



Mayor THOMAS M. MENINO

WILLIAM G. OATES
Chief Information Officer

Transmittal Memorandum

TO: Mayor Thomas M. Menino
Cc: William G. Oates, CIO
William J. Sinnott, Corporation Counsel
FR: Mike Lynch, Mayor's Cable Office
RE: Renewal of OVS Agreement and the Subsequent Transfer of RCN BecoCom, Inc. to
Boston-based ABRY Partner VI, L.P. (Yankee Cable, LLC)
DA: July 15, 2010



Dear Mr. Mayor:

On March 24, 2010, Boston and other communities were noticed by FCC Form 394 that RCN-BecoCom, Inc., a subsidiary of RCN Corporation, sought to transfer ownership and control to ABRY Partners VI, L.P. subsidiary, Yankee Cable Acquisition, LLC.

RCN has an Open Video System Agreement with Boston, which is similar to a cable franchise. RCN serves about 16,000 customers in 8 neighborhoods. RCN also operates systems in 18 nearby towns, as well as New York City, Chicago, Washington D.C., and Pennsylvania communities.

In addition to their pending transfer request, we have also finished the renewal of the Open Video System Agreement with RCN for another 10 years. This Renewal OVS will be the Agreement transferred to Yankee Cable.

We recommend approving the proposed renewal Agreement with RCN-BecoCom, Inc. and approving the subsequent transfer of that renewed Agreement to Yankee Cable Acquisition, LLC.

Since that filing, we've:

1. Submitted inquiries relative to financial, managerial and operational issues;
2. Reviewed financial data relative to the transaction;
3. Conducted a public hearing, including testimony from principals of RCN and ABRY on May 24, 2010;
4. Negotiated a proposed Renewal of the OVS Agreement; and,
5. Reviewed RCN's prior performance as an OVS provider.

The impact on Boston of a cable system's sale and transfer is described as "stepping into the shoes" of the current operator. Though RCN operates in Boston as an OVS (Open Video System) we are following cable procedures for transfer pursuant to our agreement with RCN.

The City has 120 days to approve or deny the transfer. We have prepared a report and recommendation for you following the hearing, which is attached:

Report on the Renewal and Transfer of the
RCN-BecoCom Inc.
Open Video System (OVS)
Operating Agreement
Between the City of Boston and
ABRY Partners VI, L.P., Yankee Cable Acquisition, LLC

Based on the following analysis, the Request for Renewal of the OVS Agreement for 10 years and the Application for Transfer of Ownership of the Boston RCN system appears to meet all of the required conditions and, most importantly, serves the public interest. We believe that if you approve the Renewal and subsequent Transfer of the OVS Agreement, it will be in the best interest of our City and its residents.

The criteria for approval, or denial, of a transfer by any community are fourfold, based on consideration of the new operator's: managerial experience; technical experience; financial capability; and, legal ability to operate the system. ABRY Partners and Yankee Cable have reported no intention to change management, which eliminates the greater obstacle.

The impact of a transfer on programming delivery and local access television is minimal. The license being transferred is held intact and the scope of determination is defined in state law. The renewal will document expanded benefits to the City by RCN/Yankee Cable. RCN's Open Video System Agreement was signed in 2002 and expires January 31, 2011. We are recommending renewing the negotiated Agreement with RCN-BecoCom, Inc. as of July 16, 2010 for a term of 10 years.

The concessions, benefits, deadlines and services agreed to by RCN-BecoCom in the 2002 OVS agreement with the City have been expanded in subsequent extension agreements and have been agreed to by RCN. It will be this new renewal Agreement that and will be accepted by ABRY Partners in this transfer.

Specifically, in Boston, RCN:

- Responded favorably to the Mayor's call for a more affordable cable rate, recently launching a \$10.00/mo Basic Rate for Seniors and an overall Basic Rate of \$17.50;
- Provided a 'Free First Box' program for Boston households as part of the transition to all-digital transmission last year;
- Partnered with the Mayor's Wi-Fi initiative, offered backhaul support for Open Air Boston, and supported the City's BTOP applications;
- Provided fiber to the City's network for about 12 city facilities;
- Built video return for the Boston City Council;
- Offered Ch. 82 as a fifth access programming channel for government use (City Council, boards and commissions); and,
- Expanded in Dorchester, good news for city residents looking for competition and choice.

ABRY Partners/Yankee Cable publicly states acceptance to these commitments and the commitments are incorporated into the Renewal Agreement.

We've worked diligently on these renewal negotiations and the more recent transfer process with the valued assistance of attorney Gerry Lederer of Miller van Eaton as outside counsel for cable negotiations; accountant Dick Treich of Front Range Consulting; and, Rick Borten, former cable administrator during the White administration.

Please accept this Report and these Recommendations for Renewal and Transfer.

Regards,

Mike Lynch

Att

Report on the Renewal of the
RCN-BecoCom Inc.
Open Video System (OVS)
Operating Agreement
With
The City of Boston
And the Transfer to
ABRY Partners VI, L.P.,
Yankee Cable Acquisition, LLC

July 16, 2010



*Thomas M. Menino, Mayor
City of Boston*

Index

Part I:	TRANSFER REQUEST	Page	2
	RCN BecoCom and the Boston Open Video System		2
	RCN, Boston Relationship, Historical		2
	Factors to be Considered in a Transfer Request		3
	Steps Taken		4
	Transfer Request Analysis and Comment		4
	Overall Performance		4
	Applicants Affirmations		5
	Analysis of the Applicant's Managerial Qualifications		6
	Analysis of the Applicant's Technical Qualifications		6
	Analysis of the Applicant's Legal Qualifications		6
	Analysis of the Applicant's Financial Qualifications		7
	Conclusion		7
Part II:	RENEWAL OF THE OVS AGREEMENT	Page	9
	Steps Taken		10
	Needs Ascertainment		10
	Changes in the Cable Industry		11
	Survey		11
	Responding to Boston's Changing Linguistic Needs		11
	Municipal Fiber Network		12
	Renewal Applicant's Compliance Record		12
	Quality of the Renewal Applicant's Service		13
	Renewal Applicant's Financial, Legal and Technical Ability		13
	Ability to Meet Boston's Future Cable-Related Community Needs and interests		14
	Conclusion and Recommendation		14
Part III:	Addenda	Appendix	
	RCN-BecoCom Boston Open Video System (OVS) Renewal Agreement, July 2010		A
	Financial Review of the Transfer of Cable Operations from RCN Corp. to ABRY Partners VI, L.P., and Yankee Cable Acquisition, LLC, June 2010		B
	RCN-BecoCom Boston Open Video System Transfer Agreement, July 2010		C
	RCN- BecoCom Boston Renewal & Transfer Public Hearing May 24, 2010 Transcript		D

**Part I: TRANSFER REQUEST,
RCN-BecoCom, Inc. Open Video System (OVS)**

On March 24, 2010 Mayor Thomas M. Menino received an application for approval of a transfer of ownership and control of the Boston RCN system to Yankee Cable Acquisition, LLC (“Yankee Cable”), a subsidiary of Boston-based ABRY Partners, VI, L.P. (“ABRY Partners”). The application included descriptions of complex financial arrangements and charts of corporate structures as they exist prior to the transaction, and as they will exist once the proposed transaction is completed. It also included descriptions of both the new Yankee Cable entity and ABRY Partners.

RCN BecoCom and the Boston Open Video System

Under the laws of the Commonwealth of Massachusetts, Mayor Thomas M. Menino is the Cable Issuing Authority for the City of Boston. As such, Mayor Menino is responsible for issuing cable licenses and OVS Agreements, granting or denying requests for their renewal, and approving any transfers in system ownership.

Boston’s current Open Video System (OVS) Agreement with RCN BecoCom, Inc. (hereinafter, “RCN”) was granted on September 30, 2002, due to expire July 27, 2009.¹ The Agreement is the functional equivalent of a cable license.

The OVS agreement was extended on July 24, 2009 until the end of January 31, 2010 with the acknowledgment that:

“In addition to the extension of time to negotiate a(n) Agreement extension, the parties further agree that any extension or ancillary documents will contain terms, resulting in:

- The continued use of RCN provided fiber for the Public Institutional Network (PIN); and,
- A “Senior Citizen Discount” that shall be made available for the full term of any extension that shall provide meaningful cost savings to qualified Boston customers.”²

Subsequently, the OVS agreement was extended on January 29, 2010 until the end of January 31, 2011 and incorporating the same acknowledgment and signed by both parties.³

RCN, Boston Relationship, Historical

RCN originally obtained an Open Video System (“OVS”) certificate from the FCC in February 1997.

¹ See attached “OVS OPERATING AGREEMENT between THE CITY OF BOSTON and RCN-BECOCOM L.L.C.”, September 30, 2002.

² See attached correspondence, RCN – City of Boston Mayor’s Office of Cable Communications, July 24, 2009.

³ See attached correspondence, RCN – City of Boston Mayor’s Office of Cable Communications, January 29, 2010.

On June 5, 1997, RCN executed an "OVS Agreement" with the City, which outlined RCN's obligation to support PEG access, as well as customer service standards, EEO obligations and other matters.

After extensive negotiations, RCN then executed a cable television license with the City of Boston on July 27, 1999. The term of that license was 15 years.

RCN sought relief of its obligations under the cable license and G.L. c. 166A because it could not meet its obligations to construct a system covering the entire City by December 31, 2002. Boston adopted the recommendation of counsel at the time (the late Charlie Beard of Foley Hoag, see memos of 8/1/2002 and 9/30/2002) that, based on the financial condition of the RCN, Boston would:

- Terminate the existing cable franchise;
- Establish RCN's second Open Video System Agreement, signed in Sept. 30, 2002 and expiring January 31, 2011; and,
- Sign a side letter which commits RCN to allocate 50% of the capital budget for New England to construction in the city of Boston each year for the term of the agreement.

At this time, the City must decide, in accordance with state and federal procedures, on requests for both a ten year renewal of the OVS Agreement and a subsequent transfer in ownership of the Boston OVS system.

Factors to be Considered in a Transfer Request

The OVS Agreement with the City, Sec. 2.4, states in part:

... "This Agreement or control thereof shall not be transferred, assigned, or disposed of in any manner, voluntarily or involuntarily, directly or indirectly, or by transfer of twenty five percent (25%) of the ownership or control of RCN, without the prior written consent of the Mayor, which consent shall not be arbitrarily or unreasonably withheld or delayed. Such consent shall be given only after a public hearing after 14 days notice upon a written application therefor containing the information required by FCC Form 394. Three copies of said application shall be submitted to the Director of the Mayor's Office of Cable Communications. The application for consent to a transfer or assignment shall be signed by RCN and by the proposed transferee or assignee or by their representatives, evidence of whose authority shall be submitted with such application. RCN shall provide to the City copies of documents and such other information as the City may reasonably require as part of its review of the application. RCN shall provide all assistance requested by the City in connection with its review of the application, and RCN shall secure the cooperation and assistance of all other parties to the proposed transfer. The consent of the Mayor to a transfer or an assignment of this Agreement shall not be given if it appears from the application or from subsequent investigation or otherwise the transferee or assignee is not willing to be bound by the terms of this OVS Agreement."

State and federal law and regulation outline four factors to be considered in determining a request for transfer of ownership under the FCC Form 394 process. Does the new owner have:

1. The necessary managerial experience to operate the system;

2. The technical expertise to operate the system;
3. The financial capability to operate the system; and,
4. The legal ability to operate the system?

Steps Taken

In accordance with mandated procedures and timeframes, Mayor Menino instructed his Office of Cable Communications to:

1. Review information contained in the Transfer Request and obtain and analyze additional information needed to make a determination on the request;
2. Join with a collection of other communities served by RCN to engage financial consultants to ensure we analyzed the financial terms of the transfer and the financial characteristics of the new entity;
3. Conducted a scheduled a hearing on May 24, 2010, in the O'Neil Hearing Room of Boston City Hall to elicit public comment and to question stakeholders⁴; and
4. Evaluate and report on all factors under consideration and their impact system operations, subscribers and the City.

Transfer Request Analysis and Comment

Overall Performance

RCN serves about 16,000 customers in eight Boston neighborhoods under a comprehensive OVS Agreement with the City. It has consistently been in compliance with the OVS Agreement and applicable performance standards. Its technical plant meets or exceeds industry standards, as do the quality of its programming and customer service.

An independent Ascertainment of Cable-Related Needs & Interests in Boston, including a survey of cable subscribers, conducted on behalf of the City in 2007 reported that RCN has been responsive to customers and to the changing needs of residents. It has made a strong effort to provide foreign language and ethnic programming.

RCN offers programming in at least 14 languages, including more than 30 Spanish channels. It provides six multi-cultural channels on its standard service tier, and markets channels from more than 24 countries for additional fees.

RCN has also been an important contributor to the development of a municipal fiber optic network. The creation of this valuable network began when RCN entered into a partnership with the City by providing two fiber strands for the transmission of municipal data traffic, which resulted in saving hundreds of thousands of dollars in leased line costs.

It is noteworthy that RCN has:

⁴ See Appendix D, Transcript, Transfer and Renewal Hearing, RCN-BecoCom, Abry Partners, May 24, 2010

- Responded favorably to the Mayor's call for a more affordable cable rate, recently launching a \$10.00/mo Basic Rate for Seniors and an overall Basic Rate of \$17.50;
- Provided a 'Free First Box' program for Boston households as part of the transition to all-digital transmission last year;
- Partnered with the Mayor's Wi-Fi initiative, offering backhaul support for Open Air Boston, and supporting the City's BTOP applications;
- Provided fiber to the City's network for about 12 city facilities;
- Built video return for the Boston City Council;
- Offered Ch. 82 as a fifth access programming channel for government use (City Council, boards and commissions);
- Expanded in Dorchester utilizing existing stranded plant; and
- Agreed in 2007 to provide six fiber strands between South Station/Bedford Street and 43 Hawkins to interconnect different fiber networks available to the City.

Perhaps most importantly, RCN's presence in Boston -- offering cable TV, high-speed Internet and telephone services -- has provided residents with a limited competitive choice for cable, internet and telephone services in their service areas. This competition has expedited the development and introduction of new services and resulted in significantly improved consumer satisfaction with their cable provider.

Applicants Affirmations

Both in its written submissions and in testimony at the City's Public Hearing on May 24, 2010, the Applicants affirmed its commitment to:

1. Fully accept and comply with the terms and conditions of the OVS Agreement and any and all concessions, benefits, deadlines and extensions services agreed to by RCN subsequent to said OVS Agreement;
2. Request no changes in said OVS Agreement; and
3. Retain the existing RCN system management and operations team in Boston.

The Applicants were represented at the Public Hearing by Rob MacInnis, Partner, ABRY Partners; Thomas K. Steel, Vice President for Regulatory, RCN-BecoCom Boston; Richard Wadman, Senior Vice President and General Manager, RCN of Massachusetts; Richard Ramlall, Senior Vice President, Strategic External Affairs, RCN Corporation; and Attorney Todd Wells.

In response to questioning by Michael Lynch, Director of the Mayor's Office of Cable, Mr. MacInnis of ABRY Partners, affirmed that the management of the new system will remain unchanged and confirmed the Applicants' promise to abide by the terms of the OVS Agreement.

As the renewal negotiations were completed after the Public Hearing, the Applicants have subsequently confirmed to “fully accept and comply” with the terms of the proposed renewal of the OVS Agreement by acceptance of the Transfer Agreement⁵.

Analysis of the Applicant’s Managerial Qualifications

As noted above, the Applicant has pledged to keep the current system management team in Boston. The Cable Office has found the RCN management to be competent, cooperative and qualified to continue operating the system. Under the leadership of Thomas Steel, Vice President for Regulatory Affairs since 1999, and Richard Wadman, Senior Vice President and Regional General Manager, RCN has exercised regulatory compliance on all matters and has been responsive to inquiries from the Mayor and the Mayor’s Cable Office as it relates to their services and customers.

Analysis of the Applicant’s Technical Qualifications

Again, the Applicant has stated that it will retain the existing technical staff. The RCN technical team in Boston has successfully built and operated a system that meets state, federal and license requirements.

Engineering inspections of the RCN plant and review of the system’s federally-mandated Proof-of-Performance tests have been satisfactory.

RCN has handled their transition to full digital transmission (“Digital Crush”) of the cable system well. At that time, and in response to Mayor Menino’s inquiry, RCN Boston implemented a program of one free digital box for Boston households upon request.

The City’s experience with RCN, as well as its ongoing review of FCC Proof-of-Performance tests and independent engineering evaluations, strongly suggests that the Applicants have the technical expertise to assume the technical obligations.

Analysis of the Applicant’s Legal Qualifications

Legal counsel has reviewed the complex re-organization plans presented as part of the Transfer Application.

In simple terms, RCN through a series of internal reorganizations with separate itself into two business units – a cable unit and a fiber access unit.

RCN and Yankee Cable (along with ABRY Partner’s affiliates, Yankee Metro Parent, Inc. and Yankee Metro Merger Sub, Inc.) entered into an Agreement and Plan of Merger on March 5, 2010 for Yankee Cable to acquire control of RCN-BecoCom, Inc., along with other operating subsidiaries of RCN, through a series of steps that will allocate certain assets to RCN subsidiaries. One of these actions will result in RCN Telecom Services of Massachusetts, Inc. (“RCN MA”) forming RCN BecoCom, LLC and merging RCN-BecoCom, Inc. with and into RCN BecoCom, LLC, with RCN BecoCom, LLC surviving. Another preliminary action will result in RCN BecoCom, LLC becoming a direct subsidiary of a newly formed intermediate holding company, RCN Telecom Services, LLC (“RCN LLC”) which will, as part of the transfer of control, become a wholly owned subsidiary of Yankee Cable.

⁵ See Appendix C.

After completion of the pre-acquisition reorganization, Yankee Cable will acquire control of RCN BecoCom, LLC by purchasing all of the ownership interests in RCN LLC. As a result, Yankee Cable will become the ultimate owner of RCN BecoCom, LLC. The Applicants, therefore, request the City's authorization to merge RCN-BecoCom, Inc. with and into RCN BecoCom, LLC, with RCN BecoCom, LLC surviving and the transfer of control of RCN BecoCom, LLC to Yankee Cable.

The Applicants have affirmed in writing and orally at the City's public hearing that the new entity will continue to meet all lawful federal, state and local licensing requirements and to provide service to existing customers at the same rates, terms and conditions as currently provided and under the renewed OVS Agreement.

Analysis of the Applicant's Financial Qualifications

The City engaged the financial consulting team of Ashpaugh & Sculco, CPAs, PLC and Front Range Consulting, Inc. ("Consultants") to review the financial aspects of the proposed transaction. The City joined with Montgomery County, MD, Arlington County, VA, and, the District of Columbia in having this financial review performed.

In addition to the Form 394 filed with the City, the Consultants solicited additional detail in separate inquiries and reviewed responses by RCN and Yankee to these three requests for information. As required by Section 2.4 of the OVS Agreement, RCN and Yankee Cable promptly responded to these additional requests regarding the underlying financial terms and transactions to be undertaken by Yankee Cable and ABRY Partners.

The Consultants:

- Addressed the cable operator's projected capital improvements including normal capital expenditures;
- Evaluated direct and variable expenses based on historical and known changes;
- Compared projected revenues and cash flow to actual operations; and,
- Determined the impacts of this transaction on the financial operations on the cable and OVS systems.

The Final Report concluded:

Based on the completed review, Yankee Cable has presented projections supporting their contention that Yankee Cable is a sufficiently funded entity. Further they project that it will have positive cash flows from the cable operations and sufficient financing available to meet its capital needs.

These projections are subject to significant potential downside risk, however. The Consultants believe that four potentially negative impacts could occur:

1. Overly optimistic projections resulting in increased financing requirements and/or increased cable rates;
2. Continuation of a no or limited growth philosophy resulting in the potential loss of market share;

3. Short-term investment strategy by ABRY Partners resulting in limited capital expansion of existing footprint; and
4. Risk of financial market downturn resulting in the inability to raise either the debt or equity funds.

However, these same concerns apply to RCN as it exists today, except for the short-term investment strategy.

Most of the historical and projected data provided and reviewed was created jointly by RCN and Yankee Cable after the merger was announced.

Based on the Report of Boston's independent financial consultants, attached hereto as Appendix B, Yankee Cable appears to have the financial capability to operate the system.

Conclusion

There is a substantive basis for concluding that the Transfer Applicant meets the four criteria for approval.

ABRY Partners, through Yankee Cable and the existing RCN management and technical teams, possess:

1. The necessary managerial experience to operate the system.
2. The technical expertise to operate the system.
3. The financial capability to operate the system. And
4. The legal ability to operate the system.

Based on the preceding and attached analysis, the Application for Transfer of Ownership of the Boston RCN system appears to meet all of the required conditions and serve the public interest.

We recommend that the Mayor formally approve the Transfer of the renewed OVS Agreement.

**Part II: RENEWAL OF THE OVS AGREEMENT,
RCN-BecoComm, Inc.**

As previously stated, under the laws of the Commonwealth of Massachusetts, Mayor Thomas M. Menino is the Cable Issuing Authority for the City of Boston, Massachusetts.

The Federal Cable Act (§ 626(a)) and state law govern the procedures for the renewal of cable franchises/licenses. The City of Boston chose to follow these rules and apply them to the OVS Agreement we have with RCN-BecoCom.

On July 23, 2007, the City of Boston received notice from RCN of their interest in renewing the RCN Boston OVS Agreement for a period of 10 years.⁶ This notice was in compliance with Sec. 2.2 of the OVS Agreement to begin the process of Renewal within a 36-month window.

Federal law authorizes municipalities to conduct an ascertainment process to give both the public and the franchising authority the opportunity to identify future cable-related community needs and interests and review past performance of cable operator.

Factors to be Considered in a Renewal

In addition to the needs ascertainment, federal and Massachusetts law outline four factors to be considered in determining whether a renewal should be granted or denied:

1. Whether the cable operator has substantially complied with the material terms of the franchise (or OVS Agreement) and applicable law;
2. Whether the quality of the operator's service (including signal quality); response to consumer complaints; and, billing practices, but without regard to the mix or quality of cable services or other services provided over the system, has been reasonable in light of community needs;
3. Whether the operator has the financial, legal and technical ability to provide the services, facilities and equipment set forth in the cable operator's proposal; and,
4. Whether the renewal proposal is reasonable to meet the future cable-related community needs and interests, taking into account the cost of meeting such needs and interests.

⁶ See attached correspondence, RCN – City of Boston Mayor's Office of Cable Communications, July 23, 2007.

Steps Taken

In accordance with mandated procedures and timeframes, Mayor Menino instructed his Office of Cable Communications to:

1. Conduct an Independent Ascertainment of Cable-Related Needs and Interests in Boston;
2. Conduct a Public Hearing to receive the comments of residents and organizations, and to hear testimony and responses by the renewal applicant; and
3. Evaluate the renewal criteria identified above.

Needs Ascertainment

In anticipation of renewal requests both from Comcast and RCN, the Mayor's Cable Office commissioned an Independent Ascertainment of Cable-Related Needs and Interests in Boston by the Communications Policy Group (CPG). That study included:

1. A review of changes in the cable television industry and cable regulation;
2. A review of cable regulation and oversight in Boston;
3. A survey of the interests, needs and views of Boston cable subscribers;
4. Interviews with key community organizations and agencies;
5. An city-wide engineering inspection of cable plant;
6. An evaluation of the performance of Public, Educational and Governmental (PEG) Access; and
7. An assessment of the renewal applicant's effectiveness in responding to Boston's changing linguistic needs.

CPG's report (December 2007) confirmed that the franchise agreements negotiated by the City exceed state and federal standards. [See testimony of Rick Borten, CPG, RCN hearing transcript Appendix D.]

Changes in the Cable Industry

The Ascertainment Study reviewed dramatic changes in the cable industry over the past 10 years, including important technical advances, greatly expanded computer networking and telephone services, and the development of competition from OVS, Direct Broadcast Satellite (DBS), and most recently, telephone companies. Internet-based services, telephony services and digital service tiers are now major growth areas for cable companies and Comcast and RCN aggressively compete for this market in Boston.

Although the Telecommunications Act of 1996 was intended to remove barriers to competition in both the cable and telephone industries, very little happened nationwide until RCN proposed competitive services in the densely-populated Boston-to-Washington DC corridor. Not only did RCN build a state-of-the-art network; it offered cable TV, high-speed Internet and telephone

services to challenge the local monopolies held by both the incumbent cable operators and the local phone company.

Survey

CPG completed telephone interviews (in either English or Spanish) with 400 randomly selected Boston households. A sample of this size – which required almost 41,000 dialings -- has a reliability of ± 4.9 percentage points at the 95 percent confidence level. The 15 minute interviews sought to determine respondents' cable-related needs and interests, views on cable system service and performance, community access, related issues, and demographic data. It is notable that:

Survey results clearly reflect the growth of linguistic minorities. 12 percent of those interviewed said English was not their primary language. Of these, 73 percent identified Spanish as their primary language.

Television and the Internet are growing as news and information sources, while newspapers are declining. 48 percent of respondents ranked TV as their primary news source with daily newspapers a distant second (23.8 percent) followed by the internet (15.5 percent).

Responses indicated a real desire for a wide variety of genuinely "local" programming," especially:

- Educational programming
- Programs about City Services
- Arts & Culture programming
- Neighborhood News Health & Fitness programs
- Homework Help
- Children's & Teen programming

Approximately 33% of the survey respondents said they watch the Boston Neighborhood Network (BNN) channels, and over half were familiar with BNN.

The Needs Ascertainment report praised many aspects of the City's Public, Educational and Governmental (PEG) Access efforts, noting that BNN strongly reflects Boston's diversity, that it is adequately funded, has excellent facilities and offers a large number of training programs.

However, the survey found that that a disappointing 78% of survey respondents did not know that BNN offers training and production opportunities, and only 3.5% had ever participated in BNN training or production. The Report expressed concern – recently been reiterated at focus groups organized on behalf of BNN by Next Street Financial Consultants – that BNN needs a more effective plan for getting community people involved, and getting programs produced, televised and watched.

Responding to Boston's Changing Linguistic Needs

Mayor Menino's office specifically charged CPG with examining how well cable is serving the growing number of foreign language speaking residents. We found that BNN and both cable companies are making strong efforts to provide foreign language and ethnic programming.

RCN offers programming in at least 14 languages, including more than 30 Spanish channels. It provides six multi-cultural channels on its standard service tier, and markets channels from more than 24 countries for additional fees.

The Director of the Mayor's Office of New Bostonians complemented the cable companies on their programming diversity, but noted that most foreign language channels are not available in the Basic Service and are difficult for many immigrants to afford.

Municipal Fiber Network

CPG also reviewed the development of Boston's Municipal Fiber Network, which began when RCN entered into a partnership with the City by providing two fiber strands for the transmission of municipal data traffic and thereby saving the City hundreds of thousands of dollars in leased line costs.

From that modest start, the City and its cable operators have developed a citywide municipal fiber network connected to 130 priority locations including City Hall, Boston Public Schools, Boston Public Library, Fire and Police Headquarters. The City assumed responsibility for all internal wiring and user interface equipment. The network is a very valuable alternative to expensive data and video leased capacity.

Renewal Applicant's Compliance Record

As Boston's Issuing Authority, the Mayor delegates to his Office of Cable Communications local oversight of cable television. Among the Cable Office's key functions are:

- Constituent services;
- Cable regulation;
- Government programming; and
- Overall Telecommunications oversight.

The Cable Office regulates and oversees operator compliance with the material terms of the OVS Agreement and applicable law, including technical performance, customer service, construction, rate regulation, pole attachments and taxation.

The Cable Office finds that RCN has been in compliance during the term of the OVS Agreement and has:

1. Responded favorably to the Mayor's call for a more affordable cable rate, recently launching a \$10.00/mo Basic Rate for Seniors and, an overall Basic Rate of \$17.50;
2. Provided a 'Free First Box' program for Boston households through the All-Digital transition of RCN last year;
3. Partnered with the Mayor's Wi-Fi initiative, offering backhaul support for Open Air Boston, and supporting the City's BTOP applications;
4. Provided fiber to the City's network for about 12 city facilities;
5. Built video return for the Boston City Council;

6. Offered Ch. 82 as a fifth access programming channel for government use (City Council, boards and commissions);
7. Agreed to provide 6 strands of fiber, available and unused, to terminate at the South Station/Bedford Street NStar facility (Station 514) and 43 Hawkins Street, West End, for the purpose of filling interconnection gaps between and among different fiber networks available to the City. (The dark fiber spliced and connected and referenced in detail in a July 18, 2007 memo and a report by engineer Chris Chandler to the City.);
8. Expanded in Dorchester and Hyde Park utilizing existing stranded plant; and,
9. Continued compliance with the 2002 OVS side letter pledging capital expenditure to Boston. RCN acknowledged their inability to grow, but pledging 50% of any future resources to Boston's build-out.⁷

Quality of the Renewal Applicant's Service

The quality of RCN's service, as monitored by the Cable Office, as reflected in FCC required Proof-of Performance tests and as reviewed by independent engineering consultants, has met local, state and federal requirements as well as those set forth in the OVS Agreement.

Renewal Applicant's Financial, Legal and Technical Ability

The Cable Office's concurrent review of a request to transfer ownership of the RCN system within the Transfer Section of this Report (above) examines the Applicants' financial, legal and technical ability to meet the City's requirements for services, facilities and equipment under a Renewed OVS Agreement. To summarize that discussion briefly:

Financial Ability The Applicant will continue to face many of the same pressures that RCN does currently to attract and maintain new customers in competition with the incumbent operator, Comcast. Yankee Cable and ABRY Partners are infusing a significant amount of new equity capital into this acquisition suggesting a belief that Yankee Cable and ABRY Partners believe this acquisition to be a viable business endeavor. While there are potential downside risks, these risks are the same for RCN absent the transfer.

It is noteworthy that at the Public Hearing, RCN/Yankee Cable/ABRY Partners also agreed to a 2002 OVS side letter which commits RCN to allocate half of its capital budget for New England to construction in the city of Boston each year.⁸

Legal Ability - The Applicants have affirmed in writing and orally at the City's public hearing that the new entity will continue to meet all lawful federal, state and local licensing requirements and to provide service to existing customers at the same rates, terms and conditions as currently provided.

⁷ See attached correspondence, Steel, RCN – City of Boston Mayor Menino, August 20, 2002.

⁸ See attached correspondence, RCN – City of Boston Mayor's Office of Cable Communications, July 23, 2007.

Technical Ability – The Applicant has stated that it will retain the existing RCN technical staff, which has successfully built and operated a system that meets state, federal and license requirements. The City’s experience and independent evaluations confirm that this team has the technical ability to operate the system

Ability to Meet Boston’s Future Cable-Related Community Needs and Interests

RCN’s willingness to respond to community needs and interests compares favorably with other service providers since cable television was introduced in Boston more than 25 years ago.

The survey of community interests and needs indicated a growing demand for multi-cultural and foreign language programming, for local information and for information related to municipal services. Interviews with City agencies and organizations indicate a need for affordable data services. And the Mayor’s Office has sought new, innovative and affordable means of providing access to the Internet for low income families. In response to these needs, RCN:

1. Offers programming in at least 14 languages, including more than 30 Spanish channels, and provides six multi-cultural channels on its standard service tier plus channels from more than 24 countries for additional fees;
2. Has supported the Mayor’s Wi-Fi initiative, offering backhaul support for Open Air Boston, and supporting the City’s BTOP applications;
3. Has provided fiber to the City’s network;
4. Built video return for the Boston City Council; and,
5. Offered an additional (5th) access programming channel for government use (City Council, boards and commissions.)

Conclusion and Recommendation

Based on the analysis outlined above, and in light of supporting documentation articulating expended support by RCN to the City of Boston, we believe it is in the public interest to approval the renewal of the renewed OVS Agreement for a period of ten years.

The Application for Transfer of Ownership of the Boston RCN system and the Request for Renewal of the OVS Agreement for 10 years both appear to meet all of the required conditions and serve the public interest.

We recommend that the Mayor formally approve the Renewal of the OVS Agreement and subsequent transfer of the renewed Agreement to RCN BecoCom, LLC and parent organizations of Yankee Cable and ABRY Partners VI, LP.