



DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

VIA EMAIL & U.S. MAIL

April 27, 2018

Gregg Fujimoto
President
Oceanic Time Warner Cable LLC
200 Akamainui Street
Mililani, Hawai'i 96789-3999

Re: Letter Order – Audited Financial Statements

Dear Mr. Fujimoto:

Pursuant to Hawai'i Revised Statutes ("**HRS**") § 440G-14 the Director of the Department of Commerce and Consumer Affairs ("**DCCA**") requires that cable operators shall file with the Director of DCCA ("**Director**") reports of its financial, technical, and operational condition and its ownership. Moreover, pursuant to Hawai'i Administrative Rules ("**HAR**") § 16-131-44, each cable operator shall submit to the Director audited or reviewed financial statements for the preceding fiscal year. In addition, HAR § 16-131-50(2) requires each cable operator to include in its quarterly report filed with the Director, on forms provided by the Director, a quarterly report that includes revenues, expenses, assets, liabilities, and equity accounts.

In each Decision and Order ("**D&O**") issued for Oceanic Time Warner Cable LLC's ("**OTWC**") Hawai'i cable franchises, OTWC (formerly, Time Warner Entertainment Company, L.P. ("**TWE**")), agreed to provide by April 30th of each calendar year, annual audited or reviewed financial statements for OTWC for the preceding year pursuant to HAR Chapter 16-131 (including but not limited to HAR § 16-131-44). The financial statements were to be represented in sufficient detail to allow the analysis of each franchise's cable system operation on a stand-alone basis. In addition, for each franchise, the financial statements were to be accompanied by a statement showing the basis for computing and the amounts paid by TWE or any subsidiary to its parents,

affiliates, subsidiaries, general partners, or any person for management fees and fees in the nature of general and administrative allocations.¹

On December 17, 2015, DCCA issued D&O No. 366 approving, with certain conditions, the transfer of control of all of OTWC's Cable Franchises in the State of Hawai'i ("**State**") from Time Warner Cable Inc., the ultimate parent company of OTWC, to Charter Communications, Inc. ("**Charter**"). As part of the approval, OTWC would, *inter alia*, adhere to the requirements, obligations, and terms of the existing Cable Franchise orders. See D&O No. 366 at 33.

Pursuant to HRS § 440G-12, the Director has the power and jurisdiction to supervise and regulate every cable operator within this State so far as may be necessary to carry out the purposes of Chapter 440G, HRS, and to do all things which are necessary or convenient in the exercise of this power and jurisdiction. DCCA recognizes that the required annual audited financial statements or reviewed financial statements of Charter, including OTWC's stand-alone financial statements for its respective Cable Systems throughout the State, pose unnecessary financial reporting burdens on Charter's operations nationally and locally. During the transfer proceeding, DCCA determined that Charter was financially qualified to acquire control of OTWC (see, Section V. of D&O No. 366) and recognized that Charter and OTWC have a history of stable financial health. Furthermore, Charter has demonstrated the requisite financial ability to operate and maintain the Cable Systems as required in OTWC's Cable Franchise agreements. Id. at Section IV.A.

Based on the foregoing, DCCA finds it reasonable to waive the franchise requirements that OTWC provide annual audited or reviewed financial statements, that its financial statements be represented in sufficient detail to allow the analysis of each individual franchise or cable system, and that its financial statements be accompanied by statements showing the basis for computing and the amounts paid in affiliate transactions. Notwithstanding any existing franchise requirement or rule to the contrary, beginning April 30, 2018, OTWC may satisfy its obligation to provide annual financial statements pursuant to HAR § 16-131-44, by submitting to the Director on April 30th of each calendar year, or within five (5) days of filing with the U.S. Security and Exchange Commission ("**SEC**"), whichever is later, its parent company's consolidated annual financial statements as filed with the SEC so long as the financial statements are prepared in accordance with generally accepted accounting principles, consistently applied. Additionally, OTWC may satisfy its obligation to provide quarterly financial information pursuant to HAR § 16-131-50(2) by submitting to the Director its parent company's consolidated quarterly financial information, as filed with the SEC, on the due date for each quarterly report required under HAR § 16-131-50, or within five (5) days of filing with the SEC, whichever is later, so long as the financial statements are prepared in accordance with generally accepted accounting principles, consistently applied. Nonetheless, OTWC and its parent company will continue to fully cooperate

¹See Section IV.R.5 of D&O No. 368, issued on March 15, 2016 (island of Hawai'i); Section IV.S.5 of D&O No. 346, issued on January 14, 2010 (Oahu); Section 7.6 of D&O No. 291, Terms and Conditions, issued on July 12, 2002 (Kaua'i); Section 7.4 of D&O No. 241, Terms and Conditions, issued on May 10, 1999 (Maui County, excluding Lahaina); Section 7.4 of D&O No. 174, Terms and Conditions, issued on October 2, 1995 (Lahaina).

Mr. Gregg Fujimoto
April 27, 2018
Page 3

with DCCA, DCCA staff, and its consultants and provide all requested information during any OTWC financial reviews and verifications.²

Except as otherwise provided in this Letter Order, the remaining provisions of all D&Os, Orders, Letter Orders and other directives that have been issued periodically to address specific needs and requirements shall continue to remain in full force and effect.

If you have any questions on the above, please contact Ji Sook "Lisa" Kim, Cable Television Administrator, at (808) 586-2620. Thank you for your cooperation and assistance in this matter.

Sincerely,



CATHERINE P. AWAKUNI COLÓN
Director

c: Myoung Oh, OTWC
Kiman Wong, OTWC
Carlito P. Caliboso, Esq.; Jodi Shin Yamamoto, Esq.

²In particular, among other matters, OTWC and its parent company, as applicable and necessary, will continue to provide DCCA, DCCA staff, and its consultants with individual franchise by franchise (or franchise taxing authority level) detailed financial information during DCCA's annual review and verification of OTWC's franchise fee payments, including among other things, gross revenues, military revenues (if applicable), and bad debt.