

**A Resolution To Approve A Settlement Agreement with Comcast of Maryland, LLC
R-38-2015**

**City Council of the City of Glenarden, Maryland
2015 Legislation**

Resolution: R-38-2015
Introduced By: Carolyn Smallwood, Council President
Co-Sponsors:
Session: Regular Session
Date of Introduction: February 9, 2015

A Resolution To Approve A Settlement Agreement with Comcast of Maryland, LLC

WHEREAS, Comcast of Maryland, LLC, (“Comcast”) holds a cable franchise issued by the City of Glenarden (“Franchisor”) in 1999 to Jones Communications of Maryland, Inc. (“Franchise Agreement”), which was transferred to Comcast; and

WHEREAS, the Franchise Agreement term has expired, but Comcast filed a Federal Cable Act Section 626 letter on July 15, 2011, and Comcast and Franchisor continue to operate under the Franchise Agreement;

WHEREAS, on April 10, 2014, Franchisor received from Franchisee an FCC Form 394 requesting that Franchisor consent, if such consent were required, to a proposed transaction in which the company controlling Franchisee, Comcast Corporation, would acquire Time Warner Cable (“Transaction”); and

WHEREAS, the parties have extended the deadline for the Franchisor to act on the request for approval of the Transaction through and including February 13, 2015 without any party waiving claims as to whether or not consent is required; and

WHEREAS, the Franchise Agreement states that the Franchisor, in determining whether to consent to a transfer, may consider without limitation the legal, financial, and technical

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28 qualifications of the transferee to operate the system; any potential impact of the Transfer on
29 subscriber rates or services; and whether operation by the transferee or approval of the Transfer
30 would adversely affects Subscribers, the County's interest under the Agreement, the Cable
31 Ordinance, other applicable law, and is otherwise in the public interest; and

32 **WHEREAS**, Franchisor believes that Comcast is in noncompliance with a number of
33 provisions of the Franchise Agreement; and

34 **WHEREAS**, Comcast disputes the Franchisor's allegations of noncompliance;

35 **WHEREAS**, Franchisor and Comcast have agreed to settle certain disputes regarding
36 noncompliance by means of a Settlement Agreement, which is attached to this Resolution, while
37 otherwise reserving all rights under the Franchise Agreement and the renewal process which
38 addresses certain of the issues raised by the transfer; and

39 **WHEREAS**, the attached Settlement Agreement shall only be effective if Franchisor
40 approves Comcast's request for Transfer approval, or permits such application to be deemed
41 granted by the expiration of the period for review.

42 **NOW, THEREFORE, BE IT RESOLVED** by the Council of the City of Glenarden
43 that the Settlement Agreement be and it is hereby approved in substantially form attached; and it is
44 further

45 **RESOLVED**, City agrees that the time for review expires as of February 13, 2015; and
46 be it further

47 **RESOLVED**, that the Mayor be and he hereby is authorized to sign the Settlement
48 Agreement on behalf of the City.

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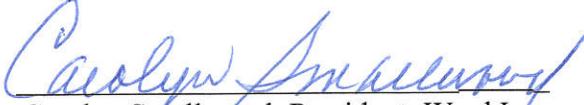
49 **ADOPTED** by the City Council of Glenarden at a regular session on the 9th day of
50 February, 2015.

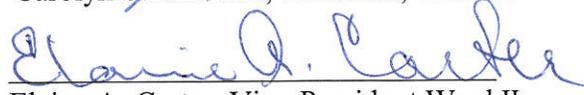
51 **EFFECTIVE** the 9th day of February, 2015.

52
53 ATTEST:

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56 
57 Toni Taylor, Council Clerk

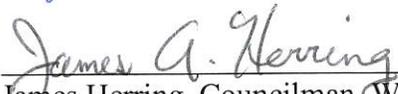
City Council of Glenarden, Maryland


Carolyn Smallwood, President, Ward I


Elaine A. Carter, Vice-President Ward II

abstain
Judy Diggs, Councilwoman, At Large


Deborah A. Eason, Councilwoman, Ward II


James Herring, Councilman, Ward I

absent
Jennifer A. Jenkins, Councilwoman, Ward III

absent
Maxine Phifer, Councilwoman, At Large

58 Votes:
59 Yes 4
60 No 0
61 Abstain 1
62

**MEMORANDUM
CONFIDENTIAL-ATTORNEY-CLIENT COMMUNICATION**

To: City Council

From: Suellen M. Ferguson

Date: February 9, 2015

Re: Comcast/Time-Warner Merger and Settlement Agreement

ISSUE:

On April 9, 2014, the City received notification from Comcast of its proposed merger with Time Warner. Under the Comcast franchise agreement, such a transfer requires the approval of the City. The issue of whether to approve or disapprove this transfer became part of the negotiations between the County and municipalities and Comcast for the renewal of the franchise. The current deadline for determining whether or not to object to the merger is February 13, 2015. Failure to object is considered an approval. The proposed Settlement Agreement is designed to resolve certain franchise non-compliance issues and to provide certain benefits now to the City, while retaining the right to include those benefits as a “floor”, and to further negotiate issues, in the franchise agreement.

DISCUSSION:

The proposed merger of Comcast with Time Warner continues to be considered by the FCC. The City has a right to comment on or object to the merger under its franchise agreement. Whether the City, various other municipalities with similar franchise agreements, and the County, will object is of great interest to Comcast, which wishes to avoid conflict. Based on the information provided by Comcast so far, which has not been complete, it is likely that this merger will pull funds away from Comcast franchises and inject them into areas covered by Time Warner franchises. However, it is unclear how much influence the City’s objection to the merger would have, and an objection would be considered a “nuclear option” by Comcast.

In order to have the benefit of the tactical advantage that the possibility of an objection provides, the County/municipal negotiating team decided to ask for various items to be guaranteed now as part of a “settlement agreement”, whereby Comcast would promise to provide certain benefits now. What the local governments offer in turn is an agreement not to object, and to not press Comcast with respect to certain franchise noncompliance issues. At this point, the City does not have separate non-compliance issues, and relies generally on those identified by the County. The issues do not impact the service that the City receives and relate mainly to channel bandwidth to be used by the City.

The negotiating team has been meeting with Comcast to reach agreement on a settlement proposal. The Settlement Agreement is attached for your review. The benefits to the City are:

1. Immediate access, with notice, to the use of a high definition PEG channel. This is more valuable to larger municipalities and the County, which are using their channels for original programming and cable casting council meetings.
2. The ability to use more of the PEG funds for operational, as opposed to capital, expenses.
3. These benefits are a floor, but not a ceiling, for the Comcast negotiations.
4. \$50,000.00 overall to the County/municipalities, to defray expenses.

RECOMMENDATION:

This Settlement Agreement is recommended by the negotiating team. The recommendation is to adopt the attached resolution, which authorizes the Settlement Agreement, and take no action with respect to the Comcast/Time Warner merger. This recommendation has been accepted by the County and the other municipalities that have the right to object.

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into on the ___ day of February, 2015 by and between the City of Glenarden ("Franchisor") and Comcast of Maryland, LLC ("Comcast" or "Franchisee").

RECITALS

- 1.1 Comcast holds a cable franchise issued by Franchisor to Jones Communications of Maryland, Inc. ("Franchise Agreement"), which was transferred to Comcast by agreement;
- 1.2 The Franchise Agreement's term expired in 2014, but Comcast filed a Federal Cable Act Section 626 letter on July 15, 2011, and Comcast and Franchisor continue to operate under the Franchise Agreement;
- 1.3 On April 10, 2014, Franchisor received from Franchisee an FCC Form 394 requesting that Franchisor consent, if such consent were required, to a proposed transaction in which the company controlling Franchisee, Comcast Corporation, would acquire Time Warner Cable ("Transaction");
- 1.4 The parties have extended the deadline for the Franchisor to act on the request for approval of the Transaction through and including February 13, 2015 without any party waiving claims as to whether or not consent is required;
- 1.5 The Franchise Agreement states that the Franchisor, in determining whether to consent to a transfer, may consider without limitation the legal, financial, and technical qualifications of the transferee to operate the system; any potential impact of the Transfer on subscriber rates or services; and whether operation by the transferee or approval of the Transfer would adversely affect Subscribers, the City's interest under the Agreement, the Cable Ordinance, other applicable law, and is otherwise in the public interest;
- 1.6 Franchisor believes that Comcast is in noncompliance with a number of provisions of the Franchise Agreement;
- 1.7 Comcast disputes the Franchisor's allegations of noncompliance;
- 1.8 Franchisor and Franchisee have agreed to settle certain disputes regarding noncompliance as stated herein, while otherwise reserving all rights under the Franchise Agreement and the renewal process; and
- 1.9 This Agreement shall only be effective if Franchisor unconditionally approves Franchisee's request for approval of the Transaction, or permits such application to be deemed granted by the expiration of the period for review.

Now, therefore, in consideration of the covenants and agreements in this Settlement Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

2. SETTLEMENT OF CERTAIN ISSUES

2.1 ***PEG Capacity and Upstream Transmission.*** The parties agree to resolve their dispute with respect to public, educational, and governmental (“PEG”) channel capacity as follows. This resolution is not intended to affect Franchisee’s rights under 47 U.S.C. Section 531(d) to utilize PEG capacity when that capacity is not being used for PEG purposes.

2.1.1 ***HD Capacity and Associated Equipment.*** Within one-hundred-twenty (120) days of receipt of a written request from Franchisor, Franchisee shall, at no cost to Franchisor, activate up to two (2) high-definition (“HD”) channels for PEG use by Franchisor, one such channel to be segmented for County municipalities and the other such channel for the County. Within the same period, Franchisee shall also, at no cost to Franchisor, provide all equipment necessary to deliver the HD signal upstream from any existing PEG origination site without any alteration or deterioration, which may include updating all analog modulators and demodulators to a digital format. Franchisor may request the HD channels in separate or joint written requests.

2.1.2 ***Channel Content.*** The content of programming on any requested HD PEG channel shall be determined by the Franchisor. The Franchisor may direct Franchisee to simulcast one of the existing standard-definition (“SD”) PEG channels in HD format (including the segmented channel that carries municipal programming), or it may choose to provide subscribers an HD channel that is programmed differently than all existing SD PEG channels (for example, the Franchisor could create a “best of” PEG channel that carries a combination of HD public, educational and government programming from the existing SD channels). If an HD channel is programmed differently than existing SD channels, Franchisee would have no additional obligation to provide an SD simulcast of that channel.

2.1.3 ***HD-Delivery Requirements.*** Franchisee shall deliver the HD signal to subscribers so that it is viewable without degradation, provided that it is not required to deliver a PEG Channel at a resolution higher than the highest resolution used in connection with the delivery of local broadcast signals to the public. Franchisee may implement HD carriage of the PEG channel in any manner (including selection of compression, utilization of IP, and other processing characteristics) that produces a signal as accessible, functional, useable and of a quality equivalent from

the perspective of the viewer to other HD channels carried on the cable system.

2.1.4 **Subscriber Equipment.** Franchisor 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 channels at that receiver, without additional charges or equipment. By agreeing to make PEG available in HD format, Franchisee is not agreeing to provide free HD equipment to customers including complimentary municipal and educational accounts, nor to modify its equipment or pricing policies in any manner. Franchisor acknowledges that not every customer may be able to view HD PEG programming (for example, because they do not have an HDTV in their home or have chosen not to take an HD-capable receiving device from Comcast or other equipment provider) on every television in the home.

- 2.2 **Inclusion in Franchise.** Comcast agrees to include at least the preceding language in the renewed franchise agreement when completed by the parties (adjusted as necessary for a particular municipality) and modified as follows: the number of HD channels in Section 2.1.1 shall be at least four (4); and the time from notice to activation shall be ninety (90) days. Without prejudice to the Franchisor's rights to raise other issues, Comcast understands that the Franchisor is requesting an IP-based PEG delivery system as part of the renewal, and agrees that provision of a non-IP based transport devices pursuant to Section 2.1.1 provides no basis for objecting to that request.
- 2.3 **Continuation of Existing PEG Channels.** Prior to the effective date of a Franchise Renewal Agreement, Franchisee shall continue to provide the PEG channels required under the Franchise Agreement. Franchisee acknowledges that nothing in this Settlement Agreement, including the Franchisor's right to obtain additional HD channels, permits Franchisee to discontinue or degrade the delivery of any PEG channel as that channel is delivered on the Effective Date.
- 2.4 **PEG Fee.** For those Franchisors receiving a PEG Capital Support Grant as of the Effective Date of this Agreement, Franchisee and Franchisor agree that Franchisor may use one-half for non-capital PEG programming or I-Net related costs to the extent the Franchisor matches one-half of Franchisee's provided non-capital funding with funds from sources other than the PEG Capital Fee. For example, for every dollar that Franchisor spends on non-capital costs for PEG or the Institutional Network, Franchisor may use up to \$2.00 of the Capital Equipment Support Grant at Section 6(b)(2) of the Franchise Agreement. The parties agree that this provision takes the place of Section 6(b)(3) of the County's Franchise Agreement, and any same or similar provision in a municipal franchise

agreement, which contemplates that the Franchisee would enter into a support agreement with a nonprofit, third-party access management entity.

- 2.5 ***Line Extensions.*** Franchisee agrees to extend its cable system promptly at no cost to Franchisor along the rights of way of Bryan Point Road and the Moyaone Reserve (off 210 in Accokeek as set forth on Exhibit A and in accordance with line extension costs set forth in Section 2.5.3 of this Agreement.

2.5.1 Bryan Point Road: Franchisee shall begin applying for permits required for the Bryan Point Road extension within sixty (60) days of the effective date of this Agreement. Franchisee shall provide Franchisor with monthly reports on this line extension activity until the extensions are completed. Franchisee estimates the Bryan Point Road line extensions can be completed within six (6) months, but may request additional time to complete the extension where extension is delayed for reasons beyond its reasonable control or if Franchisee is unable to obtain easements, permits, pole licenses' and other required authorizations that may be required to extend its system on reasonable terms and conditions. Franchisor will not unreasonably refuse to grant an extension.

2.5.2 Moyaone Reserve: Franchisee estimates the Moyaone Reserve line extensions can be completed within eighteen (18) months, but may request additional time to complete the extension where extension is delayed for reasons beyond its reasonable control or if Franchisee is unable to obtain easements, permits, pole licenses' and other required authorizations that may be required to extend its system on reasonable terms and conditions. Franchisor will not unreasonably refuse to grant an extension. Franchisee shall provide Franchisor with monthly reports on this line extension activity until the extensions are completed.

2.5.3 Franchisee may charge subscribers for the cost of drops that exceed 250 feet from the nearest right of way in accordance with Section 5A-106(b)(2) of the County Code, and otherwise may charge potential subscribers no more than standard installation charges for drops from rights of way.

- 2.6 ***Payment.*** Franchisee agrees to pay the County and Municipalities a total of \$50,000 within thirty (30) days after the Effective Date (as defined herein) of this Settlement Agreement.

3. EFFECTIVENESS AND FRANCHISE AGREEMENT EXTENSION.

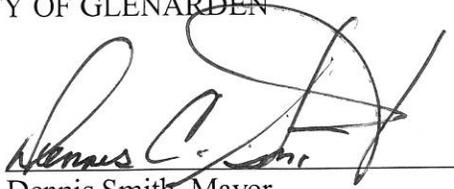
- 3.1 ***Effective Date.*** This Settlement Agreement shall be effective on the date that it is approved by Franchisor or is fully executed by the parties, whichever occurs last (the "Effective Date").
- 3.2 ***Term.*** This Settlement Agreement shall remain in effect until a new cable franchise becomes effective; or until the franchise is either renewed, terminated,

or final action is taken not to renew the franchise in accordance with the Franchise Agreement, the Federal Cable Act and other applicable law, whichever occurs first.

- 3.3 ***Renewal Negotiations.*** The parties agree to work to complete a renewal cable franchise agreement expeditiously. The parties agree that the terms of a renewal agreement addressing the number of HD PEG channels, support, and line extensions shall include at least the terms at Section 2.1 through Section 2.2 herein. The parties may agree to terms in a renewal agreement that are more favorable to the Franchisor than those terms set forth above.
- 3.4 ***Waiver of Claims.*** Franchisor agrees that if Franchisee complies with this Settlement Agreement, Franchisor will not bring any claims for twenty-four (24) months from the Effective Date based on Comcast's alleged duties to provide Franchisor with a 6-MHz channel for each channel designated for public, educational, or governmental use. If Franchisor brings such a claim, Franchisee may cease carriage of the HD channels provided under Section 2.1.1. Claims with respect to Section 6(b)(3) are permanently released, and this Agreement replaces Franchisee's obligation to build to Bryan Point under the Franchise Agreement. Otherwise, Franchisor retains all of its rights to bring noncompliance claims and to require Franchisee to provide benefits that exceed those addressed herein. By entering into this Settlement Agreement, Comcast waives no defenses to any such claims.
- 3.5 ***Not Franchise Fees.*** Franchisee expressly acknowledges that it is entering into this agreement voluntarily and that: 1) it is a settlement of claims, so that the use of funds by Franchisor as permitted under this Agreement will not give rise to a claim that the funds are franchise fees; and 2) any costs to Franchisee arising under this agreement will not be treated by Franchisee as franchise fees. Franchisee agrees that it will not take any offset against franchise fees it owes the Franchisor under the Franchise Agreement based upon use of the PEG funding, or the costs incurred in connection with this Agreement.
- 3.6 ***Effect on Franchise Agreement.*** Except as otherwise specifically provided herein, all rights and obligations under the Franchise Agreement shall continue in full force and effect. Franchisee acknowledges that this Settlement Agreement and Franchisor's approval of the Transaction does not relieve Franchisee of any obligation to comply with the Franchise Agreement, or release it from claims known or unknown.

[Signature Page Follows]

CITY OF GLENARDEN

By: 
Dennis Smith, Mayor

APPROVED AS TO FORM:

Suellen M. Ferguson
Council Attorney

COMCAST OF MARYLAND, LLC
a Maryland Corporation

By: _____
John Conwell