

**Before the
Mt. Hood Cable Regulatory Commission
1120 SW Fifth Ave #1305
Portland, OR 97204**

Recommend MHCRC Verizon Jurisdictions)	Resolution No. 2009-05
consent to transfer of control of Verizon Northwest,)	
Inc. and certain cable franchises from)	
Verizon Communications, Inc. to Frontier)	
Communications Corporation under certain)	<i>Proposed Adoption Date:</i>
conditions; and Recommending form of consent)	December 7, 2009

Section 1. Findings.

- 1.1 Authority. The Mt. Hood Cable Regulatory Commission ("Commission" or "MHCRC") was created by Intergovernmental Agreement (dated 12/24/92) ("IGA") to carry out cable regulation and administration on behalf of Multnomah County and the cities of Portland, Gresham, Troutdale, Fairview, and Wood Village ("the Jurisdictions"). Among other things, the Commission acts in an advisory capacity to the Jurisdictions in connection with potential or proposed transfers or changes in ownership or control of any cable franchise or franchisee serving the Jurisdictions. As set forth in the IGA, changes in ownership or control of a cable communications system or a Grantee is an area where the Jurisdictions have reserved full authority to act on their own behalf, but each Jurisdiction has agreed to take no action in these areas until the Commission has had a prior opportunity to consider the matter.
- 1.2 Cable franchises issued to Verizon Northwest, Inc. beginning November, 2008. The Cities of Gresham, Fairview, Troutdale and Wood Village ("MHCRC Verizon Jurisdictions") granted cable television franchises beginning November 18, 2008 (City of Gresham) to Verizon Northwest, Inc. ("Grantee") a subsidiary of Verizon Communications, Inc. ("Verizon") for franchise terms expiring December 31, 2018. At Verizon's request, the cable franchises ("MHCRC Verizon Franchise/s") granted by the Cities of Fairview, Troutdale and Wood Village were granted as addenda to the cable franchise granted by the City of Gresham, and are substantially identical.
- 1.3 Services launched in MHCRC urban areas under MHCRC Franchises through February 2009. Verizon began providing cable services (marketed by Verizon under the trade name "FiOS" services) in MHCRC Verizon Jurisdictions on Service Dates of November 25, 2008 (Gresham); February 5, 2009 (Fairview and Troutdale); and February 6, 2009 (Wood Village). The initial required service areas for FiOS services were substantially urban areas, subject to minimum density requirements, as specified in the MHCRC Verizon franchises.
- 1.4 Verizon announces sale of telephone and cable systems to Frontier in May 2009. On May 13, 2009, Verizon announced plans to divest its local wire line operations serving residential and small-business customers in predominantly rural areas in 14 states, including Oregon, and that these operations would be acquired by Frontier Communications Corporation ("Frontier" or

“Transferee”), a self-described rural telephone company.¹ Verizon estimated that the transaction would return approximately \$8.6 billion in value to Verizon shareholders. The systems to be sold included the systems subject to the cable franchises granted by the MHCRC Verizon Jurisdictions. Frontier described the rationale for the transaction, under which Frontier would grow to nearly three times its previous size, as enabling Frontier to “become the largest ‘pure’ rural communications provider” across 27 states, and stated that “Serving Rural America IS our business.”² FiOS customers in MHCRC Verizon franchise urban areas represent less than 1% of the proposed transaction nationally, and according to the MHCRC’s financial analysis³, cable television revenues are expected to represent only a peripheral aspect of Frontier’s overall combined business in the near future after the transaction closes.

- 1.5 Notice of proposed transfer of control. On June 1, 2009, MHCRC staff received formal notification (“Initial Transfer Request”) of the proposed transfer of control of Verizon Northwest Inc. to Frontier Communications Corporation. The notification consisted of four copies of FCC Form 394 “Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise” for each MHCRC Verizon Jurisdiction, containing a cover letter and separate Form 394 filing addressed individually to each MHCRC Verizon Jurisdiction, respectively, but otherwise containing identical exhibits and attachments. As part of the FCC Form 394 filing, Frontier Communications Corporation, the proposed Transferee under the transaction, agreed to use its best efforts to comply with the terms of the franchise and applicable laws.
- 1.6 Applicable franchise and legal provisions. The MHCRC Verizon Jurisdiction franchise, Section 12, prohibits any transfer of control without the prior consent of the applicable MHCRC Verizon Jurisdiction. The Commission and the Jurisdiction(s) may inquire into the legal, technical and financial qualifications of Frontier as the prospective transferee. The Grantee is required to assist the Commission and the applicable Jurisdiction in such inquiries, and furnish all information reasonably requested. The MHCRC Verizon Jurisdictions may condition any approval of the proposed transfer upon such terms and conditions as they deem reasonably appropriate, provided such conditions are related to the legal, technical, and financial qualifications of the prospective transferee or to the resolution of outstanding and unresolved issues arising out of Grantee’s noncompliance with the terms and conditions of the applicable franchises. Under FCC rules, 47 C.F.R. Sec. 76.502, the Jurisdictions 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 Commission or the applicable Jurisdiction to render a final written decision on the Request, provided the Commission and the applicable Jurisdiction have received all reasonably requested information. Failure by the Grantee (Verizon Northwest Inc.), the Transferor (Verizon Communications, Inc.), or the prospective Transferee (Frontier Communications Corporation) to provide such information automatically tolls this time period. MHCRC, the Transferor and Transferee do not agree concerning when or whether the 120-day deadline has commenced to run in this proceeding, and have reserved

¹ Based on the Agreement and Plan of Merger, dated May 13, 2009 among Verizon Communications Inc., (“Verizon”), New Communications Holdings Inc., (“Spinco”) and Frontier Communications Corporation (“Frontier”) (the “Merger”).

² Frontier Communications, “Welcome to the New Frontier”, .ppt presentation, May 13, 2009, http://phx.corporate-ir.net/External_File?item=UGFyZW50SUQ9MzM3NTc4fENoaWxkSUQ9MzlyMTk3FFR5cGU9MO==&t=1 (visited November 4, 2009)

³ Financial Report, “Verizon-Frontier Franchise Transfer of Control”, Mike Katz, KFA Services, October 16, 2009 (hereinafter, “KFA Financial Report”).

their respective rights with respect to this matter.

- 1.7 MHCRC process and direction for consideration of proposed transfer of control. On June 15, 2009, the MHCRC adopted MHCRC Resolution No. 2009-04, establishing the process and providing direction for the consideration of the proposed transfer of control. Among other things, the MHCRC found the Initial Transfer Request of Verizon and Frontier was incomplete in that it did not provide sufficient information related to the transaction and the legal, technical and financial qualifications of the prospective Transferee as required by MHCRC Verizon franchise Section 12.4. MHCRC Res. No. 2009-04 also authorized the MHCRC Chair or the Chair's designee to enter into a letter of agreement or its equivalent with authorized representatives of the Transferor (Verizon) and/or the Transferee (Frontier) for reimbursement of the MHCRC's direct costs of legal, technical and financial consulting with respect to analyzing and making recommendations on the proposed transfer of control. MHCRC staff was also directed to provide for process, cost and administrative efficiencies by cooperating with other interested non-MHCRC Jurisdictions in order to keep such direct costs reasonable and provide for cost savings and cost-sharing where feasible.
- 1.8 MHCRC initial Request For Information (RFI), Verizon-Frontier responses, and follow-up MHCRC information requests. On June 26, 2009, pursuant to MHCRC Res. No. 2009-04, MHCRC staff issued a Request for Information (RFI) to Verizon and Frontier. On July 6, 2009, Verizon and Frontier responded to the initial MHCRC RFI, but the response was incomplete and deficient in that it did not include sufficient detail on requested financial and technical information. In July and August 2009, MHCRC staff worked cooperatively with staff of the Metropolitan Area Communications Commission (MACC) in sharing information in connection with Verizon and Frontier responses to various information requests, including MACC's 2nd RFI (July 2009) and Verizon and Frontier's subsequent responses. MHCRC staff and legal counsel issued subsequent Requests for Information on September 11, 2009 (financial) and September 16, 2009 (regarding technical programming and transport information, and a renewed request regarding outstanding financial information).
- 1.9 Reimbursement of costs of legal, technical, and financial review and mutually agreed timeline extensions for Jurisdiction final action. The Verizon/Frontier transfer request is a significant regulatory matter not otherwise included in the Commission's staff work plan or approved budget for FY 2009-2010. MHCRC Res. No. 2009-04 authorized MHCRC staff to enter into an agreement with Verizon-Frontier for reimbursement of the direct costs of outside legal, financial and technical counsel, as well as mutually agreeable timeline extensions where necessary or feasible. Pursuant to this authorization, in cooperation with MACC, MHCRC staff entered into two letters of agreement with Verizon and Frontier, dated September 2, 2009 and October 8, 2009, providing for reimbursement of direct costs and mutually agreeable understandings regarding the timeline for MHCRC Jurisdiction action on the transfer request.
- 1.10 MHCRC financial report, dated October 16, 2009. The MHCRC issued a financial report, dated October 16, 2009, prepared by KFA Services. Among other things, the MHCRC financial report found that, after the proposed merger, and assuming Frontier can absorb the much larger Verizon (Spinco)⁴ operations smoothly, the "New" Frontier should be in

⁴"Spinco" will be a new subsidiary of Verizon, created through a series of transfers to Spinco of various Verizon holdings. KFA Financial Report, page 1, summary of transaction.

reasonable financial health in the near term, i.e., the next two to three years. However, the report found the longer term outlook for Frontier to be potentially problematic and subject to numerous risks, including but not limited to the continuing loss of traditional telephone access lines and revenue, intense competition for customers from other telecommunications companies, potential failure to manage the successful integration of the much larger Verizon (Spinco) properties into Frontier, potential reductions in federal and state revenue subsidies for rural and high cost service areas, and potential higher capital expenditure needs than anticipated. The report also found “New” (i.e. post-merger) Frontier to be substantially smaller, less diversified and not as financially strong as the Transferor, Verizon. The financial report recommends that the MHCRC Jurisdictions act to minimize the potential identified risks through the incorporation of an appropriate condition of any recommendation of transfer approval requiring the Transferee to guarantee franchise performance. Such a guarantee will provide some protection to MHCRC Jurisdictions since Frontier, though substantially smaller than Verizon, nevertheless provides a broader base of support and financial resources should financial difficulties arise specific to MHCRC franchise areas. In addition, a letter of credit in at an increased level would provide an accessible form of security with respect to the financial obligations of the franchise to MHCRC and its members.

- 1.11 Transport and programming content agreements. In cooperation with MACC, MHCRC staff has undertaken a review of the network agreements that comprise the Transferee’s technical ability to provide service as required by the Franchise. The applicable agreements were designated as proprietary and confidential by the Grantee, Transferor, and Transferee, but eyes-only review of the documents was negotiated. The Transferee has in place agreements for transport of programming and for use of the necessary fiber and network elements to distribute programming. The Transferee is continuing to negotiate to obtain the right or assigned right to the content itself and is required as a condition of acceptance of the transfer approval to meet the programming requirements under the terms of the Franchise.
- 1.12 Adjustment to Grantee Termination provision of Franchise. The MHCRC finds that the provisions of Section 14.11 of the MHCRC Verizon Franchise, authorizing Grantee to terminate the Franchise and all obligations under the franchise within ninety (90) days after the end of three (3) years of the Service Date, are no longer appropriate. The MHCRC Verizon Franchise grant is very recent (as discussed in paragraph 1.3 above), and the MHCRC Verizon jurisdictions need assurance that the Transferee will have adequate time in which to absorb the operations of the Grantee and Spinco more generally, establish their own cable services operations and relationships with customers, and otherwise viably compete in the MHCRC market. Due to the disproportionate size difference between the Transferor and the Transferee following completion of the merger transaction, the risk of the MHCRC Jurisdictions losing the benefit of their bargain is substantially greater. An appropriate condition eliminating or limiting the impact of the Grantee termination provision should be included in any final Jurisdiction action consenting to the requested transfer of ownership.
- 1.13 Inclusion of conditions and terms addressed to proposed transferee’s legal, technical, and financial qualifications should be included. As cited in the MHCRC RFI (dated June 26,2009) and as negotiated by MHCRC staff with Verizon and Frontier, appropriate conditions should be included in any proposed transfer consent addressed to the Transferee’s legal, technical, and financial qualifications and equivalent to prior cable transfer consents approved by the MHCRC Jurisdictions, including conditions addressed to approval by all applicable MHCRC

Jurisdictions, closure of the transaction on terms materially consistent with the Merger Agreement and information provided to the MHCRC; approval by all relevant state and federal agencies; agreement by Grantee and Transferee to remedy any and all franchise noncompliance (known or unknown, whether arising before or after the date of the transfer); appropriate financial security in the form of a letter of credit; agreement to comply with all material franchise provisions and applicable law and to notify MHCRC contemporaneously of any transactions defined in Franchise Section 12.2; acceptable final agreement (directly or indirectly) on reimbursement of all MHCRC or MHCRC Jurisdiction direct costs; inclusion of updated corporate contact and structural information; closure by a date certain; and written acceptance of all transfer conditions by Transferor, Transferee, and Grantee.

- 1.14 MHCRC public hearing and process. The MHCRC held a public hearing on December 7, 2009 to consider views on the proposed transfer of control expressed by Verizon and Frontier, the public, cable subscribers and interested parties, followed by a work session to consider the information and analysis of staff, legal and financial counsel, and to make a final recommendation to the MHCRC Verizon Jurisdictions concerning the proposed change of control.

After considering the information received, including the views of the public, interested parties, and Verizon and Frontier, the MHCRC's staff and consultants have recommended that the Commission forward to the MHCRC Verizon Jurisdictions the request for consent to transfer of control of the Grantee and the MHCRC Verizon Franchises from Verizon to Frontier with the recommendation that it be approved, subject to certain conditions, assurances and considerations from the parties as set forth in the attached Exhibit A.

Now, therefore, the Commission resolves:

Section 2.

- 2.1 The Commission recommends that the MHCRC Verizon Jurisdictions consent by ordinance or resolution, as applicable, to the change of control of the Grantee and of the MHCRC Verizon Cable Franchise from Verizon Communications, Inc. to Frontier Communications Corporation subject to certain terms and conditions.
- 2.2 In furtherance of this recommendation, the Commission recommends that the MHCRC Verizon Jurisdictions approve an ordinance or resolution, as applicable, substantially similar to that attached hereto as Exhibit A.
- 2.3 The MHCRC directs its staff to cooperate with staff and/or legal counsel for the MHCRC Verizon Jurisdictions to effectuate such changes in Exhibit A as may be necessary for consideration and final action by the individual MHCRC Verizon Jurisdictions on a timely basis.

RESOLVED BY THE COMMISSION on December 7, 2009.

Alan Alexander III, Chair

Reviewed by:

Pam Beery, Special Legal Counsel

Ben Walters, MHCRC Legal Counsel

Attachment:

Exhibit A: Recommended form of consent ordinance (or resolution); with conditions.

EXHIBIT A
to MHCRC RESOLUTION 2009-05
RECOMMENDED MODEL ORDINANCE OR RESOLUTION
for MHCRC VERIZON JURISDICTIONS

RESOLUTION (ORDINANCE) NO. _____

**A RESOLUTION (ORDINANCE) AUTHORIZING A CHANGE IN CONTROL OF
THE GRANTEE AND OF THE CABLE FRANCHISE HELD BY VERIZON NORTHWEST,
INC. TO
FRONTIER COMMUNICATIONS CORPORATION**

The City of _____ finds:

1. The Cities of Gresham, Fairview, Troutdale and Wood Village (“MHCRC Verizon Jurisdictions”) granted cable television franchises beginning November 18, 2008 (City of Gresham) to Verizon Northwest, Inc. (“Grantee”) a subsidiary of Verizon Communications, Inc. (“Verizon”) for franchise terms expiring December 31, 2018. At Verizon’s request, the cable franchises (“MHCRC Verizon Franchise/s”) granted by the Cities of Fairview, Troutdale and Wood Village were granted as addenda to the cable franchise granted by the City of Gresham, and are substantially identical.
2. The MHCRC Verizon Franchises contain provisions in Section 12 which require notification of the applicable Jurisdiction by means of a written request (“Request”) in connection with any change of control of the Grantee.
3. The Mt. Hood Cable Regulatory Commission (“MHCRC” or “Commission”) was created by Intergovernmental Agreement (dated December 24, 1992) (“IGA”) to carry out cable regulation and administration on behalf of the cities of Gresham, Fairview, Troutdale, and Wood Village (“MHCRC Verizon Jurisdictions”), and others. Among other things, the Commission acts in an advisory capacity to the Jurisdictions in connection with potential or proposed transfers or changes in ownership or control of any cable franchisee of the Jurisdictions. As set forth in the IGA, any change in ownership or control of a cable communications system franchise or a franchisee is an area where the Jurisdictions have reserved full authority to act on their own behalf, but each Jurisdiction has agreed to take no action in these areas until the Commission has had a prior opportunity to consider the matter.
4. On June 1, 2009, MHCRC staff received formal notification (“Initial Transfer Request”) of the proposed transfer of control of Verizon Northwest Inc. to Frontier Communications Corporation (“Transferee”). The notification consisted of four copies of FCC Form 394 “Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise” for each MHCRC Verizon Jurisdiction, containing a cover letter and separate Form 394 filing addressed individually to each MHCRC Verizon Jurisdiction, respectively, but otherwise identical exhibits and attachments. As part of the FCC Form 394 filing, Frontier Communications Corporation, the proposed Transferee under the transaction, agreed to use its best efforts to comply with the terms of

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the franchise and applicable laws.

5. The MHCRC Verizon Jurisdiction franchise, Section 12, prohibits any transfer of control without the prior consent of the applicable MHCRC Verizon Jurisdiction. The Commission and the Jurisdiction(s) may inquire into the legal, technical and financial qualifications of the Transferee. The Grantee is required to assist the Commission and the applicable Jurisdiction in such inquiries, and furnish all information reasonably requested. The MHCRC Verizon Jurisdictions may condition any approval of the proposed transfer upon such terms and conditions as they deem reasonably appropriate, provided such conditions are related to the legal, technical, and financial qualifications of the prospective Transferee or to the resolution of outstanding and unresolved issues of Grantee's noncompliance with the terms and conditions of the applicable franchises.

6. The information included in the initial Forms 394 filing, and subsequent letters and responses of proposed Transferor Verizon and proposed Transferee Frontier to the MHCRC's Request for Information and further information requests, has been reviewed by MHCRC staff, MHCRC outside legal counsel, and MHCRC financial consultant KFA Services ("KFA"). MHCRC staff concluded, based on and in reliance on the information provided by Transferor and Transferee, together with the analysis of KFA and outside legal counsel and in cooperation with the Metropolitan Area Communications Commission ("MACC") that the proposed transfer of control could be approved but only if subject to certain conditions addressed to the legal, financial, and technical qualifications of the proposed Transferee Frontier.

7. The MHCRC held a public hearing on December 7, 2009 to consider the views expressed by the public, cable subscribers and interested parties, along with the information provided by the Verizon and Frontier. Following conclusion of the public hearing, the MHCRC conducted a work session on December 7th to review input provided by the public and interested parties, together with information received from the Transferor and Transferee, and the analysis of KFA and MHCRC staff. The MHCRC adopted Resolution No.2009-05 and recommended that the MHCRC Verizon Jurisdictions approve the proposed change of control of the MHCRC Verizon Franchise(s) to the proposed Transferee Frontier under certain conditions, including the following:

- a. In all respects and without exception, Transferee and Grantee agree and acknowledge that the change of control will not affect, diminish, impair or supersede the binding nature of the existing valid ordinances, franchises, resolutions and agreements applicable to operation of the cable system, including, but not limited to any existing guarantees. Grantee, under the control of Transferee, shall comply with each and every provision of the cable franchise including all lawful applicable ordinances, orders, contracts, agreements, commitments, side letters, and regulatory actions taken pursuant thereto, as applicable, whether prior or subsequent to the date the control of the Franchise and the Grantee was transferred to Transferee.
- b. Frontier Communications Corporation will execute a conditional guarantee of franchise performance by Grantee, under the control of Transferee, in the form attached as Exhibit 2 within ten (10) business days after the close of the merger transaction,
- c. Transferee and Grantee specifically acknowledge and expressly accept that the Jurisdictions do not waive and expressly reserve all legal rights and authority in regard to any and all non-compliance under the applicable Franchise(s) that may now exist or may later be discovered

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to have existed during the term of the Franchise(s), even if prior to the change of control authorized by the resolution that is the subject of this Acceptance.

- d. If for any reason the transactions and the merger which are the subject of the request for consent to change in control are not finally consummated, or if the closure is reached on terms which are substantially and materially different to the terms identified in the FCC Forms 394 and in public documents and responses to Requests for Information submitted by the MHCRC and MACC provided by the Transferor and Transferee and relied upon by the MHCRC and the Jurisdictions, the Transferor and Transferee shall provide written notice to the MHCRC and the Jurisdictions providing a detailed description of what has occurred and the Transferor's and Transferee's request for a change in control of the Grantee and the Franchise shall then be deemed denied without further action by any party.
- e. This authorization of the transfer of control shall not be effective unless such transfer is approved by each of the City Councils of the City of Fairview, Gresham, Troutdale and Wood Village ("MHCRC Verizon Jurisdictions").
- f. This authorization of the transfer of control shall not be effective unless the Verizon/Frontier merger transaction is approved by all required federal agencies and the Oregon Public Utility Commission.
- g. Grantee shall remain responsible for any and all Franchise requirements (including but not limited to payment of Franchise fees and other amounts due under the Franchise, and indemnification of the Grantor as provided in the Franchise) and non-compliance issues under the Franchise or any obligation that may now exist or may later be discovered to have existed during the term of the Franchise, even if prior to the closing of this Transfer. Grantee, under the control of Transferee, agrees to remedy any franchise non-compliance issues, including any underpayment of franchise and PEG fees by Grantee, regardless of whether such non-compliance issues are discovered prior to or following the close of the Transfer of Control.
- h. Grantee shall comply with all valid local laws and agreements, consistent with applicable federal and state law including all terms of the MHCRC Verizon Franchise Agreement as may be applicable. In all respects and without exception, Grantee agrees to continue to abide by all terms of the existing Franchise and acknowledges that the transfer of control will not affect, diminish, impair or supersede the binding nature of the Franchise and any other valid ordinances, resolutions, and agreements applicable to the operation of the cable system in the MHCRC Verizon jurisdictions.
- i. Transferee and/or Transferor has paid MHCRC and the City of _____ for all reasonable and documented reimbursement costs due as a result of review of the transfer application, consistent with existing and future separate written agreements concerning those costs.
- j. Transferee has provided a separate signed statement regarding its intention not to invoke Section 14.11 of the Franchise.
- k. Transferee and Grantee will provide current contact information for notice recipients under Section 16.5 of the Franchise.
- l. Transferee will within thirty (30) days of closure of the merger provide a new Exhibit E, "Grantee Parent Structure."
- m. During the week ending January 15, 2010, Transferee will provided MHCRC with a progress report of its acquisition of content, including a listing of national and local content providers and their associated channels, and video on demand providers, with which: (1) Transferee has signed agreements; (2) Transferee has pending agreements being negotiated; and (3) Transferee is pursuing agreements. By March 31, 2010, Transferee shall have delivered certification by a

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Deleted: and Grantee will not invoke Section 14.11 of the Franchise, as set forth in the separate signed statement from the Transferee

Deleted: Transferee and Grantee will provide MHCRC staff or designees an appropriate opportunity to review Frontier's programming content agreements no later than January 15, 2010. Such agreements: (a) must show that Transferee and Grantee will have the capability after the transfer to carry at least 75% of the channels provided by Grantee on November 1, 2009; (b) must include all nine Portland area local broadcasters; (c) the terms of those agreements must be clear that Transferee and Grantee are committed to carrying the majority of this content for a period of not less than two years; and (d) Grantee will provide MHCRC with a complete projected channel lineup no later than 30 days prior to the close of the transaction.

Corporate officer that it has acquired rights to distribute linear video, broadcast, and video on demand programming content from vendors, which rights: (a) include at least 75% of the channels provided by Grantee on November 1, 2009; (b) include all nine Portland area local broadcasters; and (c) include commitments to carrying the majority of this content for a period of not less than two years. Transferee will provide MHCRC with a complete projected channel lineup no later than thirty (30) days prior to the close of the transaction.

- n. Grantee, under control of Transferee, will provide an irrevocable letter of credit for the benefit of MHCRC and the MHCRC Verizon Jurisdictions in a form satisfactory to MHCRC within sixty (60) days following the close of the merger transaction, in the amount of \$250,000, which letter of credit will secure performance of the franchise obligations by Grantee, and which shall be maintained in this amount throughout the term of the Franchise.
- o. Grantee will contemporaneously notify MHCRC of any transactions defined in Franchise Section 12.2.
- p. Transferor, Transferee, and Grantee have acknowledged these conditions of transfer approval in writing no later than thirty (30) days following approval of the transfer resolution (ordinance) of the City of _____.
- q. Approvals granted by MHCRC and its member jurisdictions shall be valid until the Verizon/Frontier merger's Hart-Scott-Rodino Approval ("HSR") expires. Currently, the HSR expires on September 1, 2010. If the merger is not completed prior to the expiration of the HSR, Verizon and Frontier shall meet with MHCRC representatives and advise them on the status of the merger. MHCRC and its member jurisdictions shall consider the information provided by Verizon and Frontier and consider whether to extend the previously granted approvals. Such extensions shall not be unreasonably withheld.

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THE CITY COUNCIL OF _____ RESOLVES (ORDAINS):

- A. Subject to the conditions set out in the acceptance form attached as Exhibit 1 to this resolution (ordinance), the Jurisdiction approves Transferor's (Verizon's) request for a change in control of the Grantee and of the cable franchise of Verizon Northwest, Inc. to Frontier Communications Corporation (Transferee).
- B. Within 30 days after passage of this resolution, Transferor, Transferee, and Grantee shall file a written, executed acceptance of this resolution (ordinance). The acceptance shall be in the form attached hereto as Exhibit 1. Transferee shall file such written acceptance with the City of _____, with a duplicate to be sent to the offices of the Mt. Hood Cable Regulatory Commission (MHCRC).
- C. The executed acceptance shall be unqualified and shall be construed to be an acceptance of all the terms, conditions and restrictions contained therein.
- D. The failure, refusal or neglect by Transferor, Transferee, and Grantee to file such written acceptance by such time shall constitute an abandonment and rejection of the rights and privileges conferred hereby, and the Transferor's and Transferee's request for approval of a change in control shall then be deemed denied without further action by either party.
- E. If for any reason the Merger and Plan of Agreement dated May 13, 2009 which is the subject of the request for consent to change in control is not finally consummated, or if the closure is reached on terms which are substantially and materially different to the terms identified in the FCC Forms 394 and subsequent information provided by the Transferor and Transferee and relied upon by

the MHCRC and the MHCRC Verizon Jurisdictions, then the Transferor and Transferee shall provide written notice to the MHCRC and the Jurisdictions providing a detailed description of what has occurred and the Transferor's and Transferee's request for a change in control shall then be deemed denied without further action by either party.

Passed by the _____ City Council and effective on: _____.

City Manager

Mayor

Approved as to Form:

City Attorney

EXHIBIT 1 TO MODEL ORDINANCE
RECOMMENDED ACCEPTANCE FORM

City of _____
c/o _____ City Attorney /City Recorder
Address _____
City, Zip _____

Cc to: Mt. Hood Cable Regulatory Commission
1120 SW Fifth Ave, Room 1305
Portland, OR 97204

This is to advise the City of _____ that Transferor (Verizon Communications, Inc.) and Transferee (Frontier Communications Corporation) and Grantee (Verizon Northwest, Inc.) hereby unqualifiedly accept the provisions applicable to them of Resolution (Ordinance) No. _____, passed by the City of _____ on _____ (date) regarding the change in control of the Grantee and of the cable franchise issued to Verizon Northwest Inc. by the City of Gresham, Oregon on November 18, 2008 and subsequently duly adopted by the Cities of Fairview, Troutdale and Wood Village, Oregon: and agree, as applicable, to abide by the following terms and conditions:

- a) In all respects and without exception, Transferee and Grantee agree and acknowledge that the change of control will not affect, diminish, impair or supersede the binding nature of the existing valid ordinances, franchises, resolutions and agreements applicable to operation of the cable system, including, but not limited to any existing guarantees. Grantee, under the control of Transferee, shall comply with each and every provision of the cable franchise including all lawful applicable ordinances, orders, contracts, agreements, commitments, side letters, and regulatory actions taken pursuant thereto, as applicable, whether prior or subsequent to the date the control of the Franchise and the Grantee was transferred to Transferee.
- b) Frontier Communications Corporation will execute a conditional guarantee of franchise performance by Grantee, under the control of Transferee, in the form attached as Exhibit 2 within ten (10) business days after the close of the merger transaction.
- c) Transferee and Grantee specifically acknowledge and expressly accept that the Jurisdictions do not waive and expressly reserve all legal rights and authority in regard to any and all non-compliance under the applicable Franchise(s) that may now exist or may later be discovered to have existed during the term of the Franchise(s), even if prior to the change of control authorized by the resolution that is the subject of this Acceptance.
- d) If for any reason the transactions and the merger which are the subject of the request for consent to change in control are not finally consummated, or if the closure is reached on terms which are substantially and materially different to the terms identified in the FCC Forms 394 and in public documents and responses to Requests for Information submitted by the MHCRC and MACC provided by the Transferor and Transferee and relied upon by the MHCRC and the Jurisdictions, the Transferor and Transferee shall provide written notice to the MHCRC and the Jurisdictions providing a detailed description of what has occurred and the

Deleted: <#>In all respects and without exception, Transferee and Grantee agree and acknowledge that the change of control will not affect, diminish, impair or supersede the binding nature of the existing valid ordinances, franchises, resolutions and agreements applicable to operation of the cable system, including, but not limited to any existing guarantees, and that Transferee and Grantee shall comply with each and every provision of the cable franchise including all lawful applicable ordinances, orders, contracts, agreements, commitments, side letters, and regulatory actions taken pursuant thereto, as applicable, whether prior or subsequent to the date the control of the Grantee was transferred to Transferee.¶
<#>Frontier Communications Corporation, Inc., as Transferee, shall provide a guarantee of franchise performance by Grantee in a form satisfactory to the City, in substantially the form attached hereto as Exhibit 2. ¶
<#>Transferee and Grantee specifically acknowledge and expressly accept that the Jurisdictions do not waive and expressly reserve all legal rights and authority in regard to any and all non-compliance under the applicable Franchise(s) that may now exist or may later be discovered to have existed during the term of the Franchise(s), even if prior to the change of control authorized by the resolution that is the subject of this Acceptance.¶
<#>If for any reason the transactions and the merger which are the subject of the request for consent to change in control are not finally consummated, or if the closure is reached on terms which are substantially and materially different to the terms identified in the FCC Forms 394 and subsequent information provided by the Transferor and Transferee and relied upon by the MHCRC and the Jurisdictions, the Transferor and Transferee shall provide written notice to the MHCRC and the Jurisdictions providing a detailed description of what has occurred and the Transferor's and Transferee's request for a change in control of the Grantee shall then be deemed denied without further action by any party.¶
<#>This authorization of the transfer of control shall not be effective unless such transfer is approved by each of the City Councils of the City of Fairview, Gresham, Troutdale and Wood Village ("MHCRC Verizon Jurisdictions").¶
<#>This authorization of the transfer of control shall not be effective unless the Verizon/Frontier merger transaction is approved by all required federal agencies. [1]

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Transferor's and Transferee's request for a change in control of the Grantee and the Franchise shall then be deemed denied without further action by any party.

- e) This authorization of the transfer of control shall not be effective unless such transfer is approved by each of the City Councils of the City of Fairview, Gresham, Troutdale and Wood Village ("MHCRC Verizon Jurisdictions").
- f) This authorization of the transfer of control shall not be effective unless the Verizon/Frontier merger transaction is approved by all required federal agencies and the Oregon Public Utility Commission.
- g) Grantee shall remain responsible for any and all Franchise requirements (including but not limited to payment of Franchise fees and other amounts due under the Franchise, and indemnification of the Grantor as provided in the Franchise) and non-compliance issues under the Franchise or any obligation that may now exist or may later be discovered to have existed during the term of the Franchise, even if prior to the closing of this Transfer. Grantee, under the control of Transferee, agrees to remedy any franchise non-compliance issues, including any underpayment of franchise and PEG fees by Grantee, regardless of whether such non-compliance issues are discovered prior to or following the close of the Transfer of Control.
- h) Grantee shall comply with all valid local laws and agreements, consistent with applicable federal and state law including all terms of the MHCRC Verizon Franchise Agreement as may be applicable. In all respects and without exception, Grantee agrees to continue to abide by all terms of the existing Franchise and acknowledges that the transfer of control will not affect, diminish, impair or supersede the binding nature of the Franchise and any other valid ordinances, resolutions, and agreements applicable to the operation of the cable system in the MHCRC Verizon jurisdictions.
- i) Transferee and/or Transferor has paid MHCRC and the City of _____ for all reasonable and documented reimbursement costs due as a result of review of the transfer application, consistent with existing and future separate written agreements concerning those costs.
- j) Transferee has provided a separate signed statement regarding its intention not to invoke Section 14.11 of the Franchise.
- k) Transferee and Grantee will provide current contact information for notice recipients under Section 16.5 of the Franchise.
- l) Transferee will within thirty (30) days of closure of the merger provide a new Exhibit E, "Grantee Parent Structure."
- m) During the week ending January 15, 2010, Transferee will provide MHCRC with a progress report of its acquisition of content, including a listing of national and local content providers and their associated channels, and video on demand providers, with which: (1) Transferee has signed agreements; (2) Transferee has pending agreements being negotiated; and (3) Transferee is pursuing agreements. By March 31, 2010, Transferee shall have delivered certification by a Corporate officer that it has acquired rights to distribute linear video, broadcast, and video on demand programming content from vendors, which rights: (a) include at least 75% of the channels provided by Grantee on November 1, 2009; (b) include all nine Portland area local broadcasters; and (c) include commitments to carrying the majority of this content for a period of not less than two years. Transferee will provide MHCRC with a complete projected channel lineup no later than thirty (30) days prior to the close of the transaction.
- n) Grantee, under control of Transferee, will provide an irrevocable letter of credit for the benefit of MHCRC and the MHCRC Verizon Jurisdictions in a form satisfactory to MHCRC within

sixty (60) days following the close of the merger transaction, in the amount of \$250,000, which letter of credit will secure performance of the franchise obligations by Grantee, and which shall be maintained in this amount throughout the term of the Franchise.

- o) Grantee will contemporaneously notify MHCRC of any transactions defined in Franchise Section 12.2.
- p) Transferor, Transferee, and Grantee have acknowledged these conditions of transfer approval in writing no later than thirty (30) days following approval of the transfer resolution (ordinance) of the City of _____.
- q) Approvals granted by MHCRC and its member jurisdictions shall be valid until the Verizon/Frontier merger's Hart-Scott-Rodino Approval ("HSR") expires. Currently, the HSR expires on September 1, 2010. If the merger is not completed prior to the expiration of the HSR, Verizon and Frontier shall meet with MHCRC representatives and advise them on the status of the merger. MHCRC and its member jurisdictions shall consider the information provided by Verizon and Frontier and consider whether to extend the previously granted approvals. Such extensions shall not be unreasonably withheld.

VERIZON COMMUNICATIONS, INC. (as Transferor)

BY:
NAME:
TITLE:
DATE

NOTARIZED ACCEPTANCE (BY EACH SIGNATOR)

State of _____ County of _____

This Acceptance was acknowledged before me on the _____ day of _____, 2010 by
_____ as a duly authorized officer of _____.

Notary Public for: _____ My Commission Expires:

FRONTIER COMMUNICATIONS CORPORATION (as Transferee)

BY:
NAME:
TITLE:
DATE

NOTARIZED ACCEPTANCE (BY EACH SIGNATOR)

State of _____ County of _____

This Acceptance was acknowledged before me on the _____ day of _____, 2010 by

{00065310; 5.1 }

_____ as a duly authorized officer of _____.

Notary Public for: _____ My Commission Expires:

VERIZON NORTHWEST, INC. (as Grantee)

BY:
NAME:
TITLE:
DATE:

*****NOTARIZE

D ACCEPTANCE (BY EACH SIGNATOR)

State of _____ County of _____

This Acceptance was acknowledged before me on the _____ day of _____, 2010 by
_____ as a duly authorized officer of _____.

Notary Public for: _____ My Commission Expires:

In all respects and without exception, Transferee and Grantee agree and acknowledge that the change of control will not affect, diminish, impair or supersede the binding nature of the existing valid ordinances, franchises, resolutions and agreements applicable to operation of the cable system, including, but not limited to any existing guarantees, and that Transferee and Grantee shall comply with each and every provision of the cable franchise including all lawful applicable ordinances, orders, contracts, agreements, commitments, side letters, and regulatory actions taken pursuant thereto, as applicable, whether prior or subsequent to the date the control of Grantee was transferred to Transferee. Frontier Communications Corporation, Inc., as Transferee, shall provide a guarantee of franchise performance by Grantee in a form satisfactory to the City, in substantially the form attached hereto as Exhibit 2.

Transferee and Grantee specifically acknowledge and expressly accept that the Jurisdictions do not waive and expressly reserve all legal rights and authority in regard to any and all non-compliance under the applicable Franchise(s) that may now exist or may later be discovered to have existed during the term of the Franchise(s), even if prior to the change of control authorized by the resolution that is the subject of this Acceptance.

If for any reason the transactions and the merger which are the subject of the request for consent to change in control are not finally consummated, or if the closure is reached on terms which are substantially and materially different to the terms identified in the FCC Forms 394 and subsequent information provided by the Transferor and Transferee and relied upon by the MHCRC and the Jurisdictions, the Transferor and Transferee shall provide written notice to the MHCRC and the Jurisdictions providing a detailed description of what has occurred and the Transferor's and Transferee's request for a change in control of the Grantee shall then be deemed denied without further action by any party. This authorization of the transfer of control shall not be effective unless such transfer is approved by each of the City Councils of the City of Fairview, Gresham, Troutdale and Wood Village ("MHCRC Verizon Jurisdictions"). This authorization of the transfer of control shall not be effective unless the Verizon/Frontier merger transaction is approved by all required federal agencies and the Oregon Public Utility Commission.

Grantee shall remain responsible for any and all Franchise requirements (including but not limited to payment of Franchise fees and other amounts due under the Franchise, and indemnification of the Grantor as provided in the Franchise) and non-compliance issues under the Franchise or any obligation that may now exist or may later be discovered to have existed during the term of the Franchise, even if prior to the closing of this Transfer. Transferee and Grantee agree to remedy any franchise non-compliance issues, including any underpayment of franchise and PEG fees by Grantee, regardless of whether such non-compliance issues are discovered prior to or following the close of the Transfer of Control.

Transferee shall comply with all valid local laws and agreements, consistent with applicable federal and state law including all terms of the MHCRC Verizon

Franchise Agreement as may be applicable. In all respects and without exception, Grantee agrees to continue to abide by all terms of the existing Franchise and acknowledges that the transfer of control will not affect, diminish, impair or supersede the binding nature of the Franchise and any other valid ordinances, resolutions, and agreements applicable to the operation of the cable system in the MHCRC Verizon jurisdictions.

Transferee or Transferor has paid MHCRC and the City of _____ all reimbursement costs due as a result of review of the transfer application, consistent with separate existing and future written agreements concerning those costs.

Transferee and Grantee will not invoke Section 14.11 of the Franchise, as set forth in the separate signed statement from Transferee.

Transferee and Grantee will provide current contact information for notice recipients under Section 16.5 of the Franchise.

Transferee will within 30 days of closure of the merger provide a new Exhibit E, "Grantee Parent Structure."

Transferee and Grantee will provide MHCRC staff or designees an appropriate opportunity to review Frontier's programming content agreements no later than January 15, 2010. Such agreements: (a) must show that Transferee and Grantee will have the capability after the transfer to carry at least 75% of the channels provided by Grantee on November 1, 2009; (b) must include all nine Portland area local broadcasters; (c) the terms of those agreements must be clear that Transferee and Grantee are committed to carrying the majority of this content for a period of not less than two years; and (d) Grantee will provide MHCRC with a complete projected channel lineup no later than 30 days prior to the close of the transaction.

Grantee will provide an irrevocable letter of credit for the benefit of MHCRC and the MHCRC Verizon Jurisdictions in a form satisfactory to MHCRC prior to the close of the merger transaction, in the amount of \$250,000, which letter of credit will secure performance of the franchise obligations by Grantee, and which shall be maintained in this amount throughout the term of the Franchise.

Grantee will contemporaneously notify MHCRC of any transactions defined in Franchise Section 12.2.

Transferor Verizon, Transferee Frontier and Grantee have acknowledged these conditions of transfer approval in writing no later than 30 days following approval of the transfer resolution (ordinance) of the City of _____.

The City of _____ approval of the proposed transfer of control is null and void if the Frontier/Verizon merger transaction fails to close by September 30, 2010.