

RESOLUTION R-5403

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING THE TRANSFER OF CONTROL OF THE CABLE FRANCHISEE FRONTIER COMMUNICATIONS NORTHWEST INC. TO NORTHWEST FIBER, LLC AND AUTHORIZING THE CITY MANAGER TO EXECUTE A TRANSFER OF CONTROL AGREEMENT.

1 WHEREAS, Frontier Communications Northwest Inc.
2 ("Franchisee") currently provides cable services in the City of
3 Kirkland pursuant to a Cable Franchise Agreement with the City
4 effective as of November 1, 2008 ("Franchise Agreement") and is
5 currently a wholly owned subsidiary of Frontier Communications
6 Corporation ("Frontier"); and
7

8 WHEREAS, by resolution dated December 15, 2009, the
9 City Council consented to a transfer of control of Franchisee from
10 Verizon Communications Inc. to Frontier, in consideration of the
11 terms of that certain Transfer of Control Agreement which was
12 executed and effective as of January 26, 2010, and which
13 modified certain terms of the Franchise Agreement (the Franchise
14 Agreement together with the Transfer of Control Agreement, are
15 referred to herein as the "Frontier Franchise Agreement"); and
16

17 WHEREAS, Section 10.1 of the Frontier Franchise
18 Agreement provides that the prior consent of the City is required
19 for the transfer of control of the Franchisee as contemplated as
20 part of the Proposed Transfer, provided that such consent shall
21 not be unreasonably withheld, delayed, or conditioned; and
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23 WHEREAS, the Franchise expired as of November 1, 2018,
24 and has not been renewed or extended; and
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26 WHEREAS, the City reached an agreement with the
27 Franchisee on terms and conditions under which the City would
28 be willing to consent to a reinstatement and extension of the
29 Frontier Franchise Agreement to November 1, 2021 ("Extension
30 Agreement"), under modified terms, and the City Council has
31 approved such Extension Agreement by Resolution No. R-5402;
32 and
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34 WHEREAS, on July 19, 2019, Frontier and Northwest Fiber,
35 LLC submitted to the City a formal application including an FCC
36 Form 394 and other documents ("Application") seeking the City's
37 consent to the proposed transfer of control of the Franchisee to
38 Northwest Fiber (the "Proposed Transfer"); and
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40 WHEREAS, City staff has reviewed the Application, as well
41 as additional information provided by Franchisee and Northwest
42 Fiber in response to City staff's requests; and
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44 WHEREAS, the City's outside counsel engaged Front Range
45 Consulting, Inc. to conduct a review and evaluation of the financial

46 information provided by Northwest Fiber and to provide a non-
47 confidential report on such financial qualifications, and the report
48 found that Northwest Fiber would be financially viable and stable,
49 but recommended that the City consider requiring a guarantee of
50 financial performance of Northwest Fiber and an irrevocable letter
51 of credit; and

52
53 WHEREAS, the City has reached a proposed agreement
54 with the Franchisee and Northwest Fiber on terms and conditions
55 under which the City would be willing to consent to the Proposed
56 Transfer; and

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58 WHEREAS, the proposed terms and conditions of the City's
59 consent to the Proposed Transfer are set out in the Transfer of
60 Control Agreement; and

61
62 WHEREAS, City staff believes that the proposed terms and
63 conditions contained in the Transfer of Control Agreement are
64 reasonable, fair, and assures the City and its residents continued
65 full performance of the Franchise by the Franchisee and
66 Northwest Fiber after the Proposed Transaction.

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68 NOW, THEREFORE, be it resolved by the City Council of the
69 City of Kirkland as follows:

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71 Section 1. The City Council hereby approves the transfer
72 of control of the Franchisee, Frontier Communications Northwest
73 Inc., from Frontier to Northwest Fiber, subject to the acceptance
74 and execution of the Transfer of Control Agreement within 30 days
75 of the date of this Resolution.

76
77 Section 2. The City Manager is hereby authorized and
78 directed to execute on behalf of the City a Transfer of Control
79 Agreement substantially similar to the Agreement attached hereto
80 as Exhibit "A."

81
82 Section 3. The parties to the Transfer of Control
83 Agreement shall provide to the City a fully executed Transfer of
84 Control Agreement within 45 days of passage of this Resolution.

85
86 Section 4. The failure, refusal or neglect by the Franchisee,
87 Northwest Fiber, or Frontier to comply with Section 3 above shall
88 constitute an abandonment of the rights conferred hereby, and
89 the request for approval of the Proposed Transfer shall be deemed
90 timely denied without further action by the City.

91
92 Section 5. In the event the Proposed Transfer does not
93 close by May 28, 2020, or closes on terms that are in any material
94 respect different from the terms disclosed to the City in writing,
95 then any City consent to the Proposed Transfer shall be void and
96 of no force or effect, then the request for approval shall be
97 deemed timely denied without further action by the City, unless
98 otherwise agreed to in writing by Northwest Fiber, Franchisee,
99 Frontier and the City.

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Passed by majority vote of the Kirkland City Council in open meeting this 19th day of November, 2019.

Signed in authentication thereof this 19th day of November, 2019.



Penny Sweet, Mayor

Attest:



Kathi Anderson, City Clerk

TRANSFER OF CONTROL AGREEMENT

THIS AGREEMENT is made this ___ day of _____, 2019 (“Effective Date”), by and between:

(a) The City of Kirkland, a Washington municipal corporation (“City”);

(b) Frontier Communications Northwest Inc. (“Franchisee”), a Washington corporation and wholly owned subsidiary of Frontier Communications Corporation (“Frontier”);

and

(c) Northwest Fiber LLC, a Delaware limited liability company (“Northwest Fiber”).

Northwest Fiber, Frontier, and Franchisee may be referred to collectively herein as “Companies.”

RECITALS

WHEREAS, Franchisee currently holds a cable franchise (the “Franchise”) from the City subject to the **Cable Franchise Agreement effective as of November 1, 2008** (“Franchise Agreement”) and owns a cable system serving certain geographic areas of the City;

WHEREAS, by resolution dated December 15, 2009, the City Council consented to a transfer of control of Franchisee from Verizon Communications Inc. to Frontier, in consideration of the terms of that certain Transfer of Control Agreement which was executed and effective as of January 26, 2010, and which modified certain terms of the Franchise Agreement (the Franchise Agreement together with the Transfer of Control Agreement, are referred to herein as the “Frontier Franchise Agreement”);

WHEREAS, although the Frontier Franchise Agreement expired as of November 1, 2018, Frontier and the Franchisee have continued to perform their respective obligations under the Frontier Franchise Agreement;

WHEREAS, pursuant to a Purchase Agreement by and among Northwest Fiber, Franchisee, Frontier, and Frontier Communications ILEC Holdings, LLC, dated as of May 28, 2019 (“Purchase Agreement”), Northwest Fiber will acquire control of Franchisee (“Proposed Transaction”);

WHEREAS, Section 10.1 of the Frontier Franchise Agreement provides that the prior consent of the City is required for the transfer of control of the Franchisee as contemplated as part of the Proposed Transaction, provided that such consent shall not be unreasonably withheld, delayed, or conditioned;

WHEREAS, on July 19, 2019, as required under federal law and FCC regulations, Northwest Fiber and Frontier filed an FCC Form 394 (the “Transfer Application”) with the City and requested that the City consent to the transfer of control resulting from the Proposed Transaction (“Proposed Transfer”);

WHEREAS, the Franchisee and City have agreed to amend the Frontier Franchise Agreement, among other things, to extend the Term to November 1, 2021 (“Extension Agreement”)(the Frontier Franchise Agreement together with the Extension Agreement are referred to herein as the “Extended Frontier Franchise Agreement”);

WHEREAS, the Franchisee, as that term is defined herein, has agreed to continue to comply with the Extended Frontier Franchise Agreement, and the terms of this Agreement and applicable law from and after the completion of the Proposed Transaction; and

WHEREAS, relying on the Companies’ representations referred to above, the City is willing to grant its consent to the transfer of control contemplated in the Proposed Transaction subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration for the City's consent to the transfer of control contemplated in the Proposed Transaction and subject to the terms and conditions of this Agreement, THE PARTIES DO HEREBY AGREE as follows:

1. DEFINITIONS

1.1 Terms contained herein and not defined shall have the same definitions as contained in the Extended Frontier Franchise Agreement.

2. TRANSFER OF CONTROL OF FRANCHISE

2.1 Pursuant to Section 10.4 of the Extended Frontier Franchise Agreement, and by resolution dated [REDACTED], 2019, (the "Transfer Resolution") the City has consented to the Proposed Transfer, in consideration of the terms of this Agreement and conditioned on the acceptance and execution of this Agreement by the Companies.

3. ACCEPTANCE OF FRANCHISE OBLIGATIONS

3.1 Franchisee accepts, acknowledges, and agrees that, after the Proposed Transfer, it will continue to be bound by all the commitments, duties, and obligations, present, continuing and future, of the Franchisee embodied in the Extended Frontier Franchise Agreement and this Agreement, and that the Proposed Transfer will not materially alter these obligations, except as expressly stated herein. Except as expressly set forth herein, nothing in this Agreement shall be construed to increase or expand the rights of the City with respect to the Franchise, or Franchisee's provision of cable service pursuant to the terms of the Extended Frontier Franchise Agreement. Except as expressly set forth herein, nothing in this Agreement shall be construed to increase or expand the rights of the Franchisee with respect to Franchisee's provision of cable service pursuant to the terms of the Extended Frontier Franchise Agreement.

3.2 The Companies agree that neither the Proposed Transaction nor the City's consent to the Proposed Transfer contemplated in the Proposed Transaction shall in any respect relieve the Franchisee or any of its successors in interest of responsibility for past acts or omissions, known or unknown with respect to provision of cable service pursuant to the Extended Frontier Franchise Agreement. Franchisee agrees that it shall be liable for any such acts and omissions, known and unknown, including liability for any and all previously accrued but unfulfilled obligations to the City under the Extended Frontier Franchise Agreement and applicable law, for all purposes. Franchisee agrees that all acts and omissions of Franchisee occurring prior to closing of the Proposed Transfer will continue to be deemed to be those of Franchisee.

3.3 Northwest Fiber and Franchisee shall ensure that all records pertaining to the Franchise and the Franchisee's performance under the Franchise shall continue to be available after the Proposed Transfer in the same way and to the same extent such information was available prior to the Proposed Transfer, consistent with the terms of the Extended Frontier Franchise Agreement.

3.4 In addition to the current obligations of the Extended Frontier Franchise Agreement, including the obligations contained in Section 12.7 of that Agreement, Franchisee shall, not later than sixty (60) days after the closing of the Proposed Transfer, provide to the City a performance bond (in a commercially reasonable form reasonably acceptable to the Kirkland City Attorney) in the amount of forty thousand dollars (\$40,000), to secure the payment of franchise fees and any liquidated damages that may be assessed by the City pursuant to the Extended Frontier Franchise Agreement. Franchisee shall promptly restore any amounts drawn on the letter of credit and shall maintain the full amount of the letter of credit until the termination of the Extended Frontier Franchise Agreement.

3.5 Franchisee will pay the City for all reasonable and documented costs incurred as a result of its review of the Proposed Transfer. The City will present to Franchisee a single invoice itemizing the costs incurred, together with supporting documents not later than thirty (30) days after the close of the Proposed Transfer. Franchisee shall remit to the City payment for such undisputed fees and costs in an amount not to exceed Twenty Thousand Dollars (\$20,000) within thirty (30) days of its receipt of the invoice. Franchisee reserves any and all rights it may have under applicable Federal, State or local law to offset amounts paid on this invoice against any future franchise fees payable to the City under the Franchise.

3.6 On or before the consummation of the Proposed Transfer, Northwest Fiber shall enter into the Guarantee Agreement attached hereto as Exhibit 1.

4. RESERVATION OF RIGHTS

4.1 To the extent not expressly waived herein, the Companies reserve all rights under federal, state, and local law, and the Extended Frontier Franchise Agreement.

4.2 The City reserves all rights not expressly granted in this Agreement, including without limitation those specified below.

4.3 The City waives none of its rights with respect to the Franchisee's compliance with the requirements set forth in the Extended Frontier Franchise Agreement. At no time will the Companies contend, either directly or indirectly, that the City is barred, by reason of the Proposed Transfer, from considering, or raising claims based on, any defaults of Franchisee, or any failure by Franchisee to comply with the terms and conditions of the Extended Frontier Franchise Agreement or with applicable law. The City's consent to the Proposed Transfer shall in no way be deemed a representation by the City that the Franchisee is in compliance with all of its obligations under the Extended Frontier Franchise Agreement.

4.4 Neither this Agreement, nor any other action or omission by the City at or before the execution of this Agreement, shall be construed to grant the City's consent to any future transfer of the Franchise, and/or any future change in ownership and/or control of the Franchise, or to mean that the City's consent to any future transaction is not required pursuant to Section 10 of the Extended Frontier Franchise Agreement.

4.5 Any consent given by the City to the Proposed Transfer is made without prejudice to, or waiver of, the City's right to investigate and take into account any lawful considerations during any future franchise renewal or transfer process.

4.6 This Agreement does not affect and shall not be construed to affect the rights under any lawful authority of the City to regulate or authorize, by ordinance, license or otherwise, use of the public rights-of-way for purposes other than for cable service, as that term is defined in the Extended Frontier Franchise Agreement. To the extent that Franchisee or its affiliates may seek to provide a service other than cable service or through other facilities within the City, the City reserves any right it may have, subject to federal and state law, to require any additional authorizations and payment of a franchise fee or other compensation regarding such services and facilities that it may lawfully require. Consent to the Proposed Transfer shall not be deemed to be consent to the use of the public rights-of-way by Franchisee or any of its affiliates for any purpose other than the provision of cable service.

4.7 In the event the Proposed Transfer does not close by May 28, 2020, or closes on terms that are in any material respect different from the terms disclosed to the City in writing, then any City consent to the Proposed Transfer shall be void and of no force or effect, and the Proposed Transfer deemed to have been timely denied, unless otherwise agreed to in writing by the Companies and the City. The Companies hereby waive any and all claims that they may have

that any denial of the Proposed Transfer that results from failure of the conditions in this paragraph fails to satisfy the deadlines established by applicable law including, without limitation, claims based on, arising out of, or relating to 47 U.S.C. § 537, as amended, and agree that they shall be deemed to have agreed to an extension of the time to act on the Proposed Transfer as required to make any denial effective.

5. REPRESENTATIONS AND WARRANTIES

5.1 Each of the Companies hereby represents and warrants that at the time of the execution of this Agreement: (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized; (b) the Extended Frontier Franchise Agreement and, assuming due execution hereof by the other parties hereto, this Agreement constitute legal, valid and binding obligations of each Company that is a party to such agreements, enforceable in accordance with their respective terms; and (c) the execution and delivery of, and performance by such Company under this Agreement and the Extended Frontier Franchise Agreement, where applicable, are within such Company's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite corporate action on the part of such Company and are not in contravention of such Company's charter, bylaws, and/or other organizational documents.

5.2 Franchisee and Northwest Fiber represent and warrant that the Proposed Transaction will not adversely affect the Franchisee's ability to meet the requirements of the Extended Frontier Franchise Agreement.

5.3 Franchisee and Northwest Fiber represent and warrant that after the Proposed Transaction, Franchisee's financial qualifications will be such as shall enable them to maintain

and operate the cable system in the City in accordance with applicable law and the Extended Frontier Franchise Agreement.

5.4 Franchisee and Northwest Fiber represent and warrant that the Proposed Transaction will not reduce the quality of existing system maintenance or repair.

6. BREACHES

6.1 Any breach of this Agreement subsequent to the closing of the Proposed Transaction shall be separately enforceable from the Extended Frontier Franchise Agreement but shall be deemed a breach of the Extended Frontier Franchise Agreement and shall be subject to the applicable enforcement provisions of the Extended Frontier Franchise Agreement, in addition to any other remedies the parties may have under this Agreement at law or equity.

7. MISCELLANEOUS PROVISIONS

7.1 **Effective Date:** This Agreement shall be effective and binding upon the signatories once it is fully executed, and shall continue in force for the duration of the Franchise, provided that, this Agreement, except for the obligation in Section 3.5, shall terminate if the Proposed Transaction is terminated pursuant to Section 7.01 of the Purchase Agreement.

7.2 **Binding Acceptance:** This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors, and assigns, and the promises and obligations herein shall survive the expiration date hereof. Any purported assignment of this Agreement is void without the express written consent of the signatories.

7.3 **Voluntary Agreement:** This Agreement is freely and voluntarily given by each party, without any duress or coercion, and after each party has consulted with its counsel. Each party has carefully and completely read all of the terms and provisions of this Agreement.

Neither any of the Companies, nor any of their affiliates, nor the City, will take any action to challenge any provision of this Agreement; nor will they participate with any other person or entity in any such challenge.

7.4 **Severability:** If any term, condition, or provision of this Agreement shall, to any extent, be held to be invalid, preempted, or unenforceable, the remainder hereof shall be valid in all other respects and continue to be effective.

7.5 **Counterparts:** This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original copy, and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

7.6 **No Waiver:** No waiver of any provision of this Agreement or any breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other or subsequent breach of this Agreement.

7.7 **Captions and References:** The captions and headings of sections throughout this Agreement are intended solely to facilitate reading and reference to the sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement.

[SIGNATURE PAGES FOLLOW]

AGREED TO AS OF THE EFFECTIVE DATE ABOVE-WRITTEN.

CITY OF KIRKLAND

By: _____

Name: Kurt Triplett

Title: City Manager

FRONTIER COMMUNICATIONS CORPORATION

By: _____

Name: _____

Title: _____

FRONTIER COMMUNICATIONS NORTHWEST INC.

By: _____

Name: _____

Title: _____

NORTHWEST FIBER LLC

By: _____

Name: _____

Title: _____

Exhibit 1 – Guarantee Agreement

GUARANTEE AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 2019, between the City of Kirkland, the Guarantor, and the Grantee. For the purpose of this Agreement, the terms "City", "Guarantor" and "Grantee" have the meanings given in this Agreement below:

WITNESSETH

WHEREAS, the City of Kirkland, Washington, (the "City") has granted a cable franchise agreement (the "Franchise") currently held by Frontier Communications Northwest Inc. (the "Grantee"), to operate and maintain a cable television system (the "Cable System"); and

WHEREAS, Northwest Fiber, LLC (the "Guarantor") has proposed to become an ultimate owner and manager of the Grantee, and has filed a formal written request seeking approval of the proposed transfer by the City as required by federal law (FCC Form 394); and

WHEREAS, the City has submitted Requests for Information in performance of their review of the Grantee's legal, financial and technical qualifications to perform its obligations under the Franchise following the proposed transfer, and the Guarantor and the Grantee have responded to the City's Requests by providing additional information; and

WHEREAS, in response to requests by the City following its review, the Guarantor has agreed to provide this guarantee in order to induce the City to approve the transfer of control of the Franchise and the Grantee from Frontier Communications Corporation to Northwest Fiber, LLC;

NOW, THEREFORE, in consideration of the foregoing, the Guarantor agrees:

1. The Guarantor hereby unconditionally guarantees the timely and full performance of any and all obligations of Grantee contained in the Franchise. In the event Grantee for any reason fails to perform those obligations, the Guarantor agrees to perform or cause to be performed those obligations on Grantee's behalf promptly upon written demand by the City.
2. This guarantee is an absolute, continuing, and unlimited performance guarantee of the Franchise by the Grantee. The City shall not be obliged to proceed first against the Grantee or any other person, firm or corporation.
3. The Guarantor waives notice of acceptance of this guarantee and further waives protest, presentment, demand for performance or notice of default to the Guarantor. The City has no duty to advise the Guarantor of any information known to them regarding Grantee's performance of its Franchise obligations. This waiver, however, shall not be deemed a waiver of any requirement of the Franchise as to notice to the Grantee.
4. The City's failure to require strict performance of the Franchise shall not release the Guarantor from liability under this Agreement.

5. This Agreement, unless terminated, substituted or canceled, as provided herein, shall remain in full force and effect for the duration of the term of the Franchise. This Agreement and the guarantee made hereunder are contingent upon and subject to the closing of the transaction by which ultimate control of the Grantee is transferred to the Guarantor. If control of the Grantee is subsequently transferred away from the Guarantor with the approval of the City, the guarantee shall terminate at that time.

6. The Guarantor may propose substitution of another Guarantor to perform the obligations of this Agreement. If the City finds the proposed substitute Guarantor reasonably satisfactory, another Guarantee Agreement may be substituted upon mutual agreement of the City and the Guarantor. Such substitution shall not affect liability incurred or accrued under this agreement prior to the effective date of such substitution. Following the City's acceptance of the substitute Guarantor, no claim, suit or action under this Agreement by reason of any default of the Grantee shall be brought against the original Guarantor unless asserted or commenced within one year after the effective date of such substitution of the Agreement, and only to the extent it relates to a liability incurred or accrued prior to the effective date of the substitution.

7. Any notices given pursuant to this agreement shall be in writing and delivered personally to the following addresses or deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Guarantor and the Grantee at:

_____, and to the City at: _____. Either party may change its address for notices by giving notice of the new address in the manner provided in this paragraph.

8. Definitions: For purposes of this Agreement, the following terms are defined as indicated below:

- (A) Grantee: Frontier Communications Northwest Inc., or its lawful successors;
- (B) Guarantor: Northwest Fiber, LLC;
- (C) Franchise: Cable Franchise Agreement granted by the City to Grantee, including all documentation of any conditions of grant, renewal, extension, settlement or transfer.

IN WITNESS WHEREOF, the Grantee, the City, and Guarantor have entered into this Agreement on the ___ day of _____, 2019.

Guarantor: Northwest Fiber, LLC
By:
Title:

State of _____)

_____) ss.
County of _____)

This Agreement was acknowledged before me on the day of _____, 2019, by _____, as a duly authorized officer of Northwest Fiber, LLC.

Notary Public for: _____

My Commission Expires: _____

Grantee: Frontier Communications Northwest Inc. or its successors

By:

Title:

State of _____)
_____) ss.

County of _____)

This Agreement was acknowledged before me on the day of _____, 2019, by _____, as a duly authorized officer of Frontier Northwest Inc. or its successors.

Notary Public for: _____

My Commission Expires: _____

City: City of Kirkland, Washington

By: Kurt Triplett

Title: City Manager

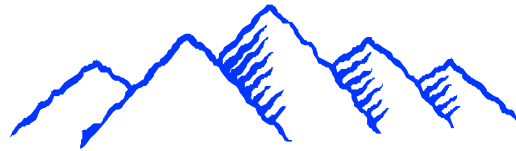
State of Washington)
_____) ss.

County of King)

This Agreement was acknowledged before me on the day of _____, 2019, by Kurt Triplett, City Manager for the City of Kirkland, as a duly authorized representative of the City.

Notary Public for: _____

My Commission Expires: _____



Front Range Consulting, Inc.

1187 Auburn Dr., Unit 114
Castle Rock, CO 80109

August 13, 2019

Gail A. Karish, Esq.
Partner
Best Best & Krieger, LLP
25th Floor
300 South Grand Ave.
Los Angeles, CA 90071

Re: Review of FCC Form 394 for a transfer of ownership from Frontier Communications Corporation to Northwest Fiber, LLC,

Dear Ms. Karish:

Front Range Consulting, Inc. (“FRC”) has prepared this letter report to Best Best & Krieger, LLP (“BB&K”) related to FRC’s retention by BB&K to do a financial review for the FCC Form 394 delivered to your clients¹ for a transfer of the franchise from Frontier Communications Corporation (“Frontier”) to a new entity, Northwest Fiber, LLC (“Northwest Fiber”). Specifically, FRC was retained to review the “financial qualifications” of Northwest Fiber to continue to perform under the current franchise agreement with the Clients.

Summary of the Proposed Acquisition by Northwest Fiber

On May 28, 2019, Frontier agreed to sell its operations in the States of Washington, Oregon, Idaho and Montana to Northwest Fiber for \$1,325,000,000. Northwest Fiber will be a newly formed entity that will hold and operate these properties and will be owned by subsidiaries associated with WaveDivision Capital, a private investment firm, and investment funds affiliated with Searchlight Capital Partners, L.P. In addition to the purchase agreement, Frontier has agreed to provide transition services to Northwest Fiber for such services and customer billing for free for six (6) months and optionally on a fee basis thereafter for up to three (3) years.

On or about July 19, 2019, Northwest Fiber filed its FCC Form 394 with the clients seeking approval of the transfer of the franchises from Frontier to Northwest Fiber. Included in this FCC Form 394 are descriptions of the transaction and the legal, financial and technical qualifications of Northwest Fiber.

¹ The BB&K clients are: Mt. Hood Cable Regulatory Commission, the City of Kirkland, WA and the City of Kenmore, WA (collectively “Clients”).



Gail A. Karish, Esq.
September 13, 2019
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FCC Form 394 Financial Information Disclosed

Included with the filed FCC Form 394, Northwest Fiber provided confidential “carve-out pro-forma” financial data based on the historical results of Frontier’s operations in the form of an adjusted Balance Sheet, Income Statement and Statement of Cash Flows. Northwest Fiber also provided an organization chart whereby a subsidiary of WaveDivision Capital will have a ten percent (10%) ownership of Northwest Fiber and Searchlight Capital Partners and its affiliated investment partners will have a ninety percent (90%) ownership interest.

Northwest Fiber stated in part in the FCC Form 394:

“Upon consummation of the Transaction, Northwest Fiber will assume control of the Franchisee as a stronger competitor with a more stable financial structure and substantial cash flow. Specifically, Northwest Fiber expects to have approximately \$300 million in cash on its balance sheet at closing. In addition, the company will also have access to traditional financing arrangements with bank, other financial institutions, and/or other types of funding sources in the form of a secured facility and revolver loan that would provide access to more than half a billion dollars in financing. Northwest Fiber will also have very favorable debt-to-equity, debt-to-capital and debt-to-EBITDA ratios as compared to many other network-based companies operating today, including Frontier which is highly leveraged.”

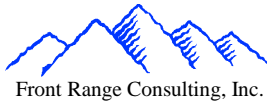
FRC appreciated the candor of these statements in the FCC Form 394 but these statements are unsupported by any financial disclosures except for the “carve-out pro-forma” financial statements based on Frontier’s historical operations. Without more detailed financial disclosures based on projections for Northwest Fiber, FRC cannot assure the Clients that Northwest Fiber will be able to financially perform under the franchise agreement.

Supplemental Financial Disclosure

Based on the limited financial disclosures contained in the FCC Form 394, FRC recommended to the Clients that they should seek additional financial disclosures from Northwest Fiber in order to review the proposed financial structure of Northwest Fiber.

The clients requested additional financial disclosures from Northwest Fiber.

Northwest Fiber provided complete responses to these additional requests notwithstanding its general objection that this additional financial data was beyond the scope of the Clients review. It should be viewed as favorable that Northwest provided the additional financial disclosures as it gives FRC the ability to access the thoroughness of Northwest Fiber’s due diligence into acquiring these properties from Frontier.



Front Range Consulting, Inc.

Gail A. Karish, Esq.
September 13, 2019
Page 3

With regards to the financial projections and presentations made to WaveDivision and the Searchlight entities, FRC was able to conclude that these highly confidential projections have demonstrated that Northwest Fiber has spent considerable time and effort analyzing these properties and Northwest Fiber has projected that Northwest Fiber will be a financially viable operation. The projections and presentations also assessed the marketplace and the demographics that Northwest Fiber will be operating in again suggesting that Northwest has fully researched the competitive landscape that it will be competing in. FRC also notes that while there is a close relationship between Northwest Fiber and WaveDivision, that approximately ninety percent (90%) of the ownership is with very large and sophisticated private equity firms that typically have the technical and financial expertise to review these projections to ensure that their private equity is protected from overly optimistic projections. The Clients should gain some confidence that these SearchLight affiliates has done considerable due diligence into these projections before agreeing to invest their private equity in Northwest Fiber.

By providing the debt and equity commitment letters, FRC was able to conclude that Northwest Fiber has the apparent ability to finance this proposed transaction with Frontier notwithstanding the typical unforeseen market and/or economic conditions caveat.

Northwest Fiber provided the supporting numerical data that Northwest Fiber has favorable debt ratios compared to other network companies. These favorable ratios are based on Northwest Fiber's financial projection and will be subject to competitive pressures once Northwest Fiber rolls out its marketing strategy to maintain and grow its subscriber base. Having said that, Northwest having projections that they have favorable debt ratios does not ensure that if Northwest does not perform on its marketing and technical business plans that these projected debt ratios will be achieved.

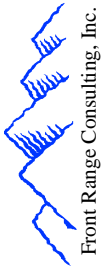
FRC Conclusion

FRC has concluded that Northwest Fiber has prepared a detail financial projections of its proposed financial performance after this acquisition suggesting that it will be financially stable. As with any financial projections, market, competitive and economic conditions could significantly impact these Northwest Fiber projections. FRC did not prepare any projections of its own but rather relied on Northwest Fiber's projections.

FRC also recommends that the clients consider adding two additional conditions which are similar to the conditions in the Verizon to Frontier transfer resolution that is a guarantee of financial performance of Northwest Fiber by WaveDivision Capital and an irrevocable letter of credit for the benefit of the clients of the franchise obligations of Northwest Fiber.

* * * * *

FRC appreciates the opportunity to assist BB&K and its clients with this review of the financial qualifications of Northwest Fiber to financially perform under the current franchise agreements.



Gail A. Karish, Esq.
September 13, 2019
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Respectfully,

Front Range Consulting, Inc