

**SEMINOLE COUNTY GOVERNMENT
AGENDA MEMORANDUM**

SUBJECT: Transfer of cable television franchises from Time Warner Entertainment-Advance Newhouse Partnership to a wholly owned subsidiary and management thereof by Advance/Newhouse Partnerhsip.

DEPARTMENT: Information Technologies **DIVISION:** Telecommunications/Cable Franchising

AUTHORIZED BY: Chris Grasso (Director)

CONTACTS: Greg Holcomb (Telecommunications Manager) EXT. 1010
Matt Chesler (Cable Franchising) *mc* EXT. 1170

Agenda Date 11/12/02 Regular <input type="checkbox"/> Consent <input type="checkbox"/> Work Session <input type="checkbox"/> Briefing <input type="checkbox"/>
Public Hearing – 1:30 <input checked="" type="checkbox"/> Public Hearing – 7:00 <input type="checkbox"/>

MOTION/RECOMMENDATION:

Staff is recommending the Board of County Commissioners adopt the attached resolution approving the transfer of control of the non-exclusive franchises from Time Warner Entertainment-Advance Newhouse Partnership to a wholly owned subsidiary of Time Warner Entertainment-Advance Newhouse Partnership and management thereof by Advance/Newhouse Partnerhsip.

BACKGROUND:

The cable television franchises in Seminole County are currently held by Time Warner-Advance/Newhouse Partnership. Time Warner has been the active partner, controlling and managing the cable system which serves central Florida, including Seminole County. Advance/Newhouse held a one-third interest in the partnership. On August 1, 2002, Time Warner – Advance/Newhouse Partnership entered into a Master Transaction Agreement for the purpose of forming a new wholly owned subsidiary to be managed by Advance/Newhouse. The transaction is expected to close by December 31, 2002.

The required "FCC 394 Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise" has been received including the required \$1,500 franchise transfer fee. Additional information was requested and received regarding current compliance with the franchises as well as additional financial and

Reviewed by: <u><i>CSG</i></u> Co Atty: _____ DFS: _____ Other: _____ DCM: <u><i>SG</i></u> CM: _____ File No. <u><i>46</i></u> <u><i>PH 1201 TDI</i></u>
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management information. Staff also met with representatives of Time Warner and Advance/Newhouse to discuss the transaction and the transfer of the franchises. Staff has concluded that the transfer qualifies as a for form transfer of the franchises as defined in Section 55.03(11) of Ordinance 2002-23, adopted on May 14, 2002 and which is codified as Chapter 55, Seminole County Code.

After conducting an extensive evaluation of the information provided, staff has reached the following conclusions:

1. The application for transfer of the franchises is complete.
2. Time Warner-Advance/Newhouse Partnership is currently in compliance with the franchises.
3. Advance/Newhouse appears to have the prior experience, technical, legal and financial ability to operate the cable system.
4. Current local management and operations personnel are likely to remain the same after the assignment of the franchise.

Attached is a letter from Advance/Newhouse President, Steven A. Myron regarding the continued employment of current local Time Warner employees. Additional information regarding the transaction is also attached.

THE FOLLOWING RESOLUTION TRANSFERRING THE SEMINOLE COUNTY CABLE TELEVISION FRANCHISES FROM TIME WARNER ENTERTAINMENT-ADVANCE/NEWHOUSE PARTNERSHIP TO A WHOLLY OWNED SUBSIDIARY AND MANAGEMENT THEREOF BY ADVANCE/NEWHOUSE PARTNERHSIP WAS ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF SEMINOLE COUNTY, FLORIDA, AT THEIR REGULARLY SCHEDULED MEETING OF NOVEMBER 12, 2002.

WHEREAS, Time Warner Entertainment-Advance/Newhouse Partnership (the "Transferor") is duly authorized to operate and maintain a cable television system in the unincorporated areas of Seminole County, Florida pursuant to franchises heretofore granted to and transferred by Seminole County to Transferor (the "Franchise"); and

WHEREAS, Time Warner Entertainment-Advance/Newhouse Partnership, Time Warner Entertainment, L.P., Paragon Communications and Advance/Newhouse Partnership have entered into a Master Transaction Agreement dated August 1, 2002, as revised, amended, and supplemented (the "Master Agreement") for the purpose of forming and capitalizing a new business entity known as TWEAN Subsidiary, LLC to take control of certain cable television systems, including the system currently owned and operated by Transferor under the Seminole County Franchise (the "Transaction"); and

WHEREAS, Transferor desires to transfer its interest in the Franchise to TWEAN Subsidiary, LLC (the "Transferee"); and

WHEREAS, pursuant to the terms of the Transaction, Transferee shall be a wholly owned subsidiary of Transferor but where the

responsibility for the exercise of day to day management of Transferee shall lie with the Advance/Newhouse Partnership; and

WHEREAS, Transferor has heretofore submitted its "FCC 394 Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise" and such additional financial and management information (collectively called "Application") as requested by County staff, as required by 47 U.S.C.A. §537 and Chapter 55, Part I, Section 55.27, Seminole County Code, as currently in effect on the adoption date of this Resolution; and

WHEREAS, the Board of County Commissioners properly advertised and held a public hearing at 1:30 P.M. on November 12, 2002 to formally consider the Application, the merits of the Transaction, and the proposed transfer of the Franchise; and

WHEREAS, the County has found and determined that the transfer qualifies as a pro forma transfer of the Franchise as defined in Section 55.03(11) of Ordinance 2002-23, duly adopted on May 14, 2002 and which became effective on May 24, 2002 (the "Ordinance") and which is codified as Chapter 55, Seminole County Code; and

WHEREAS, Transferor has heretofore paid the required application for pro forma transfer fee of ONE THOUSAND FIVE HUNDRED and NO/100 DOLLARS (\$1,500.00) as required by Section 55.09(i)(3) of the Ordinance; and

WHEREAS, the County believes it to be in the best interest of the citizens in the unincorporated areas of Seminole County that the

transfer of control of said Franchise be granted to Transferee for the remaining term of the present Franchise:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SEMINOLE COUNTY, FLORIDA, THAT:

(1) The above recitals are true and correct and form a material part of this Resolution upon which the County, Transferor and Transferee have relied.

(2) Following the Transaction, the Transferee shall abide by and conform with all the provisions of the Ordinance in effect as of the adoption date of this Resolution, any amendments to said Ordinance and any lawfully enacted successor ordinance. In the event of a County audit of Transferor's or Transferee's books and records, conducted before or after the closing of the Transaction, reveals that franchise fees are owing for any period prior to the State's enactment of the Communications Services Tax, both the Transferor, its successor, receiver, or assignee, and Transferee, its successor, receiver, or assignee shall be jointly and severally liable for the full payment of any such fees that may be found due and owing to the County.

(3) Transferee shall assume all obligations and liabilities under the Franchise including, without limitation, all obligations of Transferor, if any, as are currently required to have been performed but may not have been performed.

(4) Neither the County's consent to assignment and transfer of control of the Franchise, pursuant to the Transaction, nor the completion of the Transaction, shall in any way diminish or otherwise adversely affect any right that the County has, may have, or may at any time or in any manner, subsequently acquire with respect to any

matter and shall not diminish or otherwise adversely affect any right the County would have had with respect to any matter, including but not limited to, any renewal of the Franchise, or the County's right to consider pre-Transaction breaches in any renewal, any right of the County to compensation or other remedies in respect to alleged prior breaches of the Franchise, or any other prior commitment made with respect to performance under the Franchise, had the transaction or the County's consent to the transfer of control of the Franchise pursuant to the Transaction never occurred.

(5) The transfer of control of the Franchise is APPROVED by the County, subject to Transferor and Transferee obtaining all other required Federal and State of Florida regulatory approvals necessary for the Transaction and this transfer.

(6) Provided all other required Federal and State of Florida regulatory approvals have been obtained, this Resolution shall be deemed effective for the purposes of the transfer upon the closing of the Transaction. Transferor and Transferee shall provide written notification to the County immediately upon such closing. Transferee shall also provide immediate written notice to the County at the time Transferee subsequently comes under the full control and ownership of the Advance/Newhouse Partnership, which event shall also be deemed a subsequent pro forma transfer subject to approval by the County.

(7) Nothing contained in the Master Agreement between Transferor and Transferee shall abrogate or diminish any of the provisions of the Ordinance, any amendments thereto, and any provisions of a successor ordinance lawfully enacted.

(8) Nothing herein shall be construed as extending the expiration date of the current Franchise or as granting any conditional or advance approval of any renewal of the Franchise in favor of the Transferee.

ADOPTED this _____ day of _____, 2002.

ATTEST:

BOARD OF COUNTY COMMISSIONERS
SEMINOLE COUNTY, FLORIDA

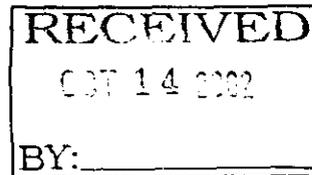
MARYANNE MORSE
Clerk to the Board of
County Commissioners of
Seminole County, Florida

By: _____
Chairman

ADVANCE/NEWHOUSE

Communications

STEVEN A. MIRON, PRESIDENT



October 10, 2002

Mr. Matt Chesler
Cable Franchising Program Manager
Seminole County
150 Bush Blvd.
Sanford, FL 32773

Re: Transfer of Cable Television Franchise to TWE-A/N Subsidiary, LLC

Dear Mr. Chesler:

As you requested in your conversation with Mrs. Diane Pickett Culpepper, I am writing to confirm that John Rigsby has agreed to continue in his current position as President of the Central Florida Division after the assignment of the franchise to TWE-A/N Subsidiary, LLC and the transfer of management and employees to Advance/Newhouse Partnership. Similarly, Advance/Newhouse Partnership will be offering employment in their current positions to Diane Pickett Culpepper and to Jerry Martin, as well as all other current employees. After the close of the transaction, you will be working the same individuals who will continue to be authorized to represent the cable system.

We look forward to working with the County to deliver quality programming and services to the subscribers in Seminole County.

Sincerely,

A handwritten signature in dark ink, appearing to be "SAM" with a stylized flourish.

Steven A. Miron

copy: Diane Pickett Culpepper

2251 Lucien Way
Maitland, FL 32751
Tel 407-215-5524
Fax 407-215-5536

Diane Pickett Culpepper
Vice President, Public Affairs
and Government Relations



June 25, 2002

VIA FEDERAL EXPRESS

Honorable Daryl McLain
Chairman, Seminole County
1101 East First Street
Sanford, FL 32771

Dear Chairman McLain:

As you know, Time Warner Entertainment-Advance/Newhouse Partnership ("TWE-A/N") holds franchises to operate a cable television system in your community. I am writing as part of our on-going efforts to keep you apprised of developments involving TWE-A/N.

As you may recall, TWE-A/N is a partnership between Time Warner Entertainment Company, L.P. (TWE) and Advance/Newhouse. We are pleased to inform you that TWE and Advance/Newhouse have renegotiated our partnership to enable Advance/Newhouse to take a more active role in day-to-day management of certain of the TWE-A/N cable systems. Under this new arrangement, Advance/Newhouse will take a more active management role in the day-to-day operations of TWE-A/N systems serving approximately 2 million customers including those customers in your community as well as those served by TWE-A/N located in the areas of Central Florida; Tampa, FL; Birmingham, AL; Indianapolis, IN; Bakersfield, CA; Detroit, MI and certain areas of Alabama and Northern Florida

We are pleased to inform you, based on our discussions with Advance/Newhouse, that this transaction will have no significant impact on our cable systems or its operations. In particular, we have been assured by Advance/Newhouse that:

- Customers will not see any changes in customer service or the roll-out of new services.
- There will be no change in the decentralized management structure. Decisions regarding rates and customer service will continue to be made by local management.
- The local management and staff will remain the same but will become employees of Advance/Newhouse.
- There will be no change in our commitment to provide our customers with the best in programming choices and customer service.

Honorable Daryl McLain

June 25, 2002

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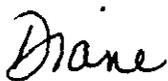
- Certain management responsibilities, including programming, purchasing and engineering development, will continue to be provided by Time Warner Cable on behalf of all TWE-A/N systems, including those under the day-to-day management of Advance/Newhouse.

Advance/Newhouse is a privately held company headquartered in Syracuse, New York. In addition to its interest in TWE-A/N, Advance/Newhouse holds interests in Discovery Communications, Inc. and Time Warner Telecom, Inc. Robert J. Miron, the CEO of Advance/Newhouse, has held various positions with Advance/Newhouse for over 30 years and, in addition to other industry positions, has twice served as Chairman of the National Cable Television Association.

Advance/Newhouse is owned by the Newhouse family. In addition to its cable television and programming interests, the Newhouse family's businesses include Condé Nast magazines, PARADE magazine, Fairchild Publications, Golf Digest Companies, daily newspapers serving 26 cities (including Birmingham), American City Business Journals, which publishes business journals in over 45 cities (including Tampa, Orlando and Birmingham), and Advance Internet and CondéNet, producers of online services.

We are currently reviewing our franchise agreements and if further notice is required, it will be sent shortly. Please do not hesitate to contact me should you have any questions or if I can be of any assistance. We certainly value the fine relationship we have with your community.

Sincerely,



Diane Pickett Culpepper

cc: J. Kevin Grace, County Manager
Matt Chesler, Cable Franchising Coordinator
Jerry Martin, Time Warner



RECEIVED
JUL 23 2002
SEMINOLE COUNTY
COUNTY MANAGER

July 19, 2002

HAND DELIVERED

Chairman and Commissioners
Seminole County
1101 East First Street
Sanford, FL 32771

Re: Transfer of Cable Franchise(s) to TWEAN Subsidiary, LLC

Dear Chairman and Commissioners:

As we previously have notified you, Time Warner and Advance/Newhouse have renegotiated their Time Warner Entertainment-Advance/Newhouse Partnership ("TWE-A/N") to enable Advance/Newhouse to take a more active role in day-to-day management in cable systems serving approximately 2.1 million subscribers, including the cable system serving your community.

In order to implement the transaction, the cable systems to be managed by Advance/Newhouse will be transferred to a wholly-owned subsidiary of TWE-A/N. Time Warner Cable will continue to provide certain management functions, including programming, for all of TWE-A/N's systems. However, the Subsidiary will be managed on a day-to-day basis by Advance/Newhouse. The transaction is scheduled to close on December 31, 2002.

The transaction should have no significant impact on the cable system in your community. There will be no change in the decentralized management structure. The local management and staff will remain the same but will become employees of Advance/Newhouse. In particular:

- Customers will not see any changes in customer service or the roll-out of new services.
- There will be no change in our commitment to provide our customers with the best in programming choices and customer service.
- Certain management responsibilities, including programming, purchasing and engineering development, will continue to be provided by Time Warner Cable on behalf of all TWE-A/N systems, including those under the day-to-day management of Advance/Newhouse.

Chairman and Commissioners
Seminole County
July 19, 2002
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Advance/Newhouse is a privately held company headquartered in Syracuse, New York, and is owned by the Newhouse family. In addition to its interest in TWE-A/N, Advance/Newhouse holds interests in Discovery Communications, Inc. and Time Warner Telecom, Inc.

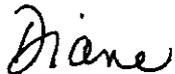
The Newhouse family's other businesses include Condé Nast magazines, PARADE magazine, Fairchild Publications, Golf Digest Companies, daily newspapers serving 26 cities, American City Business Journals, which publishes business journals in over 45 cities, and Advance Internet and CondéNet, producers of online services.

We have enclosed materials regarding the transaction. If you determine that your consent is not required for this transaction, you need not take any further action. If, however, you believe your consent is necessary, we have provided copies of Federal Communications Commission's (FCC) Form 394.

Lastly, in case you determine that your consent to the transaction is required, we have enclosed a draft consent resolution that can be used to help expedite the process. We would request that a consent resolution, if needed, be placed on your agenda for consideration at your earliest convenience.

If you have any questions about any of the enclosed documents or about the transaction, please contact me.

Sincerely,



Diane Pickett Culpepper

Enclosures

cc: J. Kevin Grace, County Manager
Matt Chesler, Cable Franchising Coordinator
Jerry Martin, Time Warner

Cable firm is wired for service

By Susan Strother Clarke | Sentinel Staff Writer
Posted October 27, 2002

It is known as the "roll of quarters" story.

Years ago, on a snowy day in Syracuse, N.Y., Robert Miron realized his phone was dead. He knew the trouble was caused by the cable-TV technician who had just worked at his home.

So Miron grabbed some quarters and went to the nearest pay phone. He dialed the cable company, which his family happened to own.

He was put on hold.

He called again and again, depositing quarter after quarter, and learning first hand -- in the snow and cold, no less -- the frustrations of an ordinary cable customer.

Little surprise that today, Miron -- who will soon control Orlando's largest cable system -- is a stickler for customer service.

Central Florida is at the center of one of the largest cable-television deals of the year -- the multibillion-dollar transfer of subscribers and assets from Time Warner Cable to Advance/Newhouse Communications, over which Miron is chairman.

The transaction, announced in late June, restructures a seven-year partnership between Time Warner and Advance/Newhouse.

Time Warner will shed 2.1 million customers in the amicable breakup, handing them over to one of the first families of U.S. publishing. Nearly 80 percent of the subscribers are in Central Florida, including 710,000 in and around Orlando and 950,000 customers near Tampa Bay.

Once the deal closes Dec. 31, Advance/Newhouse will become the country's eighth-largest cable operator. The transfer of control should be transparent to current Time Warner customers, who may be unaware of the change until asked to make their monthly payments to a new company.

The Newhouse group enters the market as a nimble, privately held company with the financial ability to buy more cable-TV systems. Industry insiders say the company may already have kicked the tires at systems owned by Adelphia Communications, the bankrupt cable operator that serves about 38,000 subscribers in Orlando.

Moreover, Advance/Newhouse tends to promote innovation among its local business units, which is good news in Orlando, where the cable system has undergone a \$350 million upgrade and is one of the most advanced in the country.

"This is good for customers and good for employees, not for some guy in Syracuse," said Miron, 65. "We are going to run this in a very decentralized way. We think we have excellent people in the Orlando division and we're going to rely very heavily upon them."

The Newhouse family's career in U.S. publishing began in 1922 when Samuel I. Newhouse Sr., a one-time office boy for a New Jersey weekly, purchased the *Staten Island Advance*.

Today, his sons -- Samuel Jr., or "Si," and Donald, who are Miron's first cousins -- oversee an empire with estimated sales of \$4 billion a year. The family publishes daily newspapers in 26 cities as well as 41 weekly papers, including the *Orlando Business Journal*.

The Newhouse family is the second-largest magazine publisher in the country, behind Time Inc. Newhouse owns Conde Nast, which publishes *Vanity Fair* and *The New Yorker*; Fairchild Publications, which publishes *Women's Wear Daily*; and Parade Publications, publishers of *Parade Magazine*.

The family releases few details about its businesses. Miron, who has 30 years experience in the cable-TV industry, is an executive who answers his own phone, yet politely declines to provide detailed answers to most questions.

But according to financial documents, Advance/Newhouse and Time Warner began working together in 1995. Miron's firm brought 1.5 million cable customers to the table; in exchange, Newhouse became a silent partner and owner of a one-third interest in Time Warner's cable operations covering 7 million subscribers.

Two years ago, America Online and Time Warner announced a \$106 billion merger. Observers say the Newhouse family began to fear that its cable interests would suffer as the combined AOL Time Warner worked -- and, at times, struggled -- to meet obligations.

After several months of negotiation this year, Advance/Newhouse exercised its options to unwind the partnership. In the new arrangement, it is the controlling operator of cable systems in Orlando, Tampa and four other cities, as well as several smaller markets.

According to financial information Advance/Newhouse has submitted to Orange County government, the company expects double-digit growth in the systems' annual profit starting in 2004. And revenue, projected to be about \$1.4 billion this year, is expected to exceed \$2 billion by 2006.

"We're pleased with the new arrangement," Miron said.

Many within the industry expect that Advance/Newhouse's involvement in certain markets will result in new partnerships. In Orlando, for example, the company will inherit for at least another year its partnership with Sentinel Communications Co., publisher of the *Orlando Sentinel*, to jointly operate Central Florida News 13, a 24-hour news channel. But there is speculation that there could be a future arrangement with the *Orlando Business Journal*.

Advance/Newhouse launched a contest in late summer among its 5,000 newly acquired employees to rename the cable company. Dozens of suggestions came from Orlando. The new name will be unveiled early next year.

During visits to Orlando, Miron has assured local employees that their jobs are safe.

And he has stressed that customer service is one of the most important things a cable company can provide. During his term as chairman of what is now known as the National Cable & Telecommunications Association in the 1990s, Miron helped the industry recover from its reputation for poor service by emphasizing good customer relations and on-time service guarantees.

Some observers speculate that Miron may urge the Orlando system to eliminate some of its outside contractors -- and provide the potential for greater customer satisfaction by bringing all its installation and repairs in-house.

"Treating the customer well," Miron said recently, "and providing good customer service are exceedingly important."

The Central Florida cable operation will continue to be run by John Rigsby, who came to Orlando for Time Warner in 1995 and who has a stellar reputation. Rigsby, 56, has overseen subscriber

growth of 42 percent.

Moreover, he has been the steward over its transformation into one of the most sophisticated providers in the industry. Local customers have access to high-speed internet and high-definition television, as well as video on demand.

"One of the things that was attractive to Newhouse was the local team and the success with what we have been able to do with the network," Rigsby said. "We have always been innovative. We're setting that tone."

In fact, Rigsby has been so successful locally and in a previous position in New York that there is speculation that he may be elevated within Advance/Newhouse to overseeing more than the Orlando cable system.

Susan Strother Clarke can be reached at sclarke@orlandosentinel.com or 407-420-5414.

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Advance/Newhouse Communications

- Business: 8th-largest U.S. cable-TV operator, with 2.1 million subscribers, including 710,000 in Central Florida.
- Chairman/CEO: Robert Miron
- President: Steve Miron
- Ownership: Privately held by the Newhouse family as part of a \$4 billion-a-year publishing empire. Led by brothers Samuel Jr. and Donald (Robert Miron is a nephew of Donald's), the family operations include Condé Nast magazines (*Allure*, *The New Yorker*, *Vanity Fair*), *Parade Magazine*, *Golf Digest Cos.*, Fairchild Publications, daily newspapers in 26 cities, American City Business Journals (including *Orlando Business Journal*), and Advance Internet and CondeNet online services.

Advance/Newhouse cable systems

Posted October 27, 2002 System	Subscribers	Employees
Central Florida (9 counties)	710,000	1,750
Tampa Bay (7 counties)	950,000	2,150
Birmingham, Ala.; Indianapolis; Bakersfield, Calif.; Detroit; and several systems in Ala., North Fla.	440,000	NA

NA -- Not available.

SOURCES: Time Warner Cable, Advance/Newhouse Communications

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Financials*

Posted October 27, 2002 Year	Revenue (billions)	Profit (millions)
2001	\$1.2	\$298
2002	\$1.4	\$336
2003**	\$1.6	\$267
2004	\$1.8	\$309
2005	\$1.9	\$362
2006	\$2.1	\$441
2007	\$2.3	\$486

* For the cable-TV systems that the company will control as of Jan. 1, 2003.

** Projected financials for 2003-07.

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