



**CITY OF STANWOOD
CITY COUNCIL
AGENDA STAFF REPORT**

SUBJECT: Transfer of Control of WaveDivision Holdings Wave Broadband cable television franchise	FOR AGENDA OF: Finance Committee August 23, 2012 DEPARTMENT OF ORIGIN: Executive DATE SUBMITTED: August 21, 2012
ATTACHMENT(S): A – June 8, 2012 Transfer of Control Letter B – SMC 5.20.280 CATV Franchise Transfer C – July 31, 2012 Ashpaugh & Sculco, CPAs Review of Transfer for City of Seattle D – August 8, 2012 Legal Report to the City of Seattle	CLEARANCES: (check box) <input type="checkbox"/> City Attorney _____ <input type="checkbox"/> City Clerk/HR _____ <input type="checkbox"/> Community Development _____ <input type="checkbox"/> Fire _____ <input type="checkbox"/> Finance _____ <input type="checkbox"/> Police _____ <input type="checkbox"/> Public Works _____ APPROVED FOR SUBMITTAL BY THE CITY ADMINISTRATOR: <i>D. Knight</i>
COST OF PROPOSAL: Unknown – depends on council decision to pursue fiscal and legal review and seek reimbursement for expenses.	AMOUNT BUDGETED: No funds were budgeted since transfer was not anticipated when the 2012 budget was adopted.

SUMMARY STATEMENT

The issue in front of the Finance Committee is to review the request of Transfer of Control of WaveDivision Holdings, LLC from Sandler Capital Management to Oakhill Capital Partners and GI Partners.

Under Stanwood Municipal Code Chapter 5.20.280, the city has 120 days from June 11, 2012 to review the Federal Communications Commission Form 394 “Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise” and the exhibits submitted by WaveDivision Holdings¹.

The purpose of the review is to determine if the transferee possesses the legal, technical and financial qualifications to operate and maintain the cable television system

¹ Form 394, the Application for Franchise Authority Consent is over 600 pages single sided. A copy of the application will be available at the Finance Committee meeting or upon request.

and comply with all franchise requirements for the remainder of the term of the franchise².

In accordance with SMC 5.20.280(6), *"If, after considering the legal, financial, character and technical qualities of the applicant and determining that they are satisfactory, the city finds that such transfer is acceptable, the city shall transfer and assign the rights and obligations of such franchise. The consent of the city to such transfer shall not be unreasonably denied."*

STAFF RECOMMENDATION

1. Review the Federal Communications Commission Form 394 "Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise" and the exhibits submitted by WaveDivision Holdings.
2. Review the July 31, 2012 Ashpaugh & Sculco, CPAs Review of Transfer for City of Seattle.
3. Review the August 8, 2012 Legal Report to the City of Seattle.
4. Direct staff to bring the issue to the September 14, 2012 city council meeting for discuss or to prepare an ordinance for council action.

DISCUSSION

Wave Broadband is the current holder of the cable television franchise issued by the City of Stanwood. Under the terms of the franchise agreement held by Wave Broadband, WaveDivision Holdings and Oakhill Capital Partners are requesting the city's consent to a change of control in the equity interests in Wave Holdings.

In short, one private equity firm, Sandler Capital Partners, is being replaced by other private equity firms, Oak Hill Capital Partners and GI Partners.

Pursuant to the purchase agreement, the sellers will sell all of their membership interests in Wave Holdings to the buyer, resulting is a transfer of controlling interest of Wave Holdings. There will be no changes to any of the subsidiaries of Wave Holdings. The current members of the management team of Wave Holdings will continue to manage the company and its subsidiaries. WaveDivision Capital, LLC will be come an investor in the buyer.

The buyer, OH WDH Holdco, LLC, was incorporated on May 29, 2012 by the Secretary of the State of Delaware, WaveDivision Holdings, LLC was formed on November 6, 2002 by Delaware Secretary of State. Following completion of the proposed transfer of controlling interests in Wave Holders and membership interests in OH WDH Holdco, LLC will be held by WaveDivision Capital, LLC (12.5%); Oak Hill Capital Partners III – (68.10%); Oak Hill Capital Management Partners III (.65%); and GI Wave Holdings LLC (18.75%).

² SMC 5.28.280(8)(f)

Oak Hill Capital Partners is a private equity firm with more than \$8.2 billion in committed capital from leading entrepreneurs, endowments, foundations, corporations and pension funds. GI Partners is a private equity firm with approximately \$8.4 billion in capital under management from leading institutional investors in the US, Europe, Asia and the Middle East.

FINANCIAL IMPACT

Wave Broadband provides cable television services to cities along the I-5 corridor including Marysville and Seattle in addition to cities in the Portland, OR and Sacramento, CA metropolitan areas. The City of Seattle hired Ashpaugh & Sculco, CPAs to review the transfer of the cable television franchise from WaveDivision Holdings to Oak Hill Capital. Attachment B is a copy of the July 31, 2012 report provided to Tony Perez, Director of the Seattle Office of Cable Communication.

In the opinion of Ashpaugh & Sculco (A&S), the information provided in the application shows the Franchisee should be capable of meeting the requirements associated with the cable television franchise in the City of Seattle. The Seattle report from Ashpaugh & Sculco notes,

“With the transfer, the financial strength shifts from Sandler Capital Partners to Oak Hill Capital Partners. Typically, an equity firm such as Oak Hill Capital Partners will not provide a guarantee of an operating entity such as Wave. Nonetheless, maintaining the guarantee with Wave should provide the city with adequate additional protection that Wave can meet the requirements and liabilities of the franchise.”

The A&S report concludes, *“The forecast financials provided for support that Oak Hill and its Wave division operations are financially capable of meeting the requirements of the franchise with the city.”*

Interestingly, the financials analyzed by A&S indicate that the company is relying on growth in video, data and voice and commercial revenues that seem consistent with operators their size. A&S also noted that the financials rely on little or no growth in expenses. Any increase in expenses could put additional financial pressure on Oak Hill and its Wave division operations.

The legal report prepared for the City of Seattle by Moss and Barnett found, *“No basis for the city to deny the Transfer of Controlling Interest based on a lack of legal qualifications of OH WDH Holdco, LLC.”*

SMC 5.20.280(8) provides the city with a mechanism to seek reimbursement for the city’s review of the “Application for Franchise Authority. The city could choose to conduct its own independent analysis of the “Application for Franchise Authority.” Or, the city council could use the analysis prepared for the City of Seattle as a basis for approving the request for the city’s consent to the change of control at Wave.

SMC 5.20.280(8)(g) and (h) subject Wave and its subsidiaries to additional performance requirements which will be incorporated into the ordinance approving the transfer

(g) The consent or approval of the city to any transfer by a franchisee shall not constitute a waiver or release of any rights of the city, and any transfer shall, by its terms, be expressly subordinate to the terms and conditions of the franchise.

(h) Notwithstanding anything to the contrary in this section, the prior approval of the city shall not be required for any sale, assignment or transfer of the franchise and cable television system or other video system to an entity controlling, controlled by or under the same common control as a franchisee; provided, that the proposed assignee or transferee must show financial responsibility as may be determined necessary by the city and must agree in writing to comply with all provisions of the franchise. (Ord. 1156 § M28, 2004).

CITY COUNCIL OPTIONS

1. Review the "Application for Franchise Authority". Direct staff to bring the request for transfer of control to the full city council for discussion and direction at the September 14, 2012 council meeting.
2. Review the "Application for Franchise Authority". Direct staff to prepare an ordinance for council consideration at the September 14, 2012 meeting to approve the transfer as requested by WaveDivision Holdings and Oak Hill Capital Partners.
3. Direct staff to contact WaveDivision Holdings and arrange to be reimbursed for the city's review of the "Application for Franchise Authority". Retain the services of a cable franchise specialist to review the "Application for Franchise Authority" and prepare a report and recommendation for the city council's consideration prior to the October 9, 2012 deadline.

RECOMMENDATION

- Review the Federal Communications Commission Form 394 "Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise" and the exhibits submitted by WaveDivision Holdings.
- Review the July 31, 2012 Ashpaugh & Sculco, CPAs Review of Transfer for City of Seattle.
- Review the August 8, 2012 Legal Report to the City of Seattle.
- Direct staff to bring the issue to the September 14, 2012 city council meeting for discuss or to prepare an ordinance for council action.



Via Overnight Delivery

June 8, 2012

City of Stanwood
Melissa Collins, City Clerk
10220 270th Street NW
Stanwood, WA 98292



Re: ***Transfer of Control of WaveDivision Holdings, LLC***

Dear Ms. Collins:

We are writing with exciting news concerning Wave Broadband. As you know, WaveDivision I, LLC d/b/a Wave Broadband is the current holder of the cable television franchise issued by the City of Stanwood. Wave Broadband's parent company is WaveDivision Holdings, LLC ("Wave Parent"). On May 30, 2012, Oak Hill Capital Partners III, L.P. ("Oak Hill") and GI Partners ("GI"), in conjunction with Wave Parent's Chief Executive Officer Steve Weed and other members of Wave Parent management, entered into a definitive agreement to acquire Wave Parent from its current owners, principally three affiliates of Sandler Capital Management.

Oak Hill and GI are leading private equity firms with longstanding cable and IT infrastructure expertise. Their financial support will allow Wave Broadband to continue to deliver highly advanced video, high-speed data and voice services to residential and commercial customers in your community and Wave Parent's other markets in the Seattle, San Francisco, Sacramento and Portland areas. Both Oak Hill and GI bring value-added expertise and impressive track records of successful investments in the cable and broadband industry and their insight and support will be invaluable as Wave Broadband continues to provide your community with the highest levels of product quality, speed and customer care available.

Under the terms of the franchise held by Wave Broadband we request the City's consent to the change of control at Wave Parent level as Oak Hill, GI, Mr. Weed and other members of the Wave Parent management team (collectively, the "buyers") replace Sandler Capital Management. Please note: As a result of the proposed transaction there will be no change to the ownership of Wave Broadband. Further, the only change at Wave Parent will be the replacement of Sandler Capital Management with Oak Hill and GI. Steve Weed and other members of the executive management team of Wave Parent will continue to run the company and will increase their current ownership of Wave Parent.

In support of our request, we are providing a completed and signed Federal Communications Commission Form 394 "Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise," together with the exhibits thereto along with two complete copies for your internal distribution. We believe the materials

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provided clearly establish that the buyers satisfy the requisite legal, technical and financial qualifications outlined under applicable federal and local law and under the franchise, and that these materials furnish you with all the information necessary to make a prompt and conclusive determination on our request for consent to the proposed change of control at Wave Parent.

The FCC Form 394 submission materials will be deemed filed with the City on your receipt of this letter on June 11, 2012; therefore, the 120-day limit for the franchise authority consideration of an assignment request pursuant to 47 CFR § 76.502 will expire on October 9, 2012.

We look forward to working with you to obtain swift approval of our request for the City's consent to the change of control at Wave Parent. We will send a proposed form of consent shortly.

Please do not hesitate to contact us if you have any questions.

Very Truly Yours,

Oak Hill Capital Partners III, L.P.
(on behalf of itself and the other buyers)



By: Kevin G. Levy
Title: Vice President of General Partner of
General Partner of General Partner

WaveDivision Holdings, LLC



By: James A. Penney
Title: Executive Vice President



ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

July 31, 2012

Tony Perez
Director, Office of Cable Communications
City of Seattle
700 5th Avenue
PO Box 94709
Seattle, WA 98124-4079

**SUBJECT: Review Of The Transfer Of The Cable Television Franchise From
Wavedivision Holdings, LLC and Subsidiaries to Oak Hill Capital
Partners**

Dear Mr. Perez:

Ashpaugh & Sculco, CPAs, PLC ("A&S") was engaged by the City of Seattle, Washington (the "City") to perform the financial analysis of the transfer of the cable television franchise from Wavedivision Holdings, LLC and Subsidiaries ("Wave") to Oak Hill Capital Partners and others (jointly "Oak Hill" or the "Franchisee"). Exhibit 1 to the filed FCC Form 394 explains that this is a "change of control" with Wave continuing to operate the system and also provides the following information explaining the organizational structure of Wave I.

Attached is a copy of the Unit Purchase Agreement (the "Purchase Agreement"), dated as of May 30, 2012, by and among OH WDH Holdco, LLC a Delaware limited liability company (the "Buyer"), and Sandler Capital Partners V, L.P., SCP V FTE WaveDivision Holdings, L.P., SCP V Germany WaveDivision Holdings, L.P., WaveDivision Capital, LLC, WaveDivision Networks, LLC, WaveDivision Capital, LLC and Steve C. Friedman (collectively, the Sellers"), and WaveDivision Holdings, LLC ("Wave"), together with all of the Exhibits and Schedules thereto. Please note certain confidential and proprietary information of the parties has been redacted in the attached copy of the Purchase Agreement.

Pursuant to the Purchase Agreement, the Sellers will sell all of their membership interests in WaveDivision Holdings, LLC to the Buyer, resulting in a change of control of WaveDivision Holdings, LLC. There will be no changes to any of the subsidiaries of WaveDivision Holdings, LLC. The current members of the management team of WaveDivision Holdings, LLC will continue to manage the company and its subsidiaries.

In addition, Exhibit 5-A to the FCC Form 394 provides information concerning the purchasers, as follows. Please note the referenced organization charts before and after the purchase are provided as Appendix 1 to this report.

The franchise issued by the City of Seattle is currently held by WaveDivision I, LLC. All of the membership interests in WaveDivision I, LLC are held by WaveDivision Holdings, LLC. As a result of the

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transaction described in this Form 394, there will be no change in the ownership of WaveDivision I, LLC.

The proposed transaction described in this Form 394 will result only in a change in the ownership of Wave. There will be no change in the executive management of Wave.

Following the consummation of the proposed transaction described in this Form 394, 100% of the equity interests in Wave will be owned by the Buyer. As shown on the "Before" and "After" organization charts set forth on Exhibits 5-B and 5-C, certain of the current owners of the equity interests of Wave will become owners of the Buyer.

Following the proposed transaction the Buyer will own 100% of the equity interests in Wave.

The membership interests of the Buyer will be owned by the following companies in the percentages indicated:

WaveDivision Capital, LLC – 12.50%

Oak Hill Capital Partners III, L.P. – 68.10%

Oak Hill Capital Management Partners III, L.P. – 0.65%

GI Wave Holdings LLC – 18.75%

The following information describes each of the membership interest owners of Oak Hill:

WaveDivision Capital, LLC:

WaveDivision Capital, LLC is a current owner of Wave and will become an owner of the Buyer. WaveDivision Capital, LLC is controlled by Steven B. Weed, the current Chief Executive Officer of Wave. Following the proposed transaction described in this Form 394 Mr. Weed will continue to be the Chief Executive Office of Wave and will be a member of the board of the Buyer.

The following information pertains to WaveDivision Capital, LLC:

a. Name and principal place of business:

WaveDivision Capital, LLC
401 Kirkland Park Place, Suite 500
Kirkland, WA 98033

b. Citizenship:

U.S. (a Washington limited liability company)

c. Relationship to Buyer:

WaveDivision Capital, LLC will own 12.50% of the Buyer.
The number of shares and percentage of votes will be

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commensurate with the ownership set forth in the preceding sentence.

Oak Hill Capital Partners III, L.P.:

The following information pertains to Oak Hill Capital Partners III, L.P.:

a. Name and principal place of business:

Oak Hill Capital Partners III, L.P.
201 Main Street, Suite 1018
Fort Worth, Texas 76102

b. Citizenship:

Cayman Islands

c. Relationship to Buyer

Oak Hill Capital Partners III, L.P. will own 68.10% of the Buyer. The number of shares and percentage of votes will be commensurate with the ownership set forth in the preceding sentence.

Oak Hill Capital Management Partners III, L.P.

The following information pertains to Oak Hill Capital Management Partners III, L.P.:

a. Name and principal place of business:

Oak Hill Capital Management Partners III, L.P.
201 Main Street, Suite 1018
Fort Worth, Texas 76102

b. Citizenship:

Cayman Islands

c. Relationship to transferee:

Oak Hill Capital Management Partners III, L.P. will own 0.65% of the Buyer. The number of shares and percentage of votes will be commensurate with the ownership set forth in the preceding sentence.

GI Wave Holdings LLC

The following information pertains to GI Wave Holdings LLC:

a. Name and principal place of business:

GI Wave Holdings LLC
2180 Sand Hill Road, Suite 210
Menlo Park, CA 94025

b. Citizenship:

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U.S. (a Delaware limited liability company)

c. Relationship to transferee:

GI Wave Holdings LLC will own 18.75% of the Buyer. The number of shares and percentage of votes will be commensurate with the ownership set forth in the preceding sentence.

Steven B. Weed, Chief Executive Officer

The following information pertains to Steven B. Weed, the Chief Executive Officer of WaveDivision Holdings, LLC:

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a. Name and principal place of business:

Steven B. Weed
401 Kirkland Parkplace, Suite 500
Kirkland, WA 98033

b. Citizenship: U.S.

c. Relationship to transferee: Member of the board

d. Number of Shares:

Mr. Weed has no direct interest in WaveDivision I, LLC.

e. Number of Votes: N/A

f. Percentage of Votes: N/A

The City submitted a letter request to Wave and Oak Hill for additional financial information on June 29, 2012. Wave responded by letter dated July 12, 2012.

SUMMARY

This review relies on information provided by the City, Wave and Oak Hill. In addition, A&S is utilizing the financial data from the November 2011 report that reviewed the prior transfer of Broadband to Wave.

The information provided shows the Franchisee should be capable of meeting the financial requirements associated with the cable television franchise in the City of Seattle.¹

The existing debt of Wave will be paid off in full and replaced under the new business structure as follows:

- 7 year term loan facility of \$480 million with 1.0% of the initial aggregate principal payable annually in quarterly installments, cost 1.0% of issuance price

¹ A&S provided the City an analysis of the transfer to Wave in November 2011. Our experience and analysis identified some concerns in the November 2011 report with the forecasted financials that remain with this purchase. In the transfer to Wave the City's engineering and technical review identified deficiencies that need to be addressed within the next two years at an estimated cost of \$600,000. This amount was not contemplated in the prior transfer documents and has not been contemplated by the forecast financials presented in the instant filing.

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- 5 year \$50 million revolving credit facility with an upfront fee of 0.5%

Exhibit B to the Executed Debt Commitment Letter , Exhibit 6-D to the filed FCC Form 394, explains at page B-10 that "Interest Rates" shall be:

At the Borrower's option, Loans may be maintained from time to time as (x) Base Rate Loans, which shall bear interest at the Base Rate (or, in the case of Term Loans only, if greater at any time, the Base Rate Floor (as defined below)) in effect from time to time plus the Applicable Margin (as defined below) or (y) LIBOR Loans, which shall bear interest at LIBOR (adjusted for statutory reserve requirements) as determined by the Administrative Agent for the respective interest period or, in the case of Term Loans only, if greater at any time, the LIBOR Floor (as defined below), plus the Applicable Margin, provided, that all Swingline Loans shall bear interest based upon the Base Rate.

"Applicable Margin" shall mean a percentage per annum equal to (i) in the case of Term Loans (A) maintained as Base Rate Loans, 3.50%, and (B) maintained as LIBOR Loans, 4.50%; (ii) in the case of Revolving Loans (A) maintained as Base Rate Loans, 3.50%, and (B) maintained as LIBOR Loans, 4.50%; (iii) in the case of Swingline Loans maintained as Base Rate Loans, 3.50%; and (iv) in the case of any Incremental Term Loans incurred pursuant to an Incremental Term Loan Facility (other than any such loans which are added to (and form part of) the Term Loan Facility, all of which shall have the same Applicable Margins as provided in the preceding clause (ii), as the same may be adjusted as provided below), such rates per annum as may be agreed to among the Borrower and the Lender(s) providing such Incremental Term Loans; provided that (1) the "Applicable Margin" for Term Loans shall be subject to adjustment as provided in clause (vii)(y)(1) of the proviso appearing in the first sentence of the section hereof entitled "Uncommitted Incremental Facilities"); and (2) so long as no default or event of default exists under the Senior Secured Credit Facilities, the Applicable Margin for Revolving Loans and Swingline Loans shall be subject a single step-down to be determined (but, in any event, not commencing until the delivery of Holdings' financial statements in respect of its first full fiscal quarter ending at least six months after the Closing Date) based on meeting certain leverage tests to be mutually agreed.

"Base Rate" shall mean the highest of (x) the rate that the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time, (y) 1% in excess of the overnight federal funds rate, and (z) LIBOR for an interest period of one month plus 1.00%.

"Base Rate Floor" shall mean 2.00 per annum (as such percentage may be adjusted upward as contemplated by clause (vii)(y)(1) of the section hereof entitled "Uncommitted Incremental Facilities" above).

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“LIBOR Floor” shall mean 1.00% per annum (as such percentage may be adjusted upward as contemplated by clause (vii)(y)(1) of the section hereof entitled “Uncommitted Incremental Facilities” above).

Interest periods of 1, 2, 3 and 6 months shall be available in the case of LIBOR Loans.

Interest in respect of Base Rate Loans shall be payable quarterly in arrears on the last business day of each calendar quarter. Interest in respect of LIBOR Loans shall be payable in arrears at the end of the applicable interest period and every three months in the case of interest periods in excess of three months. Interest will also be payable at the time of repayment of any Loans and at maturity. All interest on Base Rate Loans, LIBOR Loans and commitment fees and any other fees shall be based on a 360-day year and actual days elapsed (or, in the case of Base Rate Loans determined by reference to the prime lending rate, a 365/366-day year and actual days elapsed).

The total amount of debt of Wave and the annual interest cost have not been resolved. As can be seen from the description above, the interest rates of these loans cannot be determined at this time. But what is clear is that Oak Hill will require debt to replace these facilities starting in Year 5.

The City currently has a guaranty of performance of Wave by the parent company, WaveDivision Holdings, LLC. WaveDivision Holdings, LLC. will become a wholly owned subsidiary of the holding company OH WDH Holdco, LLC. However, a guarantee from OH WDH Holdco, LLC would be worthless given that no assets will be held by that entity. With this transfer, the financial strength shifts from Sandler Capital Partners V, L.P. (and related entities) to Oak Hill Capital Partners III, L.P. Typically an equity firm such as Oak Hill Capital Partners III, L.P. will not provide a guarantee of an operating entity such as Wave. Nevertheless, maintaining the guarantee currently in place with WaveDivision Holdings, LLC should provide the City adequate additional protection that Wave can meet the requirements and liabilities of the franchise.

ANALYSIS

One of the steps in the City’s evaluation of the sale/transfer is the assessment of the financial capabilities of the transferee to meet the needs of the franchise in the City. The November 2011 financial review performed by A&S relied on information provided at that time by the City, Broadstripe and Wave. Wave provided consolidated financial data for its Northwest system, of which the Seattle franchise is a part. The consolidated financials provided actual operating results for 2010 and the first two (2) quarters of 2011 with forecasted operating results for the remainder of 2011 and 2012 through 2015. We believe that analysis is still appropriate for this change of control. The following is from our November 2011 report:

Revenue: The consolidated financial information (actual and forecast) is consistent with stand-alone financial data and operating results of Broadstripe reviewed by A&S. This information outlines declining cable

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television subscribers and revenue as set forth in Broadstripe's actual operating results for 2009 and 2010. Wave I forecasts growth in revenues in its data, voice and commercial lines of business and growth in video 2013-2015. The growth in data, voice and commercial is driven by growth in number of customers and in revenue per customer, while the growth in video revenues is driven primarily by increases in prices for services.

Expenses: Attachment 2 also shows Wave I forecast expenses to remain relatively flat. Our experience shows that programming expenses associated with video offering has increased 7% to 10% per year for the last few years. We are not aware of anything that would cause this to change. The only way Wave I could be showing such small change in video expense is with a reduction in programming content. This would not be conducive to growth in video. As such, we believe Wave I has under-forecast such expenses.

Debt: Wave I shows projected reductions in debt associated with the Northwest region that is supported by consistent levels of cash flow in 2011 and 2012 and significant increases in 2013-2015. However, the following table - based on data from Exhibit 6 to the FCC Form 394 and the 2010 audited financial statements of WaveDivision Holdings, LLC and Subsidiaries -shows a large refunding of debt required in 2014.

Annual maturities of long-term debt outstanding at December 31, 2010 for future years are as follows:	
Year Ending December 31,	
2011	\$19,920,000
2012	27,420,000
2013	75,920,000
2014	228,085,000
Total	\$351,345,000

As stated in November 2011, A&S continues to believe the refunding of the new debt structure replacing the above listed debt has the potential to put a strain on Oak Hill and its Wave division operations.

CONCLUSION

The forecast financials provided for the prior transfer support that Oak Hill and its Wave division operations are financially capable of meeting the requirements of the franchise with the City. The financials rely on growth in video, data, voice and commercial revenues that seems consistent with operators of this size. They also rely on little or no growth in expenses. Should this revenue growth not occur or occur in a lesser fashion than

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anticipated, financial concerns could arise. Any increase in expenses could also put additional financial pressure on Oak Hill and its Wave division operations.

Our analysis is based on information provided by the City, Wave and Oak Hill. If additional information was made available, our analysis and this report may need to be amended. If you have any questions, please let us know.

Sincerely yours,

ASHPAUGH & SCULCO, CPAS, PLC

A handwritten signature in black ink, appearing to read "Garth T. Ashpaugh", written over a horizontal line.

Garth T. Ashpaugh, CPA
President and Member

Attachments

Oak Hill Financial Review Report

Exhibit 5-B

Organization Chart BEFORE Proposed Transaction

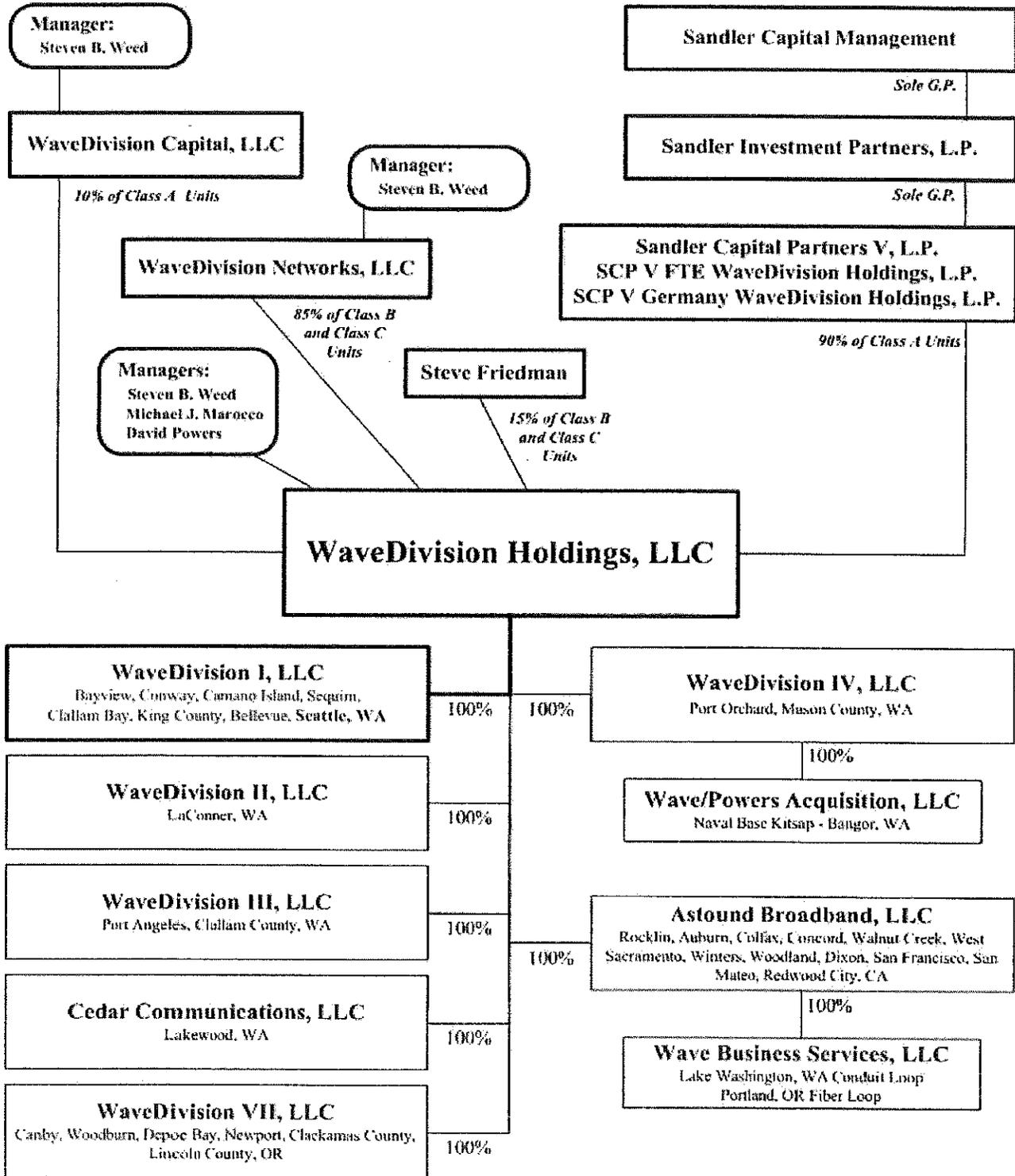
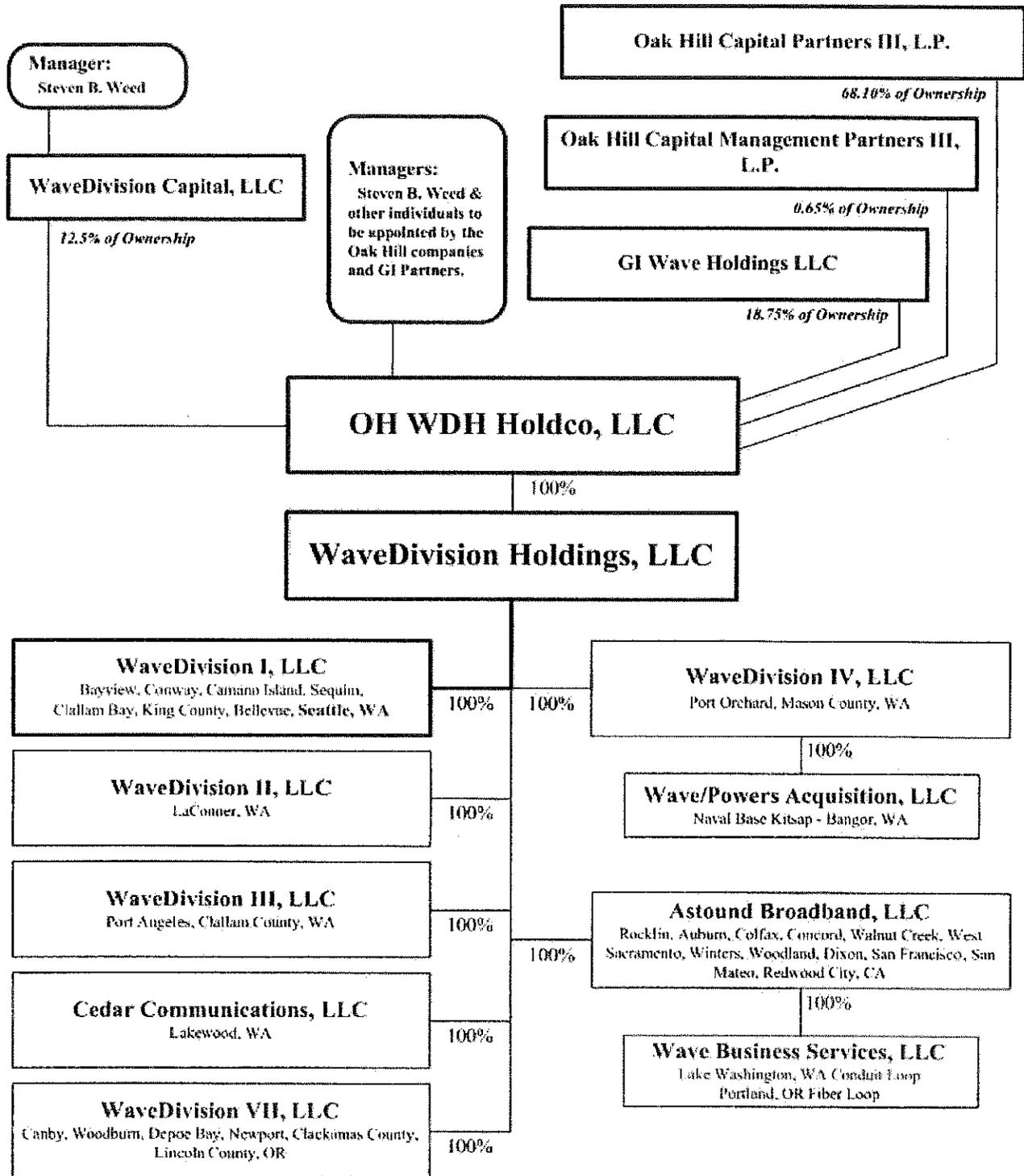


Exhibit 5-C

Organization Chart AFTER Proposed Transaction



ATTACHMENT C

Legal Report to the City of Seattle, Washington

From: Brian T. Grogan, Moss & Barnett

Date: August 8, 2012

Re: Proposed Transfer of Controlling Interest of WaveDivision I, LLC

1. Background

On or about October 1, 2007, the City of Seattle, Washington ("City") passed and adopted Ordinance 122514, granting to Millennium Digital Media Systems, L.L.C., d/b/a Broadstripe, LLC ("Broadstripe") a cable television franchise agreement permitting Broadstripe to construct, maintain, and operate a cable television system in certain cable franchise districts in the City ("Franchise"). On or about November 21, 2011 the City passed an ordinance introduced as Council Bill 117306 approving the Assignment of the Franchise from Broadstripe to WaveDivision I, LLC, a Washington limited liability company ("Wave-I").

Wave-I's sole member and manager is WaveDivision Holdings, LLC, a Delaware limited liability company ("Wave Holdings"). Wave-I is the "Grantee" under the Franchise and Wave Holdings is the "Guarantor" under the Franchise. Section 14 of the Franchise and Subsection 21.60.520 of the Seattle Municipal Code require the City's advance written consent to any transfer of controlling interest of the Grantee or Guarantor or Franchise.

2. Description of the Transaction

On May 11, 2012, a Unit Purchase Agreement ("Purchase Agreement") was entered into by and among OH WDH Holdco, LLC a Delaware limited liability company (the "Buyer"), and Sandler Capital Partners V, L.P., SCP V FTE WaveDivision Holdings, L.P., SCP V Germany WaveDivision Holdings, L.P., WaveDivision Capital, LLC, WaveDivision Networks, LLC, WaveDivision Capital, LLC and Steve C. Friedman (collectively, the Sellers"), and Wave Holdings.

Pursuant to the Purchase Agreement, the Sellers will sell all of their membership interests in Wave Holdings to the Buyer, resulting in a transfer of controlling interest of Wave Holdings. There will be no changes to any of the subsidiaries of Wave Holdings. The current members of the management team of Wave Holdings will continue to manage the company and its subsidiaries. WaveDivision Capital, LLC will become an investor in the Buyer.

On or about June 8, 2012, Wave-I and Wave Holdings submitted FCC Form 394 Application for Franchise Authority Consent to Change of Control or Transfer of Control of Cable Television Franchise (the "Application") seeking the City's consent to the proposed transfer of controlling interest. As a result, the City must process the Application in accordance with applicable federal laws and regulations and must issue a written determination approving or denying the proposed transfer of controlling interest.

3. Franchise and City Code Requirements

Section 14 of the Franchise provides that any proposed change of control of the Grantee or Guarantor under the Franchise requires the approval of the City. The transactions contemplated by the Purchase Agreement constitute a "change of control" of the Grantee and Guarantor as defined in Section 14.02 the Franchise. In addition, Subsection 21.60.520 of the Seattle Municipal Code provides that an assignment of the Franchise shall be deemed to occur if there is an actual change in control or where ownership of more than fifty percent (50%) of the voting stock of Grantee is acquired by a person or group of persons acting in concert, none of whom already own fifty percent (50%) or more of the voting stock singly or collectively. The transactions contemplated by the Purchase Agreement also constitute an "assignment" of the Franchise under Subsection 21.60.520 of the Seattle Municipal Code.

For purposes of this Report, the transactions contemplated by the Purchase Agreement shall hereinafter be referred to as a "Transfer of Controlling Interest." The recommendations contained herein relate to the proposed Transfer of Controlling Interest which includes: 1) the City's approval of the proposed change of control of the Grantee and Guarantor set forth in Section 14.02 of the Franchise; and 2) the City's approval of the proposed assignment of the Franchise set forth in Subsection 21.60.520 of the Seattle Municipal Code.

4. Federal Law

The Cable Communications Policy Act of 1984, as amended by the Cable Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996 ("Cable Act"), provides at Section 617 (47 U.S.C. § 537):

Sales of Cable Systems. A franchising authority shall, if the franchise requires franchising authority approval of a sale or transfer, have 120 days to act upon any request for approval of such sale or transfer that contains or is accompanied by such information as is required in accordance with Commission regulations and by the franchising authority. If the franchising authority fails to render a final decision on the request within

120 days, such request shall be deemed granted unless the requesting party and the franchising authority agree to an extension of time.

The Cable Act also provides at Section 613(d) (47 U.S.C. § 533(d)) as follows:

(d) Regulation of ownership by States or franchising authorities. Any State or franchising authority may not prohibit the ownership or control of a cable system by any person because of such person's ownership or control of any other media of mass communications or other media interests. Nothing in this section shall be construed to prevent any State or franchising authority from prohibiting the ownership or control of a cable system in a jurisdiction by any person (1) because of such person's ownership or control of any other cable system in such jurisdiction, or (2) in circumstances in which the State or franchising authority determines that the acquisition of such a cable system may eliminate or reduce competition in the delivery of cable service in such jurisdiction.

Further, the Federal Communications Commission ("FCC") has promulgated regulations governing the sale of cable systems. Section 76.502 of the FCC's regulations (47 C.F.R. § 76.502) provides:

Time Limits Applicable to Franchise Authority Consideration of Transfer Applications.

- (a) A franchise authority shall have 120 days from the date of submission of a completed FCC Form 394, together with all exhibits, and any additional information required by the terms of the franchise agreement or applicable state or local law to act upon an application to sell, assign, or otherwise transfer controlling ownership of a cable system.*
- (b) A franchise authority that questions the accuracy of the information provided under paragraph (a) must notify the cable operator within 30 days of the filing of such information, or such information shall be deemed accepted, unless the cable operator has failed to provide any additional information reasonably requested by the franchise authority within 10 days of such request.*
- (c) If the franchise authority fails to act upon such transfer request within 120 days, such request shall be deemed granted unless the franchise authority and the requesting party otherwise agree to an extension of time.*

5. Legal Standard of Review

The legal qualification standard relates primarily to the analysis of whether Wave-I, following completion of the proposed Transfer of Controlling Interest, will have the requisite authorization to operate and control the cable system and Franchise serving the City. The applicable standard of review is that the City's consent shall not be unreasonably withheld.

6. Legal Review

In this proposed Transfer of Controlling Interest Wave-I will remain the "Grantee" under the Franchise. All of the membership interests in Wave-I will continue to be held by Wave Holdings. What is changing is control of the equity interests in Wave Holdings. In very basic terms, one private equity firm, Sandler Capital Partners, is being replaced by other private equity firms, Oak Hill Capital Partners¹ and GI Partners².

The Buyer, OH WDH Holdco, LLC, was incorporated on May 29, 2012 by the Secretary of the State of Delaware³. WaveDivision Holdings, LLC was formed on November 6, 2002 by Delaware Secretary of State⁴. Following completion of the proposed Transfer of Controlling Interest, OH WDH Holdco, LLC will own 100% of the equity interests in Wave Holdings and membership interests in OH WDH Holdco, LLC will be held by:

WaveDivision Capital, LLC – 12.50%
Oak Hill Capital Partners III, L.P. – 68.10%
Oak Hill Capital Management Partners III, L.P. – 0.65%
GI Wave Holdings LLC – 18.75%

¹ Oak Hill Capital Partners is a private equity firm with more than \$8.2 billion of committed capital from leading entrepreneurs, endowments, foundations, corporations, pension funds and global financial institutions. Robert M. Bass is the lead investor. Over a period of more than 25 years, the professionals at Oak Hill Capital Partners and its predecessors have invested in more than 70 significant private equity transactions. Oak Hill Capital Partners is one of several Oak Hill partnerships, each of which has a dedicated and independent management team. See www.oakhillcapital.com.

² GI Partners, headquartered in Menlo Park, CA, is a private equity firm with approximately \$8.4 billion of capital under management from leading institutional investors in the U.S., Europe, Asia and the Middle East. The firm primarily invests in asset-intensive, middle-market businesses and portfolios of assets located in North America. Key sectors of focus include asset-backed communications and internet infrastructure, specialist healthcare, asset-backed leisure and retail, financial services and commercial real estate. See www.gipartners.com.

³ See attached online entity status from the Delaware Secretary of State.

⁴ See attached online entity status from the Delaware Secretary of State.

Based on the July 31, 2012 report prepared by Mr. Garth Ashpaugh, "Review Of The Transfer Of The Cable Television Franchise From WaveDivision Holdings, LLC and Subsidiaries to Oak Hill Capital Partners," we recommend that the City's consent to the proposed Transfer of Controlling Interest be conditioned on the continuation of the of existing guaranty of Wave-I by Wave Holdings. This guaranty should require Wave Holdings to irrevocably and unconditionally guaranty the full and faithful performance by Wave-I of all of the terms, covenants, conditions and agreements contained in the Franchise.

7. Other Considerations

Another significant consideration in jurisdictions where more than one cable operator is authorized to provide cable television service, is whether the transfer will result in the potential for a reduction in competition as a result of any sale or transfer of control. In particular, Section 613(d) (47 U.S.C. § 533(d)) of the Cable Act permits a franchising authority such as the City to prohibit the Transfer of Controlling Interest of the Cable System if the City determines that the acquisition of the Cable System may eliminate or reduce competition in the delivery of cable service in such jurisdiction. Generally, this provision is of concern when one of the two franchised cable operators seeks to acquire the competing system thereby reducing competition which may have an adverse impact on subscriber rates, programming and services. Given that Comcast is the City's only other franchised cable operator and neither OH WDH Holdco, LLC, Wave-I or Wave Holdings are in any way owned or controlled by Comcast, there is no immediate concern with reduced competition resulting from the proposed Transfer of Controlling Interest.

8. Recommendation

Based upon our review of the proposed Transfer of Controlling Interest described in the Application, we see no basis for the City to deny the Transfer of Controlling Interest based on a lack of legal qualifications of OH WDH Holdco, LLC, the Buyer. The City should maintain the existing requirement that Wave Holdings irrevocably and unconditionally guaranty the full and faithful performance by Wave-I of all of the terms, covenants, conditions and agreements contained in the Franchise.

~ END OF REPORT ~

Department of State: Division of Corporations

Entity Details

File Number:	3587245	Incorporation Date / Formation Date:	11/06/2002 (mm/dd/yyyy)
Entity Name:	WAVEDIVISION HOLDINGS, LLC		
Entity Kind:	LIMITED LIABILITY COMPANY (LLC)	Entity Type:	GENERAL
Residency:	DOMESTIC	State:	DE
Status:	GOOD STANDING	Status Date:	06/19/2008

REGISTERED AGENT INFORMATION

Name:	CORPORATION SERVICE COMPANY		
Address:	2711 CENTERVILLE ROAD SUITE 400		
City:	WILMINGTON	County:	NEW CASTLE
State:	DE	Postal Code:	19808
Phone:	(302)636-5401		

Department of State: Division of Corporations

Entity Details

File Number: 5152421 **Incorporation Date / Formation Date:** 05/29/2012 (mm/dd/yyyy)

Entity Name: OH WDH HOLDCO, LLC

Entity Kind: LIMITED LIABILITY COMPANY (LLC) **Entity Type:** GENERAL

Residency: DOMESTIC **State:** DE

Status: GOOD STANDING **Status Date:** 05/29/2012

REGISTERED AGENT INFORMATION

Name: CORPORATION SERVICE COMPANY

Address: 2711 CENTERVILLE ROAD SUITE 400

City: WILMINGTON **County:** NEW CASTLE

State: DE **Postal Code:** 19808

Phone: (302)636-5401