



CITY OF CAMBRIDGE

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OFFICE OF CABLE TELEVISION

24 February 1988

Mr. Robert W. Healy
City Manager
City Hall
Cambridge, Massachusetts 02139

Dear Mr. Healy:

The Office of Cable Television has completed the examination of all materials including written and oral testimony and all subsequent filings regarding the December 10, 1987 application by Continental Cablevision, Inc. to transfer control of the City's Final CATV License and has prepared, in conjunction with legal counsel and subsequent to meetings with yourself and Deputy City Manager Richard C. Rossi, the attached issuing Authority Report to be filed with the Massachusetts CATV Commission.

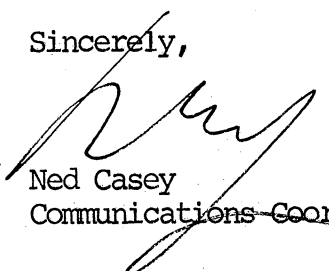
In preparing this report the City's Attorney, Mr. Philip L. Sussler, and I took into account the following considerations:

- o to provide a summary of the proceedings and a statement of purpose outlining the proper legal framework for the transfer process.
- o to provide a description of the application by Continental with emphasis on the documentation listed in the Form 100.
- o to establish a standard by which the material was reviewed.
- o to outline a series of findings of fact which indicate the City's major areas of concern and which have been made part of the public record in our requests for clarification and additional information and during the public hearing. These findings cover such areas as construction commitments, local management, consumer practices, and the proposed rate increase.
- o to provide a disposition and order which formally indicate approval of the transfer.

24 February 1988
Mr. Robert W. Healy

I believe that the process established during this transfer, as during the initial franchising process has allowed for an orderly and thorough examination of all filings and has provided the City and all Cambridge residents with all necessary information as regards the transfer of a CATV license.

Sincerely,



Ned Casey
Communications Coordinator

NC:at
Attachments



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 25, 1988

Rosalind A. Niles, Commissioner
Massachusetts CATV Commission
Leverett Saltonstall Building
100 Cambridge Street
Boston, MA 02202

Dear Commissioner Niles:

As Issuing Authority for the City of Cambridge, and in accordance with all applicable laws and regulations, I hereby present my Issuing Authority Report including a decision and written public statement of reasons regarding the application for transfer of control of the Final CATV License for the City of Cambridge filed on 10 December 1987 by Continental Cablevision, Inc.

Following a careful examination of all filings and subsequent to a public hearing which included oral and written testimony, questions and responses, I hereby approve the transfer of control of the City's Final CATV License to Continental.

The Attached written public statement provides a detailed description of the transfer process, standard of review, findings of fact, and disposition and order regarding the application and my decision.

Sincerely

A handwritten signature in dark ink, appearing to read "Robert W. Healy", is written over a horizontal line.

Robert W. Healy
City Manager

Summary of Proceeding and Statement of Purpose:

Pursuant to G.L.c.166A Section 7 and 207 C.M.R. 4.00 et seq, Continental Cablevision, Inc. ("Continental") filed an application dated December 10, 1987 with the issuing authority¹ of the community antenna television ("CATV") license for the City of Cambridge (the "City"), requesting approval of the transfer of control of the City's CATV final license (the "License").

In accordance with the directives of statute and regulations of the Commonwealth of Massachusetts, the City scheduled and held a public hearing on the application on January 28, 1988 in the City Council chambers. Public notice of the hearing was published and cablecast as required by regulation, 207 C.M.R. 4.05, prior to the date of the hearing. In addition, the City issued a set of written questions regarding matters contained in the written application, which were responded to by Continental in writing in advance of the hearing. During the hearing, representatives of Continental and of American Cablesystems Northeast, a limited partnership ("ACNE"), the licensee in Cambridge, made a presentation and responded to questions, and comments from City officials and the public were received. Continental and ACNE also responded, subsequently, in writing to certain questions directed to their representatives during the hearing. The application for transfer of control submitted by Continental, the tape of the public hearing and the City's written questions and submissions by Continental and/or ACNE in response constitute the public record of the hearing.

Under the controlling statutes and regulations, I, as City Manager of Cambridge and issuing authority of the City's CATV License, am required, following the public hearing on the transfer application, to issue a decision to approve or disapprove the request for transfer of control of the license and to provide a written statement of reasons which explains the basis for my decision. In accordance with that obligation, I hereby issue my decision on the request and my written statement of reasons in support of that decision. In issuing this decision, I have limited my review of the facts bearing on the decision to those matters discussed and appearing in the public record of the hearing as defined above.

Description of the Application:

In its application for approval of the transfer of control, Continental has followed the format required by regulation promulgated by the Massachusetts Community Antenna Television Commission ("CATV Commission"). See, Form 100. The Form 100 requires the transfer applicant (Continental) to respond to numerous questions regarding the ownership and business organization of the applicant, the areas to be served by the applicant, the range of services and equipment to be offered, and rates for such services and the consumer practices and the technical standards to be followed. The applicant must also

¹In Cambridge, by state statute, the issuing authority of the CATV license is the City Manager. G.L.c.166A Section 1(d).

provide and prepare pro forma financial projections of CATV system operations following the proposed transfer.

In its application, Continental has also provided certain additional documentation regarding the financial and ownership arrangements established for the completion of its acquisition of control of American Cablesystems Corporation ("ACC") and of ACC's interest in ACNE, the City of Cambridge licensee. It is this transfer of control which requires the approval by the City's issuing authority under c.166A Section 7. Briefly summarized, the acquisition takes place pursuant to an agreement among Continental, Continental Cablevision Acquisition Co., Inc. ("CCAC") and ACC and involves the merger of a wholly owned subsidiary of Continental (CCAC), created for the purposes of the acquisition, into ACC. Following the merger, existing shareholders of ACC tender their shares for purchase, while CCAC's shares are converted into shares of ACC. The end result of this process is to leave ACC as a wholly-owned subsidiary of Continental. In Cambridge, the City's License is held by ACNE which is a limited partnership comprised of a general partner, American Cablesystems Northeast, Inc. ("ACN"), and of limited partnership interests. ACN is a subsidiary of ACC; it is through its control of ACN that ACC has control of the City's License. The structure of the business organization in Cambridge (i.e., ACNE and ACN) remains unchanged after the acquisition. However, because the parent entity, ACC, is now owned by Continental, control in the Cambridge License shifts from ACC to Continental.

Standard of Review:

In deciding on the application for approval of transfer of control of the City's License, I am required to make several subsidiary determinations. The focal point of my inquiry is to establish whether the proposed transferee of control can fully assume the obligations of the License and continue the level of service provided by the business entity(ies) operating under the License prior to the transfer. In conducting this inquiry, I may consider a variety of factors including matters such as the transferee's financial qualifications, management and technical expertise, character qualifications, experience in the cable industry and performance in other communities. I am also required by the City's License to determine that the transferee of control of the License will adhere to the license terms and that the change in control and ownership is in the public interest. License, Section 2.2(d). With this standard of review in mind, I turn to a discussion of the specific findings of fact and then set forth my disposition and order regarding Continental's application for approval of the transfer of control of the City's License.

Findings of Fact:

1. Continental is one of the larger multiple system CATV operators in the nation, and based on the documentation presented in the public record, appears capable and possessed of the required resources to comply with the terms of the License and maintain and

improve the level of service offered to the City's residents, businesses and institutions.

2. Continental has presented evidence of its ability to finance the acquisition of its ownership interest in ACC. Pending completion of the closing for the merger and purchase and conversion of shares, Continental financially is capable of completing the acquisition without burdening the financial operation of the CATV system in Cambridge.

3. Because ownership of the License in Cambridge both before and after the transfer of control from ACC to Continental rests with ACNE, the obligations of the license remain committed to by ACNE. However, because Continental will exercise operational control over ACNE, Continental has itself, in the transfer application and on the public record of the proceeding, committed to and guaranteed the requirements of the City's License.

4. As was made clear by the City in the public hearing, the City requires of the License transferee firm and complete commitment to the provisions of the License. Representatives of Continental stated on the public record their commitment to adhere to the provisions of the License.

5. The City will require a sustained commitment by upper management to a local presence in Cambridge, direct responsibility for the Cambridge CATV system and availability to respond to the concerns of the City and City officials. This commitment is important to assure the requisite attention by the system operator to the needs of CATV customers in the City and of the City itself. Continental has set forth a management structure to respond to this requirement. The City expects this requirement to be adhered to by Continental.

6. The City requires that Continental adhere to all construction practices established by the License including full completion of the CATV system pursuant to the requirements of the License. License, Section 3.2. Continental has agreed to comply with this requirement.

7. Under the License, the licensee is obligated to accept and adhere to all commitments to the City's cable access corporation set forth in the agreement between the licensee and the access corporation. Continental has committed to conform to this requirement.

8. Under the License, the licensee is required to conform to numerous consumer relation practices. License, Section 12. Continental has agreed to conform to these requirements.

9. Continental has disclosed to the City its intent to increase the rates for CATV service from \$10.95 to \$12.95 for basic service on April 1, 1988. This increase takes place following the expiration of the two year rate freeze committed to by ACNE in the License. License, Section 12. Under the Cable Communications Policy Act of '84, the

City is legally constrained from regulating this change in rates. Continental has stated that the increase in rates it proposes would take place irrespective of the transfer of control. While mindful of the legal context in which it and the licensee operate, the City remains concerned that any rate increase undertaken by the City's licensee be the minimum necessary to assure superior and affordable CATV service to CATV subscribers in the City. In deciding on the transfer application, the City does not endorse the proposed rate increase.

10. Under Section 16.2 of the License, the licensee is required to establish a two year period for operation of the institutional network ("I-Net") beginning in the first year after the I-Net is completed. The licensee, during this demonstration period, is required to expend certain monies for equipment and services. The City is very much interested in assuring full compliance with the requirements of the License regarding implementation of the I-Net. Continental has agreed to comply with this requirement of the License.

Disposition and Order:

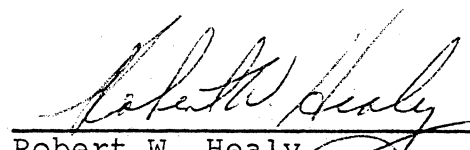
1. Based on the foregoing findings of fact and subject to the terms of this disposition and order, I hereby approve the transfer of control of the City's License from American Cablesystems Corporation to Continental Cablevision, Inc.

2. My approval of this transfer of control is expressly subject to and conditioned on the findings of fact set forth in this order and the representations of Continental and ACNE made on the public record in this proceeding. By their acceptance of this approval, Continental, ACC and ACNE are deemed to accept and agree to the findings of fact and the terms of this disposition and order.

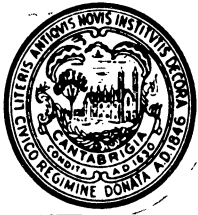
3. In accepting this approval of the transfer application, the provisions of the License and, to the extent incorporated into the License, the provisions of the initial amended application are expressly acknowledged by Continental and ACNE to continue to be in effect and binding on the licensee.

Issuing Authority of the
City of Cambridge

By:


Robert W. Healy
City Manager

Dated: February 25, 1988



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 29, 1988

To the Honorable, the City Council:

Enclosed for your information are copies of the recommendations of the Office of Cable Television, and the Issuing Authority Report filed with the Massachusetts CATV Commission, relative to the transfer of the City's Final CATV License.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Re: recommendations of the Office of Cable T.V.
& the Issuing Authority Report filed with the
Mass. CATV Commission Re: transfer of the
City's Final CATV License.

In City Council,

February 29, 1988

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