Front Range Consulting, Inc.

Review of the Application by Radiate to Acquire RCN's Operations in the City of Boston

By Richard D. Treich, CEO, Front Range Consulting, Inc.

I. Introduction

Front Range Consulting, Inc. ("FRC") was retained by the City of Boston (the "City") to conduct a financial review of the proposed transfer of ownership from Yankee Cable Partners, LLC ("Yankee"), an affiliate of ABRY Partners VI, L.P. ("ABRY") to Radiate Holdings, L.P. ("Radiate"), an affiliate of TPG Partners VII, L.P. of the Open Video System ("OVS") operated by RCN Telecom Services, L.L.C. ("RCN") pursuant to an OVS Operating Agreement between the City and RCN's wholly-owned, direct subsidiary, RCN Telecom Services of Massachusetts, L.L.C. ("RCN-MASS"). Detailed below are FRC's conclusions regarding this proposed transfer of ownership from a financial perspective. FRC was previously retained by the City to conduct the financial review of the transfer of RCN to ABRY Partners VI, L.P. in 2010.

II. Executive Summary

FRC believes that Radiate will have similar if not slightly improved financial results as ABRY did with RCN. Having said that, Radiate will have the same financial risks any smaller competitive cable operator has when competing against the largest incumbent cable operator, Comcast. Added to this business risk is the new entrant, Verizon, as a third wireline competitor.

Overall, FRC sees four positive benefits of this transaction:

- Positive impact of the Patriot Media management team in overseeing the direction and implementation of a financial strategy;
- Continuous improvement of financial results under Yankee's ownership;
- Maintaining the Patriot Media management team under Radiate's control; and
- Increased size and economies of scale by integrating the Grande operations in one combined company.

FRC sees two negative benefits of this transaction:

- Slower national economy resulting in less subscriber growth and higher operating costs; and
- Changed industry characteristics through a changed national telecommunications landscape and more alternative sources of video programming.

FRC recognizes that these two negative impacts would exist today without this transaction as they would have affected Yankee as well.

III. Overview of the Transaction

Radiate Holdings, L.P. is a newly formed entity controlled by TPG Capital, L.P. to acquire all of the equity interests of Yankee Cable Parent, LLC from Yankee and all of the equity interests of Grande Parent, L.L.C. ("Grande").[1] Yankee is the current owner of RCN Telecom Services, L.L.C. which operates the current OVS Agreement with the City to provide cable and telecommunications services. Grande is the owner of Grande Communications Networks, LLC a competitive cable and telecommunications provider in Texas. Based on the purchase price of $2.25 billion, Yankee/RCN is approximately 70% of the new entity Radiate. According to the presentation made before the City by RCN at the public hearing on December 1, 2016, Radiate will have $1.825 billion in secured term loan and unsecured notes and an equity investment of $528 million from TPG and their minority equity partners.

Unlike the Yankee transaction where minority investors were owners of the ABRY Partners VI, Radiate will have three minority equity investors: Google Capital (now called CapitalG), Dragoneer and a Management Group (which includes selected members of Patriot Media) with respective equity investments of 9.5%, 5.7% and 6.3% respectively. The balance of the equity investment will come from TPG (essentially TPG Partners VII, L.P.). None of the minority equity investors will have any control over Radiate Holdings GP, LLC. The Board of Directors of Radiate Holding GP, LLC will comprise of four appointed by TPG, one from Google Capital and two from Patriot Media.

Patriot Media is the management consulting organization that currently provides senior management services to both RCN and Grande. Instead of being employees of Yankee or Grande, Patriot Media has management agreements with each company and is paid a fee for these senior management services. Radiate has committed to maintaining this management agreement with Patriot Media and has signed an eight-year term sheet with Patriot Media.

IV. Data Analyzed

On September 8, 2016, the FCC Form 394[2] was delivered to the City along with several attached exhibits. Many of the exhibits contained significant redactions of the financial data that

[1] See Attachment A for the pre- and post-organizational structures.

[2] The FCC Form 394 is a form to be used by a cable operator to describe the proposed transaction. In the case of RCN which has an OVS agreement with the City through RCN-MASS, there is no specified form to be used. RCN used the Form 394 in 2010 to describe the ABRY Partners' transaction.

RCN/Yankee/Radiate is claiming confidentiality. Under the FCC Form 394 process, the City has 30 days from receipt to find any deficiencies in the data provided with the Form 394. The City sent a letter to Radiate's outside counsel finding deficiencies and requesting additional information. Radiate's outside counsel provided a response to that deficiency letter on October 27, 2016. Because of Radiate's claim that some of the material was confidential, FRC entered into a non-disclosure agreement with Radiate, RCN and Yankee to be able to receive and review the confidential material. Radiate's outside counsel has been cooperative with FRC and provided some additional confidential material on November 9, 2016 and with responses to an additional data request on December 8, 2016, after questions arose from the December 1, 2016 public hearing.[3]

There were three areas that FRC was concerned with reviewing: 1) historical financial results, 2) financial projects used by TPG in its evaluation of the acquisition and 3) historical and projected subscribers counts.

V. Historical Financial Results of RCN

Since the 2010 acquisition of RCN by ABRY, RCN is a so-called private company which does not have publicly available financial records, for example, from the SEC. As part of the data responses, Yankee provided its audited internal financial statements from 2011 to 2015. As Yankee is 100% only RCN, these results are attributable to the operations of RCN across its footprint including the Boston area operations. During this time and under the senior management guidance of Patriot Media, RCN grew its revenue base for its three products of voice, video and data from just over $[redacted] million to almost $[redacted] million. This revenue growth has resulted in a compounded annual growth rate ("CAGR") of 4.4% annual increase each year. Operating expense including the management consulting fee to Patriot Media increased only 3.4% of the same five year period. This operating expense has resulted in improved financial results for RCN as revenues grew faster than expenses. One important measure used by the cable industry is a gross margin calculation where operating income before depreciation and amortization (sometimes called EBITDA) is shown as a percentage of revenue. In RCN's case, the margin percentage rose from [redacted]% in 2011 to [redacted]% in 2015. While this is a good improvement, these percentages are much lower than those produced by Comcast, for example. This margin percentage is a result of the size of RCN compared to Comcast and also that RCN must compete with Comcast in its markets compared to many places where Comcast only competes against the satellite providers.

[3] Attached as Attachment B is RCN's 30 day response letter. Attached as Attachment C is RCN's PowerPoint presentation at the December 1, 2016 Hearing. Attached as Attachment D is a December 7, 2016 letter from TPG to Lynch. Attached as Attachment E is a December 18, 2016 letter from Steel to Lynch.

Net Income from RCN's operation under Yankee's control grew from a net operating loss of $[redacted] million in 2011 to a net operating profit of $[redacted] million in 2015. Of course included in this net income are the non-cash financial statement expenses related to depreciation and amortization.

Yankee's consulting agreement with Patriot Media has apparently provided numerous benefits from the seasoned leadership of the Principals within Patriot Media based on the revenue improvements and lower expense growth. With those benefits comes the cost of these management services. For 2015, Patriot Media was paid approximately $[redacted] million. With respect to the size of RCN subscriber base, these management fees are a substantial expense per subscriber.

VI. Financial Projections of Radiate

FRC is unable to prepare any projected financial results for Radiate after the acquisition of RCN and Grande based on the limited financial data. Instead, FRC requested the financial projections prepared by Patriot Media for the combined operations of Radiate. According to the outside counsel for Radiate, Patriot Media provided TPG with projections for 2016 through 2019 for the combined operations of RCN and Grande.

Patriot Media is projecting that the combined revenues will grow from approximately $[redacted] million in 2016 to $[redacted] billion in 2019. This revenue growth would result in approximately a CAGR of 5.8%. This growth appears reasonable for the cable industry in general. Continuing the expense management, Patriot Media is projecting significant EBITDA growth from $[redacted] million in 2016 to $[redacted] million in 2019. This EBITDA growth will result in increasing the EBITDA margin as a percent of revenue to a low of [redacted]% in 2016 to [redacted]% in 2019.

Included in these projections are continued capital expenditures. In 2016, the projections show approximately $[redacted] million for the combined operations falling to $[redacted] million in 2019. Patriot Media is projecting that of these capital expenditures, approximately $[redacted] to $[redacted] million relate to customer premises equipment ("CPE") which closely aligns with new customers being added and additional equipment for expansions of new services to existing subscribers. Patriot Media also is projecting significant Network capital expansion in [redacted] and [redacted] presumably to roll out new services like DOCSIS 3.1. After paying for the capital expenditures, interest payment, management fees and mandatory loan payments, Patriot Media is still projecting that Radiate will have free cash flow.

While FRC cannot confirm these projections, if what outside counsel relayed to FRC, that these projections were provided to TPG in making their decision to purchase Yankee and Grande, it does suggest that TPG knew what type of capital expenditures were being projected and the results of these projected revenues and expenses were before making the commitment to purchase.

VII. Subscriber Growth

FRC requested subscriber information from Radiate to determine if the combined companies actually were and projecting to grow subscribers. As subscribers grow, there will be arguably less pressure on the organization to cover its debt service (principal and interest) as better utilizing the existing infrastructure should generate additional profits. Radiate provided subscribers (revenue generating units, "RGU") for its three lines of business: 1) voice, 2) video and 3) data services. If a subscriber purchases all three of these lines of business, then they would have 3 RGUs, one for each line of business. The data provided separated the RGUs into the three lines of business and also between residential services and business services. The data provided combined the RCN and Grande subscribers historically from 2013 to 2015 and projected for 2016 to 2020.

FRC noticed several interesting things from the data provided. It would appear the Patriot Media has embarked on a marketing strategy that value's data subscribers more importantly than video or voice subscribers. Residential video subscribers have diminished from approximately [redacted] in 2013 to a projected balance of [redacted] in 2020, a -2.6% CAGR. Likewise, residential voice subscribers have diminished from [redacted] in 2013 to a projected balance of [redacted] in 2020, a – 5.9% CAGR. Offsetting these residential losses of RGUs was a significant increase in data subscribers from [redacted] in 2013 to a projected balance of [redacted] in 2020, a 5.2% CAGR. According to the data provided, the combined companies had more residential data subscribers in 2013 than it had video subscribers by a fairly substantial margin. Comcast, as a point of reference, had this occur in 2015.

The business subscribers of the combined companies saw similar results with the data services outpacing the video and voice services. Overall Patriot Media is projecting subscriber RGU growth from the 2013 levels by 2020. This RGU growth is a positive factor for Radiate. A lot has been made recently that subscribers are cutting-the-cord and getting their video services from direct subscriptions and over-the-top providers making the data products a key component. Patriot Media has apparently valued from a marketing approach the acquisition and retention of its data subscribers. It is generally viewed that the profit margin of the data products are greater than the video products because of the ever increasing costs of programming. Assuming this to be true, Radiate if it realizes its subscriber projections, should be able to recognize the increased EBITDA it is projecting.

With Radiate being a private company, they will not have the Wall Street scrutiny that other public cable companies would have to grow all of their RGUs overtime. Instead Radiate can focus on subscriber growth that results in profit maximization.

VIII. Liquidity and Debt Coverage

Anytime a public company goes private, especially with a private equity company providing the equity funding, it raises concerns about the financial viability of the new company. Without quarterly and annual financial statements, the public, like the City, is left to guess about the financial results of the new entity. This was a concern when the prior transfer of RCN to ABRY occurred. Nonetheless, based on the financial results described above, Yankee and Patriot Media appear to have improved the financial results since 2010. In this case, because it includes the Grande purchase, it is impossible to precisely tell how much of a premium Radiate is paying for Yankee as compared to Grande. Irrespective of the Patriot Media projections and the subscriber growth projections, there will always be financial risk implicit in this transfer. If the industry, including Radiate, sees financial risk because of general economic and/or specific industry risks, private equity investors can be quick to take some limited financial losses to protect the majority of the equity invested resulting in potentially another transfer. Speculation will always happen but no one knows if the speculation will or will not occur. In this transfer, Patriot Media is projecting a Yearend Debt to EBITDA ratio of [redacted] times or less by 2019 and a free cash flow coverage of interest and mandatory loan payments ranging between [redacted] and [redacted] times. These do suggest positive financial indicators. The term loan is a seven-year loan and the notes are for eight years. This suggests that Radiate will be subject to interest rate risks when these loans and notes reach maturity.

IX. Conclusions

FRC appreciates the opportunity to provide the City of Boston financial insights into the operations of Radiate Holdings, L.P. as the owner of RCN's OVS Operating Agreement.

FRC believes that Radiate will have similar if not slightly improved financial results as ABRY did with RCN. Having said that, Radiate will have the same financial risks any smaller competitive cable operator has when competing against the largest incumbent cable operator, Comcast. Added to this business risk is the new entrant, Verizon, as a third wireline competitor.

Overall, FRC sees four positive benefits of this transaction:

- Positive impact of the Patriot Media management team in overseeing the direction and implementation of a financial strategy;

- Continuous improvement of financial results under Yankee's ownership;
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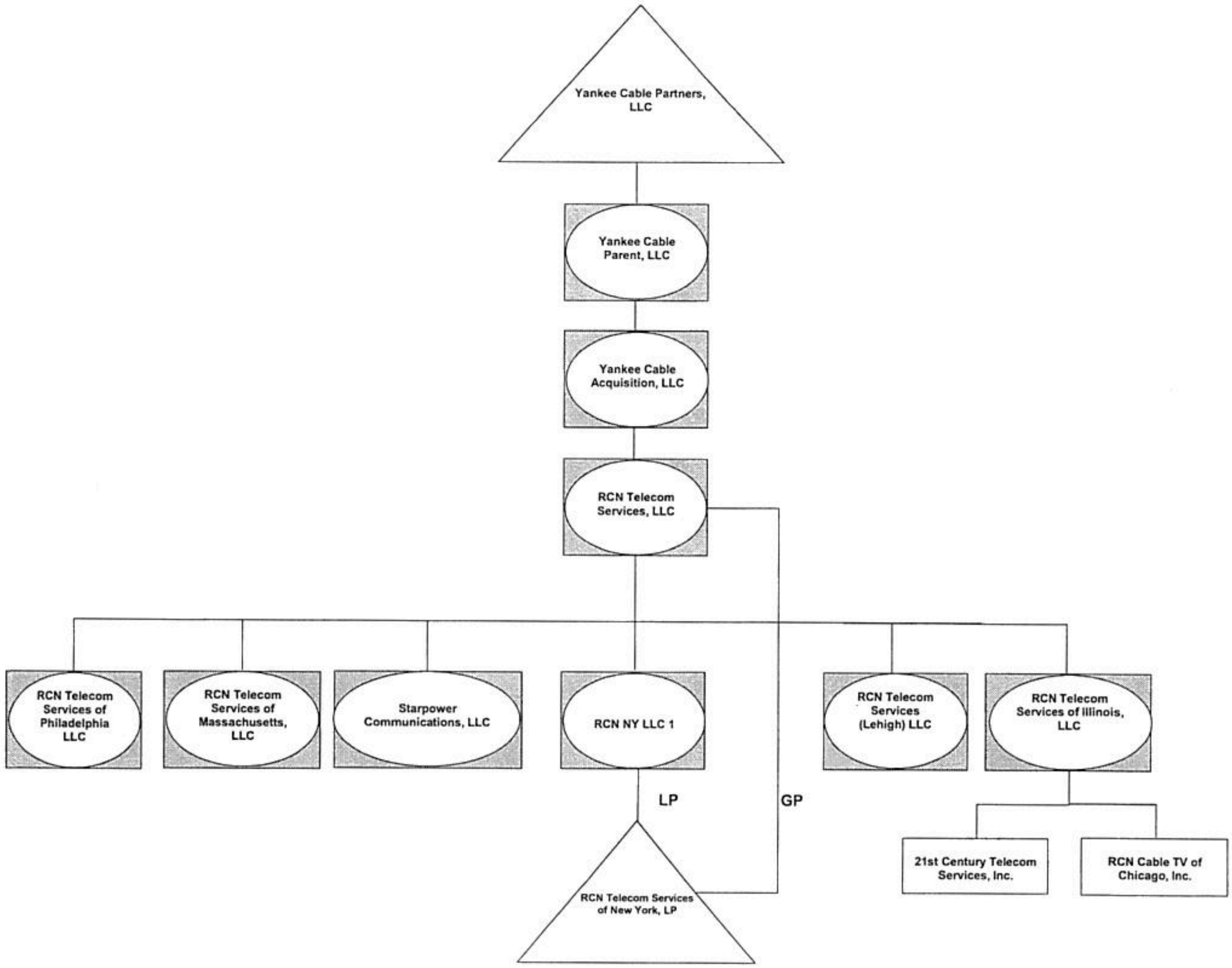
Attachment A
Pre- / Post-Closing Ownership Structure

ATTACHMENT B

Pre-transaction Corporate Organizational Chart

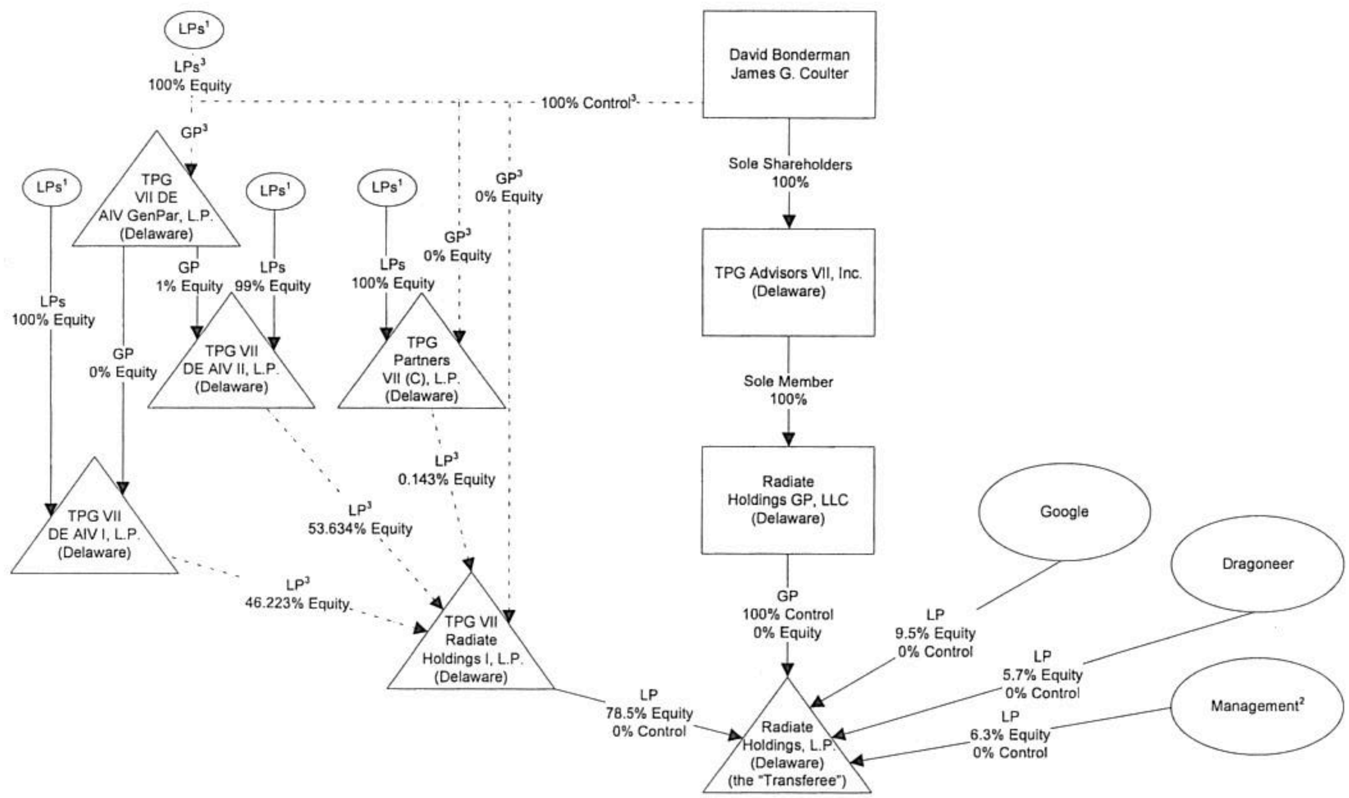
RCN Entities
Pre-Close Corporate Structure



ATTACHMENT C

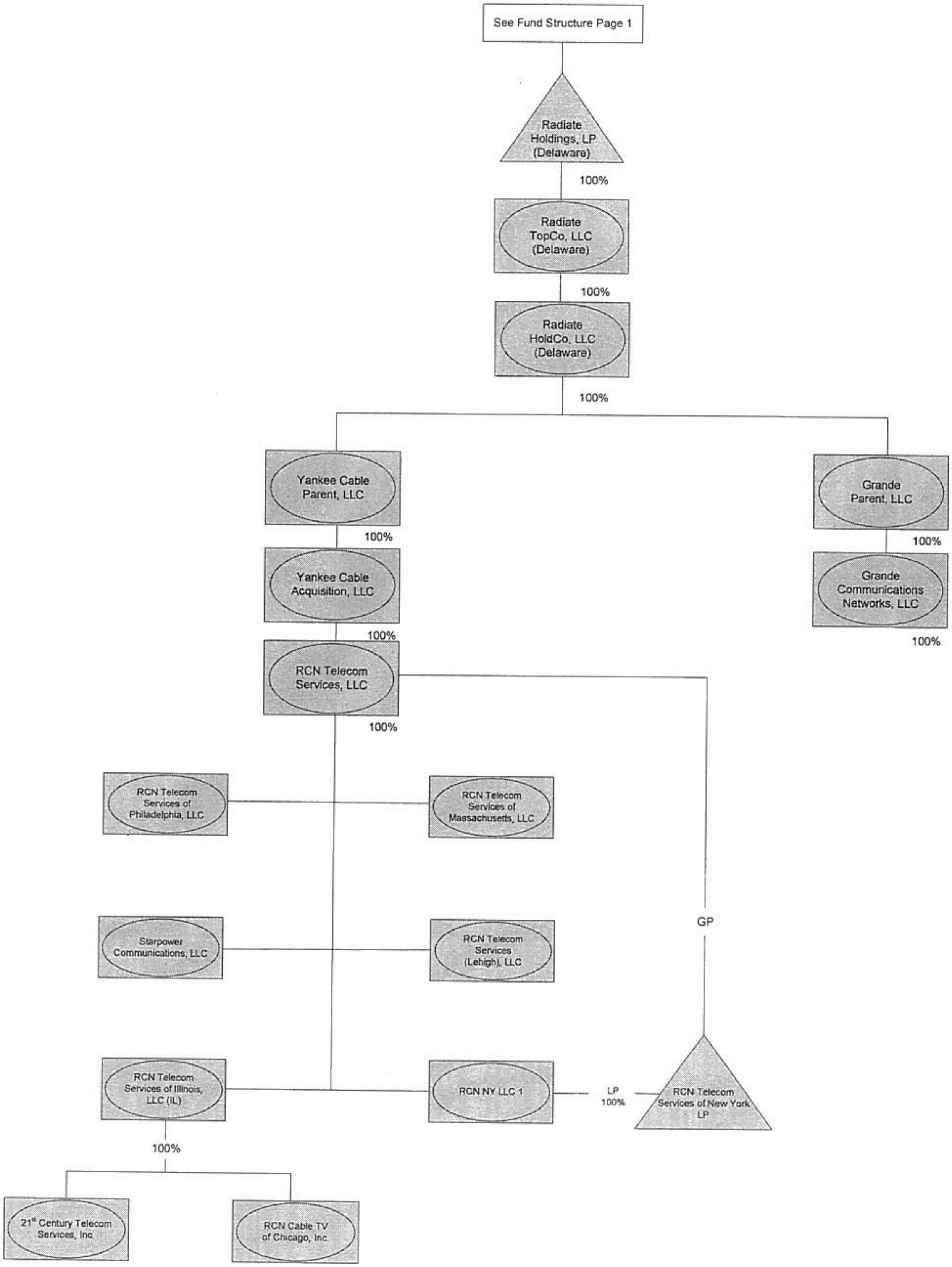
Post-transaction Corporate Organizational Chart

POST- TRANSACTION TPG OWNERSHIP STRUCTURE



Notes:

[1] Each LP (a limited partner investor in the applicable fund) will hold less than five percent economic interest in the Transferee.
[2] Interest held by various individuals. No individual holds an interest of five percent or greater.
[3] Interest is held indirectly through entities not depicted, all of which are wholly owned or controlled (as applicable) by the entities shown.



See Fund Structure Page 1
Radiate Holdings, LP (Delaware)
100%
Radiate TopCo, LLC (Delaware)
100%
Radiate HoldCo, LLC (Delaware)
100%
Yankee Cable Parent, LLC
100%
Yankee Cable Acquisition, LLC
100%
RCN Telecom Services, LLC
100%
Grande Parent, LLC
100%
Grande Communications Networks, LLC
100%
RCN Telecom Services of Philadelphia, LLC
RCN Telecom Services of Massachusetts, LLC
Starpower Communications, LLC
RCN Telecom Services (Lehigh), LLC
GP
RCN Telecom Services of Illinois, LLC (IL)
RCN NY LLC 1
LP
100%
RCN Telecom Services of New York LP
100%
21st Century Telecom Services, Inc.
RCN Cable TV of Chicago, Inc.

Attachment B
October 27, 2016 30 Day Response Letter

MINTZ LEVIN

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October 27, 2016

BY EMAIL AND FEDERAL EXPRESS

Mr. Michael Lynch
Director, Office of Broadband & Cable
Boston Department of Innovation & Technology
43 Hawkins Street
Boston, Massachusetts 02114

Re: Transfer of Control of RCN Telecom Services, L.L.C.

Dear Mr. Lynch:

I am writing on behalf of Radiate Holdings, L.P. ("Radiate") in response to your October 7, 2016 letter concerning the transfer of control application filed with the City of Boston, Massachusetts ("Boston" or the "City") by Radiate and Yankee Cable Parent, L.L.C. ("Yankee Parent"). Yankee Parent is the indirect owner of RCN Telecom Services, L.L.C. ("RCN-TS"), licensee of an open video system serving the City.[1/] That application, which included the FCC Form 394 and associated exhibits, was mailed to you on September 7, 2016 and delivered on September 8, 2016.

As a preliminary matter, we appreciate your willingness to move quickly to review and act upon the Application. While this letter constitutes a formal response to your October 7 letter, RCN-TS values its relationship with Boston, and Radiate looks forward to working with the City.

In your October 7 letter, you state that "there is a 120-day period for review of a transfer application" and that such period has not started to run. You also cite a number of additional FCC rules regarding the information that you believe must be provided and actions you may take pursuant to those rules. However, neither the statute nor the cited rules apply to your review of this Transaction. Rather, 47 U.S.C. § 537 and the cited FCC rules apply to "sales of cable systems." As you know, RCN does not operate a cable system in the City, but rather an open video system. While Radiate and Yankee Parent have submitted a Form 394 to the City to facilitate the provision of basic information about the Transaction to the City, federal cable law does not apply to that review. Moreover, while your letter frequently refers to "Boston Code," there does not appear to be any applicable Code provision.

1/ For clarity, RCN-TS's open video system license agreement with the City is referred to herein as the "franchise agreement."

Moreover, even if RCN operated a cable system in the City, your statements about cable law requirements are incorrect. While a cable franchising authority has 120 days from the date of submission of a complete Form 394, along with all exhibits and additional information required by the terms of the franchise agreement or local law, to act on the transfer application, that clock begins to run when the application is submitted, provided it includes all of the information required by FCC Form 394 and the franchise agreement, not upon an affirmative statement by the franchising authority that it "has received all information it seeks."[2/]

According to your letter, the City considers the application to be incomplete because certain information either was not included or redacted. As indicated below, Exhibit 6 of the Form 394 contained information regarding future operations of the system that is alleged not to have been provided. Moreover, Form 394 specifically allows for redaction of "[c]onfidential trade, business, pricing or marketing information, or other information not otherwise publicly available." Thus, failure to submit unredacted versions, even if such a requirement applied here, is not a sufficient basis for claiming that an application is incomplete. In addition, requests for, and submission of, additional documents not required by the Form 394, the franchise agreement, or local law do not alter the completeness of the initially filed application nor do they toll the 120-day review period.[3/]

Nevertheless, while not required to do so, the Applicants are prepared to provide the City's financial consultant, Dick Treich, with unredacted copies of certain of the documents cited in your letter, as well as other requested data, pursuant to the Non-Disclosure Agreement that we have entered into with him. Pursuant to that Agreement, we are providing you a copy of this letter without the referenced attachments; Dick's copy will contain all referenced attachments.

Thus, with the understanding that your letter requests information in addition to that required by the Form 394 and the franchise agreement, we address each of the numbered paragraphs in your letter as follows:

A.1. "[P]lease provide:

(a) Copies of all schedules and exhibits to the transaction documents relevant to the transactions described in the Application.

2/ *Implementation of Sections 11 and 13 of the Cable Television Consumer Protection & Competition Act of 1992,* Memorandum Opinion and Order on Reconsideration of First Report & Order ("Reconsideration Order"), FCC 95-21, MM Docket 92-264, ¶ 50 (1995).

3/ *Implementation of Sections 11 and 13 of the Cable Television Consumer Protection & Competition Act of 1992,* Report and Order and Further Notice of Proposed Rulemaking, 8 FCC Rcd. 6828, 6840 at ¶ 86 (1993); *see also Charter Communications, Inc. v. Santa Cruz*, 133 F. Supp. 2d 1184, 1203 (N.D. Cal. 2001) *rev'd on other grounds* 304 F.3d. 927 (2002).

All schedules and exhibits to the transaction documents have been provided. As discussed herein, however, certain of those schedules and exhibits were redacted, and we believe such schedules and exhibits were properly redacted. However, as discussed on our call of October 20, 2016, we are prepared to provide unredacted versions of certain of such schedules and exhibits to your financial consultant, Dick Treich. Exhibits A and C and Schedule I to the Purchase Agreement are attached hereto as Attachment 1. Schedule 3.4 to the Purchase Agreement is attached hereto as Attachment 2.

(b) A complete and detailed list of all redactions or omissions in the documents submitted. In each case, indicate briefly why the redaction or omission was made.

Below is a list of all redactions made. In each case, they were properly made pursuant to the Form 394 Instructions, which provide that "Confidential trade, business, pricing or marketing information, or other information not publicly available, may be redacted."

<u>Exhibit A</u>

1. RCN Detail Working Capital Positions. Fully Redacted.

<u>Exhibit C</u>

1. Yankee Parent Audited Consolidated Financial Statements

   Fully Redacted. Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 and 2013

   Fully Redacted. Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013

   Fully Redacted. Consolidated Statements of Members' Equity (Deficit) for the Years Ended December 31, 2015, 2014 and 2013

   Notes to Consolidated Financial Statements. The **following were redacted**:

   1. Significant components of property, plant and equipment as well as average estimated lives
   2. Selling, General and Administrative Expenses
   3. Stock-Based Compensation
   4. Derivative Instruments and Hedging Activities
   5. Company's assets and liabilities measured at fair value on a recurring basis

6. Charts listing intangible assets, other assets, long term liabilities, and long term debt
7. Descriptions and existence of Credit agreement, Bond Payable, Derivative Instruments And Hedging Activities, Management Services Agreement, Member's Equity And Stock Plans, Letters of Credit, Employee Benefit Plans, Commitments and Contingencies, Guarantees, Self-Insurance.

2. Yankee Parent Unaudited Consolidated Financial Statements

   Fully Redacted. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

   Fully Redacted. Unaudited Consolidated Statements of Income for the three months ended June 30, 2016 and 2015

   Fully Redacted. Unaudited Consolidated Statements of Income for the six months ended June 30, 2016 and 2015

   Fully Redacted. Unaudited Consolidated Statements of Cash Flows for the three months ended June 30, 2016 and 2015

   Fully Redacted. Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015

   Fully Redacted. Unaudited Consolidated Statement of Members' Deficit as of June 30, 2016

<u>Schedule I</u>

2016 Capex Budget. (Certain words were redacted)

<u>Additional Schedules to Membership Purchase Agreement</u>

The headers were unredacted but the information in the following schedules was **redacted**. If parentheses are included then only what is within the parentheses was redacted:

a. Schedule 3.4 - Financial Statements
b. Schedule 3.5 - Consents and Requisite Governmental Approvals; No Violations, (Other consents)
c. Schedule 3.6(a) - Material Contracts
d. Schedule 3.7 - Absence of Changes
e. Schedule 3.12 - Intellectual Property (some of the litigation listed here)

f. Schedule 3.14 – Insurance
g. Schedule 3.15 - Tax Matters [all but one line was redacted]
h. Schedule 6.1 - Conduct of Business of the Company
i. Schedule 6.12 - Termination of Agreements
j. Annex A – Customers
k. Annex B - Video Programing Agreements

(c) If you believe that any such information did not need to be submitted in the Application, please indicated for each such item why you believe it did not need to be submitted.

See Response to A.1(b). In addition, pursuant to our call with you and Dick Treich of October 20, 2016, the following Schedules need not be submitted, as they are unnecessary to understand the transaction and not relevant to Dick's analysis.

Schedule 3.5 - Consents and Requisite Governmental Approvals; No Violations, (Other consents), because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Schedule 3.6(a) - Material Contracts, because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Schedule 3.7 - Absence of Changes, because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Schedule 3.12 - Intellectual Property (some of the litigation listed here), because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Schedule 3.14 – Insurance, because you have indicated you do not need insurance information at this time.

Schedule 3.15 - Tax Matters [all but one line was redacted], because you have indicated you do not need tax information at this time.

Schedule 6.1 - Conduct of Business of the Company, because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Schedule 6.12 - Termination of Agreements, because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

Annex A – Customers, because it addresses matters not relevant to your analysis of financial ability, and you have indicated you do not need this information.

Annex B - Video Programing Agreements, because it addresses legal matters not relevant to your analysis of financial ability and you have indicated you do not need this information.

(d) For any other items redacted or omitted in the Application, either provide a complete copy, or state when and where the City or its agent can review such information."

Response: As discussed on our call of October 20, 2016, we are prepared to provide to your financial consultant, Dick Treich, information that may substitute for the requested information. In particular, *see* Responses to A.3, B.2 – B.8 and B.10.

A.2(a)-(b). "Among the documents that pertain to the financial position of the cable system, and that are either not included or substantially excised include:

(a) The financial statements of TPG Partners VII, L.P. and Affiliated Partnerships, apparently attached as Tab 1, Exhibit 1, sub-Exhibit C.

(b) The example of net working capital, attached as Tab 1, Exhibit 1, sub Exhibit A."

Response: With respect to A.2(a), note that the financial statements attached as Tab 1, Exhibit 1, sub-Exhibit C are not those of TPG Partners VII, L.P., but are those of Yankee Parent. With respect to A.2(b), *see* Response to A.1(a) and Attachment 1.

A.2(c)-(e). "Among the documents that pertain to the financial position of the cable system, and that are either not included or substantially excised include . . .

(c) The financial statements of Yankee Parent, attached as Tab 1, Exhibit 1, sub-Exhibit C, including Statement of Operations, Statement of Cash Flows, Statements of Members' Equity, Property, Fair Value of Assets and Liability, Intangible Assets, Related Party Transactions and other items completely redacted.

(d) The financial statements of RCN-TS, (Section not marked) – but immediately following Yankee Parent Statements of Income, Statements of Cash Flows, and other items heavily redacted.

(e) Various portions of the schedules to the Membership Interest Purchase Agreement by and among Yankee Partners, Yankee Parent and Radiate Holdco, LLC."

Response: *See* Response to A.1(a).

A.3. "The Form 394 requires submission of financial statements 'for the transferee/assignee or parent entity.' The Application at Tab 5, acknowledges the absence of such financial statements. The Applicant further provides un-redacted financial information of unaudited capital commitments that are 'subject to change.' The Applicant has not provided a commitment to the City regarding the financial performance of the transferee."

Response: As we discussed, the information requested in Section III (transferee's financial qualifications in the form of recent financial statements) is not available; because Radiate is a newly formed entity, it has no financial statements. Radiate is a holding company that will be majority owned and controlled by affiliates of TPG. Moreover, because TPG's interest in Radiate will be held through a separate investment fund at TPG, parent-level information about TPG will not reflect the funds available to the system. Therefore, we provided a statement of the uncalled capital commitments of TPG Partners VII, L.P. ("TPG VII"), which is the TPG private equity fund affiliated with Radiate. This reflects the amount of capital available to TPG VII and, given the nature of TPG VII's business as a private investment fund that does not hold operating assets, provides the best representation of TPG VII's financial capacity. An updated version of TPG VII's uncalled capital commitments as of September 30, 2016, is attached as Attachment 3. Furthermore, as a demonstration of the equity commitment of TPG VII to Radiate, provided in Response to B.10 is the equity commitment letter of TPG VII, setting forth the commitment of TPG VII to provide Radiate with equity financing in an amount of approximately $375.5 million in connection with the closing of the transaction. As further described in the equity commitment letter, the equity financing, together with proceeds from debt financing, will be used to fund amounts required to be paid by Radiate in connection with the transaction. To offer a greater understanding of the financial relationship between Radiate and TPG following the closing of the transaction, we also attach as Attachment 4 an explanation of Radiate's plans for distributions to its investors and the management fee that may be paid by Radiate as compensation for certain services that may be provided by TPG and certain other investors to Radiate. Finally, attached as Attachment 5 per your request in our conversation of October 20, 2016, is a slide prepared by TPG that reflects the thinking that motivated TPG's decision to invest in the Systems.

A.4. "The Application at Tab 7, Exhibit 6 asserts that the licensee 'will continue to be run by highly experience, well-qualified personnel,' and that current management will not change. The Applicant has not provided an explanation about how the change in the financial structure of ownership will impact the operation of the transferee."

Response: A response to this request was provided as part of Exhibit 6 to the Form 394. As your letter acknowledges, the application states that the system will continue to be run by the same team of highly experienced, well-qualified personnel that currently run the system. Exhibit 6 also states that existing operations will not change as a result of the change in ultimate control. Biographies of each of the members of that management team were provided with the Application. That proven Patriot Media team currently and in the future will manage the day-to-day operations of the system. At the local level, Radiate expects to maintain the same staffing and employees currently providing services for the system serving the City.

B.1. "Please confirm that Radiate will adhere to all of the terms and conditions of the current OVS Operating Agreement ('License') with the City of Boston, including accepting liability for any underpayment of any fees (license, PEG or other) due pursuant to the License."

Response: RCN-TS, as the licensee, will continue to adhere, and Radiate will cause the licensee to adhere, to all of the terms and conditions of the License, including liability for any underpayment of fees due pursuant to the License (provided that RCN-TS and Radiate have had notice and an opportunity to challenge any such liability).

B.2. "In Exhibit 5, Attachment A, 'As the attached demonstrates, TPG VII [parent of Radiate] has substantial committed, available funding more than sufficient to fund the acquisition of the company.' Please provide the underlying financial information, analyses, projections and other similar financial documents, in addition to the Financial Statements of TPG VII that will allow us to replicate these financial commitments including projections used by TPG VII and Radiate to conclude it has the necessary capital for the foreseeable future."

Response: *See* Response to A.3 and B.10.

B.3. "After the execution of an agreeable non-disclosure agreement with Front Range Consulting, Inc. on behalf of the City, please provide all redacted information that RCN, TPG and/or Yankee desire to remain confidential and not publically disclosed that was not provided in the Form 394 and the Public Interest Statement (including all exhibits and attachments)."

Response: *See* Responses to A.1, A.2 and A.3.

B.4. "Please provide complete audited financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Notes to the Financial Statements, etc.) of Yankee Cable Parent, LLC for 2011 through 2015."

Response: *See* Attachment 6.

B.5. "Please provide complete audited financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Notes to the Financial Statements, etc.) of RCN Telecom Services, LLC for 2011 through 2015."

Response: *See* Attachment 6. (There are no separate financial statements prepared for RCN Telecom Services, LLC in the ordinary course of business; they are part of the financial statements of Yankee Cable Parent.)

B.6. "To the extent not provided pursuant to question 3 above, all financial statements provided as Exhibit C in Section 3.4 of the Purchase Agreement."

Response: *See* Attachment 2.

B.7. "Please provide the management agreement between Patriot Media Consulting, LLC and RCN Telecom Services, LLC as identified in Article 1 Section 1.1 of the Membership Interest Purchase Agreement ('Purchase Agreement')."

Response: The management agreement contains highly sensitive employee-specific data that we understand you do not need for purposes of your analysis.

B.8. "Please provide the 2016 and 2017 Capital Expenditure Plans as identified in Article 1 Section 1.1 of the Purchase Agreement."

Response: *See* Response to A.1 (the 2016 Capital Expenditure Plan is the same as Schedule I to the Purchase Agreement). There is not yet a 2017 Capital Expenditure Plan, but RCN's projected capital expenditure for 2017 is $115.6M.

B.9. "Please provide a schedule showing that RCN Telecom Services, LLC is in compliance with the capital expenditure commitments in the OVS Operating Agreement, in the letter dated July 16, 2010 from Mr. Steel to the City attached to the Operating Agreement and a commitment by Radiate to continue that commitment."

Response: When RCN renewed its OVS Agreement with the City in 2010, the City expressed a concern that RCN might satisfy its commitment by focusing primarily on adding homes to its network outside of the City of Boston, where construction costs may be lower. RCN assured the City that any expansion of its network would not leave out adding homes in the City of Boston.

Since 2010, RCN has lived up to its promise. It has built its system to add 25,390 addresses for potential customers (passings) in its Massachusetts network; of these

25,390 new units, 13,858, or 55%, are in the City of Boston. Please refer to the schedule below:

Year	Total New Homes	Boston New Homes	Boston % of Total
2010	6162	3130	51
2011	2898	1061	37
2012	2832	1202	42
2013	2113	610	29
2014	2248	745	33
2015	6564	5511	84
2016	2573	1599	62
Total	25390	13858	55

As evidenced by the above, while the construction costs in the City of Boston are considerably higher than exist in the suburbs, our building to this amount of passings in the City far surpasses 50% of our construction budget over the term to date.

B.10. "Please provide the 'Equity Commitment Letter' and the 'Debt Financing Commitments' set forth in Section 5.5 of the Purchase Agreement."

Response: *See* Attachments 7 and 8. Certain exhibits to the debt commitment letter have been omitted as they contain confidential provisions that are the result of negotiations between the borrower and the arranging lenders, and are not necessary to understand the terms of the transfer under review.

B.11. "To the extent the Purchase Agreement is contingent on the consummation of the Grande Purchase Agreement, please provide a copy of the un-redacted Grande Purchase Agreement."

Response: *See* Attachment 9.

C. "[I]t is not clear from our review at this stage whether the information submitted in the Application provides sufficient support for the Application's claims made about the proposed transfer. For example, at Tab 2, Applicant asserts that 'Transferee has no current plans to change the terms and conditions of service or operations of the system,' and yet that it 'reserves the right to make service and operational changes in accordance with the terms of the current license agreement and applicable law.' Additionally, as noted, the Applicant has asserted that the licensee will continue to be run by experienced cable service operators, but with little support. We are concerned with the possibility that the main purpose of the transaction is to obtain an asset that can be resold, and in a manner that may lead to a reduction in competition in the provision of video services in the City."

Response: Radiate's intention is to continue to improve and upgrade the system, while leveraging the combination of RCN and Grande to achieve greater efficiencies and lower prices from programmers and other vendors. No company can promise that it will not sell some asset at an indeterminate time in the future, but Radiate has no current plans to do so. Regardless, should Radiate choose to sell the system in the future, the City will have the opportunity at that time to review that transaction for its impact on competition and the public interest of Boston residents. The law requires that your review be limited to the transaction at issue.

Finally, we take issue with the statement in your letter that the City "'questions the accuracy of the information provided' for purposes of 47 C.F.R § 76.502(b) with respect to all information in the Application[.]" Such a blanket and non-specific assertion is insufficient either as means of tolling the commencement of the 120-day review period or as a way of avoiding the federal law that requires notification within 30 days of inaccuracies in the application.

The Applicants appreciate that the City has a valid role to play in reviewing the pending application for transfer and, with appropriate safeguards established to protect sensitive and proprietary business information, we fully intend to cooperate with you to clarify the information provided and address any reasonable requests for additional information.

Sincerely,

Seth A. Davidson

Cc: Dick Treich (with Attachments)

Attachment C

December 1, 2016 RCN Hearing PowerPoint Presentation

Transfer of Control of RCN to TPG

Jeff Carlson, Vice President and General Manager, Boston
&
Thomas Steel, Vice President for Regulatory and Law
RCN Telecom Services of Massachusetts

Today's Discussion

1. How Will the System's Ownership Change?
2. Who is TPG?
3. How will be the Transaction be financed?
4. Who Will Manage and Run the System?
5. What are the Benefits of the Transaction?

How Will the System's Ownership Change?

Current Ownership

- The local **RCN** franchisees currently are indirect subsidiaries of Yankee Cable Partners LLC, an affiliate of ABRY Partners VI, L.P.

How Will the System's Ownership Change?

Transaction

- An entity affiliated with TPG Partners VII, L.P. has entered into an agreement to acquire control of the local RCN franchisees.

How Will the System's Ownership Change? (cont.)

<u>Post-Transaction Ownership</u>

- After the transaction closes, **Radiate Holdings**, L.P., a limited liability partnership that will be majority owned and controlled by TPG, will control the local RCN franchisees

- Minority, non-controlling equity interests in **Radiate Holdings** will be held by **Google Capital (now known as CapitalG)**, **Rio FD Holdings**, and some members of **Patriot Media**'s management team

Who is TPG?

- Controlled by David Bonderman and James G. Coulter
- Founded 24 years ago
- One of the most active private equity investors in the Internet ecosystem
- Has $73 billion in assets under management
- Currently over $8 billion in uncalled capital commitments available to the TPG fund providing the equity financing for the acquisition of the systems

How Is The Transaction Being Financed?

- Aggregate purchase price of the transaction will be approx. $1.6 billion for RCN ($2.25 billion total)
  - Purchase price includes amounts required to refinance RCN's existing funded debt
- $1.825 billion of new debt expected to be split as follows:
  - $1.33 billion seven-year senior secured term loan
  - $495 million eight-year senior unsecured notes
- Aggregate equity contributions of $528 million
- Secured commitments for a five-year $150 million senior secured revolving facility to support RCN's future liquidity needs

Who Will Manage and Run the System?

- Patriot Media, which currently manages RCN's systems, will continue to manage the systems after the Transaction closes
- Two Patriot Media executives will serve on the initial board of directors of Radiate GP, the general partner of the parent company of RCN
- One board member will be appointed by Google Capital (now known as CapitalG) and four will be appointed by TPG.

What are the Benefits of the Transaction?

- The Patriot Media team will continue its excellent management of the local RCN systems
- In a separate, but related transaction, TPG will acquire control of Grande Communications. Grande also is currently operated by Patriot Media.
- The combination of RCN and Grande under a common umbrella will enhance Patriot Media's ability to benefit from more favorable financing and programming arrangements and greater operating efficiencies

What are the Benefits of the Transaction?

(cont.)

- Increased efficiencies will facilitate system improvements, such as an upgrade to DOCSIS 3.1

- A well-financed competitive provider will drive improvements by incumbent competitors

Current Status

- FCC and HSR approval has been obtained.
- The consent of several states and localities is required before closing.
  - Many of those have already approved.
- The expected closing date is ASAP after those consents and approvals are obtained.

Attachment D

December 7, 2016 TPG Letter to Lynch

TPG

Adam Fliss

December 7, 2016

Mike Lynch, Director
Office of Broadband and Cable
Boston Department of Innovation and Technology
43 Hawkins Street
Boston, MA 02114

RE: *Radiate Holdings, LP and Yankee Cable Partners, LLC – Application for Franchise Authority Consent to Transfer of Control of RCN Telecom Services of Massachusetts, LLC*

Dear Mr. Lynch:

I am writing in response to two questions raised at the December 1, 2016 hearing in Boston.

In response to your question asking for confirmation of compliance with the side letter that accompanied the 2010 OVS renewal concerning expenditures on network growth and expansion, we note that the day to day management of the local RCN system will remain the same post-closing as it is today. The Patriot Media management team, in cooperation with local RCN management, will guide the operations of RCN, including decisions regarding budget allocations for network construction. Therefore, we have asked that the management team confirm their continued compliance with that letter directly with you.

Your second question asks about a management agreement with Patriot Media. TPG and Patriot have signed a term sheet that calls for the execution of a new management agreement with an 8 year initial term upon closing of the transaction.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

Adam Fliss

cc: Seth Davidson
Tom Steel

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Attachment E

December 19, 2016 Steel Letter to Lynch

956 Massachusetts Avenue | Arlington, MA 02476 | rcn.com

December 19, 2016

Mike Lynch, Director
Office of Broadband and Cable
Boston Department of Innovation and Technology
43 Hawkins Street
Boston, MA 02114

RE: *Radiate Holdings, LP and Yankee Cable Partners, LLC – Application for Franchise Authority Consent to Transfer of Control of RCN Telecom Services of Massachusetts, LLC*

Dear Mr. Lynch:

I am writing in response to two questions raised at the December 1, 2016 public hearing in Boston. You are already in receipt of a letter from Adam Fliss, General Counsel of TPG Capital, LP., whereby he acknowledges the continued relationship of RCN Telecom Services of Massachusetts, LLC (RCN) with the Patriot Media management team for at least another eight years following closing of the transaction. He deferred the question concerning network growth to the management team in place for now and into the future. As for compliance with the July 16, 2010 letter, which I signed in conjunction with the 2010 OVS Agreement renewal, please be advised that RCN hereby reaffirms its commitment to not leave the City behind should RCN undertake significant system expansion. RCN has complied with the spirit and letter of the 2010 commitment over the past six years and will continue to do so for the remainder of the term under new ownership.

In the second matter be advised that RCN will act to correct an annual reporting error that has resulted in a shortfall of our fee/grant payments pursuant to Section 5.10 and Section 9.2 (A) of the OVS Agreement as renewed in 2010. RCN will pay $218,196.00 in total to the City covering reimbursement for the entire current OVS term up to and through September, 2016. At the City's request RCN will hold $150,000 to use relative to certain I-NET projects specified by the City. The remaining $68,196 will be paid to the City within 45 days of the date of this letter. Details of the expenditure within the $150,000 allotment remain to be determined by mutual agreement of RCN and the City.

If you have any further questions, please do not hesitate to contact me.

Very truly yours,

Thomas K. Steel, Jr.
Vice President and Regulatory Counsel