Comcast/Midwest Cable Transfer of Franchise

Northern Dakota County Cable Communications Commission
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Comcast/TWC Merger

• Comcast merger with Time Warner Cable
  – Announced February 12, 2014
  – Comcast acquires TWC’s 11.4 M cable subs
  – Results in Comcast controlling 34 M cable subs

• Requires local, state and federal approvals

• Comcast voluntarily offers to divest subs
  – Comcast seeks to shed 4 M cable subs
  – Comcast seeks to get down to 30 M cable subs
Comcast TWC
34 million subscribers
Comcast / Charter

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

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

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

Comcast Shareholders
(as of the record date for the spin-off)

Charter Stockholders
(as of immediately prior to the transactions)

Comcast Shareholders:
- Comcast
  (including cash distributed from OpCo and our notes issued to Comcast)
- TWC

Charter Stockholders:
- Midwest Cable
  (owns the Midwest Cable systems, assets and liabilities relating to the Midwest Cable systems and credit facilities)
- OpCo
- Charter

New Charter

Approximately 67%

Approximately 33%

Approximately 33%
Charter Overview

• **Charter operates cable systems in MN**
  – Duluth, St. Cloud, Marshall, Apple Valley, Lakeville, Rochester, Mankato, Winona and many others

• **Charter provides service to**
  – 6.1 million subs
  – In 29 states

• **Charter is a *Fortune 500* company**
  – Employs approximately 23,000 people
Proposed Charter + Midwest Cable (SpinCo)
Local Operations

• Local field operational (technical) personnel
  – Will be Midwest Cable employees

• Government affairs personnel
  – Interacting with local franchising authorities
  – Will be Midwest Cable employees

• Other operational services
  – Will be provided by Charter personnel
Charter Services to Midwest

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

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

• Complexity of transaction and multiple filings at SEC = delayed consultant’s report

• Midwest’s initial debt leverage will be no greater than 5.0x its 2014 EBITDA
  • Earnings before interest, taxes, depreciation and amortization
  • i.e. how much profit is made with present assets and operations on the products sold, as well as providing a proxy for cash flow
    – Consistent with some other cable operators
      • Charter at 5.0x,
      • Cablevision at 5.3x,
      • Suddenlink at 5.7x and
      • Mediacom at 5.3x).

• Please refer to Consultant’s financial report
Timeline for Local Action

• **Member Cities have right to review transfer of franchise**
  – Under franchise, state and federal law
  – Approve/not approve

• **Official request via FCC Form 394**
  – Received June 18, 2014

• **120 days to issue local decision**
  – October 18, 2014 = initial deadline
  – Comcast extended deadline
    • First to December 15th
    • Second to January 15th
    • New deadline – February 27th

• **Legal, technical and financial qualifications**
Resolution

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

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