Quad Cities Cable Communications Commission
Anoka City Hall – Council Chambers

February 19, 2015, 11:00 AM

Agenda

1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Administrative Reports**
    4.1. Secretary
        4.1.1. Approval of January 15, 2015 commission meeting minutes.
        4.1.2. Approval of the February 4, 2015 commission work session notes.
    4.2. Treasurer
        4.2.1. December Financial Reports
    4.3. Executive Director
5. **General Business**
    5.1. Transfer of Ownership
    5.2. Mobile Production Van capital equipment request
    5.3. Other
6. **Adjourn**

MINUTES OF THE REGULAR MEETING OF
JANUARY 15, 2015

CALL TO ORDER – 1

Chair Heitkamp called the meeting to order at 11:00 a.m. at the Anoka City Hall.

ROLL CALL– 2

Commissioners present were: Carl Anderson, Anoka; Tim Cruikshank, Anoka; John LeTourneau, Ramsey; Kurt Ulrich, Ramsey; Jim Dickinson, Andover; Julie Trude, Andover; and Bret Heitkamp, Champlin.

Commissioners absent and excused: Eric Johnson, Champlin.

Others present included Karen George, Executive Director; and Steve Ulrich, Technology Director.

APPROVAL OF AGENDA – 3

Motion was made by Dickinson and seconded by Ulrich to approve the agenda as presented.

7 ayes – 0 nays. Motion carried.

ADMINISTRATIVE REPORTS – 4

4.1 Secretary

4.1.1. Approval of meeting minutes from December 18, 2014

Motion was made by Ulrich and seconded by Trude to approve the December 18, 2014 minutes as presented.

7 ayes – 0 nays. Motion carried.

4.2 Treasurer

4.2.1. November Financial Reports

Commissioner Dickinson briefly reviewed the financial report, noting that the revenue is slightly decreased. He stated that the expense side matches the revenue source and therefore the organization is ahead of the game. He recommended acceptance of the report.

Motion was made by Trude and seconded by LeTourneau to accept the report as presented.

7 ayes – 0 nays. Motion carried

4.3 Executive Director

Ms. George highlighted the area of technology and advised that all City Hall control rooms have been updated and are now running smoothly. She stated that the work on the website continues and anticipates launching the new website by the end of the first quarter. She advised that the HD element is also moving forward and staff is excited with that new element.

Commissioner Anderson questioned if the need for flash would be still be an element for Apple phones.

Ms. George stated that this update would allow for mobile viewing on all formats without the additional flash aspect. She explained that in the past there was a workaround which allowed the content to be viewed but advised that would become outdated when the updates for the phones would be implemented. She explained that this upgrade would solve the need for the workaround elements.

Motion was made by Anderson seconded by LeTourneau to accept the Executive Director's report.

7 ayes – 0 nays. Motion carried

4.4 Commission Organization

Ms. George stated that every two years the Commission reviews the meeting time and date along with appointments to the Commission positions and Committees.

Commissioner Trude confirmed that all members would be interested in continuing to serve in their current capacity and appointments to Committees.

Motion was made by Trude seconded by Dickinson to reappoint the positions and Committees current in existence.

GENERAL BUSINESS – 5

5.1 Transfer of Ownership

Ms. George stated that the transfer of ownership continues to move forward but did not have much new information to update the Commission on. She stated that talks with Comcast and their representatives are going well. She stated that her understanding is that the financial review of the new company has been completed and will be emailed to her the following day. She advised that she is proposing to hold a Worksession meeting to discuss that content in early February.

Commissioner Trude referenced the February 13th deadline and questioned if that had been extended.

Ms. George advised that the deadline for comments from the organization is February 13th. She stated that Comcast is extending the comment period for organizations on a case by case basis. She advised that she did obtain a legal opinion and Mr. Vose did not see a need to extend that comment period. She advised that a Worksession is scheduled prior to the deadline date in order for the Commission to voice any comments.

Commissioner Dickinson questioned if member City Councils would need to take action prior to the deadline.

Ms. George stated that she is aware of the meeting schedules, as is Mr. Vose and Comcast. She stated that her intent would be to schedule a Worksession in conjunction with a special meeting in order to provide necessary approval. She believed that there would be sufficient time for all necessary approvals but stated that she would keep the deadlines in mind and would provide an update if necessary.

Commissioner Trude reminded staff that the member City Councils will also need time to digest the information that Ms. George is yet to receive.

5.2 Other

Ms. George played a video highlight reel for the Commission.

ADJOURN – 6

Time of adjournment 11:17 a.m.

Respectfully submitted,	Reviewed for approval,
Amanda Staple Recording Secretary *TimeSaver Off Site Secretarial, Inc.*	Karen George Executive Director

MINUTES OF THE WORK SESSION OF
FEBRUARY 4, 2015

CALL TO ORDER – 1

Chair Heitkamp called the meeting to order at 10:04 a.m. at the Anoka City Hall.

ROLL CALL– 2

Commissioners present were: Tim Cruikshank, Anoka; John LeTourneau, Ramsey; Kurt Ulrich, Ramsey; Jim Dickinson, Andover; Julie Trude, Andover; and Bret Heitkamp, Champlin.

Commissioners absent and excused: Eric Johnson, Champlin; and Carl Anderson, Anoka.

Others present included Karen George, Executive Director; and Bob Vose, Commission Attorney

TOPICS FOR DISCUSSION – 3

3.1 Transfer of Ownership

Ms. George provided background information on the transfer of ownership process. She stated that Comcast and GreatLand have been responsive throughout the settlement agreement negotiation process and also thanked Mr. Vose for his cooperation and outstanding work. She stated that it has been a pleasure to work with him.

Mr. Vose agreed that this process has been cordial. He referenced the timeline for this process and stated that the Commission would be expected to take action on both the transfer of ownership and the settlement agreement at the regular meeting on February 19th Member cities would take action at a future council meeting. He advised that the deadline for city approval has been extended from February 27th to March 13th.

Ms. George stated that staff has made preliminary contact to determine City Council schedules and agendas and reported that tentatively she will appear before the City Council in Anoka on March 2nd, Andover on March 3rd, Champlin on March 9th and Ramsey on March 10th.

Mr. Vose referenced an issue that has been discussed by the media recently regarding the potential purchase of Time Warner by Comcast because of the redefinition of broadband. He stated that because of the questions that have arisen as to whether those two organizations can merge, he was unsure of the impact that could have on GreatLand receiving those systems. He explained that the settlement is between the Commission and Comcast and that agreement would be in place whether or not GreatLand takes ownership of those systems. He stated that the only condition of the settlement related to the GreatLand spinoff is that the cities must approve the transfer to GreatLand and there is not a condition stating that the transfer of ownership must actually occur. He provided background information on the franchise renewal negotiation process, noting that staff began with the objective to retain the current benefits of the current contract. He advised that the negotiation process is costly because of all the consulting and legal fees involved. He stated that the Commission has only incurred legal fees at this point, which will be reimbursed through the settlement, and provided comparison information for another local organization which has spent upwards of $700,000 to $800,000 on their formal franchise renewal process.

Ms. George noted that during the past months there have been two separate aspects, which include the franchise fee audit as well as a technical audit, which is still underway.

Mr. Vose summarized the results of the report referencing the spinoff of systems from Comcast to GreatLand and explaining that is part of an agreement between Comcast and Charter. He advised that Comcast will have financial interest in GreatLand and will be intimately involved in GreatLand going forward. He stated that there is a commitment in that agreement regarding the level of debt that states the level of debt that GreatLand will inherit cannot exceed five times of the earnings. He stated that amount is not extraordinary because of how the cable industry is operated. He stated that there is a difference of opinion in the calculation used to determine the amount of earnings GreatLand will have and provided additional information.

Commissioner Trude expressed concern that this could be too much debt and service to customers would be affected if GreatLand could not pay the bills.

Mr. Vose stated it is improbable that customers would be without service. He stated that one option would be that the member city denies the transfer and Comcast then sues the city stating that there is not sufficient reason to deny. He stated that Comcast could also remain the owner of that City cable franchise and then contract the operations to GreatLand/Charter. He provided additional information on the service agreements that would be in place following the date of closing. He stated that if the transfer were to fully go through and GreatLand were to incur financial difficulties, the company would then become a buyout target for another company.

Ms. George stated, CenturyLink has announced offering a television service coming to the Twin Cities.

Mr. Vose provided additional information regarding franchises with CenturyLink and noted that item will be discussed in the future by the Commission.

Commissioner Dickinson stated that Comcast shareholders will hold 67 percent of GreatLand and did not believe that they would let the company fail.

Mr. Vose stated that the transfer of ownership would be where conditions and concerns could be addressed. He stated that there is a proposed transfer resolution that would attempt to address some of the financial concerns and advised that those have been reviewed and accepted by Comcast. He referenced the settlement agreement and stated that is where the benefits will be provided. He briefly reviewed the benefits that will be provided through the settlement agreement.

Commissioner LeTourneau left the meeting at 10:58 a.m.

Mr. Vose continued to review the benefits under the settlement agreement and the terms of the agreement. He also reviewed the transfer of ownership resolution and summarized the categories of conditions included.

Chair Heitkamp believed that staff did a great job not only outlining this information for the Commission but also in negotiating these agreements.

Mr. Vose confirmed that this would be the expanded discussion and a more straightforward presentation would be made to the City Council for each member city. He noted that the commission will take action on the transfer of ownership and the settlement agreement prior to the presentation to the Councils.

TOPICS FOR FUTURE DISCUSSION – 4

4.1 Programming – March 19

Ms. George noted that a programming presentation will occur on March 19th through a Work session format. She stated that the Commission could still choose to hold a regular meeting if desired.

It was confirmed that a Worksession and regular meeting would be held.

4.2 Technology – September 17

Ms. George advised that the past 18 months of technology updates will be discussed on September 17th.

ADJOURN – 5

Time of adjournment 11:40 a.m.

Respectfully submitted,	Reviewed for approval,
___________________________	___________________________
Amanda Staple	Karen George
Recording Secretary	Executive Director
TimeSaver Off Site Secretarial, Inc.	

Quad Cities Communications Commission
Balance Sheet Summary
As of December 31, 2014 - UNAUDITED

		Total
ASSETS		
Current Assets		
Bank Accounts - QCTV		1,150,594.92
- PayPay acct		826.95
- US Bank Reserve		5,000.00
Accounts Receivable		370,163.05
Other current assets		8,978.00
Total Current Assets	**$**	**1,535,562.92**
Fixed Assets		0.00
TOTAL ASSETS	**$**	**1,535,562.92**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		26,104.81
Other Current Liabilities		15,472.00
Total Current Liabilities	**$**	**41,576.81**
Equity		1,493,986.11
TOTAL LIABILITIES AND EQUITY	**$**	**1,535,562.92**

Quad Cities Communications Commission
Budget vs. Actuals: 2014 Budget - FY14 P&L
January - December 2014 - UNAUDITED

	Dec 2014				YTD			
	Actual	Budget	over Budget	% of Budget	Actual	Budget	over Budget	% of Budget
Income								
Duplication Revenue	673.38	212.00	461.38	317.63%	4,115.74	2,500.00	1,615.74	164.63%
Equipment Grant	55,045.17	4,220.00	50,825.17	1304.39%	55,045.17	50,618.00	4,427.17	108.75%
Franchise Fees	246,775.44	74,350.00	172,425.44	331.91%	979,960.96	892,090.00	87,870.96	109.85%
Interest Income	16.33	12.00	4.33	136.08%	167.13	100.00	67.13	167.13%
Miscellaneous Income	2,907.97	424.00	2,483.97	685.84%	7,030.58	5,000.00	2,030.58	140.61%
PEG Fee	123,387.61	37,176.00	86,211.61	331.90%	489,980.68	446,046.00	43,934.68	109.85%
Total Income	**$ 428,805.90**	**$ 116,394.00**	**$ 312,411.90**	**368.41%**	**$ 1,536,300.26**	**$ 1,396,354.00**	**$ 139,946.26**	**110.02%**
Gross Profit	**$ 428,805.90**	**$ 116,394.00**	**$ 312,411.90**	**368.41%**	**$ 1,536,300.26**	**$ 1,396,354.00**	**$ 139,946.26**	**110.02%**
Expenses								
Accounting / HR Services	1,845.70	1,500.00	345.70	123.05%	16,043.11	18,000.00	-1,956.89	89.13%
Ads/Promos/Sponsorships	190.00	580.00	-390.00	32.76%	5,079.66	6,850.00	-1,770.34	74.16%
Andover Capital Equipment		424.00	-424.00	0.00%	829.94	5,000.00	-4,170.06	16.60%
Announcers Fees	615.00	1,444.00	-829.00	42.59%	7,455.00	17,240.00	-9,785.00	43.24%
Anoka Capital Equipment	153.79	424.00	-270.21	36.27%	1,299.84	5,000.00	-3,700.16	26.00%
Audit		1,224.00	-1,224.00	0.00%	14,600.00	14,600.00	0.00	100.00%
AV Equip / Repair / Supply / Software	2,699.93	4,163.00	-1,463.07	64.86%	21,224.24	49,890.00	-28,665.76	42.54%
Bank Fees / CC Fees		49.00	-49.00	0.00%	0.00	500.00	-500.00	0.00%
Brand Apparel		174.00	-174.00	0.00%	0.00	2,000.00	-2,000.00	0.00%
Building - Cleaning	407.65	424.00	-16.35	96.14%	4,891.80	5,000.00	-108.20	97.84%
Building - Insurance	-1,394.00	243.00	-1,637.00	-573.66%	2,273.00	2,894.00	-621.00	78.54%
Building - Maintenance	2,482.14	587.00	1,895.14	422.85%	9,146.73	7,000.00	2,146.73	130.67%
Building - Supplies	57.35	250.00	-192.65	22.94%	1,827.42	3,000.00	-1,172.58	60.91%
Car Allowance	250.00	250.00	0.00	100.00%	3,000.00	3,000.00	0.00	100.00%
Cell Phone - Allowance	75.00	249.00	-174.00	30.12%	1,395.00	2,900.00	-1,505.00	48.10%
Champlin Capital Equipment		424.00	-424.00	0.00%	445.15	5,000.00	-4,554.85	8.90%
City Sewer & Water	86.35	337.00	-250.65	25.62%	2,018.97	4,000.00	-1,981.03	50.47%
Commission Expense		299.00	-299.00	0.00%	2,254.78	3,500.00	-1,245.22	64.42%
Computer Equip / Repair / Supply / Software	6,683.61	2,395.00	4,288.61	279.07%	19,561.78	28,630.00	-9,068.22	68.33%
Consulting Services	12,891.61	4,174.00	8,717.61	308.86%	29,979.36	50,000.00	-20,020.64	59.96%
Contingency Fund		2,174.00	-2,174.00	0.00%	0.00	26,000.00	-26,000.00	0.00%
Dues and Subscriptions			0.00		99.00	0.00	99.00	
Duplication Expenses	97.92	300.00	-202.08	32.64%	1,223.35	3,600.00	-2,376.65	33.98%
Electric Service	1,015.77	1,462.00	-446.23	69.48%	15,073.88	17,500.00	-2,426.12	86.14%
Emp / Comm Appreciation	172.46	212.00	-39.54	81.35%	1,619.62	2,500.00	-880.38	64.78%
Federal Unempl Expense	79.15		79.15		1,147.30	0.00	1,147.30	
Health Insurance	-32.56	2,737.00	-2,769.56	-1.19%	34,970.00	32,800.00	2,170.00	106.62%
Health Insurance - Opt Out		400.00	-400.00	0.00%	1,200.00	4,800.00	-3,600.00	25.00%

Quad Cities Communications Commission
Budget vs. Actuals: 2014 Budget - FY14 P&L
January - December 2014 - UNAUDITED

	Dec 2014				YTD			
	Actual	Budget	over Budget	% of Budget	Actual	Budget	over Budget	% of Budget
Insurance - Deductibles		49.00	-49.00	0.00%	0.00	500.00	-500.00	0.00%
Insurance - Liability / Bonds	-3,964.00	584.00	-4,548.00	-678.77%	6,625.00	6,964.00	-339.00	95.13%
Lawn Service		299.00	-299.00	0.00%	4,912.25	3,500.00	1,412.25	140.35%
Legal Fees	765.00	2,500.00	-1,735.00	30.60%	13,486.84	30,000.00	-16,513.16	44.96%
Legislative Lobbying		142.00	-142.00	0.00%	0.00	1,660.00	-1,660.00	0.00%
Licenses and Permits		87.00	-87.00	0.00%	0.00	1,000.00	-1,000.00	0.00%
Meals	30.39	87.00	-56.61	34.93%	906.22	1,000.00	-93.78	90.62%
Memberships - NATOA / Others	200.00	464.00	-264.00	43.10%	4,499.48	5,480.00	-980.52	82.11%
Mileage	521.55	424.00	97.55	123.01%	4,511.80	5,000.00	-488.20	90.24%
Miscellaneous Expenses		375.00	-375.00	0.00%	255.29	4,500.00	-4,244.71	5.67%
Natural Gas	542.64	199.00	343.64	272.68%	2,972.97	2,300.00	672.97	129.26%
Office Supplies / Equipment	369.88	712.00	-342.12	51.95%	3,558.68	8,500.00	-4,941.32	41.87%
Parking Lot Maintenance		424.00	-424.00	0.00%	0.00	5,000.00	-5,000.00	0.00%
Payroll Expenses (ADP)	342.10	437.00	-94.90	78.28%	5,089.05	5,200.00	-110.95	97.87%
PERA	2,998.39	4,292.00	-1,293.61	69.86%	33,417.21	51,383.00	-17,965.79	65.04%
Postage	141.63	87.00	54.63	162.79%	860.51	1,000.00	-139.49	86.05%
Printing / Copy Services	147.83	174.00	-26.17	84.96%	1,912.42	2,000.00	-87.58	95.62%
Professional Development		1,425.00	-1,425.00	0.00%	12,243.62	17,100.00	-4,856.38	71.60%
Publications		61.00	-61.00	0.00%	0.00	710.00	-710.00	0.00%
Ramsey Capital Equipment	20.36	424.00	-403.64	4.80%	578.41	5,000.00	-4,421.59	11.57%
Sales Tax		174.00	-174.00	0.00%	561.00	2,000.00	-1,439.00	28.05%
Secretary Services	131.00	150.00	-19.00	87.33%	1,551.00	1,800.00	-249.00	86.17%
Snow Plowing Service	306.25	250.00	56.25	122.50%	4,411.25	3,000.00	1,411.25	147.04%
SS/Medicare Expense	3,744.84	4,518.00	-773.16	82.89%	39,496.86	54,216.00	-14,719.14	72.85%
State Unemploy Exp	4,813.84		4,813.84		53,372.09	0.00	53,372.09	
STD / LTD / Life Insurance		387.00	-387.00	0.00%	4,873.14	4,644.00	229.14	104.93%
Studio Sets	621.82	174.00	447.82	357.37%	1,164.72	2,000.00	-835.28	58.24%
Subscription Services	128.00	250.00	-122.00	51.20%	2,734.31	3,000.00	-265.69	91.14%
Temp Staff Services	6,138.80		6,138.80		11,741.04	0.00	11,741.04	
Vehicle - Equipment / Repair	6,265.37	1,583.00	4,682.37	395.79%	16,141.21	18,930.00	-2,788.79	85.27%
Vehicle - Insurance	-1,887.00	250.00	-2,137.00	-754.80%	2,793.00	3,000.00	-207.00	93.10%
Vehicle - Maintenance / Gas	153.30	525.00	-371.70	29.20%	2,721.38	6,300.00	-3,578.62	43.20%
Wages - Full-time	44,594.76	28,375.00	16,219.76	157.16%	407,494.86	340,412.00	67,082.86	119.71%
Wages - Part-time	4,530.90	0.00	4,530.90		22,530.06	0.00	22,530.06	
Wages - PT - Comm Prog		4,077.00	-4,077.00	0.00%	17,461.93	48,858.00	-31,396.07	35.74%
Wages - PT - Gov't Prog		8,208.00	-8,208.00	0.00%	30,254.48	98,441.00	-68,186.52	30.73%
Wages - PT - Office Support		2,509.00	-2,509.00	0.00%	9,143.99	30,053.00	-20,909.01	30.43%
Wages - PT - Sports Prog		6,885.00	-6,885.00	0.00%	20,616.94	82,565.00	-61,948.06	24.97%

Quad Cities Communications Commission
Budget vs. Actuals: 2014 Budget - FY14 P&L
January - December 2014 - UNAUDITED

	Dec 2014				YTD			
	Actual	Budget	over Budget	% of Budget	Actual	Budget	over Budget	% of Budget
Wages - PT - Tech Support		5,725.00	-5,725.00	0.00%	18,100.66	68,656.00	-50,555.34	26.36%
Waste Removal	23.43	112.00	-88.57	20.92%	1,835.34	1,300.00	535.34	141.18%
Web / VOD / Int / CaTV / Phone	947.82	1,360.00	-412.18	69.69%	13,894.77	16,210.00	-2,315.23	85.72%
Work Comp Insurance	-1,733.00	262.00	-1,995.00	-661.45%	2,770.00	3,100.00	-330.00	89.35%
Total Expenses	**$ 99,272.77**	**$ 105,919.00**	**-$ 6,646.23**	**93.73%**	**$ 980,152.71**	**$ 1,267,486.00**	**-$ 287,333.29**	**77.33%**
Net Operating Income	**$ 329,533.13**	**$ 10,475.00**	**$ 319,058.13**	**3145.90%**	**$ 556,147.55**	**$ 128,868.00**	**$ 427,279.55**	**431.56%**
Net Income	**$ 329,533.13**	**$ 10,475.00**	**$ 319,058.13**	**3145.90%**	**$ 556,147.55**	**$ 128,868.00**	**$ 427,279.55**	**431.56%**

	Dec 2014 Actual	YTD Actual
ZCIP - Andover	19.25	12,216.35
ZCIP - Anoka		12,197.10
ZCIP - Champlin		12,197.10
ZCIP - Network Servers	602.89	7,385.54
ZCIP - Ramsey	178.20	12,375.30
ZCIP - Studio	224.44	13,416.96
	1,024.78	69,788.35
Andover Capital Equipment		47,750.00
Anoka Capital Equipment		25,764.00
Champlin Capital Equipment		30,000.00
Ramsey Capital Equipment		50,000.00
	$ -	$ 153,514.00
	100,297.55	1,203,455.06

Monday, Jan 26, 2015 08:47:21 AM PST GMT-6 - Accrual Basis

QCTV Bank Reconciliation
December 2014

Beginning Balance - 4M Statement	1,184,942.93
Less: Cleared Checks/Withdrawals	(74,522.44)
Plus: 4M Fund Interest	16.33
Plus: Bank Deposits/Credits	58,718.17
Bank Balance	$1,169,154.99
Book Balance	1,169,154.99
Adjusted Book Balance	1,169,154.99
Difference:	$0.00

Completed by: MK

Quad Cities Communications Commission
Reconciliation Report
Quad Cities Commission, Period Ending 12/31/2014
Reconciled on: 01/20/2015 (any changes to transactions after this date aren't reflected on this report)
Reconciled by: Lee Brezinka

Summary

Statement Beginning Balance	1,184,942.93
Checks and Payments cleared	-74,522.44
Deposits and Other Credits cleared	+58,734.50
Statement Ending Balance	1,169,154.99
Uncleared transactions as of 12/31/2014	-18,560.07
Register Balance as of 12/31/2014	1,150,594.92
Uncleared transactions after 12/31/2014	-36,032.32
Register Balance as of 01/20/2015	1,114,562.60

Details

Checks and Payments cleared

Date	Type	Num	Name	Amount
11/14/2014	Bill Payment	10598	Anoka Ramsey Community College	-1,995.00
11/19/2014	Bill Payment	10608	Scott Blommer	-17.50
11/26/2014	Bill Payment	10614	Preferred One Insurance Co.	-4,317.19
11/26/2014	Bill Payment	10615	The Lincoln National Life Ins. Co.	-1,347.79
11/26/2014	Bill Payment	10616	Verizon Wireless	-75.08
11/26/2014	Bill Payment	10609	B&H Photo-Video	-649.99
11/26/2014	Bill Payment	10610	Image Lawncare Services, Inc.	-468.75
11/26/2014	Bill Payment	10612	Monarch Pest Control	-112.64
11/26/2014	Bill Payment	10611	Joe G. Ruhland	-75.00
11/26/2014	Bill Payment	10613	Pete C. Andersen	-40.00
11/28/2014	Bill Payment	W/D	CitiStreetMN	-300.00
11/28/2014	Journal	11B - 2014MK		-153.90
12/05/2014	Bill Payment	10625	Pro Staff	-1,722.56
12/05/2014	Bill Payment	10617	CBG Communications, Inc.	-603.09
12/05/2014	Bill Payment	10624	Presto Graphics	-128.34
12/05/2014	Bill Payment	10618	Comcast Cable	-194.51
12/05/2014	Bill Payment	10623	Market Place Plus, LLC	-404.95
12/05/2014	Bill Payment	10622	Markertek Video Supply	-134.90
12/05/2014	Bill Payment	10620	Holiday Station	-283.14
12/05/2014	Bill Payment	10628	Xcel Energy	-1,010.66
12/05/2014	Bill Payment	10621	Huebsch	-194.98
12/05/2014	Bill Payment	10619	David S. Washburn	-75.00
12/05/2014	Bill Payment	10626	Timesavers	-131.00
12/05/2014	Bill Payment	10627	Verified Credentials	-40.00
12/12/2014	Bill Payment	10640	Pro Staff	-515.20
12/12/2014	Bill Payment	10638	Markertek Video Supply	-120.25
12/12/2014	Bill Payment	10635	Costco	-147.83
12/12/2014	Bill Payment	10630	ACE Solid Waste, Inc.	-23.43
12/12/2014	Bill Payment	10634	Comcast Cable	-140.61
12/12/2014	Bill Payment	10641	U.S. Bank Corporate	-703.36
12/12/2014	Bill Payment	10637	Image Lawncare Services, Inc.	-431.25
12/12/2014	Bill Payment	10629	A+ Cleaning Service, Inc.	-407.65
12/12/2014	Bill Payment	10633	Comcast 2	-452.22
12/12/2014	Bill Payment	10632	City of Andover	-858.43
12/12/2014	Bill Payment	10639	Pete C. Andersen	-40.00
12/12/2014	Bill Payment	10636	David S. Washburn	-75.00
12/12/2014	Bill Payment	10631	CenterPoint Energy	-542.64
12/12/2014	Journal	12B - 2014MK		-4,700.26
12/12/2014	Journal			-12,766.65

Date	Type	Num	Name	Amount
		12B - 2014MK		
12/12/2014	Journal	12B - 2014MK		-171.05
12/19/2014	Bill Payment	10647	Jake R Bailey	-57.75
12/19/2014	Bill Payment	10653	Pro Staff	-873.60
12/19/2014	Bill Payment	10644	City of Champlin	-86.35
12/19/2014	Bill Payment	10645	Creative Forms & Concepts	-69.59
12/19/2014	Bill Payment	10650	Markertek Video Supply	-224.64
12/19/2014	Bill Payment	10649	Kennedy & Graven, Chartered	-2,406.78
12/19/2014	Bill Payment	10642	Amazon	-4,634.92
12/19/2014	Bill Payment	10643	B&H Photo-Video	-7,408.98
12/19/2014	Bill Payment	10654	Verizon Wireless	-70.29
12/19/2014	Bill Payment	10648	Joe G. Ruhland	-75.00
12/19/2014	Bill Payment	10651	Pete C. Andersen	-80.00
12/19/2014	Bill Payment	10646	David A. Billehus	-40.00
12/26/2014	Bill Payment	W/D	CitiStreetMN	-300.00
12/26/2014	Bill Payment	W/D	PERA	-2,393.80
12/26/2014	Journal	12C - 2014MK		-13,779.75
12/26/2014	Journal	12C - 2014MK		-5,449.19
Total				-74,522.44

Deposits and Other Credits cleared

Date	Type	Num	Name	Amount
11/26/2014	Deposit		Kelly LaVelle	15.00
11/26/2014	Deposit		Anoka Soccer Booster Club	337.50
12/03/2014	Deposit		Comcast	55,045.17
12/03/2014	Deposit		Amy Siegel	62.50
12/03/2014	Deposit		Barna, Guzy & Steffen, LTD	32.50
12/12/2014	Deposit		Jeff	250.00
12/17/2014	Deposit		League of MN Cities	2,258.00
12/22/2014	Deposit		Jeff	250.00
12/22/2014	Deposit		Megan Brainered	15.00
12/22/2014	Deposit		Lee Warneka	15.00
12/22/2014	Deposit		Mike Brey	15.00
12/31/2014	Deposit		State of Minnesota	422.50
12/31/2014	Journal	12D - 2014MK		16.33
Total				58,734.50

Additional Information

Uncleared Checks and Payments as of 12/31/2014

Date	Type	Num	Name	Amount
07/16/2013	Bill Payment	10010	City of Anoka	-125.00
12/12/2014	Bill Payment	W/D	CitiStreetMN	-300.00
12/12/2014	Bill Payment	W/D	PERA	-2,150.04
12/19/2014	Bill Payment	10652	Peter J. Turok	-75.00
12/26/2014	Journal	12C - 2014MK		-171.05
12/31/2014	Bill Payment	10665	Pro Staff	-4,750.00
12/31/2014	Bill Payment	10655	B&H Photo-Video	-3,525.57
12/31/2014	Bill Payment	10656	CBG Communications, Inc.	-3,161.98
12/31/2014	Bill Payment	10657	David A. Billehus	-40.00
12/31/2014	Bill Payment	10658	Front Range Consulting, Inc.	-3,750.00
12/31/2014	Bill Payment	10659	Holiday Station	-150.80
12/31/2014	Bill Payment	10660	Huebsch	-55.60
12/31/2014	Bill Payment	10661	Joe G. Ruhland	-75.00

Date	Type	Num	Name	Amount
12/31/2014	Bill Payment	10663	Pete C. Andersen	-40.00
12/31/2014	Bill Payment	10664	Peter J. Turok	-75.00
12/31/2014	Bill Payment	10662	Kennedy & Graven, Chartered	-765.00
Total				-19,210.04

Uncleared Deposits and Other Credits as of 12/31/2014

Date	Type	Num	Name	Amount
12/31/2014	Deposit		League of MN Cities	649.97
Total				649.97

Uncleared Checks and Payments after 12/31/2014

Date	Type	Num	Name	Amount
01/02/2015	Bill Payment	10669	Preferred One Insurance Co.	-4,119.81
01/02/2015	Bill Payment	10670	The Lincoln National Life Ins. Co.	-521.26
01/02/2015	Bill Payment	10666	DVS Renewal	-306.00
01/02/2015	Bill Payment	10668	NATOA	-645.00
01/02/2015	Bill Payment	10667	National Assoc. of Telecommunications Officers	-345.00
01/09/2015	Bill Payment	W/D	CitiStreetMN	-300.00
01/09/2015	Bill Payment	W/D	PERA	-2,367.37
01/16/2015	Bill Payment	10693	Pro Staff	-805.28
01/16/2015	Bill Payment	10689	Minnesota Unemployment Ins.	-4,813.84
01/16/2015	Bill Payment	10673	Alliance for Community Media	-200.00
01/16/2015	Bill Payment	10690	MN Association of Community Telecommunications Adm	-2,800.00
01/16/2015	Bill Payment	10680	Comcast Cable	-335.12
01/16/2015	Bill Payment	10692	Pierce	-2,339.94
01/16/2015	Bill Payment	10688	Market Place Plus, LLC	-404.95
01/16/2015	Bill Payment	10686	Karen George - Petty Cash	-250.00
01/16/2015	Bill Payment	10687	Markertek Video Supply	-207.11
01/16/2015	Bill Payment	10672	ACE Solid Waste, Inc.	-83.06
01/16/2015	Bill Payment	10684	G & B Environmental, Inc	-142.20
01/16/2015	Bill Payment	10678	City of Champlin	-86.79
01/16/2015	Bill Payment	10695	U.S. Bank Corporate	-1,551.52
01/16/2015	Bill Payment	10696	Xcel Energy	-1,015.77
01/16/2015	Bill Payment	10685	Image Lawncare Services, Inc.	-525.00
01/16/2015	Bill Payment	10683	EPA Audio Visual, Inc	-602.89
01/16/2015	Bill Payment	10694	Timesavers	-131.00
01/16/2015	Bill Payment	10677	City of Andover	-1,090.02
01/16/2015	Bill Payment	10671	A+ Cleaning Service, Inc.	-407.65
01/16/2015	Bill Payment	10679	Comcast 2	-452.23
01/16/2015	Bill Payment	10676	CenterPoint Energy	-377.02
01/16/2015	Bill Payment	10675	CDW Direct	-6,087.21
01/16/2015	Bill Payment	10682	David S. Washburn	-75.00
01/16/2015	Bill Payment	10674	Amazon	-2,863.64
01/16/2015	Bill Payment	10681	David A. Billehus	-40.00
01/16/2015	Bill Payment	10691	Peter J. Turok	-75.00
Total				-36,366.68

Uncleared Deposits and Other Credits after 12/31/2014

Date	Type	Num	Name	Amount
01/06/2015	Deposit		Terry Lovaas	226.86
01/06/2015	Deposit		Jeff Nelson	45.00
01/15/2015	Deposit		Simonson's Salon & Spa	32.50
01/15/2015	Deposit		Kris Lien	15.00
01/15/2015	Deposit		Patty	15.00
Total				334.36

QCCCC Agenda Item

4.3 Executive Director's Report

February 11, 2015

To: Commissioners

From: Karen George, Executive Director

Subject: Executive Director's Report

Transfer of Ownership
Please see agenda item 5.1 for more information on the transfer of ownership.

MACTA financial analysis of SpinCo final report
The financial consultants have provided a final report to legal counsel and the commission. Please see agenda item 5.1 for more information on the transfer of ownership.

Franchise renewal
A settlement agreement has been negotiated for a franchise extension to August 2020 with additional renewal option to 2024. That settlement agreement is included in the agenda item 5.1. The commission directed staff to conduct a financial audit and a technical audit of the current franchisee, Comcast. The financial audit report is included in agenda item 5.1. The technical audit is still in process with a report expected in the first quarter.

Web site development continues
The web site navigational structure has been finalized and the vendor is making progress on back-end integration work as well as the graphics for the landing page.

Playback Center Upgrade
Equipment has been installed and testing begun. Activation is expected in early March.

Monthly reports
Attached to this agenda item are the operations and technology updates and the January statistical report.

Action Requested: None.

QCCCC Agenda Item

4.3.1 Operations Report

February 10, 2015

To: Karen George, Executive Director

From: Katherine Lenaburg, Operations Manager

Subject: **Operations Update**

Community Programming in January included twice weekly local sports productions with our mobile production van. Boys and Girls Basketball and Boys and Girls Hockey games were cablecast live on our system. Tours of the van were given to two groups: Boy Scouts Pack 606 from Anoka and Tiger Scouts pack 362 from Ramsey. The scouts and their parents came to games and were given a short talk on community programming and a tour of the truck. Both groups did “on-air promos” that were played at half times of the games. Local Girls hockey teams who made it to sectionals were covered as well. Centennial vs. Anoka and Rogers vs. Champlin Park were both played at the Roseville Ice Arena.

City meetings were covered in four cities as well as the District 11 School Board meeting and Cable Commission meeting.

We produced our regular monthly programs: “News and Views”, “The Chamber Report”, and “The District Court Show”. Quarterly programs “It’s Your History” and “The Public Safety Show” were in pre-production. Several shoots were done for “The Sheriffs Show” which will be complete next month.

Work has been on-going for our next “Live and Local” series. The program is called “Live and Local: Let’s Get Fit” and features stories about local groups and people who are working on getting and staying healthy. We have been to a local karate school, a Cross Fit gym, The YMCA, and Lifetime Fitness. The show will include local snowboarders, skiers, and skaters as well a healthy cooking segment.

Collaboration with the League of Women Voters- ABC continues and a program was produced called “School Counselor Legislation.” Guests included Representative Jerry Newton, State Senator Alice Johnson, Director of Mental Health for Anoka Hennepin School District 11, and Executive Director of NAMI Sue Abderholden.

Also produced was a LWV-ABC program called “Water Resources- Next Steps for Water Supply and Environmental Integrity.” Guests included Metropolitan Council geologist Lanya Ross and Environmental Health Specialist for Anoka County, Bart Biernet.

QCTV also worked with the Executive Director of the League of Women Voters Minnesota Susan Sheridan Tucker to produce a program called “Restore The Vote- making our community whole.”

The Anoka Area Chamber of Commerce held their annual “State of the Cities” lunch and QCTV was there to capture all the presentations.

Action: None.

QCCCC Agenda Item

4.3.2 Technology Report

February 2, 2015

To: Karen George, Executive Director

From: Steve Ulrich

Subject: January 2015 Technology Report

Equipment Issues:

City Equipment:

- Andover: tape deck used by recording secretary does not record. Found defective jack and replaced.
- Anoka: Install larger monitor for audio controller.

Comcast:

- Anoka: audio on channel 16 during live broadcasts is distorted. Comcast adjusted modulator which resolved the problem.

QCTV Equipment:

- Update Security server and reconfigure.
- Update 4 office PCs.
- Order new studio lighting controller.

Web Site:

- Updated BizzyWeb on proposed wire frames.
- Review technical requirements for live streaming.

January Projects:

- Install new Playback servers, Router and ancillary gear. Begin wiring and configuration.
- Inventory obsolete items to be recycled. Items taken to recycler.
- List saleable items on e-Bay and Craig's list.

February Planned Projects:

- Complete Playback Room server upgrades and rewiring. Servers to be commissioned on Feb. 16. Begin testing of scheduling and bulletin board systems. Estimated go live at end of month.
- New web site development.
- Install audio recorder at Anoka City Hall.
- Install wireless microphone at Andover City Hall.
- Planned computer maintenance/upgrades.
- Server documentation.

Ongoing Projects:

- NAS file maintenance.
- Equipment documentation.
- Off site backup.

Action: None.

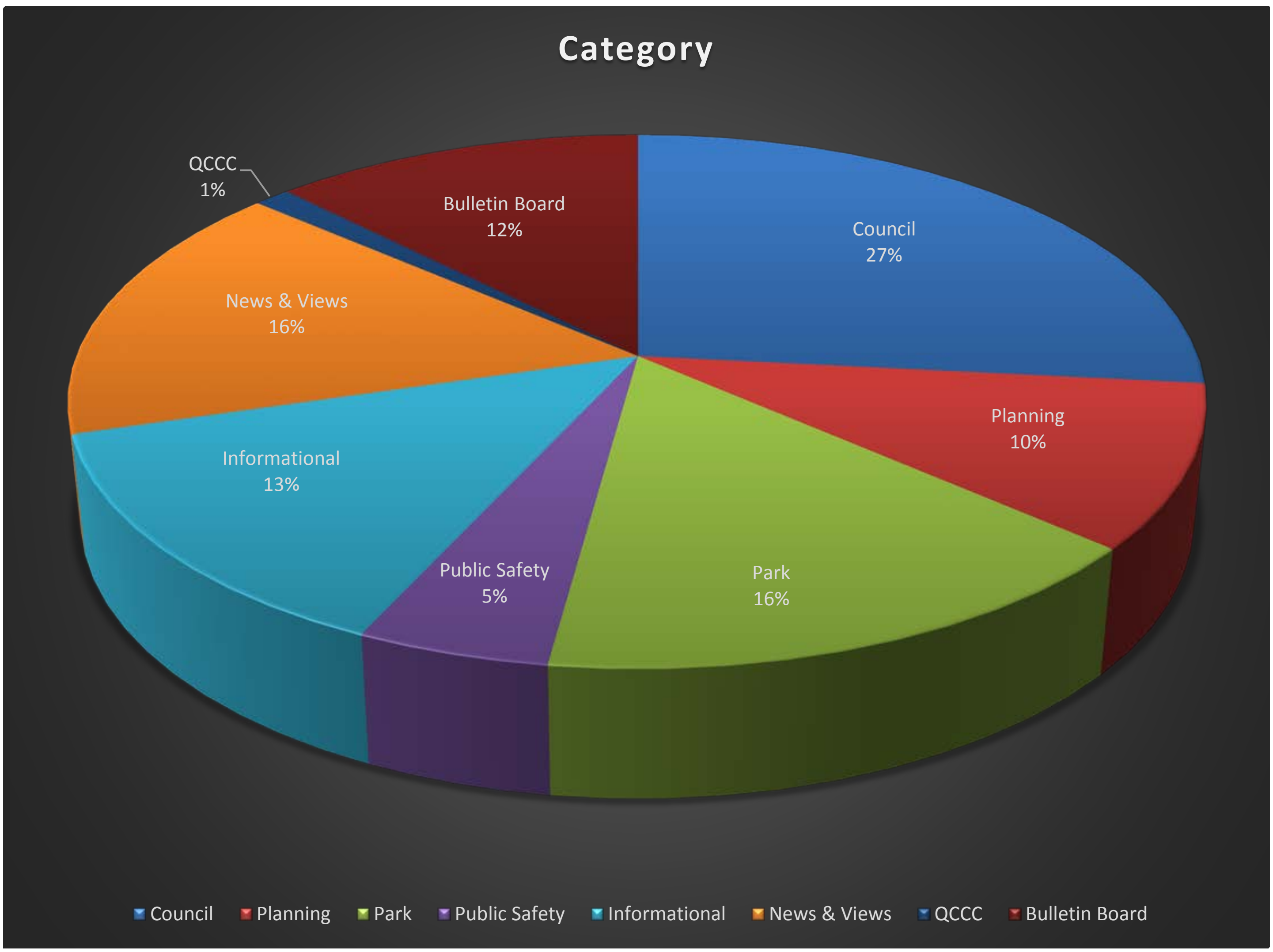
Andover Channel & Web Statistics
January 2015

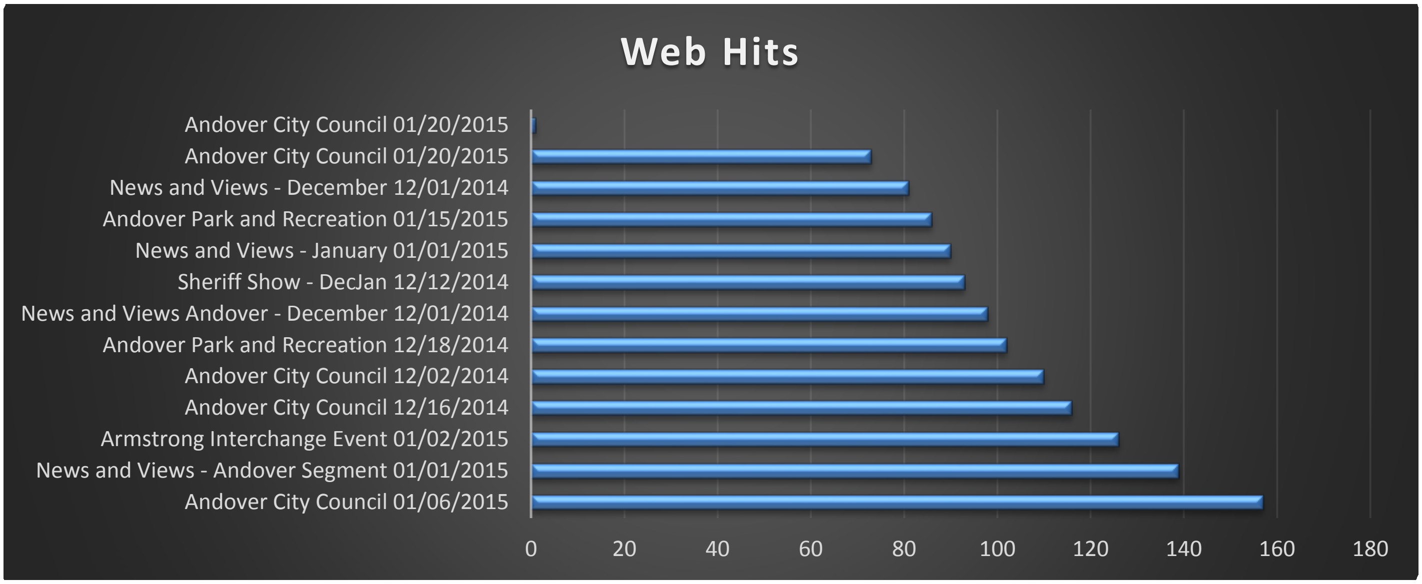
Playback:		Shows:		Bulletin Board:		Web Hits:	
Total Runs:	948	New Shows:	7	Total Hours:	91:56	Total Hits:	1272
Total Time:	652:04	New Time	5:06	Saturation	12.4 %		
Saturation:	87.6%	All Shows	19	**New Andover**	**36**		
		All Time:	11:23	**New All Cities**	**220**		

Shared With Multiple Cities		
12/2/2014	The Sheriff Show	0:29:34
1/1/2015	News and Views	1:00:00
1/15/2015	QCCC - Jan	0:16:38
12/18/2014	QCCC - Dec	0:17:26

Channel Up Time: 95.7%

Issues	Percentage	Hours
Maintenance:	0%	0
File:	0%	0
Server:	4.3%	32
Power Out:	0%	0





Detail

Title	Event Date	Category	Time	Plays	Total
City Council Meeting	1/20/2015	Council	0:58:31	20	19:30:20
City Council Meeting	1/6/2015	Council	1:20:52	107	144:12:44
City Council Meeting	12/16/2014	Council	1:29:13	23	34:11:59
Planning Commission	11/11/2014	Planning	2:37:04	28	73:17:52
Park & Recreation Meeting	1/15/2015	Park	0:39:14	106	69:18:44
Park & Recreation Meeting	12/19/2014	Park	0:56:09	50	46:47:30
The Sheriff Show **	12/2/2014	Public Safety	0:29:34	71	34:59:14
Armstrong Interchange Appreciation	1/2/2015	Informational	0:34:51	153	88:52:03
Andover City Update	7/10/2014	Informational	0:15:30	45	11:37:30
News and Views **	1/1/2015	News & Views	1:00:00	62	62:00:00
News and Views - Andover Segment	1/1/2015	News & Views	0:16:20	210	57:10:00
Quad Cities Cable Comm (Jan) **	1/15/2015	QCCC	0:16:38	21	5:49:18
Quad Cities Cable Comm (Dec) **	12/18/2014	QCCC	0:17:26	11	3:11:46
Meet Brett Angell	7/17/2014	PSA	0:01:41	5	0:08:25
Meet Todd Haas	7/17/2014	PSA	0:03:44	3	0:11:12
Meet Dave Carlberg	7/17/2014	PSA	0:01:32	8	0:12:16
Meet Dave Berkowitz	7/17/2014	PSA	0:01:20	11	0:14:40
Meet Kevin Starr	7/17/2014	PSA	0:01:58	3	0:05:54
Meet Brian Kraabel	7/17/2014	PSA	0:01:08	11	0:12:28
** Shared with multiple cities			11:22:45	948	652:03:55

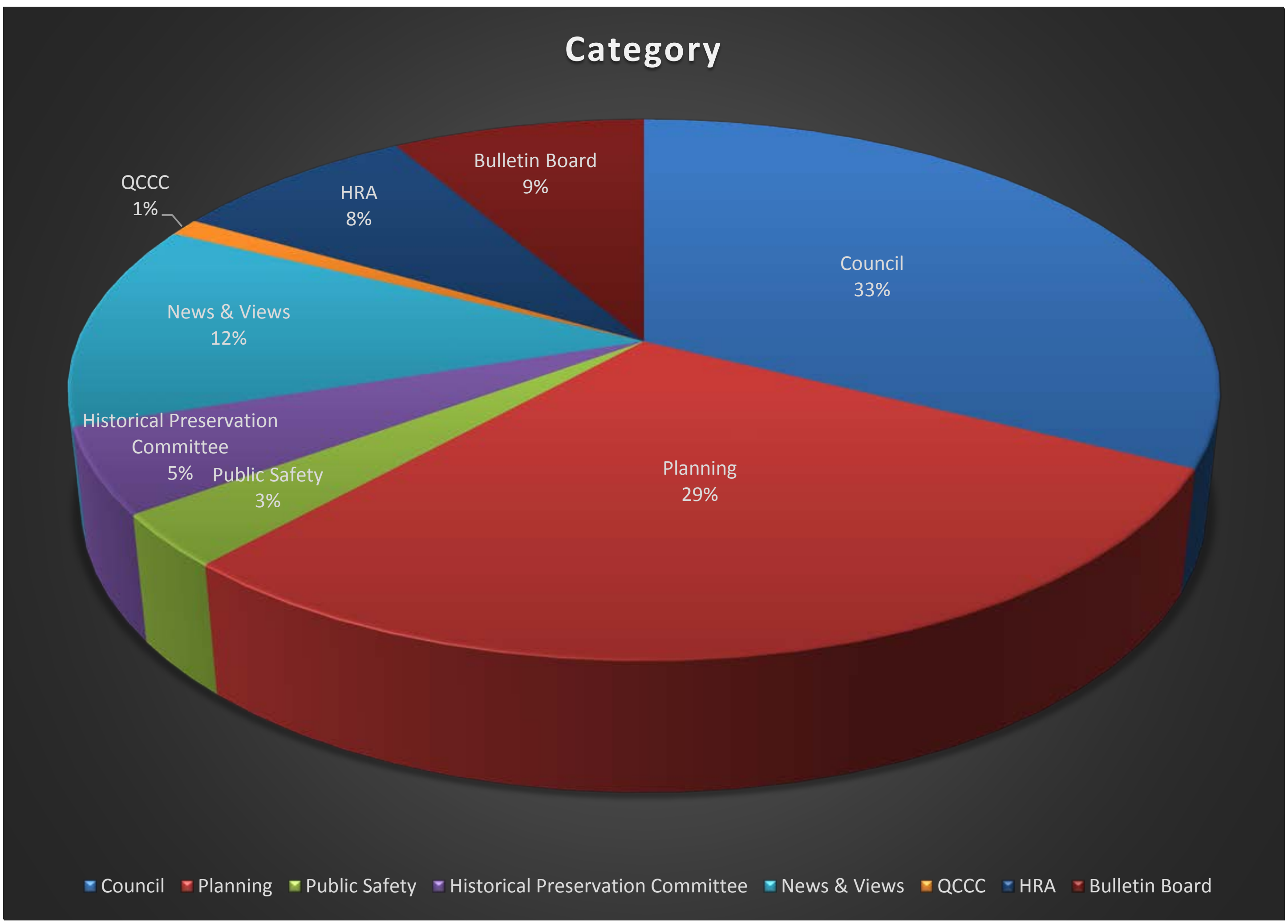
Total Programming Hours:	**652:03:55**
Total Bulletin Board Hours:	**91:56:05**
Total Runs:	**948**
January Total Time:	**744:00:00**
Web Hits:	**1272**

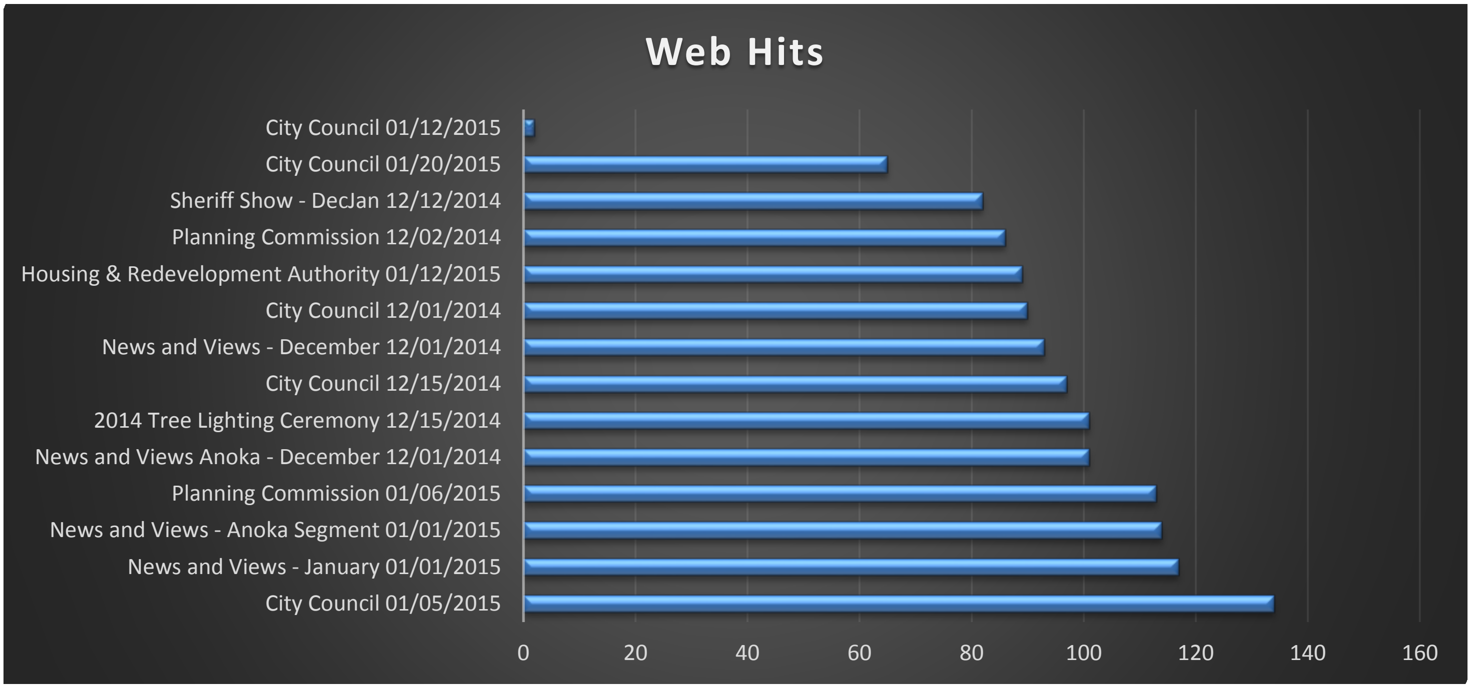
Anoka Channel & Web Statistics
January 2015

Playback:		Shows:		Bulletin Board:		Web Hits:	
Total Runs	674	New Shows	7	Total Hours:	62:37	Total Hits:	1284
Total Time:	681:23	New Time:	7:53	Saturation:	8.5%		
Saturation:	91.5%	All Shows:	14	**New Anoka:**	**35**		
		All Time:	13:36	**New All Cities:**	**220**		

Shared With Multiple Cities		
12/2/2014	The Sheriff Show	0:29:34
1/15/2015	QCCC (Jan)	0:16:38
12/18/2014	QCCC (Dec)	0:17:26
1/1/2015	News and Views - Jan	1:00:00

Channel Up Time: 98.4%		
Issues	**Percentage**	**Hours**
Maintenance:	0	0
File:	0	0
Server:	1.6%	12
Power Out:	0	0





Detail

Title	Event Date	Category	Time	Plays	Total
City Council Meeting	1/20/2015	Council	2:30:10	38	95:06:20
City Council Meeting	1/5/2015	Council	1:24:10	72	101:00:00
City Council Meeting	12/15/2014	Council	2:19:54	19	44:18:06
Planning Commission	1/11/2015	Planning	1:38:08	104	170:05:52
Planning Commission	12/2/2014	Planning	1:50:08	26	47:43:28
Parks Overview	9/18/2013	Park	0:04:44	17	1:20:28
The Sheriff Show **	12/2/2014	Public Safety	0:29:34	48	23:39:12
Historic Preservation Committee	11/12/2014	Hist Pres Comm	0:42:08	54	37:55:12
News and Views – (Jan) **	1/1/2015	News & Views	1:00:00	62	62:00:00
News and Views - Anoka Segment	1/1/2015	News & Views	0:15:33	113	29:17:09
Quad Cities Cable Comm (Jan) **	1/15/2015	QCCC	0:16:38	12	3:19:36
Quad Cities Cable Comm (Dec) **	12/18/2014	QCCC	0:17:26	15	4:21:30
2014 Anoka Tree Lighting Ceremony	12/15/2014	Promo	0:01:30	15	0:22:30
Housing & Redevelopment Authority	1/12/2015	HRA	0:46:15	79	60:53:45
** Shared with multiple cities			13:36:18	674	681:23:08

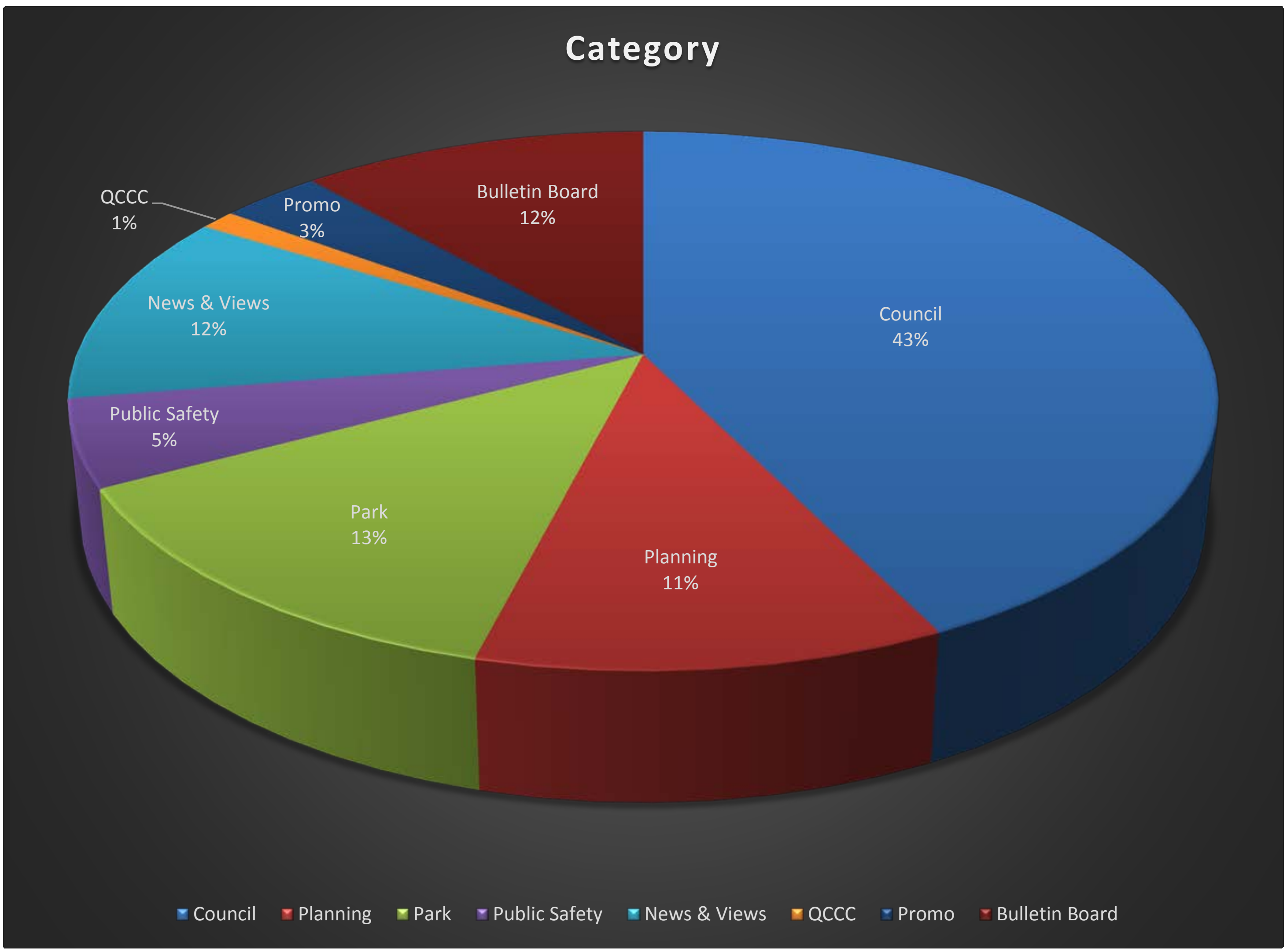
Total Programming Hours:	**681:23:08**
Total Bulletin Board Hours:	**62:36:52**
Total Runs:	**674**
January Total Time:	**744:00:00**
Web Hits:	**1284**

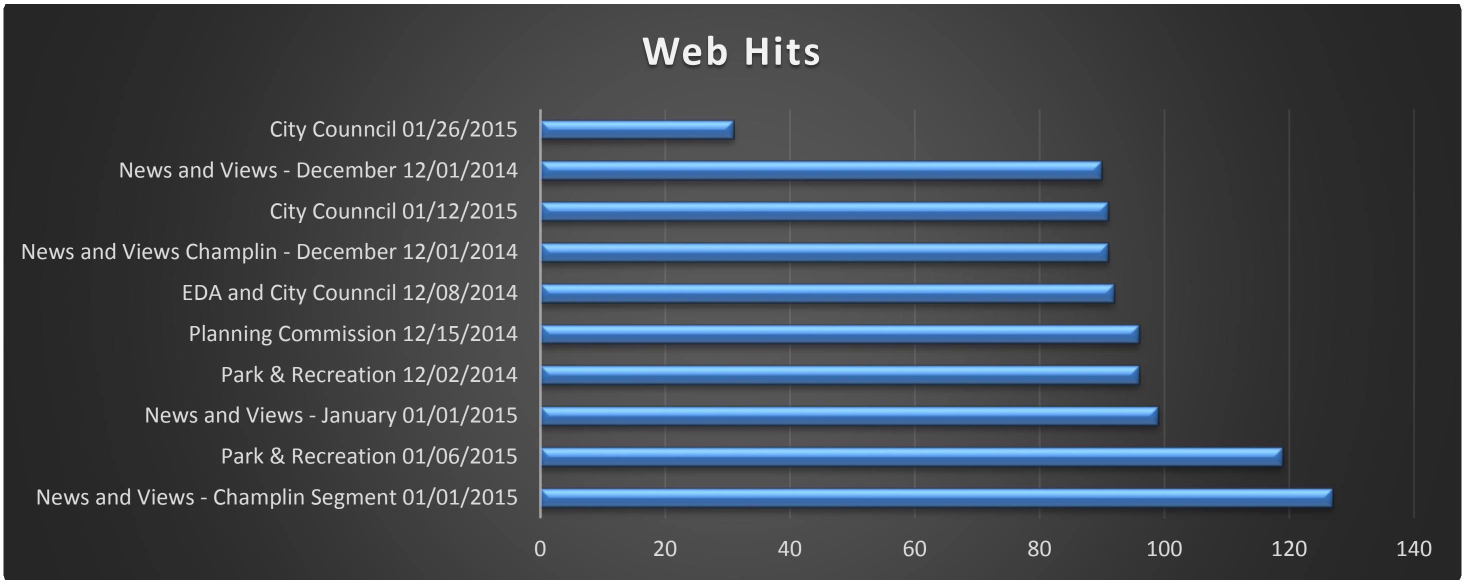
Champlin Channel & Web Statistics
January 2015

Playback:		Shows:		Bulletin Board:		Web Hits:	
Total Runs:	889	New Shows:	7	Total Hours:	67:07	Total Hits:	932
Total Time:	658:29	New Time:	4:04	Saturation:	11.5%		
Saturation:	88.5%	All Shows:	15	**New Champlin:**	**45**		
		All Time	10:40	**New All Cities:**	**220**		

Shared With Multiple Cities		
1/13/2015	Public Safety Talk	0:30:00
1/1/2015	News and Views - Jan	1:00:00
1/16/2015	QCCC - Jan	0:16:38
12/18/2014	QCCC - Dec	0:17:26

Channel Uptime 100%		
Issues	**Percentage**	**Hours**
Scheduling	0%	0
File:	0%	0
Server:	0%	0
Other::	0%	0





Detail

Title	Event Date	Category	Time	Plays	Total
City Council Meeting	1/26/2015	Council	0:26:13	66	28:50:18
City Council Meeting 1-12	1/12/2015	Council	1:10:11	111	129:50:21
EDA and City Council Meeting	12/8/2014	Council	2:50:30	56	159:08:00
Planning Commission	12/15/2014	Planning	0:50:00	97	80:50:00
Planning Commission	11/17/2014	Planning	0:30:24	6	3:02:24
Park & Recreation Meeting	1/6/2015	Park	0:23:50	209	83:01:10
Park & Recreation Meeting	12/2/2014	Park	0:39:07	23	14:59:41
Public Safety Talk **	1/13/2015	Public Safety	0:30:00	77	38:30:00
Public Safety Building Tour	1/14/2014	Public Safety	0:03:23	6	0:20:18
News and Views - January **	1/1/2015	News & Views	1:00:00	61	61:00:00
News and Views - Champlin	1/1/2015	News & Views	0:17:03	85	24:09:15
News and Views - December	12/1/2014	News & Views	1:00:00	1	1:00:00
QCCC (Jan) **	1/16/2015	QCCC	0:16:38	16	4:26:08
QCCC (Dec) **	12/18/2014	QCCC	0:17:26	15	4:21:30
Champlin Department Update	11/13/2014	Promo	0:25:00	60	25:00:00
** Shared with multiple cities			10:39:45	889	658:29:05

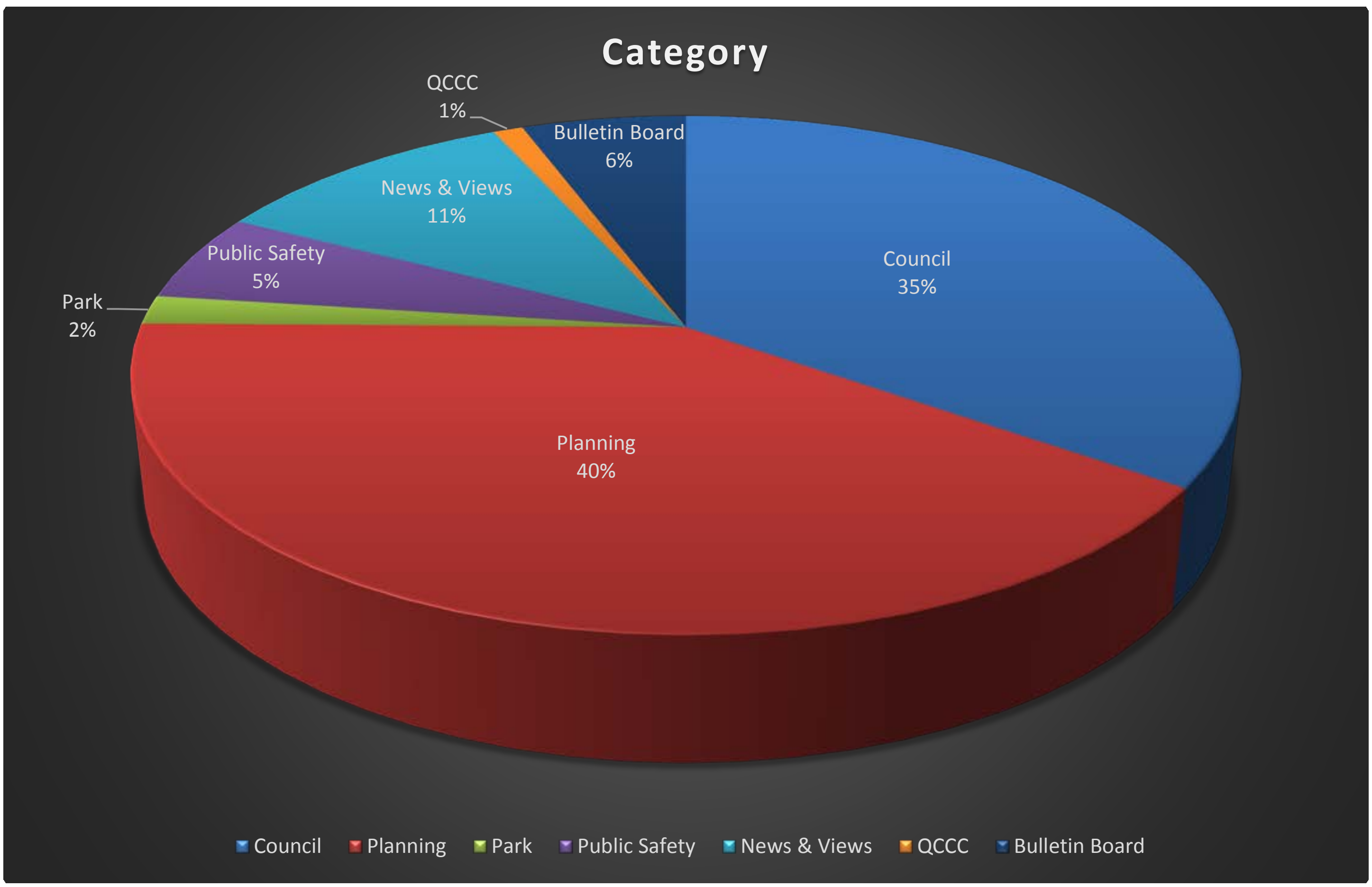
Total Programming Hours:	**676:52:54**
Total Bulletin Board Hours:	**67:07:06**
Total Runs:	**899**
January Total Time:	**744:00:00**
Web Hits:	**932**

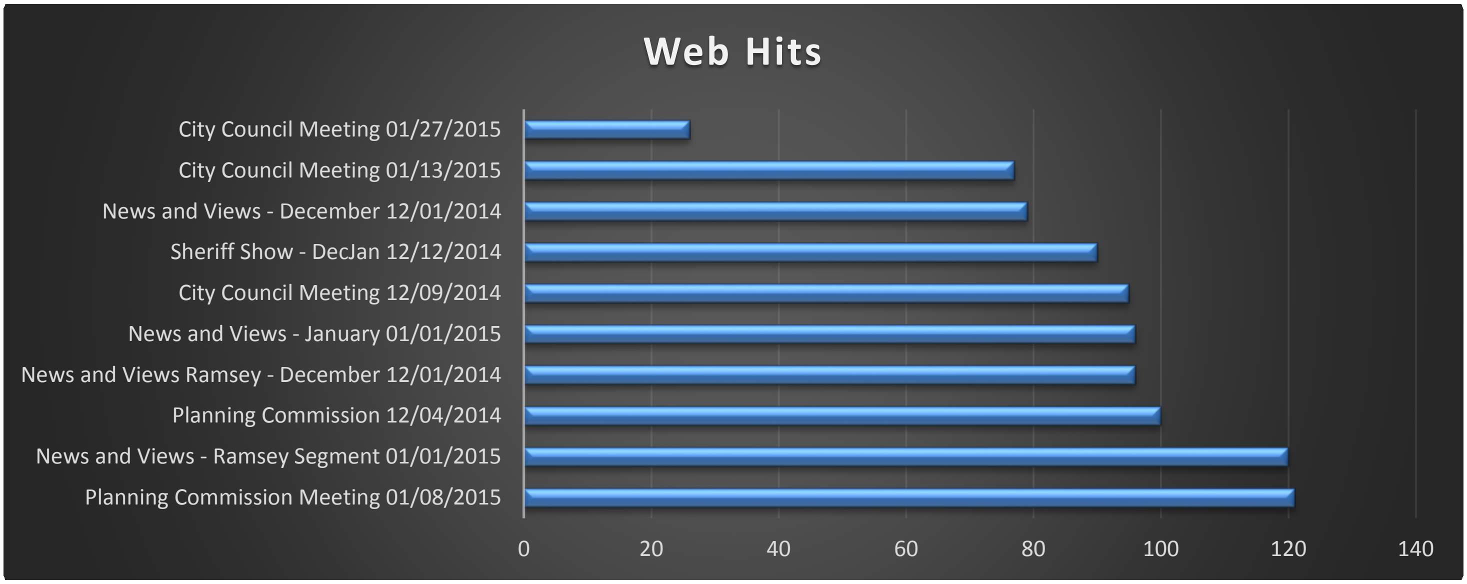
Ramsey Channel & Web Statistics
January 2015

Playback:		Shows:		Bulletin Board:		Web Hits:	
Total Runs:	476	New Shows:	7	Total Hours:	42:33	Total Hits:	900
Total Time:	701:26	New Time:	9:34	Saturation:	5.8%		
Saturation:	94.2%	All Shows	13	**New Ramsey:**	**64**		
		All Time:	15:21	**New All Cities:**	**220**		

Shared With Multiple Cities		
1/9/2015	Public Safety Talk	0:30:00
12/2/2014	The Sheriff Show	0:29:34
1/1/2015	News and Views - Jan	1:00:00
1/15/2015	QCCC (Jan)	0:16:38
12/18/2014	QCCC (Dec)	0:17:26

Channel Uptime 99.94%		
Issues	**Percentage**	**Hours**
Maintenance:	0%	0
File:	0%	0
Server:	0.06%	0:30
Other:	0%	0





Detail

Title	Event Date	Category	Time	Plays	Total
City Council Meeting	1/27/2015	Council	1:40:57	14	23:33:18
City Council Meeting	1/14/2015	Council	2:34:00	41	105:14:00
City Council Meeting	12/9/2014	Council	2:29:42	52	129:44:24
Planning Commission	1/8/2015	Planning	3:15:29	74	241:05:46
Planning Commission	12/4/2014	Planning	1:56:26	31	60:09:26
Park & Recreation Meeting	11/13/2014	Park	0:33:21	24	13:20:24
Public Safety Talk **	1/9/2015	Public Safety	0:30:00	38	19:00:00
The Sheriff Show **	12/2/2014	Public Safety	0:29:34	45	22:10:30
News and Views - Jan **	1/1/2015	News & Views	1:00:00	61	61:00:00
News and Views - Ramsey	1/1/2015	News & Views	0:16:15	68	18:25:00
QCCC (Jan) **	1/15/2015	QCCC	0:16:38	10	2:46:20
QCCC (Dec) **	12/18/2014	QCCC	0:17:26	17	4:56:22
Distracted Driving **	12/12/2013	PSA	0:01:26	1	0:01:26
** Shared with multiple cities			15:21:14	476	701:26:56

Total Programming Hours:	**701:26:56**
Total Bulletin Board Hours:	**42:33:04**
Total Runs:	**476**
January Total Time:	**744:00:00**
Web Hits:	**900**

January 2015 YouTube Statistics

Total Views: **511**
Minutes Watched: **2690**

Detail

Video	Views	Minutes Watched
Sheriff Show Dec 2014/Jan 2015	79 (16%)	341 (13%)
In the Game - Winter Episode	58 (11%)	220 (8.2%)
Chamber Report January	56 (11%)	122 (4.5%)
Antique Appraisal with Mark F Moran	50 (9.8%)	996 (37%)
Cub Scouts Sports ID	43 (8.4%)	9 (0.4%)
News & Views January 2015	32 (6.3%)	107 (4.0%)
Rebel Classic Marching Bands 2014	28 (5.5%)	259 (9.6%)
It's Your History - The 1st Minnesota Infantry of the Civil War	27 (5.3%)	183 (6.8%)
Live and Local Hometown Holiday	23 (4.5%)	113 (4.2%)
LWV ABC Pollinator Advocacy Project HD	19 (3.7%)	95 (3.5%)
1 1 What's New at the Q You Ask	18 (3.5%)	30 (1.1%)
News and Views December HD	8 (1.6%)	5 (0.2%)
Its Your History October 2014	8 (1.6%)	5 (0.2%)
It's Your History December Civil War	7 (1.4%)	21 (0.8%)
09 23 2014 LWV 10th Judicial District Candidate Forum	7 (1.4%)	51 (1.9%)
LWV School Counselor Legislation	7 (1.4%)	3 (0.1%)
Twin Cities Comcast subscribers, has your cable quit working?	7 (1.4%)	5 (0.2%)
The Serakos Story	5 (1.0%)	41 (1.5%)
Champlin Mayoral and Ward 1 & 2 Council Member	5 (1.0%)	3 (0.1%)
Armstrong Interchange Appreciation Event	4 (0.8%)	12 (0.4%)
News & Views November 2014	3 (0.6%)	1 (0.1%)
Child Safety Awareness	3 (0.6%)	0 (0.0%)
Sheriff Show - August 2014	2 (0.4%)	3 (0.1%)
09 25 2014 NMMA Candidate Forum 35 B	2 (0.4%)	2 (0.1%)
Farmers Market Vendor Showcase	1 (0.2%)	2 (0.1%)
Happy Holidays from QCTV!	1 (0.2%)	0 (0.0%)
News and Views HD October 2014	1 (0.2%)	2 (0.1%)
Serakos Story Clip - N&V Version	1 (0.2%)	2 (0.1%)
Live and Local: Back to School Special	1 (0.2%)	0 (0.0%)

Lyric Arts Wall Mural	1 (0.2%)	1 (0.0%)
Andover - A Greener Read Recycling	1 (0.2%)	3 (0.1%)
Champlin Solar Energy Project	1 (0.2%)	1 (0.0%)
Anoka County 4-H Showcase	1 (0.2%)	1 (0.0%)
NMMA Candidate Forum - District 35 A	1 (0.2%)	0 (0.0%)

QCCCC Agenda Item

5.1 Comcast Cable Franchise Transfer of Ownership

February 10, 2015

To: Commissioners

From: Karen George, Executive Director

Subject: Cable Franchise Transfer of Ownership/Settlement Agreement

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Transfer of Ownership to Midwest Cable
The commission has been working on the transfer of ownership process since the Comcast FCC 394 forms received on June 18, 2014.

The commission reviewed the legal, financial, and technical qualifications of GreatLand Connections at a recent work session. Legal counsel report and recommended action is enclosed. Attached are the transfer of ownership resolution, franchise settlement agreement, franchise fee audit report, and MACTA Financial Analysis of SpinCo.

Action Requested:
Approve the franchise settlement agreement between Quad Cities Cable Communications Commission and Comcast.

Approve resolution conditionally transferring the franchise agreements with Quad Cities Cable Communications Commission from Comcast to GreatLand Connections.

Direct staff to present the commission's action and city resolutions conditionally transferring the Quad Cities Cable Communications Commission franchise agreements from Comcast to GreatLand Connections.

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REPORT ON FRANCHISE TRANSFER TO GREATLAND

Dated: February 10, 2015

This Report is prepared for the Quad Cities Cable Communications Commission ("QCCCC") and its member cities—Andover, Anoka, Champlin and Ramsey (the "LFAs"). The Report summarizes our review of several transactions that will result in transfer of the LFAs' franchises. The Report also reviews qualifications of the company that will ultimately control the franchises.

This Report supplements a memorandum dated January 20, 2015, which was distributed and discussed at a recent QCCCC worksession. The prior memo summarizes the terms of a proposed settlement agreement and draft resolution granting conditional consent to the requested franchise transfers described below. Of particular significance, the proposed settlement provides for an up-to eight (8) year extension of the LFAs' franchises due to expire in 2016, along with certain beneficial amendments to the franchises.

OVERVIEW

The cable franchise-holder in the LFAs is a wholly-owned subsidiary of Comcast Corporation ("Comcast"). Comcast indirectly holds the LFAs' franchise ordinances (the

"Franchises"). Comcast requests the LFAs' consent to transfer the Franchises to a newly formed company, GreatLand Connections, Inc. ("GreatLand").[1] GreatLand is to be "spun-off" by Comcast as part of several complicated, interconnected transactions. These include: (i) Comcast's acquisition of Time Warner Cable, Inc. ("Time Warner"); (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 GreatLand, and (v) reorganization of Charter (collectively, "Transactions").[2]

On February 12, 2014, Comcast and Time Warner entered into an Agreement and Plan of Merger. Comcast, the largest US cable operator, sought to assure regulators and other interested parties that its acquisition of the second largest operator would not negatively impact consumers or result in dominance of relevant markets. Accordingly, Comcast explained that it would divest systems and subscribers to reduce its footprint to 30% or less of US video subscribers.[3] This requires divestiture of approximately 4 million Comcast cable customers nationwide.

In April, Comcast and Charter entered a Transaction Agreement[4] to accomplish Comcast's promised divestitures. Comcast will sell some systems to Charter, swap some systems with Charter to consolidate operations in certain geographic areas, and spin-off approximately 2.5 million subscribers/systems to GreatLand. Closing was initially hoped for

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[1] The spin-off company has also been referred to, at various times, as SpinCo, Midwest Cable, LLC and Midwest Cable, Inc. Midwest is the currently incorporated entity, but GreatLand Connections, Inc. will ultimately wholly own and control the franchisee. This report generally refers to "GreatLand."

[2] The description of the transactions is based on the S-1 filed by Midwest Cable, Inc. (GreatLand) on October 31, 2014.

[3] Comcast's Public Interest Benefits Summary, February 13, 2014. The 30% threshold is based on a prior FCC rule.

[4] Transaction Agreement between Comcast Corporation and Charter Communications, Inc. dated April 25, 2014.

early 2015,[5] but that timeline has eroded and closing is now unlikely before the second or third quarter of 2015.

Comcast formed Midwest Cable and its affiliate Midwest Cable Phone-Minnesota, both of which are currently structured as limited liability companies, as wholly-owned subsidiaries of Comcast. As noted, the parent company will ultimately be GreatLand Connections, Inc ("GreatLand"). Comcast created GreatLand to divest subscribers including systems in Minnesota serving more than 550,000 customers. GreatLand will be a publicly traded company.

Comcast will have no direct ownership in GreatLand, but Comcast shareholders will receive stock constituting approximately 66% ownership. Charter will acquire the remaining approximate 33% stake in GreatLand from Comcast shareholders in exchange for Charter stock representing an approximate 13% stake in Charter. Charter will also directly or indirectly control appointment of 6 of 9 seats on GreatLand's board of directors. Charter's CEO, Tom Rutledge, has been named chair of the board.

Charter will be prohibited from increasing its stake in GreatLand for the first two (2) years following the closing of the spin-off and, absent approval from Midwest Cable's non-Charter appointed directors or its non-Charter shareholders, from owning more than 49% of the company for the first four (4) years following closing. Comcast will be prohibited from owning more than 1% of GreatLand for eight (8) years after spin-off.

The parties claim that Charter will have strong incentives to see GreatLand prosper. Charter and GreatLand will enter a "Charter Service Agreement" ("CSA") under which Charter will provide most "customer-facing" functions for GreatLand including customer service, billing, marketing, technician deployment, and network engineering and IT services. GreatLand will

[5] Comcast Corporation Press Release – August 26, 2014.

deliver Charter's "Spectrum" branded services and video programming packages[6] and use Charter's trademarks and intellectual property.[7] The primary functions excepted from the CSA are HR, legal support, accounting, and government affairs.

Charter will receive a fee equal to 4.25% of GreatLand's gross revenues plus reimbursement of its out-of-pocket costs incurred in performing such services. Based on 2013 gross revenues, Charter's payment would be approximately $190 million plus costs. The CSA is to have an initial three (3) year term with automatic one (1) year renewals.

GreatLand will also have a "Transition Service Agreement" ("TSA") with Comcast to provide specified transitional services to Midwest Cable for periods of up to 18 months. Comcast will be paid its incremental costs for providing services. GreatLand will have various other agreements with Comcast and Charter, such as a Separation Agreement with Comcast addressing legal, employee, tax, debt and other spin-off related matters.

The parties characterize these relationships -- particularly under the CSA -- as nearly unique in the cable industry.[8] Although significant changes in operations are plainly inevitable, both in terms of "customer facing" operations and the relationships with the LFAs, the details remain largely unexplained. Many of the changes may be explained in the final CSA, TSA and other relevant agreements and the LFAs requested executed copies of such documents. However, only drafts, subject to material changes, have been made available. GreatLand's S-1 filed with SEC emphasizes the problem, stating:

> The nature and scope of [Charter's] services will be as set forth in the [CSA]..... The terms of the [CSA] have not yet been finalized; changes, some of which may be material, may be made to the terms of the [CSA] before it is finalized,

[6] The parties have not disclosed when Comcast's "Xfinity" offerings will no longer be available.
[7] Charter is "smaller" and has less purchasing power (i.e. ability to by programming at optimal rates) than Comcast. Charter's higher cost of programming will result in upward cable rate pressure.
[8] Comcast/Charter Public Interest Statement, dated June 5, 2014.

> including to the terms described above. You should read the full text of the [CSA], which will be filed with the SEC as an exhibit to the registration statement into which this prospectus is incorporated.

In other words, investors are warned that they must read the final CSA to make informed investment decisions. In order to meet company imposed deadlines, however, the LFAs must rely on drafts of these documents.

On or about June 17, 2014, Comcast filed FCC Form 394s with the LFAs seeking consent to transfer the Franchises. Within 30 days, the QCCCC provided a letter to Comcast explaining deficiencies in the Form 394, requesting additional information, and reserving rights. In particular, the LFAs questioned how the Form 394 (Part II, question 2) could assert that "…[GreatLand] and the legal entity holding the franchise for the cable system that is the subject of this Form 394 have no current plans to change the terms and conditions of service or operations of the system…" QCCCC noted that such claim is inconsistent with plans described in the Form 394 itself and statements and press reports regarding the divestiture to GreatLand.

Comcast responded on or about July 25, 2014, claiming that the Form 394 was not incomplete or inaccurate, stating that "requested information falls outside the scope of this proceeding," and referring the LFAs to a website for publicly available information such as federal regulatory filings. Comcast explained that the assertion that there are "no current plans" to change the terms and conditions of service or operations of the systems was accurate because any planned changes were not final and definitive, and agreements between GreatLand and Charter had not been executed. The QCCCC responded by noting that such semantic games are unproductive.

From that point forward, most communications related to review of the Transactions were initiated by or directed to MACTA's financial consultants, on behalf of participating communities including the QCCCC and its members. Of note, Comcast granted several extensions and the time for action on FCC Form 394 is now March 13, 2015. The Transactions remain subject to several pending regulatory approvals including FCC approval, receipt of financing, and other contingencies beyond the LFAs' ability to control or influence.[9]

LEGAL STANDARDS

Federal laws and regulations, Minnesota state law, and the Franchises all apply to review of Comcast's request. The Cable Communication Policy Act of 1984, as amended (the "Cable Act") establishes national policies for cable television regulation. Under the Cable Act, a franchisee must receive franchising authority consent to transfer a franchise. The Cable Act (47 U.S.C. § 537) establishes a deadline for review of a cable franchise transfer, stating:

> 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.[10]

The Federal Communications Commission ("FCC") has promulgated regulations governing the sale of cable systems (47 C.F.R. § 76.502). The FCC also promulgated "FCC

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[9] Form 10-Q at p. 40.

[10] The Cable Act (47 U.S.C. § 533(d)) also provides:

> Regulation of ownership by States or franchising authorities. Any State or franchising authority may not prohibit the ownership or control of a cable system by any person because of such person's ownership or control of any other media of mass communications or other media interests. Nothing in this section shall be construed to prevent any State or franchising authority from prohibiting the ownership or control of a cable system in a jurisdiction by any person (1) because of such person's ownership or control of any other cable system in such jurisdiction, or (2) in circumstances in which the State or franchising authority determines that the acquisition of such a cable system may eliminate or reduce competition in the delivery of cable service in such jurisdiction.

Form 394" which cable operators must file with local franchising authorities to trigger the 120-day review period. Comcast properly filed FCC Form 394s.[11]

Minnesota state law also comprehensively addresses cable franchising. Under Minnesota Statutes, Section 238.083, subd. 2, and corresponding language in the Franchises, the LFAs must approve or deny in writing any "transfer" creating a "new controlling interest in a cable communication system" including either a change in ownership or a change in actual working control, however exercised. "The approval cannot be unreasonably withheld." Minn. Stat. § 238.083, subd. 4.

The LFAs' authority to deny or condition approval is expressly limited only by the Minnesota statutory directive that approval may not be "unreasonably withheld." Municipal decisions enjoy a presumption of correctness and will be reversed only when they reflect an error of law or where the findings are arbitrary, capricious, or unsupported by substantial evidence. *Cable Communications Bd. v. Nor-West Cable Communications Partnership*, 356 N.W.2d 658, 668 (Minn. 1984). Where the evidence is conflicting or more than one inference may be drawn from the evidence, municipal findings will be upheld. *City of Minneapolis v. Richardson*, 239 N.W.2d 197, 202 (1976); *Charter Communications v. County of Santa Cruz*, 304 F.3d 927 (9th Cir. 2002) (local determinations regarding cable franchise transfer are entitled to significant deference and will be sustained if fairly debatable).

The FCC Form 394 requires submission of information focused on the legal, technical, and financial qualifications of the transferee or party controlling the franchise-holder, and does

[11] Under applicable FCC regulations, a franchising authority has 30 days from filing of an FCC Form 394 to question the accuracy of information provided, and the franchisee has 10 days to provide "additional information reasonably requested by the franchise authority." 47 C.F.R. 76.502(b). The LFAs timely questioned the accuracy of Comcast's Form 394 filing and requested additional information. Comcast largely refused to provide such information but did repeatedly extend the deadline for action in conjunction with releases of modified or previously

not facilitate review of the broader public interest impacts of a franchise transfer. However, the applicable legal standard is that the LFAs' action must simply be reasonable.

Finally, if the transfer is denied based on written findings, Comcast would likely consider: a) closing the transaction (assuming federal approval) despite such denial, then wait to see what further actions are taken locally, or; b) file suit to challenge the denial (the QCCCC and LFAs have LMCIT insurance coverage for such suits), or; c) "carve out" the QCCCC system from the overall transaction so Comcast remains the legal owner, and close on all systems where approvals were granted. In this last scenario, GreatLand (i.e. Charter) would likely contract to operate and manage the "carve out" systems while further negotiating for approval or pursuing litigation.

<u>ANALYSIS</u>

A. INFORMATION REVIEWED

The QCCCC has received a final report from two consulting firms evaluating the financial implications of the Transactions.[12] The financial consultants' report details the documents, filings, and other information reviewed in evaluating the Transactions. In addition to the information listed in the financial report, we have reviewed the following:

1. All filings in *In the Matter of the Complaint by the Minnesota Department of Commerce Against the Charter Affiliates Regarding Transfer of Customers*, MPUC Docket No. P-6716, 5615/C-14-383 ("Charter Investigation"), and;

2. All filings in *In the Matter of the Midwest Cable Phone of Minnesota, LLC Application for Authority to Provide Telephone Service in the State of Minnesota*, Docket No. P6927/NA-14-507 and *In the Matter of the Midwest Cable Phone of Minnesota, LLC Petition for*

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undisclosed information regarding the Transactions. Comcast's current claimed deadline for the LFAs is March 31, 2015. The LFAs reserve their rights but intend to act prior to such deadline.

[12] The Minnesota Association of Community Telecommunications Administrators (MACTA) engaged two firms: Ashpaugh & Sculco, CPAs and Front Range Consulting, to evaluate financial aspects of Comcast's intended spin-off to GreatLand Connections. MACTA members including QCCCC financially contributed to this cooperative effort and are entitled to rely on the consultants' final report.

Approval to Transfer Regulated Customers and Assets, MPUC Docket No. P6927/PA-14-513 (together, "Comcast Telephone Proceedings").

To the extent documents listed in the financial report are specifically referenced in this Report, we have cited the source.

B. DISCUSSION

1. FINANCIAL QUALIFICATIONS

Applicable law does not specify criteria for evaluation of financial qualifications of a cable franchise transferee. The FCC Form 394 itself suggests that, at an absolute minimum, the applicant must demonstrate it has "sufficient net liquid assets on hand or available from committed resources" to consummate the transaction and operate the system, together with its existing operations, for three (3) months. This is an absolute minimum standard.

The consultants' financial report speaks for itself. In sum, that report indicates that the divesture to GreatLand likely will not benefit the systems or subscribers and can be expected to result in increased operational costs, upward rate pressure, potentially reduced capital resources available for system needs and competition, and possible reductions in customer service quality.

The financial report focuses largely on the fact that GreatLand and Charter will be encumbered with new debt. GreatLand will incur indebtedness to "pay for" the 2.5 million subscribers, and systems and assets Comcast will divest. GreatLand's debt amount is to be based on 5.0 times its estimated 2014 EBITDA (earnings before interest, taxes, depreciation and amortizations).[13] The anticipated amount is currently expected to be $7.8 billion.

The financial report analyzes how GreatLand's estimated 2014 EBITDA is being calculated and raises concerns about whether $7.8 billion in debt will exceed 5xs EBITDA. The

[13] This amount must be estimated because GreatLand will have no independent operations or earnings in 2014 or prior years.

financial report also raises concerns about GreatLand's obligation under the CSA to pay Charter a fee of 4.25% of its total revenues, plus costs for services Charter actually renders, for at least 3 years, and the fact that, even with the benefit of Charter's programming, GreatLand will be subject to higher programming costs. The report identifies concerns about whether GreatLand's increased operational and overhead costs are properly being accounted for in calculation of EBITDA and the corresponding amount of debt GreatLand will initially bear.

2. LEGAL AND TECHNICAL/OPERATIONAL QUALIFICATIONS

As with financial qualifications, there are no specific criteria for evaluating a transferree's legal or technical qualifications. FCC Form 394 focuses on whether the proposed transferee intends to, and is able to, properly operate the system, provide cable services and comply with the local franchise and other applicable laws and regulations and will operate in accordance with such obligations. The FCC Form 394 filed with the LFA's includes a certification that GreatLand will "use best efforts" to comply with the Franchises and all applicable laws and regulations, and will "cure any violations thereof or defaults presently in effect or ongoing."

GreatLand is a newly created entity with no existing franchises and no operating history to review. GreatLand's Executive Management Team will include the following cable and communications industry executives: 1) Michael Willner, President and CEO; 2) Leonard Baxt, Vice President, Chief Administrator Officer; 3) Matt Siegel, Executive Vice President and Chief Financial Officer; and 4) Keith Hall, Executive Vice President, Corporate Affairs. Mr. Willner is a forty-year cable veteran and the former President and CEO of Insight Communications. Many GreatLand executives are former Insight Communications executives that worked under Mr.

Willner. GreatLand expects to employ regional area managers and local managers responsible for overseeing local operations.

Charter will be intimately involved in operation of GreatLand systems.[14] Charter provides service in 29 states, and operates cable systems throughout Minnesota in such cities as Apple Valley, Buffalo, Duluth, Mankato, Monticello, Owatonna, St. Cloud, Rosemount, Rochester, and many others. Under the CSA, Charter will provide a wide range of services to GreatLand including:

a. Programming Procurement and Management. Charter will provide programming and will negotiate and manage video programming agreements. Charter will also provide such things as product hardware and software licensing.

b. Network Operations. Charter will provide telecom network services including connectivity for voice, video and data, Video On Demand, network security, authentication of services and network monitoring and outage detection.

c. Engineering & IT. Charter will provide engineering and IT services including: (i) software for managing customer transactions and provisioning of services; (ii) management of accounting, billing, labor, budgeting and financial analysis; and (iii) management of data centers.

d. Voice Operations. Charter will process orders for phone installations and handle telephone number provisioning and local number management and portability.

e. Field Operations. Charter will provide field operations services including dispatch, plant database software systems, network failure software and maintenance prioritization, technician activity and productivity reporting, warehousing, tools, standards for technician communications, plant design and construction standards and fleet management.

f. Customer Service. Charter will provide customer care services directly or through its vendors including call answering for sales, billing, repair, and retention for all products and services including video, voice and data, service and billing, and online customer care portals.

g. Billing & Collections. Charter will provide billing and collections services including collection of receivables, cash management and disconnects.

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[14] Form 10-Q at p. 6.

h. Product. Charter will provide: (i) customer-facing product development; (ii) project management services; and (iii) website hosting, video content management and web mail hosting. Any services bearing Charter's brand name will be co-branded so consumers know GreatLand is providing such service.

i. Marketing & Sales. Charter will provide: (i) marketing services; (ii) analysis of sales performance; and (iii) all customer and non-customer facing messaging.

j. Administrative and Back Office Services. Charter may provide accounts payable, general ledger, database systems, and payroll administration.

Comcast and GreatLand sent identical letters dated September 30, 2014 to all Twin Cities franchising authorities via their respective legal counsels. The letters addressed questions about GreatLand operations, stating, in part, as follows:

> **Will [GreatLand] have local Twin City employees?**
>
> All local system field operational (technical) personnel will be [GreatLand] employees. All government affairs personnel interacting with local franchising authorities will also be [GreatLand] employees. Other operational services will be provided by Charter personnel as described below.
>
> **Will Xfinity cable services remain available?**
>
> Cable services will eventually be transitioned from Xfinity branding to Charter's "Spectrum" brand. [GreatLand] customer invoices will identify products and services as being "Spectrum by [GreatLand]." The products and services may also be co-branded as "[GreatLand] and Charter," in certain markets.
>
> **Customer E-Mail Transition.**
>
> Post-closing, customers will continue to use their Comcast email account until they migrate to a [GreatLand] email account. Comcast customers will not indefinitely retain their existing "@comcast.net" email address after migrating to the [GreatLand] service, as Comcast owns that domain. However, emails sent to the customer's former "@comcast.net" email address will be automatically forwarded to the customer's new [GreatLand] email address for an "ample period of time" that is mutually agreeable to both companies. It is not clear if the email domain will be owned by Charter or [GreatLand].
>
> **Phone Number Continuity.**

The Transaction will not require any change in customer phone numbers. Existing Comcast telephone customers will be able to keep their current phone numbers permanently.

Customer Equipment.

Customers will be able to continue to use their current premises equipment after the Transaction closes. [GreatLand] will rely initially on Comcast for transition services to support the X1 platform. [GreatLand] ultimately will deploy the Spectrum product suite developed by Charter, which will include a cloud-based user interface similar to the one X1 provides. The Spectrum guide is designed to improve significantly television search and discovery functionality. Of critical importance here, the Spectrum product is designed to accommodate current subscriber equipment (including deployed X1 boxes). Accordingly, Customers who already have X1 equipment should be able to continue using that equipment even after [GreatLand] transitions to the Spectrum offering. After the transition, [GreatLand] video customers will also have authenticated access to programming at no extra charge via the Spectrum TV App – which is compatible with the Apple iPad, iPhone, and iPod Touch running iOS6 or higher; all Amazon KindleFire devices (excep for the first generation KindleFire); and all tablets and phones running Android 4.0 and above.

Customer Billing.

Customers will begin to see bills (at the same time of the month) from [GreatLand] and not Comcast. Approximately 15% of the customers pay online, directly from their bank (whether via recurring payments or one-time). These customers are the only customers that will be required to do anything to adjust their billing arrangements as they will be required to update their on-line banking information to direct payments to [GreatLand] rather than to Comcast. This would not occur for several months after close, and [GreatLand] will notify customers of the change – targeting customers who pay in this fashion with messaging.

GreatLand essentially seeks to rely on Charter's experience, technical capabilities and operating history to address its legal and technical qualifications. We are concerned, however, about Charter's commitment to ensuring that GreatLand complies with its Franchises and other obligations including its certifications in the FCC Form 394. The unsigned CSA does not impose performance standards on Charter, does not require Charter to report metrics regarding its performance for GreatLand, and establishes no mechanisms to evaluate how Charter-delivered services impact GreatLand's performance. In short, Charter will receive its 4.25%

management fee if it delivers “customer-facing” services poorly, or even in a manner that causes GreatLand to breach the Franchises or other applicable law.

In response to questions posed by the QCCCC and its financial consultants, Comcast, GreatLand and Charter essentially seek to have it both ways. They point to Charter’s ownership of 33% of GreatLand, along with the 4.25% fee Charter will be paid based on GreatLand’s revenues, as evidence that Charter has incentive to service GreatLand in a manner that promotes its success. Yet, the parties simultaneously emphasize that GreatLand will be operated entirely independent of Charter and that structural barriers have been negotiated to limit Charter’s immediate control. How these competing forces will be reconciled remains unanswered.

Moreover, the parties fail to acknowledge other Charter’s other incentives. Specifically, GreatLand’s financial picture might be improved, at least in the short term, if its costs are reduced. Charter could, for example, seek to limit GreatLand’s operating costs by acting in a manner that reduces its performance under the Franchises or applicable law. Regardless of the level of service Charter causes GreatLand to provide, Charter will receive its significant management fee and be reimbursed for its costs of delivering services. Thus, Charter may have financial incentives -- in its own right and as part owner of GreatLand-- to reduce the quality or level of GreatLand’s performance or otherwise limit its operational costs.

We asked how GreatLand’s operation of the Systems, in conjunction to some degree with Charter, will change. We particularly inquired about customer service changes. In response, Comcast (on behalf of GreatLand) stated that the Transactions will not interfere with GreatLand’s ability to comply with the Franchises, nor cause adverse impact on local cable service or operations.[15] Further, Comcast and GreatLand repeatedly claimed that no operational

[15] FCC Form 394, Exhibit 6. We challenged this assertion but Comcast (for GreatLand) did not modify its stance.

changes are "planned" and no changes in performance under the Franchises should be expected. Such claims are puzzling. It is self-evident that the Transactions contemplate significant changes in operations.

Proceedings before the Minnesota Public Utilities Commission ("PUC") related to telephony issues support our concerns.[16] In the Charter Investigation, the Minnesota Department of Commerce ("DOC") claims that telephone customers of Charter subsidiary companies regulated by the PUC were transferred in 2013 to unregulated subsidiaries without PUC approval or prior customer consent or notice (a practice known as "slamming") in violation of several state laws and regulations. These subsidiaries are now providing telephone services without (allegedly required) PUC authorization. The DOC claims that the harms caused by such action may include "severe risk of the loss of customer privacy, exposure to slamming and cramming, loss of services for disabled and low-income subscribers, and discriminatory price gouging."

The PUC has determined it has jurisdiction over the DOC's complaint, ordered Charter to answer, and commenced an investigation. In response, Charter claims that PUC approval was not required because all of the affected customers receive local phone service from Charter using VoIP (Voice over Internet Protocol) technology. Charter claims that its VoIP voice services are not, and were never, under the PUC's jurisdiction because such state authority is preempted by federal law. Thus, Charter argues it may provide VoIP services on an unregulated basis and may transfer customers between its subsidiaries without notice or consent, and without PUC approval.

In its latest comments, the DOC alleges that Charter "took the law into its own hands" without a plausible legal theory. The DOC emphasizes the significance of the Charter

[16] Telephony is regulated almost exclusively by the PUC. The QCCCC and LFAs have very little role in such matters. However, the PUC's standards for review of the telephony petitions discussed herein are similar to those

Investigation relative to the planned divestiture of Comcast's systems in Minnesota to GreatLand, noting that if those transactions are approved Charter will become one of the two largest telecommunications providers in the state. The DOC warns that Charter should be expected to operate GreatLand with no greater regard for applicable state laws and regulations than it operates its own systems and services. The DOC recommends rejection of Charter's preemption argument as legally meritless and based on false factual allegations. The DOC further recommends that the PUC find multiple violations of state laws and regulations, and imposition of several serious sanctions.[17] Charter vigorously disputes the DOC's position.

To their credit, Comcast and GreatLand have taken a different tack via the Comcast Telephone Proceedings. In June, 2014, the companies properly petitioned the PUC to approve transfer of telephone service authorizations from Comcast to GreatLand in preparation for divestiture of the Minnesota systems. A Comcast subsidiary, Comcast Phone of Minnesota, Inc., holds a certificate of authority from the PUC to provide facilities-based local exchange, resold local exchange, and long distance services in Minnesota. Notwithstanding, Comcast and GreatLand present fundamentally the same argument raised by the Charter Investigation; i.e. that the PUC lacks jurisdiction over VOIP-delivered local telephone service.

The DOC claims that the arrangements proposed or approvals sought in the Comcast Telephone Proceedings are unclear. Specifically, the DOC notes that Charter's role remains uncertain because the CSA is not final and descriptions of Charter's role have changed over time. However, based on available information, the DOC concludes that Charter will almost certainly

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applicable to review of the requested Franchise transfers. More importantly, the legal issues and questions raised by the DOC and PUC are strikingly similar to those identified in this report and the consultants' financial report.

[17] The DOC states that "Charter's Answer [in the Charter Investigation] is misleading and deceptive." The DOC further describes Charter's arguments as disingenuous and indicative of the company's lack of trustworthiness, including relative to company representations to its customers and the public.

have significant influence over GreatLand. The DOC notes that Charter's president and CEO will be chairman of GreatLand's board of directors. Due to this lack of clarity, the DOC recommends that the PUC deny the request that GreatLand receive telephone service authority in Minnesota, and deny the request to transfer telephone assets to GreatLand. PUC denial of the petitions, if sustained, could dramatically impact the proposed spin-off of the Minnesota systems.

The PUC is currently scheduled to consider the Comcast Telephone Proceedings at the end of February. PUC staff submitted "Briefing Papers" on February 3, 2015. PUC staff recommends either denial of the petitions or approval conditioned upon rejection of the VoIP preemption argument and imposition of standard telephony regulations on all local telephone services provided by GreatLand subsidiaries. Further, with respect to Charter's role, the Briefing Papers indicate that "[w]ith interrelated ownership, management and financial interests" it is reasonable to conclude that Charter will exert some influence on GreatLand, but "no quantifiable evidence" has been presented to confirm the degree of that influence. Staff suggests that the PUC may wish to refer this issue to an administrative law judge to further develop the record.

In response, GreatLand submitted an untimely letter to the PUC on February 6th committing that its "VoIP affiliate" will abide by whatever terms and conditions are imposed in the Charter Investigation, or otherwise agreed to by Charter to settle that proceeding. GreatLand claims this should not be "interpreted as suggesting that [GreatLand] is in any way controlled by Charter, or in any way legally obligated to accept or adopt the consequences of any resolution of the [Charter Investigation]…" Notwithstanding, GreatLand's latest commitment plainly confirms the existence of a very close--- albeit uncertain and not finalized--- relationship between Charter and GreatLand.

The PUC's proceedings reinforce our view that Charter's role in the future operation of GreatLand remains (nearly a year later) uncertain. Charter will undoubtedly be intimately involved, but the details remain largely undisclosed and unexplained.[18]

CONCLUSION

While we have significant concerns about the Transactions and Greatland's qualifications (due primarily to the lack of clarity regarding the relationship between GreatLand and Charter), for reasons explained in our prior memorandum we believe that the settlement agreement and conditional consent resolution provide an appropriate path forward. The settlement provides very real and tangible benefits and the conditions in the resolution offer some protections against the uncertainties faced. We recommend that path.

[18] The parties may not want to clarify Charter's future role with GreatLand based on concern that actions or legal positions Charter has taken in recent years with local franchising authorities will reflect negatively. We represent approximately 20 such local authorities in Minnesota and could specify problems or concerns related to Charter's performance in other communities. However, this report does not include an evaluation of Charter's performance or qualifications because Charter's role with GreatLand remains uncertain and subject to change.

FRANCHISE SETTLEMENT AGREEMENT

THIS AGREEMENT is made as of the ___ day of January, 2015, by and between the Quad Cities Communications Commission ("Commission"), a municipal joint powers organization, and Comcast of Minnesota, Inc. ("Grantee"), collectively the "Parties."

WHEREAS, the Commission was established under Minnesota Statutes, Section 471.59 pursuant to a joint powers agreement by and between the cities of Andover, Anoka, Champlin and Ramsey, all Minnesota municipal corporations, and;

WHEREAS, the Commission is authorized to enter this Agreement on behalf of its member cities, and;

WHEREAS, Grantee operates a cable system in the Commission's member cities pursuant to substantively identical cable franchises granted by each city ("Franchises");

WHEREAS, the Parties desire to resolve certain outstanding issues through this Agreement;

NOW THEREFORE, IN CONSIDERATION of the mutual covenants, terms, conditions and representations contained herein, the Parties agree as follows:

A. Franchise Extension.

1) The Franchises are currently set to expire in or about March, 2016. The Grantee and Commission, on behalf of its member cities, hereby agree to extend the Franchises, subject to the modifications contained herein, through August 31, 2020, provided, however, that the Franchises will be further automatically extended through December 31, 2024 unless the Grantee or its lawful successor requests, in writing, renewal of the Franchises on or before March 1, 2018. The Parties do not waive any rights under Section 626 of the Federal Cable Act.

B. PEG – HD PEG Channels, Electronic Programming Guide, and PEG Funding.

2) Section 6 of the Franchises[1] sets forth obligations related to PEG channels and requires the provision of four (4) PEG channels. Grantee currently carries PEG channels in a standard definition (SD) digital format to all subscribers in the Commission's member cities.

3) Upon 90 days' notice, Grantee will carry one (1) PEG channel in a high definition (HD) format on the cable system such that the Commission will continue to have four (4) PEG Channels; three (3) carried in SD and one (1) carried in HD. Any time after twelve (12) months from the date of this Agreement, Grantee will carry an additional PEG channel in HD in the same manner as the first HD channel, such that the Commission will continue to have four (4)

[1] Section numbers in some of the member cities' Franchises may have changed as a result of ordinance codification.

PEG Channels; two (2) carried in SD and two (2) carried in HD. At the time of activation of the HD capacity provided for herein, the Commission must have local, non-character generated programming available in HD format so as to provide content of value to viewers and not have a blank HD channel or channels.

4) Grantee will deliver the HD signal to subscribers so that it is viewable without degradation, provided that it is not required to deliver a HD PEG Channel at a resolution higher than the highest resolution used in connection with the delivery of local broadcast signals to the public. Grantee may implement HD carriage of the PEG channel in any manner (including selection of compression, utilization of IP, amount of system capacity or bandwidth, and other processing characteristics) that produces a signal as accessible, functional, useable and of a quality comparable (meaning indistinguishable to the viewer) to broadcast HD channels carried on the cable system.

5) The HD PEG Channel will be assigned a number near the other HD local broadcast stations if such channel positions are not already taken, or if that is not possible, near HD news/public affairs programming channels if such channel positions are not already taken, or if not possible, as reasonably close as available channel numbering will allow.

6) Commission acknowledges that HD programming may require the viewer to have special viewer equipment (such as an HDTV and an HD-capable digital device/receiver), but any subscriber who can view an HD signal delivered via the cable system at a receiver shall also be able to view the HD PEG channel at that receiver, without additional charges or equipment. By agreeing to make PEG available in HD format, Grantee is not agreeing it may be required to provide free HD equipment to customers including complimentary municipal and educational accounts and universal service accounts, nor modify its equipment or pricing policies in any manner. Commission acknowledges that not every customer may be able to view HD PEG programming (for example, because they don't have an HDTV in their home or have chosen not to take an HD capable receiving device from Grantee or other equipment provider) or on every TV in the home.

7) Grantee will provide a bill message announcing the launch of the HD PEG channel; however Commission acknowledges that not all customers may receive the bill message notice in advance of the channel launch in the interests of launching the channel sooner.

8) Grantee will make its electronic programming guide vendor ("EPG provider") available giving the Commission or its member cities the ability to place PEG channel programming information on the Grantee's interactive channel guide. Grantee will be responsible for providing the designations and instructions necessary to ensure the channels will appear on the programming guide throughout the jurisdictions that are part of the Commission, and for any headend costs associated therewith. The Commission shall be responsible for providing programming information to the EPG provider and for any costs the EPG provider charges to programmers who utilize its service. This obligation shall not apply to any PEG channels for which there is a technical impediment to providing guide listings, for example, in the event a PEG channel is narrowcasted or split among more than one PEG programmer or source such that not all viewers see the same programming on that channel.

9) Grantee shall make reasonable efforts to minimize channel movements of the PEG channels. Prior to any change in the channel designation of a PEG channel or channels Grantee shall provide the minimum sixty (60) day notice to the Commission as required by applicable FCC regulations, and shall use best efforts to provide one hundred and twenty (120) days written notice to the Commission. Such notice must identify the proposed new channel designation(s). In addition, Grantee shall reimburse the Commission's costs to market new PEG channel designation(s) in an amount not exceed $2,500.00 per relocated channel and will provide bill notices to customers.

10) Grantee will continue to provide PEG support in accordance with the Franchises provided, however, that the initial PEG grants totaling $700,000.00 (the "Initial Grant") shall not be replicated. Grantee may continue to collect from customers an amount to recover the Initial Grant until it is fully recovered on or about March 31, 2016. Beginning March 31, 2016, in addition to PEG support required by the Franchises, Grantee will pay to the Commission a PEG fee in the amount of $0.20 per subscriber/per month. Such PEG fee may be added to Grantee's recovery of the PEG support required by the Franchises and may be passed through and charged to subscribers as permitted by the Franchises. The annual capital grant for 2016 and any subsequent years during the extended term of the Franchises will be paid according to the terms of the Franchises.

C. Franchise and PEG Fee Payment Correction; Clarification Going Forward.

11) Grantee will pay the Commission $55,619.39 in full settlement of the franchise and PEG fees allegedly underpaid for periods prior to the date of this Agreement. Grantee's payment shall be due within 45 days of the Commission's approval of this Agreement, unless otherwise agreed by the Parties.

12) Grantee shall allocate fees and revenues generated from bundled packages of services to cable revenues in accordance with GAAP which provides for a pro rata based on the current published rate card for the packaged services delivered on a stand-alone basis. The Franchises shall be amended accordingly, and such amendments shall be substantially as follows:

To the extent revenues are received by Grantee for the provision of a discounted bundle of services which includes Cable Services and non-Cable Services, Grantee shall calculate revenues to be included in Gross Revenues using a GAAP methodology that allocates revenue on a pro rata basis when comparing the bundled service price and its components to the sum of the published rate card, except as required by specific federal, state or local law (for example, it is expressly understood that equipment may be subject to inclusion in the bundled price at full rate card value). The Commission reserves its right to review and to challenge Grantee's calculations.

Grantee reserves the right to change the allocation methodologies set forth in this section in order to meet the standards required by governing accounting principles as promulgated and defined by the Financial Accounting Standards Board ("FASB"), Emerging Issues Task Force ("EITF") and/or the U.S. Securities and Exchange Commission ("SEC"). Grantee will explain and document the required changes to the Commission upon request or as part of any audit or review of franchise fee payments, and any such changes shall be subject to the next subsection below.

Resolution of any disputes over the classification of revenue should first be attempted by agreement of the Parties, but should no resolution be reached, the Parties agree that reference shall be made to generally accepted accounting principles ("GAAP") as promulgated and defined by the Financial Accounting Standards Board ("FASB"), Emerging Issues Task Force ("EITF") and/or the U.S. Securities and Exchange Commission ("SEC"). Notwithstanding the forgoing, the Commission reserves its right to challenge Grantee's calculation of Gross Revenues, including the interpretation of GAAP as promulgated and defined by the FASB, EITF and/or the SEC.

D. Complimentary Cable Services.

13) Section 7 of the Franchises requires Grantee to provide Basic Cable Service "and any equipment necessary to receive such service, free of charge" to one drop and one outlet at institutions receiving such service upon adoption of the Franchises and additional institutions listed in Exhibit A to the Franchises. Grantee agrees to continue to provide the necessary digital converter equipment to receive Basic Cable Service (currently a digital converter or DTA at Grantee's option) at all outlets currently receiving free service at such locations. Grantee agrees to provide digital converter equipment for up to 3 outlets per location free of charge, and may charge for additional converters necessary to continue receiving services beyond the first three, provided that Grantee will provide an additional 5 high definition digital converters to each member city to serve additional outlets at municipal locations at the Commission's discretion.

E. Insurance

14) Grantee agrees that the Franchises will be amended to increase Grantee's required insurance coverage to not less than $1,500,000.00 for personal injury or death to any one person, and not less than $1,500,000.00 for property damage to any one person. The insurance coverage requirements shall otherwise be unchanged.

F. Transfer Consent.

15) This Agreement is subject to adoption of the Transfer Resolution, attached hereto and incorporated herewith as **Exhibit A**, by the Commission's member cities no later than February 27, 2015.

16) Grantee agrees to reimburse the Commission for its actual costs related to the review of the Transaction in the amount not to exceed $ **_________** to be paid within 45 business days of adoption of the Transfer Resolutions. The Parties agree that this payment shall not be deemed to exceed the franchise fee cap specified in Section 622(a) of the Cable Act, 47 U.S.C. § 542(a), and shall at no time be offset against or deducted from franchise fee payments, grants or other financial support or in-kind compensation paid to the Commission under the Franchise. This provision is agreed to solely for the purpose of this Settlement Agreement, and does not prejudice either party from taking a different position regarding the franchise fee issues in the future.

G. Amendment of the Franchises

17) The Commission and Grantee acknowledge and agree that implementation of this Agreement will require amendments to the Franchises. The Commission agrees to promptly prepare and present such amendments for consideration by the member cities, and Grantee agrees to timely accept such Franchise amendments, as they are adopted.

H. Release.

18) In consideration of the benefits conferred herein, the Commission and its member cities release and forever discharge the Grantee, including its agents, employees, parents, subsidiaries and affiliates from any and all claims and release and forever discharge it from all Franchise-related claims, Franchise violations, and Franchise-related compliance issues as of the effective date of this Agreement.

I. Miscellaneous Provisions.

19) This Agreement is a compromise. The Parties agree that this Agreement may not be used to prove that there is a need or interest (or lack thereof) in decreasing, increasing or maintaining the current number of PEG channels, or in the need or interest (or lack thereof) in providing PEG in HD, or in other formats.

20) Each Party represents that it has the power and authority to enter into this Agreement. Any breach of this Agreement shall be subject to all remedies available to the Parties at law or in equity and shall be enforceable as obligations of the Franchises.

21) This Agreement sets forth the entire agreement of the Parties with respect to its subject matter, there being no other promise or inducement to or for the execution of the Agreement other than the consideration cited above. There are no contingencies, conditions precedent,

representations, warranties, or other agreement, or otherwise, regarding settlement between the Parties not stated herein.

22) The Parties acknowledge that this Agreement is the product of negotiations between the Parties and does not constitute, and shall not be construed as an admission of liability on the part of any Party.

23) This Agreement shall insure to the benefit of, and shall be binding on, the Parties and their respective successors and assigns.

24) This Agreement may not be modified or amended, nor any of its terms waived, except by an amendment signed by duly authorized representatives of the Parties.

25) This Agreement shall be construed and enforced in accordance with the laws of the State of Minnesota without regard to conflicts of law principles.

26) The Parties shall not take any action to challenge, or cause another person or entity to challenge, any provision of this Agreement as contrary to or unenforceable under applicable laws, regulations, orders and decisions, nor will they participate with any other person or entity in any such challenge to this Agreement.

27) This Agreement shall be effective upon the date when it is executed on behalf of both Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by duly authorized representatives of each Party on the dates written below.

QUAD CITIES COMMUNICATIONS COMMISSION

By: ______________________________
Title: Chair
Date: ___________________________, 2015.

By: ______________________________
Title: Executive Director
Date: ___________________________, 2015.

COMCAST OF MINNESOTA, INC.

By: ______________________________
Title: ______________________________
Date: ___________________________, 2015.

EXHIBIT A

RESOLUTION NO. _____

A RESOLUTION CONDITIONALLY GRANTING THE CONSENT TO THE TRANSFER OF CONTROL OF THE CABLE TELEVISION GRANTEE AND CABLE TELEVISION SYSTEM FROM COMCAST CORPORATION TO GREATLAND CONNECTIONS, INC.

WHEREAS, the City of ___________, Minnesota ("City"), is a Minnesota municipal corporation; and

WHEREAS, Comcast of Minnesota, Inc., ("Grantee") holds a franchise (the "Franchise") to operate a cable television system (the "System") in the City pursuant to a franchise ordinance (the "Franchise"); and

WHEREAS, Section ________ of the Franchise requires the City's prior consent to a fundamental corporate change, including a merger or a change in Grantee's parent corporation; and

WHEREAS, the City has the authority to administer and enforce the Franchise; and

WHEREAS, after a series of transfers, Comcast of Minnesota, Inc., was approved by the City as the Franchise holder, pursuant to prior transfer resolutions (the "Prior Transfer Resolutions"). The Prior Transfer Resolutions, the Franchise, and the Franchise Settlement Agreement entered by the Quad Cities Communications Commission ("Commission") on behalf of the City, together with any applicable resolutions, codes, ordinances, acceptances, acknowledgments, guarantees, amendments, memoranda of understanding, social contracts and agreements, are collectively referred to as the "Franchise Documents;" and

WHEREAS, Comcast of Minnesota, Inc., is an indirect, wholly-owned subsidiary of Comcast Corporation ("Comcast"); and

WHEREAS, Comcast, as the ultimate parent corporation of Grantee, has agreed to divest and transfer the Franchise and Cable System to Midwest Cable, Inc., in a process described in the Transfer Application (the "Proposed Transaction"); and

WHEREAS, immediately following the closing of the Proposed Transaction, Midwest Cable, Inc., will be renamed GreatLand Connections, Inc., and, for the purposes of this Resolution, the transfer applicant will be referred to as "GreatLand" throughout; and

WHEREAS, Comcast filed a Federal Communications Commission Form 394 with the City on or about June 18, 2014, together with certain attached materials, which documents more fully describe the Proposed Transaction and which documents, with their attachments, contain certain promises, conditions, representations and warranties (the "Transfer Application"); and

WHEREAS, under the Proposed Transaction, the Franchise and Cable System will stay with Grantee, and its ultimate parent company will be GreatLand; and

WHEREAS, under the Proposed Transaction, the ultimate ownership and control of the Grantee and the System will change requiring the prior written approval of the City; and

WHEREAS, Comcast, through its subsidiaries, provided written responses to some of the data requests issued by the Commission representatives, on the City's behalf, and directed Commission representatives to publicly filed and available information, and referred Commission representatives to information posted to Comcast Corporation and other websites (the "Data Request Responses"); and

WHEREAS, the Commission reviewed the Transfer Application, considered all applicable and relevant factors, and based on consideration provided for under the Franchise Settlement Agreement, recommends approval of this Resolution; and

WHEREAS, in reliance upon the representations made by and on behalf of Comcast of Minnesota, Inc., Comcast, and GreatLand, to the Commission, and upon the Commission's recommendation, the City is willing to grant consent to the Proposed Transaction, so long as such representations are complete and accurate; and

WHEREAS, the City's approval of the Proposed Transaction is therefore appropriate if the Grantee will continue to be responsible for all acts and omissions, known and unknown, under the Franchise Documents and applicable law for all purposes, including (but not limited to) franchise renewal.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF ______________ AS FOLLOWS:

<u>Section 1</u>. The City's consent to and approval of the Transfer Application is hereby GRANTED in accordance with the Franchise, subject to the following conditions:

1.1 Neither the Franchise, nor any control thereof, nor the System, nor any part of the System located in any municipal public rights-of-way in the City or on municipal property, shall be assigned or transferred, in whole or in part, without filing a written application with the City and obtaining prior written approval of such transfer or assignment, but only to the extent required by applicable law and the Franchise.

1.2 The City's approval of the Transfer Application is made without prejudice to, or waiver of, its right to fully investigate and consider during any future franchise renewal process: (i) Grantee's financial, technical, and legal qualifications; (ii) Grantee's compliance with the Franchise Documents, except as set forth in the Franchise Settlement Agreement; and (iii) any other lawful, relevant considerations.

1.3 The City's approval of the Transfer Application is made without prejudice to, or waiver of, any right of the City to consider or raise claims based on Grantee's defaults, any failure to provide reasonable service in light of the community's needs, or any failure to comply with the terms and conditions of the Franchise Documents, or with applicable law, except as set forth in the Franchise Settlement Agreement.

1.4 Subject to the Franchise Settlement Agreement, the City waives none of its rights with respect to the Grantee's compliance with the terms, conditions, requirements and obligations set forth in the Franchise Documents and in applicable law. The City's approval of the Transfer Application shall in no way be deemed a representation by the City that the Grantee is in compliance with all of its obligations under the Franchise Documents and applicable law.

1.5 GreatLand shall provide the Commission with written notification that the Proposed Transaction closed within ten (10) days after the closing. After closing, GreatLand and Grantee will be bound by all the commitments, duties, and obligations, present and continuing, embodied in the Franchise Documents and applicable law. The Proposed Transaction will have no effect on these obligations.

1.6 GreatLand shall provide the City with a certificate or certificates of insurance evidencing coverage as required by the Franchise Settlement Agreement and Franchise, and evidence of assignment or replacement of the $100,000 performance bond required by the Franchise, and evidence of assignment or replacement of the $25,000 irrevocable and unconditional letter of credit required by the Franchise, all within thirty (30) days after consummation of the Proposed Transaction.

1.7 GreatLand shall provide an executed written certification in the form attached hereto within thirty (30) days after consummation of the Proposed Transaction, guarantying the full performance of the Grantee.

1.8 GreatLand will comply with any and all conditions or requirements applicable to GreatLand set forth in all approvals granted by federal agencies with respect to the Proposed Transaction and Transfer Application (including any conditions with respect to programming agreements), such conditions or requirements to be exclusively enforced at the federal level.

1.9 GreatLand shall provide a written guarantee in the form attached hereto within thirty (30) days of the effective date of this Resolution specifying that subscriber rates and charges in the City will not increase as a result of the costs of the Proposed Transaction.

1.10 After the Proposed Transaction is consummated, GreatLand and Grantee will continue to be responsible for all past acts and omissions, known and unknown, under the Franchise Documents and applicable law for all purposes, including (but not limited to) Franchise renewal to the same extent and in the same manner as before the Proposed Transaction, subject to the terms of the Franchise Settlement Agreement.

1.11 Nothing in this Resolution amends or alters the Franchise Documents or any requirements therein in any way, and all provisions of the Franchise Documents remain in full force and effect and are enforceable in accordance with their terms and with applicable law.

1.12 The Proposed Transaction shall not permit GreatLand and Grantee to take any position or exercise any right with respect to the Franchise Documents and the relationship thereby established with the City that could not have been exercised prior to the Proposed Transaction.

1.13 GreatLand assures that it will cause to be made available adequate financial resources to allow Grantee to meet its obligations under the Franchise Documents, including without limitation operational and customer service requirements.

1.14 The City is not waiving any rights it may have to require franchise fee or PEG fee payments on present and future services delivered by GreatLand or its subsidiaries and affiliates via the cable system.

1.15 Receipt of any required state and federal approvals and authorizations.

1.16 Actual closing of the Proposed Transaction.

Section 2. If any of the conditions or requirements specified in this Resolution are not satisfied, the City's consent to, and approval of, the Transfer Application and Proposed Transaction is hereby DENIED and void as of the date hereof.

Section 3. If any of the written representations made to the Commission or City in the Transfer Application proceeding by (i) Comcast of Minnesota, Inc., (ii) Comcast or (iii) GreatLand, (iv) any subsidiary or representative of the foregoing prove to be materially incomplete, untrue or inaccurate in any material respect, it shall be deemed a material breach of the Franchise Documents and applicable law, and subject to the remedies contained in the Franchise Documents and applicable law.

Section 4. This Resolution shall not be construed to grant or imply the City's consent to any other transfer or assignment of the Franchises or any other transaction that may require the City's consent under the Franchise or applicable law. The City reserves all its rights with regard to any such transactions.

Section 5. This Resolution is a final decision on the Transfer Application within the meaning of 47 U.S.C. § 537.

Section 6. The transfer of control of the Grantee from Comcast to GreatLand shall not take effect until the consummation of the Proposed Transaction.

Section 7. This Resolution shall be effective immediately upon its adoption by the City.

Adopted by the City of ___________, Minnesota this _____ day of February, 2015.

____
Mayor

ATTEST:

____

Attachment 1
Form of Guaranty of Performance

GUARANTY OF PERFORMANCE

GreatLand Connections, Inc., as the ultimate parent entity of Comcast of Minnesota, Inc., the Grantee, upon closing of the proposed transaction (as defined in the City Resolution No. __________) certifies that it has sufficient financial resources and will at all times make available all necessary financial resources to ensure that the Grantee has the capability to operate and maintain the System in accordance with the Franchise and applicable laws, regulations codes and standards, and to fully comply at all times with the Franchise, and applicable laws, regulations, codes and standards and guarantees such performance. GreatLand Connections, Inc., agrees that any failure to adhere to this guaranty shall be deemed a violation of the Franchise held by the Grantee.

EXECUTED as of ________________________.

GreatLand Connections, Inc.

By: ________________________________
Name: ________________________________
Title: ________________________________

Address: ____________________________
____
____
____

Attachment 2
Form of Guaranty Regarding Rates

GUARANTY REGARDING RATES

GreatLand Connections, Inc., upon closing of the proposed transaction (as defined in the City Resolution No. ___________), guarantees that rates and charges for cable service offered by ________________________, the Grantee in the City, will not increase as a result of the cost of the proposed transaction. GreatLand Connections, Inc., agrees that any failure to adhere to this guaranty shall be deemed a violation of the Franchise held by the Grantee.

EXECUTED as of _________________________.

GreatLand Connections, Inc.,

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

Address: ____________________________
____
____
____

Final Report

To

The Quad Cities Communications Commission

Regarding the

Franchise Fees and PEG Fees Paid by

Comcast Cable

Front Range Consulting, Inc. ("FRC") is pleased to provide the Quad Cities Communications Commission[1] ("Commission") this final report regarding the franchise fees and PEG fees paid by Comcast of Minnesota, Inc. ("Comcast") for the period from January 1, 2011 through December 31, 2013 ("review period"). FRC was selected by the Commission to conduct this review based on FRC's proposal to the Commission dated June 20, 2014.

I. Report Synopsis

FRC has initially concluded that Comcast has probably not paid all of the franchise fees owed to the Commission under the applicable franchise documents during the review period with respect to the allocation of bundled packages. From an initial review, it appears that Comcast has improperly excluded the HD Technology service fee as a component of seventeen bundled packages that contain HD video channels. The HD packages that contain this error comprise approximately forty percent of all of the bundled packages in 2013. This results in more of the bundled package revenues to be assigned to non-video services resulting in a lower gross revenue determination. FRC has reviewed the most popular HD bundled package and has found that the improper exclusion of the HD Technology fee and other misallocations has resulted in an approximate four percent (4%) reduction in the revenues attributable to video services for this one bundled package. FRC's review of the pass-through calculation of non-subscriber franchise

[1] The Quad Cities Communications Commission is a joint powers commission formed by the cities of Andover, Anoka, Champlin and Ramsey Minnesota.

fees has indicated a changed methodology in 2013 that could impart errors in the calculation of the franchise fee percentage assessed to subscribers in the Commission area for Comcast to recover franchise fees on non-subscriber revenues.

FRC recommends that the Commission may wish to discuss with Comcast the package allocation procedures of Comcast for all periods applicable under the statute of limitations and determine an estimate of any under allocations of bundled service revenues to cable services.

As the PEG fees are paid to the Commission based on two and a half percent (2.5%) of gross revenues, these PEG fees are also under-paid based on the misallocation of the bundled package revenues used to pay franchise fees.

II. Scope of Report

Based on the proposal provided to the Commission, FRC was engaged to prepare an initial review of Comcast's franchise fee and PEG payments for the review period. FRC has completed its initial review of the franchise fee payments made to the Commission for the review period. As this initial report has relied on the limited responses and data provided by Comcast, FRC cannot assure the Commission that, if a complete financial audit was completed, items other than those identified in this initial Final Report would not be appropriately included in gross revenues for purposes of calculating franchise fees. FRC believes that it is possible that other underpayments might exist prior to the review period regarding the bundled package allocations.

III. Franchise Documents

The current franchise agreement in effect for the Commission contains the following provisions pertaining to franchise fees and PEG Fees.

Franchise Fees

Section 1.22 states:

> *Gross revenues* means any and all revenues arising from or attributable to, or in any way derived directly or indirectly by the Grantee or its Affiliates, subsidiaries, or parent, or by any other entity that is a cable operator of the System, from the operation of the Grantee's System to provide Cable Services (including cash, credits, property or other consideration of any kind or nature). Gross Revenues include, by way of illustration and not limitation, monthly fees charged to Subscribers for any basic, optional, premium, per-channel, or per-program service, or other Cable Service including, without limitation, Internet access and Cable Modem service fees charged to Subscribers, to the extent such services are offered as a Cable Service under applicable law; Installation, disconnection, reconnection, and change-in-service fees; Lockout Device fees; Leased Access Channel fees; late fees and administrative fees; fees, payments or other consideration received from programmers for carriage of programming on the System and accounted for as revenue under GAAP; revenues from rentals or sales of Converters or other equipment; fees related to commercial and institutional usage of the System or

> the I-Net; advertising revenues; interest; barter; revenues from program guides; franchise fees; and revenues to the System from home shopping, bank-at-home channels and other revenue sharing arrangements. Gross Revenues shall include revenues received by an entity other than the Grantee, an Affiliate or another entity that operates the System where necessary to prevent evasion or avoidance of the Grantee's obligation under this Franchise to pay the franchise fee. Gross Revenues shall not include: (i) to the extent consistent with generally accepted accounting principles, actual bad debt write-offs, provided, however, that all or part of any such actual bad debt that is written off but subsequently collected shall be included in Gross Revenues in the period collected; (ii) any taxes on services furnished by the Grantee imposed by any municipality, state or other governmental unit, provided that franchise fees shall not be regarded as such a tax; (iii) FCC regulatory fees; (iv) Subscriber credits, adjustments or refunds; or (v) refundable Subscriber deposits.

Pursuant to Section 8.3.1 of the franchise agreement:

> During the term of the Franchise, the Grantee shall pay quarterly to the City or its delegate a Franchise fee in an amount equal to five percent (5%) of its Gross Revenues.

PEG Fees

Section 6.2.1 states:

> In addition to the franchise fee required under this Franchise, the Grantee shall collect from Subscribers via an itemization on customer bills ("PEG Fee") and pay quarterly to the Commission an amount equal to 2.5 percent of its Gross Revenues (the "Quarterly Support Grant"). Payment of the Quarterly Support Grant shall be made to the Commission within thirty (30) days of the end of each of the Grantee's fiscal quarters together with a report showing the basis for the computation. The Commission shall have the right to require further supporting information for each Quarterly Support Grant. All amounts paid under this paragraph shall be subject to audit and re-computation by the Commission in accordance with the rights provided to the City pursuant to Section 8.3 of this Franchise.

IV. Data Analyzed

FRC was provided with a copy of the 2000 Franchise Agreement and the franchise fee payment information sent to the Commission by Comcast for the review period. After reviewing those documents, FRC prepared and sent a data request to Comcast on August 26, 2014 asking for responses to twenty (20) requests for documentation and/or support for its franchise fee payments during the review period. FRC and Comcast agreed to a non-disclosure agreement that was executed before any of the data requested could be delivered to FRC that Comcast was requesting confidential treatment. After this agreement was executed, Comcast provided its initial substantive responses to the August information request on September 19, 2014 and October 1, 2014. FRC sent Comcast an additional data request on October 10, 2014 with seven (7) supplemental requests to the information provided in the initial responses. Comcast provided those supplemental responses on October 29, 2014.

Based on the data provided by Comcast, Comcast has paid the Commission on average over the review period approximately $950,000 in franchise fees each year. Attachment A to this Report summarizes the franchise fees paid to the Commission by member city for the review period.

V. Issues Identified

Franchise Fees

As this review was limited to an initial analysis of Comcast's "gross revenue" determination, FRC did not independently review all of Comcast's books and records to be sure that additional items should not be included in gross revenues for purposes of calculating franchise fees. In response to FRC's initial data request, Comcast provided summary spreadsheets that identified its determination of gross revenues for the Commission's franchise area.

FRC has identified two areas where FRC believes Comcast may have under-reported "gross revenues." Those areas are:

- Bundled Service allocations; and
- Exclusion of Video Service Revenues.

a) Bundled Service Allocations

Comcast has been offering bundled packages containing both cable and non-cable services. For example, they offer a triple play package of voice (VoIP telephone), video (traditional cable services) and data (high speed internet access over the cable plant). Only the video services are part of gross revenues under the franchise agreement. The methodology used by Comcast in its billing system uses an allocation procedure that can be reviewed by looking at a billing report called CPUR-002. Based on the data provided by Comcast, approximately fifteen percent (15%) of all Commission subscribers purchase a bundled package as of December 2013. FRC expects that this percentage will continue to grow as subscribers realize that they can obtain more services from Comcast at the same or lower price. There is no doubt that purchasing a double or triple play package (one containing data and/or voice services) are heavily discounted compared to video only services.

FRC asked Comcast to provide a listing of each bundled package that contained high definition (HD) services and/or HD digital video recorder (DVR) services. Comcast provided a revised response to data request #23 that listed twenty-three (23) bundled packages that contained either HD and/or HD DVR services.[2] Comcast has imposed an HD Technology fee and/or an HD DVR Service fee on subscribers purchasing video services only. FRC was concerned that

[2] See Attachment B to this Report.

Comcast has not been allocating these fees to revenues generated from subscribers purchasing bundled packages including video services. Of the twenty-three bundled packages only six (6) correctly included the HD Technology fee as part of the bundled package allocation. Except for one package, all of the bundled package allocation where a HD DVR service was provided included the HD DVR Service fee as part of the bundled package allocation.[3] In reviewing the review period package allocation billing reports, it does not appear that Comcast has allocated within the HD packages a proportional allocation to the HD Technology fee as part of the allocation process in seventeen (17) of the twenty-three (23) HD bundled packages. The HD Technology fee is separately charged to subscribers if they do not purchase a bundled package so it should be part of the allocation process, furthermore Comcast has included the HD Technology fee in six (6) bundled packages. The seventeen bundled packages subscribers where the HD Technology fee was excluded from the allocations comprise over ninety-nine percent (99%) of all of the HD bundled package subscribers. Therefore the bundled packages that correctly included the HD Technology fee as part of the allocation process only comprise less than one percent (1%) of all HD bundled package subscribers.

FRC conducted an initial review of the most popular bundled package containing HD services; package AN089, HD Preferred XF. Attachment C provides a detailed analysis of this bundled package. FRC has estimated that for 2013, Comcast has under allocated to the video line of business approximately $14,500 of gross revenues for this one bundled package. Detailed in Table 1 below is a summary of the revised bundled package allocation for AN089.

[3] As shown on Attachment B, two packages included an allocation for the HD DVR Service fee but Comcast did not list these packages as having an HD DVR as part of the package.

Table 1

Service Description – AN089 HD Preferred XF	Comcast Allocation	FRC Pro Rata Allocation based on Rate Card Rates	Difference (over) under Video Allocation
HSD Performance	$40.37	$39.62	
CDV Unlimited Phone	32.95	30.47	
Preferred Service	12.62	13.73	$1.11
Digital Converter [4]	2.50	2.50	-
Remote Control	0.20	0.20	-
HD Technology Fee	-	7.63	7.63
STARZ	16.49	15.25	(1.24)
Basic Video	10.19	9.43	(0.76)
Expanded Video	44.63	41.12	(3.51)
Total	$159.95	$159.95	$3.23

FRC does not recommend that the Commission engage FRC in a full review of all of the bundled package allocations as the benefit to the Commission in additional franchise fees is expected to be below the anticipated cost of completing the review primarily based on the number of Commission subscribers. As FRC is currently reviewing other Twin Cities franchise fee payments, FRC noticed that this bundled package, AN089, has different prices within the Twin Cities area.[5] This is potentially a red flag regarding the data provided by Comcast as it seems counter intuitive that in marketing a bundled package in the Twin Cities would have different package prices in two area cities, but FRC has not inquired regarding this discrepancy.

FRC suggests that a pro rata allocation based on the published rate card rates is a reasonable basis to determine gross revenues. The Commission may also want to ensure that all future franchise fee payments be based on a pro rata allocation of bundled packages based upon currently effective rate cards and require such certification from Comcast as part of future franchise fee payments.

b) Video Service Revenue Exclusions

FRC requested Comcast to provide a listing of video service codes (including their so called "neutral" accounts) that are not eligible for franchise fees.[6] Requests #25, 26 and 27 requested a

[4] Comcast has elected to not discount the rate card price for equipment (both the converter and remote), FRC has maintained that election.

[5] In another area for 2013, the bundled package price was $165.95 versus the Commissions price of $159.95.

[6] 2nd Data Request, Requests #24 through #27.

listing of those "service codes" eligible for franchise fees in the high speed data (HSD) , Voice and Wireless lines of business. Comcast responded that these lines of business did not have any "service codes" where franchise fees were eligible. Request #24 asked for a listing in the Video and Neutral lines of business that were **not** eligible for franchise fees. Comcast provided a listing of such service codes[7] and attached the following explanation:

> "See Req 24 - Filter on Col. L and choose FALSE for video service codes not paid on. You will notice revenue sources like late fee, NSF etc. are listed, this revenue relates to allocated non-video revenue such as HSD and CDV. The rate codes will be the same for the other months of the review period. If you find a rate code not listed let me know and I will provide it to."

In reviewing the listing provided in response to Request #24, it appears that many of these "service codes" are not contained in the Video or Neutral lines of business. For example, the first service codes, "1:" only is in the Voice line of business. There were several categories that call into question whether these service codes should be included in gross revenues. Those include: StreamPix, Convenience Fees and Service Protection Plan. Streampix is a video service that allows subscribers to watch certain shows and programs on their mobile devices.[8] Looking at the Streampix category, the billing reports have three service codes for apparently the same service, VP159 (in the video line of business), VP087 (in the neutral line of business) and HP001 (in the HSD line of business). From the package review, it appears that the VP087 service code is used in the package allocations, not the VP157 or the HP001. What is unclear is whether a simple change from VP087 to HP001 would eliminate the allocation of the Streampix revenues from the gross revenues calculation. According to Comcast's customer service representative, an HSD customer cannot get Streampix without subscribing to Comcast's video services at this point.

The revenues associated with any of these "allocated revenues" such as late fees, convenience fees, Streampix, etc. are fairly small currently but if more and more of video services are offered to HSD subscribers only, it is quite possible that franchise fees could be avoided. For example the entire line of business for wireless is not currently franchise fee eligible. If Comcast were to offer video like services via HSD or wireless, the Commission might see a loss of franchise fees. FRC recommends that the Commission have a firm understanding of which services are allocated between lines of business and, when video-like services are offered to non-video subscribers, how Comcast will treat these video-like services for franchise fee determination.

c) Miscellaneous

FRC noticed two other minor issues that FRC wanted to bring to the Commission's attention. The first data request asked that Comcast provide a financial officer's certification to the financial data provided.[9] Comcast responded that it "… does not believe that this certification is either required or necessary." FRC disagrees. At this point FRC has no way to give the

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[7] See Attachment D, response to Request #24.
[8] See Attachment E, a Comcast website printout of the Streampix services.
[9] Initial Request #6.

Commission any assurance that the data and financial records are true and correct. For example, in previous franchise reviews, Comcast provided billing reports in text files that were modified to delete information. Without a certification, the Commission can only trust that the materials reviewed by FRC are in fact accurate.

Compounding the problem, the response letters FRC received from Comcast were not on letterhead from Comcast nor signed by a Comcast employee. While FRC has no reason to distrust the responses, it seems odd that the responses could not be in a more official looking response signed by a duly authorized employee of Comcast.

Pasadena Pass-through

Comcast under FCC and court ruling is allowed to pass-through to subscribers the amount of franchise fees associated with non-subscriber revenues included in the determination of gross revenues. The typical non-subscriber revenues are advertising sales and home shopping commissions. The way these are passed-through is the franchise fee percentage is increased above the 5% cap in order to recover these non-subscriber franchise fees. Further complicating this recovery process is that it is not known in advance how much non-subscriber franchise fees will be because it is unknown as to the level of advertising sales and home shopping commissions. Therefore, Comcast goes through a process of using a historical period to estimate the expected future non-subscriber revenues. Comcast has historically not used a full twelve month period but has used the first nine months of the pervious calendar year for 2011 and 2012. By eliminating the last three months of any year will miss home shopping commissions in the holiday season and the increased advertising sales during an election year. Comcast also does not true-up this estimated non-subscriber add-on which could result in over- and under-collections. In 2013, Comcast changed this methodology to only use the first six months of a calendar year as the basis for this calculation. Whatever the errors introduced by the 9 month calculation are, they are even greater with a six month annualization that will clearly miss the election and holiday seasons for advertising and home shopping. FRC recommends that Comcast be required to at least use a full twelve month basis[10] for the add-on percentage and also perform a true-up calculation each year so that there can be no over- or under-collections of non-subscriber franchise fees.

PEG Fees

To the extent gross revenues are revised upwards based on the bundled package allocation issues identified above, the PEG fee payments should be correspondingly revised based on the 2.5% of gross revenues basis.

VI. Conclusion

[10] Comcast has responded in an email that they only used the 6 month basis for one calendar year and have modified the calculation now to be based on a rolling twelve month basis. As this change is outside of the review period, FRC has not confirmed this change to the calculation.

FRC appreciates the opportunity to prepare this review of the franchise and PEG fees paid by Comcast to the Quad Cities Communications Commission during the review period.

Attachment A

Quad Cities Cable Commission
Franchise Fee Summary

LN	Item	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1	**Andover**					
2	**2012**					
3	Subscriber	$ 1,339,579.60	$ 1,390,702.13	$ 1,381,577.18	$ 1,391,200.83	$ 5,503,059.74
4	Non Subscriber	$ 83,345.66	$ 95,017.91	$ 117,995.75	$ 124,768.22	$ 421,127.54
5	Total	$ 1,422,925.26	$ 1,485,720.04	$ 1,499,572.93	$ 1,515,969.05	$ 5,924,187.28
6	Franchise Fees	$ 71,146.26	$ 74,286.00	$ 74,978.65	$ 75,798.45	$ 296,209.36
7	Subscribers CONFIDENTIAL	[redacted]				
8	Franchise Fees / Sub / Mo					
9	**2013**					
10	Subscriber	$ 1,438,962.48	$ 1,435,948.84	$ 1,449,018.62	$ 1,448,251.71	$ 5,772,181.65
11	Non Subscriber	$ 78,705.64	$ 94,663.24	$ 85,429.62	$ 96,032.09	$ 354,830.59
12	Total	$ 1,517,668.12	$ 1,530,612.08	$ 1,534,448.24	$ 1,544,283.80	$ 6,127,012.24
13	Franchise Fees	$ 75,883.41	$ 76,530.60	$ 76,722.41	$ 77,214.19	$ 306,350.61
14	Subscribers CONFIDENTIAL	[redacted]				
15	Franchise Fees / Sub / Mo					
16	**Anoka**					
17	**2012**					
18	Subscriber	$ 791,092.16	$ 820,697.27	$ 807,219.59	$ 826,055.15	$ 3,245,064.17
19	Non Subscriber	$ 57,546.44	$ 65,347.72	$ 81,238.81	$ 87,207.39	$ 291,340.36
20	Total	$ 848,638.60	$ 886,044.99	$ 888,458.40	$ 913,262.54	$ 3,536,404.53
21	Franchise Fees	$ 42,431.93	$ 44,302.25	$ 44,422.92	$ 45,663.13	$ 176,820.23
22	Subscribers CONFIDENTIAL	[redacted]				
23	Franchise Fees / Sub / Mo					
24	**2013**					
25	Subscriber	$ 842,172.16	$ 860,563.20	$ 861,135.85	$ 853,532.36	$ 3,417,403.57
26	Non Subscriber	$ 53,825.01	$ 65,720.20	$ 58,545.02	$ 66,122.45	$ 244,212.68
27	Total	$ 895,997.17	$ 926,283.40	$ 919,680.87	$ 919,654.81	$ 3,661,616.25
28	Franchise Fees	$ 44,799.86	$ 46,314.17	$ 45,984.04	$ 45,982.74	$ 183,080.81
29	Subscribers CONFIDENTIAL	[redacted]				
30	Franchise Fees / Sub / Mo					
31	**Champlin**					
32	**2012**					
33	Subscriber	$ 1,157,580.48	$ 1,169,298.66	$ 1,166,657.72	$ 1,170,047.16	$ 4,663,584.02
34	Non Subscriber	$ 75,925.14	$ 85,806.15	$ 106,006.77	$ 112,991.96	$ 380,730.02
35	Total	$ 1,233,505.62	$ 1,255,104.81	$ 1,272,664.49	$ 1,283,039.12	$ 5,044,314.04
36	Franchise Fees	$ 61,675.28	$ 62,755.24	$ 63,633.22	$ 64,151.96	$ 252,215.70
37	Subscribers CONFIDENTIAL	[redacted]				
38	Franchise Fees / Sub / Mo					
39	**2013**					
40	Subscriber	$ 1,179,421.13	$ 1,193,026.39	$ 1,211,488.26	$ 1,190,889.26	$ 4,774,825.04
41	Non Subscriber	$ 68,669.28	$ 82,888.38	$ 74,681.43	$ 84,233.82	$ 310,472.91
42	Total	$ 1,248,090.41	$ 1,275,914.77	$ 1,286,169.69	$ 1,275,123.08	$ 5,085,297.95
43	Franchise Fees	$ 62,404.52	$ 63,795.74	$ 64,308.48	$ 63,756.15	$ 254,264.90
44	Subscribers CONFIDENTIAL	[redacted]				
45	Franchise Fees / Sub / Mo					
46	**Ramsey**					
47	**2012**					
48	Subscriber	$ 940,564.77	$ 966,619.25	$ 972,857.47	$ 974,137.63	$ 3,854,179.12
49	Non Subscriber	$ 61,635.12	$ 69,722.27	$ 87,016.07	$ 91,421.41	$ 309,794.87
50	Total	$ 1,002,199.89	$ 1,036,341.52	$ 1,059,873.54	$ 1,065,559.04	$ 4,163,973.99
51	Franchise Fees	$ 50,109.99	$ 51,817.08	$ 52,993.68	$ 53,277.95	$ 208,198.70
52	Subscribers CONFIDENTIAL	[redacted]				
53	Franchise Fees / Sub / Mo					
54	**2013**					
55	Subscriber	$ 1,013,792.51	$ 1,013,219.29	$ 1,025,137.54	$ 1,020,571.31	$ 4,072,720.65
56	Non Subscriber	$ 57,598.61	$ 69,447.45	$ 63,081.01	$ 71,337.45	$ 261,464.52
57	Total	$ 1,071,391.12	$ 1,082,666.74	$ 1,088,218.55	$ 1,091,908.76	$ 4,334,185.17
58	Franchise Fees	$ 53,569.56	$ 54,133.34	$ 54,410.93	$ 54,595.44	$ 216,709.26
59	Subscribers CONFIDENTIAL	[redacted]				
60	Franchise Fees / Sub / Mo					
61	**Quad Cities - Total**					
62	**2012**					
63	Subscriber	$ 4,228,817.01	$ 4,347,317.31	$ 4,328,311.96	$ 4,361,440.77	$ 17,265,887.05
64	Non Subscriber	$ 278,452.36	$ 315,894.05	$ 392,257.40	$ 416,388.98	$ 1,402,992.79
65	Total	$ 4,507,269.37	$ 4,663,211.36	$ 4,720,569.36	$ 4,777,829.75	$ 18,668,879.84
66	Franchise Fees	$ 225,363.47	$ 233,160.57	$ 236,028.47	$ 238,891.49	$ 933,443.99
67	Subscribers CONFIDENTIAL	[redacted]				
68	Franchise Fees / Sub / Mo					
69	**2013**					
70	Subscriber	$ 4,474,348.28	$ 4,502,757.72	$ 4,546,780.27	$ 4,513,244.64	$ 18,037,130.91
71	Non Subscriber	$ 258,798.54	$ 312,719.27	$ 281,737.08	$ 317,725.81	$ 1,170,980.70
72	Total	$ 4,733,146.82	$ 4,815,476.99	$ 4,828,517.35	$ 4,830,970.45	$ 19,208,111.61
73	Franchise Fees	$ 236,657.34	$ 240,773.85	$ 241,425.87	$ 241,548.52	$ 960,405.58
74	Subscribers CONFIDENTIAL	[redacted]				
75	Franchise Fees / Sub / Mo					

Attachment B

Req. 23
Quad Cities

SRV_CD	SRV_CD_DESCR	HD	HD/DVR	Total 2013 Subs	Avg 2013 Subs	Incl HD	Incl DVR
				FRC Analysis			
AN031	HDSTARTER3P	YES	NO	674	56	No	na
AN032	HDPREFERRD3P	YES	NO	668	56	No	na
AN033	HD PLUS 3P	YES	NO	131	11	No	na
AN034	HDPREF+ 3P	YES	NO	113	9	No	na
AN035	HDPREMIER3P	YES	NO	11	1	No	Yes
AN052	LHDPREMR3P24	YES	NO	-	-	No	Yes
AN061	HDPREF XF 3P	YES	NO	1,387	116	No	na
AN062	HDPREF+XF 3P	YES	YES	399	33	No	No
AN063	HDPREMXF3P	YES	YES	510	43	No	Yes
AN067	MLULTHDPTEDP	YES	NO	9	1	No	na
AN068	MLULTHDPT+ED	YES	NO	2	0	No	na
AN089	HDPRFTP5EDP	YES	NO	4,474	373	No	na
AN090	HDPRF+TP5EDP	YES	NO	2,084	174	No	na
AN091	HDPREMTP5EDP	YES	YES	2,294	191	No	Yes
AN092	HDCOMPTP5EDP	YES	YES	104	9	No	Yes
AN095	MLULHDPT5EDP	YES	NO	3	0	No	na
AN096	MLULHD+PT5ED	YES	NO	-	-	No	na
AN101	HDPREFTPPKG	YES	NO	31	3	Yes	na
AN103	HDPREMTP5PKG	YES	YES	12	1	Yes	Yes
ANT19	MDUHDPREFTP5	YES	NO	3	0	Yes	na
GN009	XH300HDPRFTP	YES	NO	6	1	Yes	na
GN010	XH300HDPF+TP	YES	NO	2	0	Yes	na
GN011	XH300HDPRMTP	YES	YES	6	1	Yes	Yes
					1,077		
					Error %	99.5%	

Attachment C

Quad Cities
Package Allocation Analysis

Package Code	Package Description	Service Code	Service Description	Jan 2013 Comcast Allocation	Jan 2013 Rate Card	FRC Pro Rata Allocation		Difference Video Only (over) under Allocated	2013 Subscribers to Package	2013 under Allocation to Video
AN089	HD PREFERRED XF	AT203	Tracking Code							
		HS126	HSD Performance	$ 40.37	$ 51.95	$ 39.62				
		TS012	CDV Unlimited Primary	$ 32.95	$ 39.95	$ 30.47				
		VD021	PREFERRED SERVICE	$ 12.62	$ 18.00	$ 13.73		$ 1.11		$ 4,958.51
		VF028	Digital Converter	$ 2.50	$ 2.50	$ 2.50	(1)	$ -		$ -
		VF065	REMOTE CONTROL	$ 0.20	$ 0.20	$ 0.20	(1)	$ -		$ -
		VB006	HD TECHNOLOGY FEE	$ -	$ 10.00	$ 7.63		$ 7.63		$ 34,122.44
		VP001	STARZ	$ 16.49	$ 19.99	$ 15.25		$ (1.24)		$ (5,565.50)
		VS001	Basic Video (B1)	$ 10.19	$ 12.37	$ 9.43		$ (0.76)		$ (3,380.60)
		VS002	Expanded Video (B2)	$ 44.63	$ 53.92	$ 41.12		$ (3.51)		$ (15,686.42)
AN089 Total				$ 159.95	$ 208.88	$ 159.95		$ 3.23	4,474	**$ 14,448.44**
			Package w/o Equipment	$ 157.25	$ 206.18				Error %	**3.73%**

Note (1) Comcast is electing to allocate equipment at the full rate card price with no discount

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.

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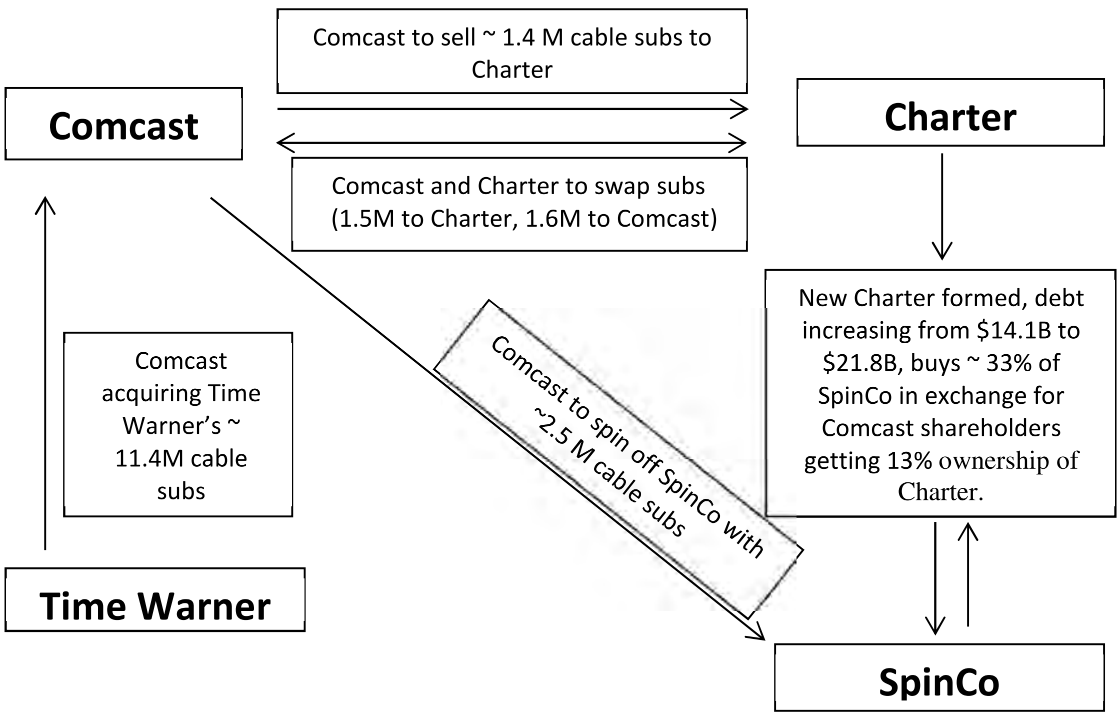
8 We are not aware of any LFA anywhere that received an amendment to the filed 394.

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:

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

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

[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.

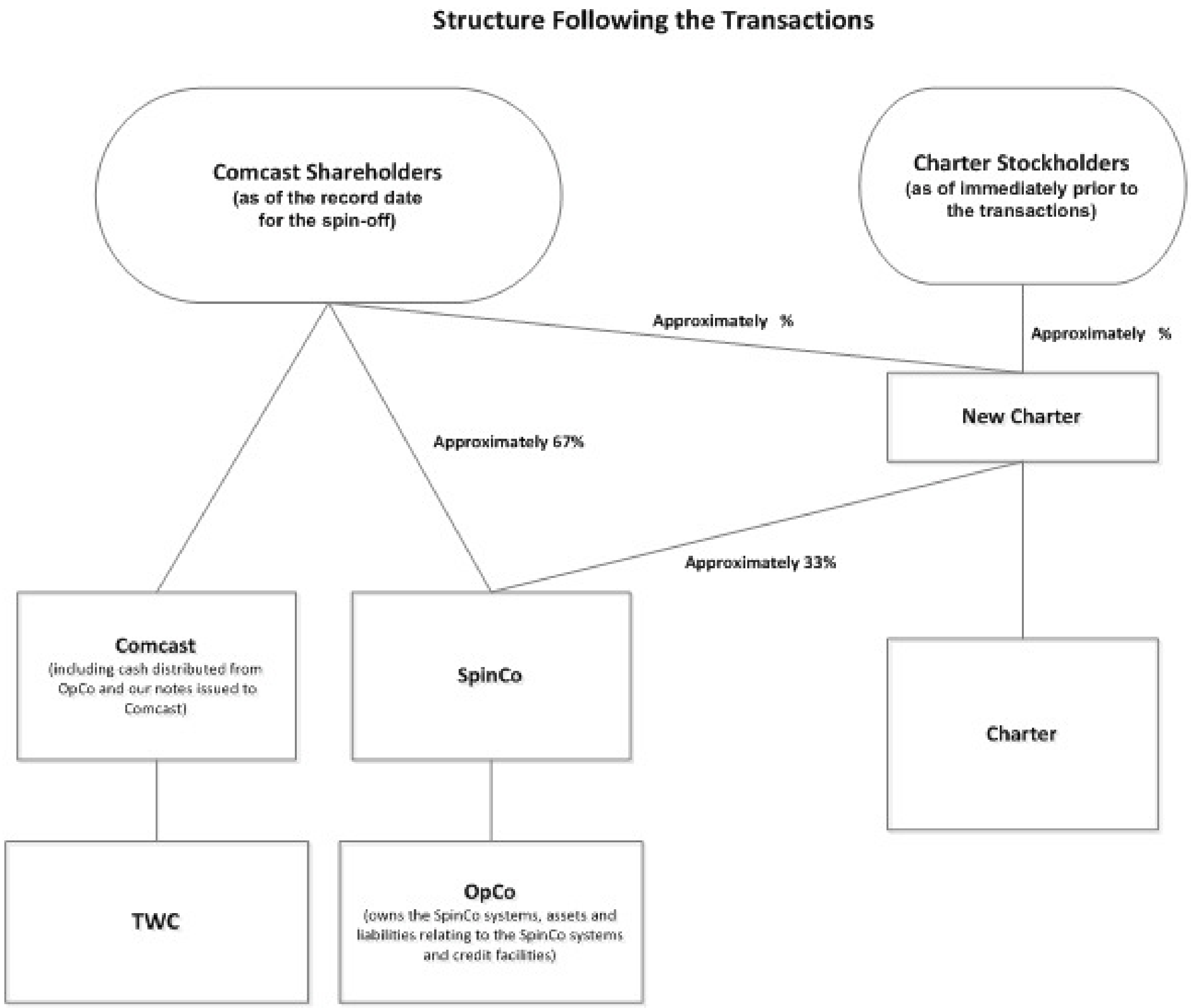
Overview of Midwest Cable

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.

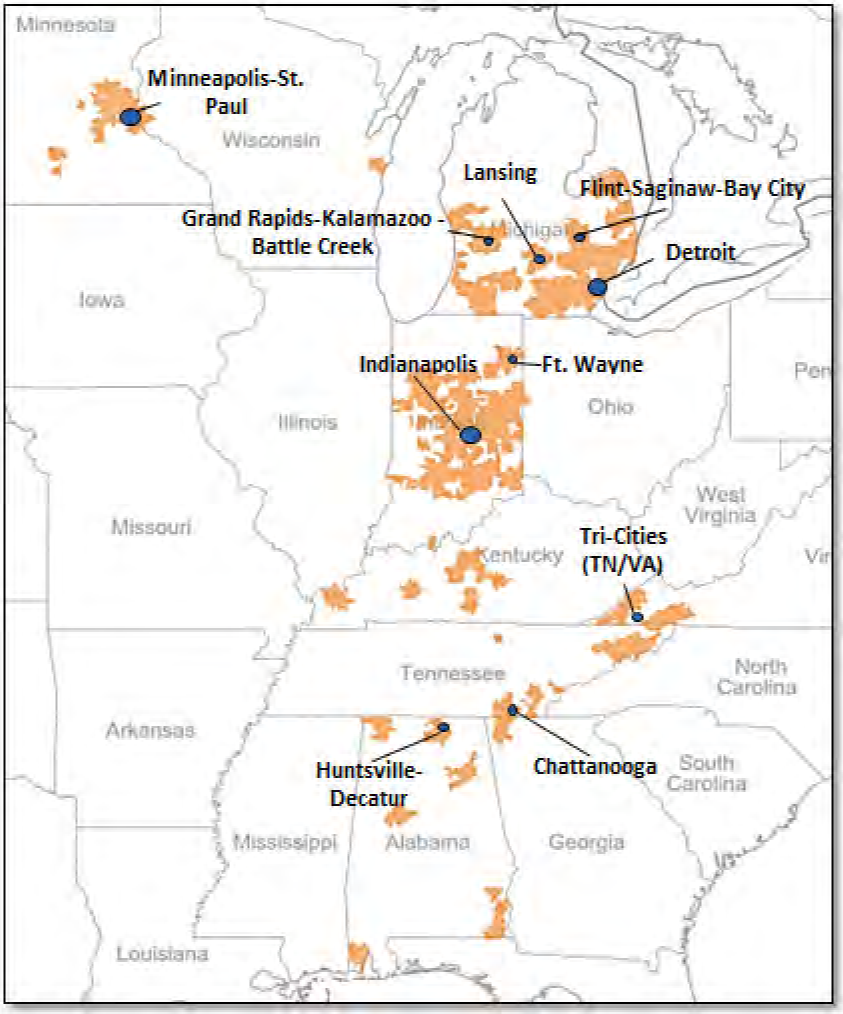
Midwest Cable presented the following chart of the post Transaction ownership structure in its S-1.

[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

[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.

[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.

February 18, 2015

To: Karen George, Executive Director

From: Taylor Johnson, Mobile Production Coordinator/Producer

Subject: Revised Capital Expenditure Request

Request for Capital Expenditure

Project: Replace and upgrade equipment in mobile production truck – Phase 1

2015 Capital Budgeted Amount: $469,214

Attached you will find a request for capital expenditure for the mobile production truck. This request is being made to address several needs for new equipment including: upgrades for high definition capabilities, replace equipment that is 10 years or older, and provide the ability to stay current with broadcasting standards. This request will cover 80% of the equipment needed to switch the truck into an all high-definition mode. There will be a second phase of equipment purchases estimated at $285,000 which will include the purchases of:

- (4) HD cameras
- Conversion & distribution cards
- Video router
- Communication equipment replacement

Recommendation:

Approve $112,708.22 +/- 5% for Phase 1 equipment purchases for the mobile production truck.

<u>Request for Capital Expenditure</u>

Project: Mobile Production Truck Equipment Upgrades – Phase 1

Reason for Request:

- Prepare the truck for an HD transition
- Replace aging equipment with equipment suitable for current broadcasting standards
- Replace failing/failed equipment

Scope of Project:

- Replace character generator
- Replace (3) replay tape decks with (1) tapeless 4-channel replay system
- Replace SD video switcher with an SD/HD Switcher
- Replace current (12) composite monitors with (2) 40" TV's & (1) dual SDI LCD monitor
- Install new ENG monitor with waveform for camera iris and color correction
- Install 3 monitor mounts for replay and graphic system monitors
- Replace current cabling in the truck
- Transition the truck from an analog/digital state to fully digital.

2015 Capital Budgeted Amount: $469,214

Equipment Cost: $103,592

Estimated Shipping: $400

Estimated Miscellaneous Parts (Cabling, fittings, etc…): $1,000

Sales Tax: $7,716.22

<u>**Total Cost – Phase 1:** $112,708.22 +/- 5%</u>

Expected Life Span: 4-6 Years +

Estimated Completion: 04/15/2015

Action Considerations:

- Approve full upgrade as presented
- Delay pending further review.

Comment: The following upgrades would provide us with the ability to produce animated graphics during broadcasts, replay more camera angles as well as show highlight compilations during sports shoots, and replace failing equipment that has created problems in recent mobile productions. These upgrades would put the truck in an "HD Ready" state while still broadcasting in standard definition, with future plans for the addition of HD cameras which would allow the truck to be switched into an all high definition mode.

Character Generators Evaluated:

Compix ConverG1, Ross Xpression Prime, Chyron Mosaic

Recommended Upgrade: Ross Xpressions Prime

All three systems evaluated would be a good replacement for our current Compix machine, which has recently failed. Ross Xpressions Prime provides the most features for the price and provides the ability to talk with a Ross Carbonite switcher using “Ross Talk” providing enhanced graphics input, media wipes, and other features. This system is also being purchased by several local PEG stations in our area providing a local user base that can be used for any potential problems, training opportunities, or for graphic creation collaboration. Ross Xpressions also provides the ability to edit graphics on multiple layers which provides the function of a more costly multi-channel system.

	Compix ConverG1	Ross Xpression Prime	Chyron Mosaic
Price	**$13,690.00**	**$14,399.00**	**$28,500.00**
Channels	1	1 (w/ Layers)	1 (w/ Layers)
Operating System	Windows 7	Windows 7 64bit	Windows 7 64bit
CPU	Intel Core i5	Intel Core i7	Intel Socket 2011 Quad Core
Hard Drive Size	500GB	1TB	200GB SSD 400GB SSD 400 GB SSD
Ram	2GB	8GB	8GB
Rack Size	4 RU	4 RU	2 RU
HD & SD Out	x	x	x
Video Out	(1) HD-SDI Key & Fill (1) SD-SDI Key & Fill	(1) HD-SDI or SD-SDI Key & Fill	(1) HD-SDI or SD-SDI Key & Fill
Data Crawl	x	x	x
Graphics Environment	2D	2D (upgradeable to 3D)	2D (upgradeable to 3D)
Audio		Embedded in SDI	Embedded in SDI
Graphic Layers	1	Unlimited	up to 4
USB Ports	6	8	6
Video Out Formats:			
480i	x	x	x

720p	x	x	x
1080i	x	x	x
1080p		x	x

Video Switchers Evaluated:

Ross Carbonite 2M, Ross Carbonite 2S, Panasonic AV-HS6000

Recommended Upgrade: Ross Carbonite 2S

All three switchers evaluated meet the needs of replacing the current SD switcher and will upgrade functionality to current broadcasting standards. While the Panasonic AV-HS6000 provides more features than the Ross Carbonite Series, for the type of productions utilized at QCTV, the Ross Carbonite is more than adequate to provide the necessary functions of a video switcher at a competitive price. Another advantage of the Ross Carbonite Series is the ability to utilize "Ross Talk" to communicate with a Ross Xpressions character generator machine for faster graphic playout, use of graphic macros, and media wipes for sporting productions. The Carbonite 2S features custom keys that are able to be programmed with macros for automatic graphic playout, replay wipes, intro and exit sequences, etc… The Carbonite 2M does not support this function.

	Ross Carbonite 2M	**Ross Carbonite 2S**	**Panasonic AV-HS6000**
Price	**$27,195.00**	**$30,395.00**	**$34,510.00**
Input Cross Points	16	16	24
M/E Rows	2	2	2
M/E Keypad (Custom Keys)		x	x
Media Wipes	x	x	x
Multi-Definition Inputs	x	x	x
Frame Synchronizer	x	x	?
Built in Multi-viewer(s)	2	2	4
Video in: SDI	16	16	32
Video Output: SDI	10	10	16
Aux Busses	8	8	16
Frame Height	2RU	2RU	3RU
Flash Storage Capacity	8GB	8GB	?

Clean Feed	x	x	x
Operating System	Linux	Linux	?
Tallies	34	34	48 (GPI)
USB Port(s)	x	x	x
Dimensions	W: 29.77in H: 18.25in	W: 33.74in H: 18.25in	W: 38 - 19/32in H: 10.5in
Keys	4	4	16
Reference	Black or Tri-Level	Black or Tri-Level	Black or Tri-Level
Video Formats:			
480i	x	x	x
576i	x	x	x
720p	x	x	x
1080i	x	x	x
1080p	x	x	
4k	x	x	

Replay Systems Evaluated:

NewTech 3Play, Tightrope ZPlay, Grass Valley K2 Dyno

Recommended Upgrade: Tightrope ZPlay HD

Tightropes ZPlay and Grass Valley's K2 Dyno would suit our needs as a replay system replacement. Research reveals that while Newtechs 3Play system meets our criteria and pricing, it has a poor performance record. Tightropes ZPlay system provides the ability to record and playback on four channels of video simultaneously. ZPlay also allows the ability to insert meta-data for each replay which allows the operator to quickly look up certain plays or player highlights during sporting events. ZPlay is used by several local PEG stations which allows for collaboration if any issues arise or for informal training opportunities from operators who have used this product.

	NewTech 3Play	**Tightrope ZPlay 8441HD**	**Grass Valley K2 Dyno**
Price	**$24,995.00**	**$49,450.00**	**$57,455.00**
Channels In	4	4	4
Channels Out	2	4	4
Frame Blended Slow-motion		x	x

Encoding Rate	?	50(SD) – 100(HD) mb/s	?
Recording Time	140hrs – HD (2 Channels)	80hrs – SD, 40hrs – HD (4 Channels)	240hrs – SD, 60hrs – HD (4 Channels)
Meta Data Support	x	x	x
Simultaneous Recording and Playback	x	x	x
Storage Capacity	(2) 3TB Drives	(4) 1TB Drives	(12) 600GB drives in Raid 1-0
Supported Codecs	QT	Mpeg-2	Mpeg-2, DV
USB Ports	6	?	4
Dimensions	2RU - 19.0in x 21.5in x 3.5in	4RU - 19in x 20.5in x 7in	9.7in x 15.1in x 6.5in
Audio Out	1 x 2 Balanced ¼” 1 x 2 Balanced XLR 2 SDI Embedded	4 SDI Embedded 4 4-channel AES/EBU	8 AES/EBU Per Video Track
Audio In	3 x 2 Balanced ¼” 1 x 2 Balanced XLR 4 SDI Embedded	4 SDI Embedded 4 4-channel AES/EBU	8 AES/EBU Per Video Track

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Miscellaneous Equipment:

- Marshall Waveform Monitor (V-R185-DLW) - $1953.85
- (2) Samsung 40” TV for Multi-Monitor (UN40H6203) – $1,095.98
- Black Magic Dual LCD Monitor (BLSVD) - $470.25
- (3) Mount It! Single Monitor Desk Mount (MI-33111) - $299.97
- (2) Gra-Vue Balanced Analog Audio De-Embedder (GRMMDMXHDSDI) - $778.00
- Gra-Vue Balanced Analog Audio Embedder (GRMIEMBHDSDI) - $379.99
- (2) Mount It! Wall Mount (MI-303B_CBL TV) – $69.98

Phase 2:

The following major upgrades will be necessary to switch the truck into a full high-definition mode:

- **(4) HD Cameras** (includes: camera control unit, remote control unit, lens, zoom/focus control): $250,000 (Estimated)

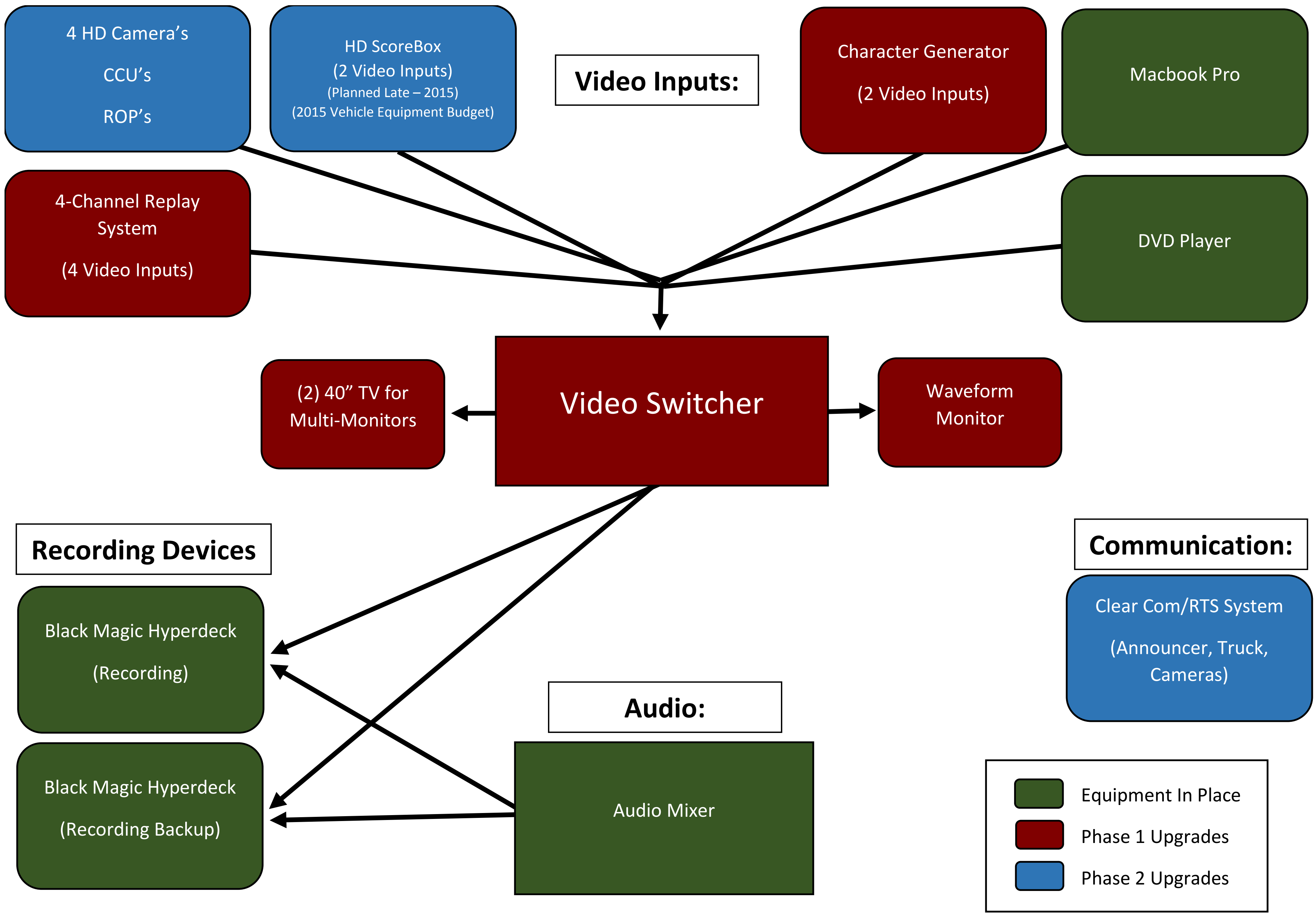
- **Communication Equipment Replacement:** $5,000 (Estimated)

- **Miscellaneous Conversion/Distribution Cards & Router:** $7,500 (Estimated)

Phase 1 Cost: $112,708.22

Phase 2 Estimated Cost: $285,000.00

Total Project Estimated Cost: $397,730.00



Video Inputs:
4 HD Camera's
CCU's
ROP's
HD ScoreBox
(2 Video Inputs)
(Planned Late – 2015)
(2015 Vehicle Equipment Budget)
Character Generator
(2 Video Inputs)
Macbook Pro
4-Channel Replay System
(4 Video Inputs)
DVD Player
Video Switcher
(2) 40" TV for Multi-Monitors
Waveform Monitor
Recording Devices
Black Magic Hyperdeck
(Recording)
Black Magic Hyperdeck
(Recording Backup)
Audio:
Audio Mixer
Communication:
Clear Com/RTS System
(Announcer, Truck, Cameras)
Equipment In Place
Phase 1 Upgrades
Phase 2 Upgrades