A RESOLUTION DENYING CONSENT, WITHOUT PREJUDICE, TO THE PROPOSED CHANGE IN CONTROL OF OWNERSHIP OF THE CABLE TELEVISION FRANCHISE FOR THE COUNTY OF CHATHAM

WHEREAS, the County of Chatham ("County") is a county organized pursuant to the General Statutes of the State of North Carolina; and

WHEREAS, Time Warner Entertainment/Advance-Newhouse Partnership, a New York general partnership ("TWEAN"), is the holder of a cable television franchise ("Franchisee") granted by the County and owns and operates a cable television system in the County ("System"); and

WHEREAS, TWEAN is providing cable television service in the County pursuant to a franchise granted by the County to TWEAN in 2001 ("Franchise"); and

WHEREAS, on June 12, 2008, Time Warner, Inc. ("TW"), and Time Warner Cable, Inc. ("TWC"), submitted FCC Form 394 to the County ("Transfer Application") and asked the County to grant its consent to a change in control of ownership of the Franchise from TWEAN’s current ultimate parent company (TW) to a new ultimate parent company (TWC) ("Proposed Transaction"); and

WHEREAS, TWC is currently both a subsidiary of TW and a parent company of TWEAN and various other TW entities that own cable franchises; and

WHEREAS, TWEAN is an indirect subsidiary of both TW and TWC; and

WHEREAS, TW is currently the owner of an 84.04% interest in TWC, which, together with TW, owns TWEAN through a complicated multi-tiered ownership structure involving subsidiaries of both TW and TWC; and

WHEREAS, public shareholders currently own a 15.96% interest in TWC; and

WHEREAS, public shareholders currently own a 100% interest in TW; and

WHEREAS, TW, TWC, and various direct and indirect subsidiaries of TW and TWC entered into a separation agreement on May 20, 2008 ("Separation Agreement"); and
WHEREAS, the Separation Agreement authorizes TW to spin off TWC, TWC’s cable subsidiaries (including TWEAN), and TW’s ownership interest in other cable subsidiaries in exchange for a one-time payment by TWC of a separation fee in the form of a “special dividend” to TWC’s shareholders (TWC’s shareholders consist primarily of TW, which owns 84.04% of TWC’s shares) that totals $10.9 billion (“Separation Fee”); and

WHEREAS, because TW owns 84.04% of TWC’s shares, it will be entitled to receive payments from TWC totaling about $9.16 billion under the Separation Agreement; and

WHEREAS, following completion of TW’s spin-off of TWC, TWC will own a 100% interest in TWEAN and will change from being 84.04% owned by TW to being 100% owned by public shareholders, which means that TWEAN will be controlled solely by TWC instead of by TW; and

WHEREAS, in connection with implementing the spin-off, TWC intends to borrow $10.9 billion to pay the Separation Fee by tapping a combination of existing revolving credit sources and $9 billion in new credit sources; and

WHEREAS, the spin-off costs (i.e., the costs of paying the $10.9 billion Separation Fee) will increase TWC’s per-subscriber debt and annual interest costs by about 45%, with total per-subscriber debt rising from about $912 to about $1,658 and annual per-subscriber interest costs rising from about $72 to about $132; and

WHEREAS, following implementation of the Proposed Transaction, TWEAN’s ultimate parent company will change from TW to TWC, resulting in a change in control of ownership of the Franchise from TW to TWC; and

WHEREAS, the Proposed Transaction, because ultimate ownership will change from TW to TWC, will result in a change in control of ownership of the Franchise under Section 15B of the Franchise; and
WHEREAS, under Section 15C of the Franchise, a change in control of ownership of the Franchise may not be implemented without the County’s prior consent; and

WHEREAS, Section 15A of the Franchise provides that the County’s consent to a change in control of ownership of the Franchise “shall not be unreasonably withheld” but does not otherwise impose limits on the matters to be considered by the County in acting on a request for consent to a proposed change in control of ownership of the Franchise; and

WHEREAS, Section 15C of the Franchise expressly permits the County to inquire into the proposed new controlling party’s (i.e., TWC) legal, technical, and financial qualifications and issues with respect to compliance with the Franchise; and

WHEREAS, the Transfer Application provides general information about TWC but does not provide complete information as to the System and its operations or compliance with the Franchise; and

WHEREAS, on July 11, 2008, the County’s cable consultant, Action Audits, LLC (“Action Audits”), submitted various written questions to TWC on behalf of the County that were designed to collect information about TWC’s legal, technical, and financial qualifications and compliance with the Franchise; and

WHEREAS, until such time as TWC responds in full to Action Audits’ questions, the County cannot properly assess TWC’s qualifications and matters relating to compliance with the Franchise; and

WHEREAS, Section 4 of the Franchise requires the Franchisee to: (1) extend service to an unserved area of the County at no extra cost to residents of such area if the density in the area is thirty (30) or more homes per street mile; (2) calculate the density of the area to be served within thirty (30) days of receiving a resident’s request for service in the area; (3) if the density threshold of thirty (30) homes per street mile is met, extend the System to the unserved area within ninety (90) days and at no extra cost to area residents; and (4) if the density is less than thirty (30) homes per street mile, provide a firm cost estimate to area residents requesting service of their proportional
share of the incremental cost of extending service to the area, with that proportional share to be calculated by subtracting the actual number of homes per street mile from thirty (30) and dividing the result by thirty (30) (e.g., if there are 10 homes per street mile in the area, residents would be required to pay 67% of the incremental costs of the line extension based on the following calculations: 30 – 10 = 20; 20/30 = 67%); and

WHEREAS, the Franchisee violated Section 4 in June of 2008 by using a calculation method not authorized in the Franchise to deny the extension of service to an area of the County which, based on the County’s calculations, meets the thirty (30) homes per street mile threshold; and

WHEREAS, the Franchisee has further violated Section 4 by not providing the cost estimates for extending service that is required if it is correct in its determination that the thirty (30) homes per street mile threshold has not been met; and

WHEREAS, starting in June of 2008, the County has submitted various written requests to the Franchisee asking that it comply with Section 4 and, in the ensuing weeks, extended the deadline for the Franchisee to bring itself into compliance with Section 4 on several occasions; and

WHEREAS, Section 12A of the Franchise requires the Franchisee to dedicate as many as six (6) channels for public, educational, and government use; and

WHEREAS, on August 27, 2008, the County submitted a written request pursuant to Section 12 of the Franchise asking the Franchisee to provide one (1) channel for government use and to provide the necessary fiber optic connection for transport of the signal for the government channel and the necessary terminal equipment; and

WHEREAS, the County expects the Franchisee to provide enforceable assurances that it will comply with the County’s August 27, 2008, access-related requests; and

WHEREAS, the 120-day period established by federal law for completion of action by a franchising authority on a request by a cable operator for consent to a transfer of a cable franchise (47 U.S.C. § 537) is scheduled to expire on October 11, 2008, and TWC has repeatedly rejected the
County's assertion that it has tolled that 120-day deadline; and

WHEREAS, the County has concluded that it would be irresponsible to approve a change in control of ownership of the Franchise at this time in view of: (1) the absence of all the information necessary to properly assess the Franchisee's compliance with the Franchise, including its line extension and access channel provisions, and the proposed transferee's legal, technical, and financial qualifications; and (2) the failure to address franchise compliance issues and to establish the proposed transferee's qualifications to own and operate the System following implementation of the spin-off.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COUNTY OF CHATHAM, NORTH CAROLINA, THAT:

Section 1. The County of Chatham ("County") hereby denies its consent to the proposed change in control of ownership of a cable franchise granted by the County ("Franchise") from Time Warner, Inc. ("TW"), to Time Warner Cable, Inc. ("TWC").

Section 2. The County's denial of consent is based on Franchisee's failure to provide all the information necessary for the County to assess the proposed transfer and the failure to establish compliance with the Franchise, including its line extension and access channel provisions, and the proposed transferee's qualifications to own and operate the cable system in the County following implementation of the spin-off, all as more specifically set forth in the foregoing recitals which are incorporated herein by reference.

Section 3. The County takes this action without prejudice and remains willing to consider granting consent to the proposed change in control of ownership of the Franchise at a future date.

Section 4. The County encourages TW and TWC to submit all the information that has been requested on its behalf by Action Audits, LLC (the County's consultant), so that the County can properly and fully assess and consider the proposed change in control of ownership of the Franchise.

Section 5. This Resolution is a final decision for purposes of the deadline established by 47
U.S.C. § 537 for action by a franchising authority on a proposed transfer or change in control of
ownership of a cable franchise.

Section 6. This Resolution shall be effective immediately upon its adoption by the County.

Passed, Adopted, and approved this 6th day of October, 2008.

CHATHAM COUNTY BOARD OF COMMISSIONERS

By: ____________________________

George Lucier, Chair of the Board of Commissioners

Attest:

By: ____________________________

Sandra B. Sublett, CMC, Clerk to the Board
Chatham County Board of Commissioners

Service via facsimile (202-745-0916) and certified mail to: Mr. Arthur Harding, Esq., Fleischman and Harding, LLP,
1255 23rd Street, N.W. - eighth floor, Washington, DC 20037

Service via certified mail to: Mr. Gary Matz, Esq., Time Warner Cable, 290 Harbor Drive, Stamford, CT 06902-7441
Copy via first-class mail to: Mr. Robert F. Sepe, Action Audits, LLC., 101 Pocono Lane, Cary, NC 27513
Copy via first-class mail to: Ms. Cynthia M. Pols, Esq., 1862 Mintwood Place, NW, # 304, Washington, DC 20009