



Agenda Date: 3/26/18
Agenda Item: 3A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CABLE TELEVISION

IN THE MATTER OF THE NOTIFICATION OF THE)
SEPARATION OF ALTICE USA, INC., FROM ALTICE,)
N.V.)
) ORDER
) DOCKET NO. CO18030262

Parties of Record:

Paul Jamieson, Esq., Vice President, Government Affairs and Policy, Altice USA, Inc.

BY THE BOARD:

On January 9, 2018, Altice USA, Inc. ("Altice USA") noticed the Board of Public Utilities ("Board") of a plan to effect a complete separation of Altice USA from Altice, N.V. by the end of the second quarter of 2018 following regulatory and Altice N.V. shareholder approvals. By the proposed distribution and resulting separation transaction, Altice USA states the public will benefit by focused investment in specific geographic regions, continued network and video products investment, simplified business operations, and improved customer service. Following closing on the transaction, the same services will continue to be offered in New Jersey at the same rates, terms, and conditions to customers.

BACKGROUND

Altice N.V. is a public limited liability company incorporated under the laws of the Netherlands. Altice N.V. provides multinational cable, fiber, mobile, telecommunications, content and media directly or through its subsidiaries to over 50 million customers in a range of markets including Western Europe, mainly France, Portugal and Switzerland, the United States, Israel, the Dominican Republic, and the French Overseas Territories.

Altice USA is a publicly traded Delaware corporation that is the fourth largest cable operator in the United States. As of December 31, 2017, Altice USA served approximately 4.9 million residential and commercial customers across 21 states. Altice USA is an authorized provider of cable television and telecommunications services in New Jersey through its subsidiaries which were formerly indirect wholly-owned subsidiaries of Cablevision Systems Corporation ("Cablevision") and acquired by Altice N.V.: Cablevision Lightpath-NJ, LLC ("Lightpath"),

4Connections, LLC ("4Connections"), and CSC TKR, LLC ("CSC TKR") and its subsidiaries, operating under its immediate corporate parent, CSC Holdings, LLC ("CSC Holdings").¹

DISCUSSION

On January 8, 2018, Altice USA circulated a press release noticing of a plan to effect a complete separation of Altice USA from Altice N.V., effected by a spin-off of Altice NV's 67.2% interest in Altice USA through a distribution in kind to Altice NV shareholders. As of December 31, 2017, Altice N.V. indirectly owned approximately 73.5% of the total outstanding capital stock and 98.4% of the total voting power of the capital stock of Altice USA. Altice USA stated that the purpose of the transaction is to create simplified, independent and more focused European and US operations to the benefit of their respective customers, employees, investors and other stakeholders.

The separation transaction will be done via a distribution in kind by Altice NV of its 67.2 percent interest in Altice USA, comprising 5.3 million shares of Class A Common Stock and 490.1 million shares of Class B Common Stock, to its shareholders. Each Altice NV shareholder will be offered shares of Class A Common Stock, Class B Common Stock or a combination thereof, of Altice NV's share premium reserve. The distribution will have no tax impact on Altice NV or Altice USA, and is not expected to be subject to withholding tax in the Netherlands. Altice NV shareholders that are US taxpayers will be subject to US income tax on the distribution.

The transaction calls for the payment of a \$1.5 billion cash dividend by Altice USA to all shareholders immediately prior to the separation. The dividend payment will be funded by cash, available Optimum credit facilities, and in part financed by CSC Holdings, LLC, a New Jersey subsidiary of Altice USA and an intermediate corporate parent of the entities holding Board-issued franchises and operating authorizations: Lightpath NJ, 4Connections, and CSC TKR and its subsidiaries.

Following the separation, Altice Europe and Altice USA will be managed by two distinct management teams, focused on their respective markets. Mr. Patrick Drahi, the founder of Altice, will serve as President of the Board of Altice Europe and Chairman of the Board of Altice USA. Mr. Drahi will retain control of both companies through the holding company Next Alt S.a.r.l. ("Next Alt") and is committed to long-term ownership, according to Altice USA. Next Alt is the current direct controlling parent of Altice N.V. and, following the distribution, Next Alt will become the direct controlling parent of Altice USA.

In addition to the notice provided, on February 6, 2018 and March 6, 2018, Altice submitted additional information in response to inquiries by the Staff of the Board of Public Utilities ("Board Staff") regarding the impact of the transaction on Altice's New Jersey customers. Altice USA

¹ Altice N.V. previously sought Board approval for CSC TKR, LLC and its subsidiaries to participate in financings associated with Altice N.V.'s acquisition of Cablevision, for which CSC Holdings assumed \$8.6 billion of new debt. See Order Approving Stipulation of Settlement, In the Matter of the Verified Joint Petition of Altice N.V. and Cablevision Systems Corporation and Cablevision Cable Entities for Approval to Transfer Control of Cablevision Entities & In the Matter of the Verified Joint Petition of Altice N.V. and Cablevision Systems Corporation, Cablevision Lightpath-NJ, LLC, and 4Connections LLC for Approval to Transfer Control of Cablevision Lightpath-NJ, LLC and 4Connections LLC, and for Certain Financing Arrangements, BPU Docket Nos. CM15111255 and TM15111256 (May 25, 2016).

submitted excerpts of the Federal Communications Commission (FCC) Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise (FCC 394).

In support of the transaction, Altice USA stated there would be no adverse impact on the ability of the franchisee to provide safe, adequate and proper service to its subscribers, even under extraordinary circumstances. Altice USA further stated the spin-off would not affect the ownership interests held in the franchisee or in any of its other direct or indirect subsidiaries or affiliates, would not result in the assignment or transfer of any of the franchisee's assets, including its municipal consents and certificates of approval, and Altice USA would retain management authority over the franchisee. Altice USA additionally states that there would be no change in the Altice USA Board of Directors or local management team as a result of the spin-off. Altice USA states that the transaction will have no impact on, and will be transparent to, New Jersey customers and the Altice workforce in New Jersey. Altice USA further states the same New Jersey entities that currently hold Board authorizations would continue to hold these authorizations without alteration. Altice USA additionally states that the transaction does not pose a conflict with the merger conditions on the 2016 Board Order approving Altice N.V.'s acquisition of Cablevision, including its "Most Favored Nation" provision.²

Altice USA nonetheless maintains that the transaction is a *pro forma* parent-level transaction not subject to Board review under either N.J.S.A. 48:2-51.1, as applicable to Lightpath and 4Connections, or under N.J.S.A. 48:5A-38, -42 and -43, as applicable to CSC TKR, LLC and its subsidiaries, because none of the entities are incorporated in New Jersey, there is no change in control over any of the operating entities, and the transaction occurs at the parent level and does not include a pledge of New Jersey assets. Altice USA further asserts that the financing arrangements associated with the transaction are not triggered by operative statutes since the debt is issued at the parent level and does not involve the grant of any security interest in the assets of the New Jersey cable operating entities, Lightpath or 4Connections.

Notwithstanding, under the existing credit facility in conjunction with the transfer of Cablevision assets to Altice, N.V., in BPU Docket No. TM15111256, a facility guaranty agreement was issued and executed by each of the affiliates of the borrower, CSC Holdings, including Lightpath. Lightpath is in a position to assume the liability for payment of the debt if CSC Holdings defaults in its performance or payment under the agreement. Therefore, an evidence of indebtedness exists involving the existing credit facility below the parent-level transaction.

On March 20, 2018, the New Jersey Division of Rate Counsel ("Rate Counsel"), after given notice of the transfer, filed comments with the Board requesting an order denying the spin-off based on an incomplete and defective filing. Rate Counsel contends the company failed to provide notice of the transaction, arguing the Board may investigate transactions of this nature as *pro forma* transfers of control, spin-offs and/or divestitures are reviewable by the Board pursuant to N.J.S.A. 48:2-51.1, 48:5A-38, -42 and -43. Rate Counsel requests that notice be taken of the commitments set forth in the 2016 Board Order approving Altice N.V.'s acquisition

² See Order Approving Stipulation of Settlement, In the Matter of the Verified Joint Petition of Altice N.V. and Cablevision Systems Corporation and Cablevision Cable Entities for Approval to Transfer Control of Cablevision Entities & In the Matter of the Verified Joint Petition of Altice N.V. and Cablevision Systems Corporation, Cablevision Lightpath-NJ, LLC, and 4Connections LLC for Approval to Transfer Control of Cablevision Lightpath-NJ, LLC and 4Connections LLC, and for Certain Financing Arrangements, BPU Docket Nos. CM15111255 and TM15111256 (May 25, 2016) ("2016 Board Order").

of Cablevision to confirm and ensure that the spin-off company, Altice U.S.A., will continue to be bound by the commitments, obligations, service terms and conditions previously approved and directed by the Board.

The Board is cognizant of the concerns raised by Rate Counsel. As stated below, the merger agreement and the conditions thereof are of paramount concern and remain undisturbed post the Altice reorganization. This order serves to not only review the restructuring, but to take notice of the obligations stated therein.

FINDINGS AND CONCLUSION

N.J.S.A. 48:5A-38 provides that no CATV company shall combine, merge, or consolidate with, or acquire control of another organization without first obtaining the approval of the Board, which shall be granted only after an investigation and finding that such proposed combination, merger, consolidation, or acquisition is in the public interest. Pursuant to N.J.S.A. 48:2-51.1(a), the Board shall evaluate the impact of an acquisition of control of a public utility on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. The Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1 as set forth above. Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees.

Based upon the Board's independent review of the record in this matter pursuant to the above-referenced statutes, the Board **HEREBY FINDS** that, as asserted in the Notification, the spin-off is not likely to create any adverse impacts, is in the public interest and has the likelihood of creating positive benefits by focusing on the USA assets of Altice following separation from the European assets.

Additionally, the Board is satisfied that positive benefits will flow to customers based upon the information provided, and that the reorganization would not result in the ability of Altice USA to be able to exercise market power to raise prices above competitive levels or exclude competitors from the marketplace. The Board therefore **FINDS** that the proposed transaction will have little impact on competition. The Board additionally **FINDS** that there will be no negative impact on rates or the present provision of safe, adequate and proper service since Petitioners' New Jersey customers will continue to receive the same services at the same rates and under the same terms and conditions and the provision of service quality on competitive offerings is in the public interest. The transaction will also not result in any change in the ability of Altice USA to fulfill pension obligations.

Accordingly, the Board **FINDS** the proposed transaction is in compliance with relevant law and regulation and therefore **APPROVES** the separation transaction as described in the Notification and related documents.

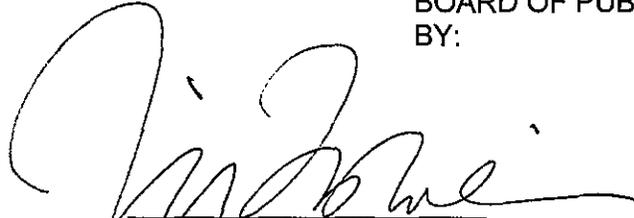
In the event Altice USA enters into any agreements resulting in the grant of any security interest or indebtedness of any public utility or cable television assets used to serve New Jersey customers, Altice USA shall file the appropriate petitions seeking prior approval, as required under governing laws. The Board **CONCLUDES** that approval of this transaction does not

affect the obligations of Altice USA or modify the 2016 Board Order. The Board further **CONCLUDES** that Altice USA shall still be bound by all conditions of the 2016 Board Order approving the transfer of control of Cablevision to Altice N.V.

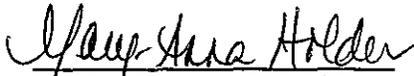
This Order shall be effective on April 5, 2018.

DATED: 3/26/18

BOARD OF PUBLIC UTILITIES
BY:



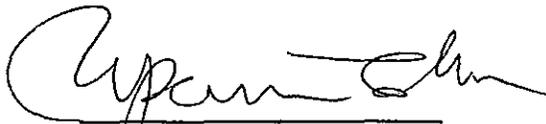
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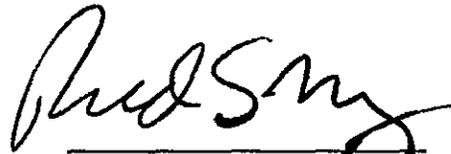
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COMMISSIONER



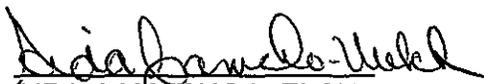
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ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

IN THE MATTER OF THE NOTIFICATION OF THE SEPARATION OF
ALTICE USA, INC., FROM ALTICE, N.V.
DOCKET NO. CO18030262

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