, the effect of our adjustments reduces operating income from an annualized S-1/A amount of $907 million to between $201 million and $685 million, reduces annualized S-1/A net income from $304 million to between ($126) million and $168 million, and reduces EBITDA from an annualized S-1/A amount of $1.560 billion to between $732 million and $1,215 million.

[27] The per subscriber amounts were derived from Charter's 3rd Quarter Trend Reports from its website.

We have also provided a simplified cash flow statement that shows cash from the pro forma operations of ($330 million) to ($36 million). We have used the same projection of capital expenditures as Charter. (See the table on page 14 above.) Midwest Cable will need to increase capital expenditures in the first year of the spin-off to replace equipment and software provided by Comcast. As reported in the Charter S-4, Charter is estimating Midwest capital expenditures to be between $753 million and $818 million for years 2015 through 2019. It is also simplified in that we do not know additional funding sources that will be accessed by Midwest Cable in the form of lines of credit and or short term debt. None of that information has been provided by Comcast, Charter or Midwest Cable.

EBITDA

With these adjustments, we are able to estimate post-Transfer EBITDA for Midwest Cable in Attachment D. The adjustments significantly reduce EBITDA as opposed to the EBITDA figures Comcast provided based on its past performance. As part of the Transaction, Midwest is required to assume debt up to 5 times EBITDA. The S-1/A data does not reflect the costs that Midwest would be incurring if the Transaction were in place today – it reflects Comcast's costs with some adjustments. However, Midwest's costs (because of its agreements with Charter and Comcast) will reflect Charter's costs plus transitional costs from Comcast. Charter's costs alone are higher than Comcast's. (See Attachment F.) Adjusted to reflect Charter's costs, and reasonable assumptions with respect to costs Midwest will incur but which were not included in the S-1/A data, Midwest's debt at $7.8 billion will be roughly between 6.4 and 10.7 times EBITDA per Scenarios B and A, respectively, of Attachment D, exceeding normal industry parameters, which include roughly three times cash flow for Comcast, and at the higher end, five times for companies like Charter. The basis of the funding of the spin-off has been publically discussed by Comcast and Charter as 5 times the SpinCo systems' 2014 EBITDA, presumably because any higher multiple would be inconsistent with industry metrics, and imply significantly greater risks. As noted above, the companies themselves reduced the estimated EBITDA for Midwest Cable that were revealed in the August S-4/A of Comcast and resulted in a reduction of Midwest Cable's debt from $8.8 billion to $7.8 billion. But, using the announced criteria of 5 times EBITDA, our forward-looking analyses in Attachment D, Scenarios A and B, show Midwest Cable can only afford between $3.6 billion and $6.1 billion in debt.

Deferred Tax Liability

At spin-off, Midwest Cable has a deferred income tax liability of $2.838 billion that has been transferred by Comcast, comprised of $2.238 billion related to intangible assets and $600 million associated with tangible assets. This liability recognizes that Comcast has realized income tax benefits (typically such benefits are in the form of accelerated depreciation for income purposes) associated with the assets transferred to Midwest but that Midwest Cable will be required to "pay back" those benefits in the form of higher income taxes in the future. The following table illustrates how deferred taxes are created from the timing differences of book depreciation and tax depreciation and how the amount is reversed over the life of the associated asset.

Table 2
Example

The following assumes a company purchases an asset on day 1 of month 1 of year 1 for $1,000. The asset has a 5 year book life with annual depreciation of $200. For income tax purposes, the company can depreciate the asset $500 in year 1, $300 in year 2 and $200 in year 3, so that for income purposes the asset is fully depreciated at the end of year 3. For book purposes, the asset is not fully depreciated until the end of year 5. This results in an income tax benefits in years 1 and 2 and increased income tax expense in years 4 and 5 when actual taxes paid are compared to book income tax expense.

Line No.		Accounting value	Accounting Depreciation	Net Accounting Value
		(a)	(b)	(c)
1	Purchase at 01/01/Year 1	1,000		
2	Year 1		200	800
3	Year 2		200	600
4	Year 3		200	400
5	Year 4		200	200
6	Year 5		200	0
7	Year 6		0	0
8			1,000	
		Tax value	Tax Depreciation	Net Tax Value
9	Purchase at 01/01/Year 1	1,000		
10	Year 1		500	500
11	Year 2		300	200
12	Year 3		200	0
13	Year 4		0	0
14	Year 5		0	0
15	Year 6		0	0
16			1,000	
		Difference Accounting less Tax Depreciation	Deferred Tax @39%	Deferred Tax Asset (Liability)
17	Year 1	(300)	(117)	(117)
18	Year 2	(100)	(39)	(156)
19	Year 3	0	0	(156)
20	Year 4	200	78	(78)
21	Year 5	200	78	0
22	Year 6	0	0	0

Line No.	Accounting value	Accounting Depreciation	Net Accounting Value
23	0	0	

A simple comparison of deferred incomes taxes of Comcast to net plant at December 31, 2013 yields a ratio of 1.0629 ($31.595 billion divided by $29.588). For Midwest Cable the same ratio at spinoff is 1.4728. (See Attachment E.) For Midwest to have the same ratio, deferred taxes would need to be reduced to $2.048 billion.

Midwest Cable shows net plant of $1.926 billion and annual depreciation expense of $512 million. This yields and average book life of the net plant of 3.76 years ($1,926 divided by $512). Assuming the deferred income tax liability associated with tangible assets would be recovered ratably over the remaining life of the assets, Midwest Cable would have increased income tax expense of $159.57 million per year, $63.80 per subscriber per year. This is $5.32 per subscriber per month in increased costs. Again, Comcast realized the benefits of accelerated depreciation, i.e., $600 million in tax savings, but Midwest Cable will have to pay for it.

Comparison of Comcast Costs to Midwest Cable

Attachment E to this report shows comparisons of financial information of Midwest compared Comcast, Time Warner and Charter. Comcast's net property and equipment per subscriber is almost twice the amount per subscriber of Midwest - $1,413 to $770, respectively. However on debt supporting the investment Comcast's level is 87% of Midwest - $2,728 per subscriber for Comcast to $3,120 per subscriber for Midwest. As shown by the ratio of "Debt to Assets net of Franchise Rights and Goodwill", Comcast's ratio is .6971 dollars of debt per dollar of assets net of franchise rights and goodwill. Midwest's ratio is 5 times higher – 3.4806 dollars of debt per dollar of assets net of franchise rights and goodwill.

Impacts on Rates

It appears that the Wall Street Consensus has estimated the programming increases by moving the Midwest subscribers to Charter's programming cost will result in approximately $179 million of additional programming expense to Midwest notwithstanding normal programming increases.[28] According to the Kagan projections provided by Comcast/Charter, video revenues for the first nine months of 2014 are approximately $1.660 billion for Midwest. Annualized for the full 12 twelve months suggests a video revenue of approximately $2.213 billion for Midwest. To recover the estimated impact of the $179 million programming cost changes would require annual rate increase of approximately 8% (or approximately $6.00 per subscriber per month), in addition to the normal rate increases the industry has seen of approximately 5% to 7% annually. This could result in a significant rate increase as a result of this transfer. It does

[28] See Charter S-4 and Midwest S-1.

not appear that Charter's 2015 estimated EBITDA has fully reflected this impact. It would appear logical that for Charter's estimated growth in EBITDA to occur in 2015, that Charter is estimating that they will be able to lower the operating costs of Midwest below the estimated $300 million of Comcast overhead[29] currently included in the Midwest financials notwithstanding the almost $200 million of the Charter management fee (4.25% fee) which is not logical.

As a result, the actual rate increases will have to likely be more than the recovery of the Comcast to Charter programming costs and if not implemented will result in much lower 2015 EBITDA than Charter is projecting in its S-4.

New Charter

In order to fund its portion of the Transactions, Charter, which has recently emerged from bankruptcy, is reorganizing and taking on 50% more debt, i.e., increasing its debt from $14 billion to $22 billion. The reorganized Charter is being referred to as "New Charter".

New Charter will have responsibility for acclimating to 2.9 million former Comcast and Time Warner subscribers (1.5 million in Swaps and 1.4 million purchased), incurring the costs of this transition, taking on the management of Midwest Cable and providing services to Midwest Cable. New Charter is also banking on Midwest Cable's ability to pay its bills. Any financial difficulty of Midwest Cable will also result in financial concerns for New Charter. New Charter will not be in a position to assist Midwest Cable financially due to its increased debt load and may not be in a position to satisfactorily perform the services under the CSA.

OTHER ISSUES

Non-compliance.

As suggested above, Midwest Cable will have little cash on hand to address any issues associated with franchise non-compliance, and may not have significant funds available to correct any current system deficiencies. This will make it important for localities to ensure that there is some mechanism in place that ensures non-compliance issues will be addressed.

Changes to the Transfer

Our report and the accompanying analyses are based on the transfer as presented in the filed FCC Form 394 with subsequent adjustments addressed in publically available documents. It is possible before the transfer actually takes place, the parameters of the deal may change. For example, the companies may realize that Midwest cannot afford such a substantial amount of

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[29] Comcast has suggested in its December 11 letter that the $300 million of included Comcast overhead should be removed from the calculation of EBITDA. (See Attachment G.) We disagree. Our adjustment (b) in Attachment D restates operating expenses to Charter's cost per subscriber and eliminates any pre-existing Comcast costs in operating expenses.

debt and changes will be made. It is not possible for us to contemplate or plan for such changes, so this report does not address them, and in any action taken with respect to the transfer, a locality may wish to ensure that the if there are additional changes, those are also subject to local review so that the impact of the changes may be taken into account.

Conclusion / Recommendations

The Consultants have identified financial impacts that suggest Midwest Cable may be incurring debt levels that exceed the industry norm of 5 times EBITDA. As described above, financial conditions should be considered by the Participating LFAs. Also, the Participating LFAs should consider the complete lack of any financial information that was requested but refused to be provided by Comcast and Charter in reviewing this Transaction. Our analyses described above and in Attachments D, E and F are based on the straightforward adjustments to historical data of the spun-off Midwest Cable, Inc. The only pro forma adjustment made, shown in Midwest Cable's S-1/A, is for the 4.25% management fee from the CSA. No footnotes in the S-1/A explain the impacts to historical costs from adopting Charter's programming costs (only that costs will increase) or of the CSA or the TSA or of adding its own executive staff and other employees.

Neither Midwest Cable, Comcast nor Charter have provided adequate information that established Midwest Cable's financial qualifications. All information provided, publically and the very limited additional information provided in the response to a small portion of our requests, show the debt assumed in the S-1/A is high compared to EBITDA, show Midwest with no cash at start-up and with limited ability to acquire cash absent reductions in spending or increases in rates resulting in little, if any, working capital.[30] All of these factors point towards a stand-alone company that may experience a difficult financial future, at least in the short term, without reductions to capital expenditures, customer services, franchise obligations and other cash conserving activities and or rate increases to support its obligations under the anticipated debt load and the agreements under the CSA and TSA for management fees and cost reimbursement.

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[30] The Consultants recognize that Midwest as a business has a revenue stream and necessary expenses and expenditures. We have not done a working capital analysis to determine if the inflow of cash is sufficient and properly timed to meet the day-to-day cash needs of the company.

The attachments to this Report were not included due to the volume of the material.

A copy of the attachments are available by contacting NDC4 staff, attention – Jodie Miller.