Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Applications filed to Transfer Control of Cablevision Systems Corporation to Altice N.V., WC Docket No. 15-257

Comment of MFRConsulting

144 Beacon Street
Boston, Massachusetts 02116-1449
Project Researcher/Author: Martyn Roetter
mroetter@gmail.com, (617) 216-1988

April 11, 2016

The Financial Accomplices of Altice

- With special reference to the Canada Pension Plan Investment Board (CPPIB)

Altice has presented the equity participation of the CPPIB in its acquisition of Cablevision as well as the involvement of major investment banks in financing this deal as evidence of the soundness of its business model and the benefits it will be able to bring to Cablevision and the Greater New York area. However these organizations have substantial financial incentives dependent on consummation of the Altice/Cablevision transaction for promoting its value and seeking to justify its approval. Their motivations are not connected to the public interest or the consequences of this acquisition for Cablevision's customers, employees or suppliers or the economy and society of the Greater New York area. There is no evidence that expressions of support for this acquisition or testimony about the soundness or superiority of Altice's business model, either directly from these organizations or cited by Altice (see below), are the outcomes of independent (from Altice), objective fact-based analyses that take a balanced account of all the interests that the Federal Communications Commission and the New York Public Service Commission are responsible for representing. They should not be given any credence in evaluations of the merits and demerits of the Altice/Cablevision transaction.

Altice asserts[1]:

"That sophisticated financing syndicates, including JP Morgan, Barclays, and BNP committed $10.6 billion to the Transaction, and that other sophisticated large-scale investors such as BC Partners and CPPIB committed an incremental $1 billion in

[1] Applicants' Responses to the Commission's Information Requests, February 25 2016, http://apps.fcc.gov/ecfs/document/view?id=60001519156 (bottom of p.4)

Cablevision and $0.7 billion in Suddenlink after extensive due diligence, demonstrates the market's confidence in the viability of Altice's model."

The Managing Director, Head of Private Equity at the CPPIB stated[2] in announcing its decision to participate in the Cablevision transaction that Altice is a *"best-in-class cable operator."*

This assessment of Altice by the CPPIB is irreconcilable with the substantial amply and independently documented evidence of the harm Altice has caused in and with several properties it acquired over the past few years that the Communications Workers of America and I have presented to the Commission in multiple filings in this Docket, as well as in the ongoing review of this transaction by the New York Public Service Commission. It is noteworthy that to my knowledge the CPPIB has so far not submitted any evidence from its "extensive due diligence" to support the transaction, but has been content to let Altice (as quoted above) speak on its behalf about the quality and outcome of its due diligence investigations.

Altice has referred to CPPIB's due diligence as a third party's endorsement of its business model and acquisition of Cablevision. But Altice has not offered any information or details such as the data sources used in the evaluations and analyses presumably carried out by the CPPIB on which the findings of this due diligence are based. It is also noteworthy that during the month of February 2016, when Altice referred to its support by the CPPIB and other financial institutions, its stock traded in the range of about €11.25-13.4, compared to a price of over €30 in mid-2015 prior to the announcement of its acquisition of Cablevision. The performance of Altice's stock, namely its substantial decline since the announcement of the Cablevision acquisition (in September 2015), contradicts Altice's assertion of the *"market's confidence"* in its business model[3].

I contacted the CPPIB directly in the week before Easter (that fell on Sunday March 27, 2016) pointing out the irreconcilability of the results of its due diligence as reported by Altice with my findings submitted to the Commission that are derived from extensive publicly available information from multiple independent sources. I expressed a willingness to retract my findings if the CPPIB could provide evidence and verifiable data that I had somehow overlooked or did not have access to that was sufficiently convincing or preponderant to outweigh the very different picture of Altice I have uncovered and presented. I have depicted Altice's deleterious actions, behavior, attitudes and ethos and demonstrated their damaging consequences for customers, employees, and suppliers. As of the date of this writing

---

[2] https://www.pehub.com/2015/10/cppib-bc-partners-to-invest-in-altices-17-7-bln-buy-of-cablevsion/

[3] Although, if their timing is accurate or lucky, investors who short sell Altice stock (but not customers or employees of Altice companies, or suppliers to them) can benefit financially under these circumstances.

I have received no response from the CPPIB to my concerns and offer, nor any indication that one will be forthcoming.

The key question raised by the proposed acquisition of Cablevision by Altice is that its potential impact on the Greater New York area for better or worse could be considerable. Substantial evidence has been presented that the outcome of this acquisition will likely be harmful to most stakeholders and to the public interest. The transaction will not meet (and by far) the required standard of a net positive benefit. Nevertheless from the time this acquisition was announced, and still today, Altice seems to expect that its acquisition of Cablevision should be approved on the basis of its word that this impact will be positive thanks to the introduction and application of its allegedly "proprietary operating processes"[4] and the supposed validation of its business model by "respected and sophisticated financial institutions". Yet no informative description or proof of the efficacy of these "proprietary processes" has been forthcoming. Furthermore the financial institutions referred to that are involved in the Cablevision transaction have already garnered significant financial rewards from Altice's earlier transactions, and several of them will collect significant transaction fees from the Cablevision deal if it is approved. It is therefore in their self-interest to advocate or let their financial involvement in the deal be exploited as evidence of a foreseeable beneficial outcome of the transaction, regardless of any expected adverse post-transaction impact on Cablevision's customers, employees or suppliers. Several investment banks will have skin in the game post-transaction, as holders of an Altice-controlled Cablevision's debt. Despite their "sophistication" they apparently believe that Altice can continue to make highly leveraged over valued acquisitions in already well-developed markets and stay out of or indefinitely delay trouble or a day of reckoning through a series of various ingenious financial engineering tactics and maneuvers while slashing costs to the bone with consequences that bring pain to customers, employees, suppliers and others. Sooner or later these actions will result in a substantial erosion of the performance and value of Altice's properties. This toxic or house of cards business model will eventually implode, and the question in hindsight will then become why this eventuality was not foreseen and forestalled.

The financial institutions cited by Altice are not independent objective judges of the validity of Altice's claims, and have no motivation to act as such or to pay attention to the public interest. Their support for this transaction whether proclaimed directly by them and/or expressed in assertions by Altice about their "due diligence" should be heavily discounted if not dismissed outright.

---

[4] The evidence I have found shows that the processes Altice implements that can be identified are predatory rather than proprietary.

Grandiose, unverifiable and unsupported assertions of its achievements and proclamations of its superior operational capabilities by Altice[5] – especially given the body of evidence from multiple sources submitted in this Docket that rebut them - fall far short of meeting the standard of demonstrating that its acquisition of Cablevision will provide net benefits. Both Altice and its accomplices in the Cablevision transaction, which Altice asserts agree with its claims, such as the CPPIB, should be delivering fact-based analyses and credible justifications of their claims or support for those pronounced by Altice. But so far all they have offered are vague and unsupported pronouncements (e.g. CPPIB's "best-in-class" characterization of Altice) with implied but unsubstantiated promises of future benefits from an Altice-controlled Cablevision.

Moreover Altice itself has consistently rejected the idea that many municipal authorities that have awarded franchises to Cablevision, including New York City, the global metropolis and financial and media center, have the legitimate right to review the Altice/Cablevision deal as a franchise transfer and determine whether its takeover of Cablevision's operators in their territories is desirable or in the interest of their residents, businesses and institutions[6]. This intransigent uncooperative attitude towards regulators and therefore towards the latter's responsibilities raises serious doubts about the willingness as well as the capabilities of Altice to run a cable operator that is anything more than a vehicle managed so as to maximize benefits for a few investors and individuals. It shows a lack of regard for any harmful consequences for the cable operator's employees, suppliers and customers or for the goals regulators are authorized to promote as matters of long standing public policy and legislation.

The participation of the CPPIB in Altice's US initiatives among other investment and financial institutions stands out because Altice's ethos is fundamentally inconsistent with the CPPIB's self-proclaimed "sustainable investing" philosophy and principles including Environmental, Social, and Governance (ESG) as reproduced in an Appendix below. These precepts should call into question the appropriateness of CPPIB's expanding relationships with Altice properties as well as raise concerns about the risks associated with them.

---

[5] Capabilities that will allegedly achieve operating results superior to all US cable operators, including those that are much larger and have been leaders and pioneers in the development of the cable sector worldwide.

[6] Ironically CPPIB's participation in the Cablevision transaction provides one of the legal bases for the New York City Public Advocate's rejection of Altice's claim that its acquisition by Altice is not subject to municipal review by the City according to the conditions that define when a change in governance of a franchised cable operator gives the City the right of approval of this change as a franchise transfer – see "Comments By Letitia James, The Public Advocate For The City Of New York," submitted to the New York Public Service Commission in its Case 15-M-0647, http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={C02103DE-512E-4AD7-93FB-96CEBF93DFAF}.

It is understandable that the CPPIB should have accepted the high price it was offered for the majority of its stake in Suddenlink[7]. This initial foray by Altice into the US market attracted little attention and negligible opposition. I do not know if the CPPIB's subsequent decisions to participate in the Cablevision transaction and to remain involved with Suddenlink are tied to the generous price Altice has paid for the majority of its share of Suddenlink. Questions that arise in this context are:

> (i) Would the price paid to the CPPIB for the bulk of its stake in Suddenlink have been significantly lower without an agreement to continue, and when and where possible, expand its relationship with Altice, or
>
> (ii) Did the CPPIB make the decision to continue and expand its relationship with Altice as the result of thorough, accurate and independent due diligence on Altice that led it to conclude that Altice is a "best-in-class cable operator" so that investments in Altice's properties would be fruitful and desirable and meet the CPPIB's investment criteria both financial and ESG (Environmental, Social, and Governance)?
>
> (iii) In the latter scenario (ii) above, can the CPPIB provide convincing information (subject to prescribed Confidentiality requirements) to demonstrate the quality and validity of its due diligence on Altice and effectively rebut my and others' findings and conclusions about a very different and hostile Altice with a negative record and dubious prospects (in financial terms and with regard to at least the S and G parts of ESG) rather than the positive picture Altice presents of itself?

Appendix: Sustainable Investing according to the CPPIB[8]

"At CPPIB we consider responsible investing simply as intelligent long-term investing. Over the exceptionally long investment-horizon over which we invest, ESG factors have the potential to be significant drivers - or barriers - to profitability and shareholder value. For these reasons we refer to what many call 'Responsible Investing' activities simply as Sustainable Investing.

Given our legislated investment-only mandate, we consider and integrate both ESG risks and opportunities into our investment analysis, rather than eliminating investments based on ESG factors alone. As an owner, we monitor ESG factors and actively engage with companies to promote improved management of ESG, ultimately leading to enhanced long-term outcomes in the companies and assets in which 18 million CPP contributors and beneficiaries have a stake.

---

[7] The Altice transaction valued Suddenlink at $9.1 billion in 2015, compared to $6.5 billion in the deal in 2012 only three years previously in which CPPIB became an investor in Suddenlink. The CPPIB received a total of $1.16 billion for the majority of its stake in Suddenlink ($960 million in cash and a $200 million note (http://business.financialpost.com/news/fp-street/cppib-and-partners-to-sell-70-share-of-u-s-cable-company-suddenlink-to-europes-altice)

[8] http://www.cppib.com/en/how-we-invest/sustainable-investing.html

As a founding signatory, CPPIB commits to and continues to be guided by the United Nations-supported Principles for Responsible Investment (PRI).”

Signed on April 11 2016