



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

July 31, 2012

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

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

Dear Mr. Perez:

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

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

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

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

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

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

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

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

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

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

WaveDivision Capital, LLC – 12.50%

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

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

GI Wave Holdings LLC – 18.75%

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

WaveDivision Capital, LLC:

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

The following information pertains to WaveDivision Capital, LLC:

a. Name and principal place of business:

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

b. Citizenship:

U.S. (a Washington limited liability company)

c. Relationship to Buyer:

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

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commensurate with the ownership set forth in the preceding sentence.

Oak Hill Capital Partners III, L.P.:

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

a. Name and principal place of business:

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

b. Citizenship:

Cayman Islands

c. Relationship to Buyer

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

Oak Hill Capital Management Partners III, L.P.

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

a. Name and principal place of business:

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

b. Citizenship:

Cayman Islands

c. Relationship to transferee:

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

GI Wave Holdings LLC

The following information pertains to GI Wave Holdings LLC:

a. Name and principal place of business:

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

b. Citizenship:

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U.S. (a Delaware limited liability company)

c. Relationship to transferee:

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

Steven B. Weed, Chief Executive Officer

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

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a. Name and principal place of business:

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

b. Citizenship: U.S.

c. Relationship to transferee: Member of the board

d. Number of Shares:

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

e. Number of Votes: N/A

f. Percentage of Votes: N/A

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

SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANALYSIS

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

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

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

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

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

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

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

CONCLUSION

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

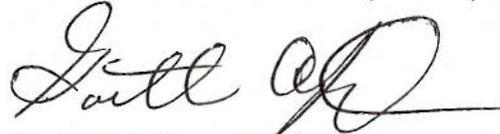
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anticipated, financial concerns could arise. Any increase in expenses could also put additional financial pressure on Oak Hill and its Wave division operations.

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

Sincerely yours,

ASHPAUGH & SCULCO, CPAS, PLC

A handwritten signature in black ink, appearing to read "Garth T. Ashpaugh", with a long horizontal flourish extending to the right.

Garth T. Ashpaugh, CPA
President and Member

Attachments

Oak Hill Financial Review Report

Exhibit 5-B

Organization Chart BEFORE Proposed Transaction

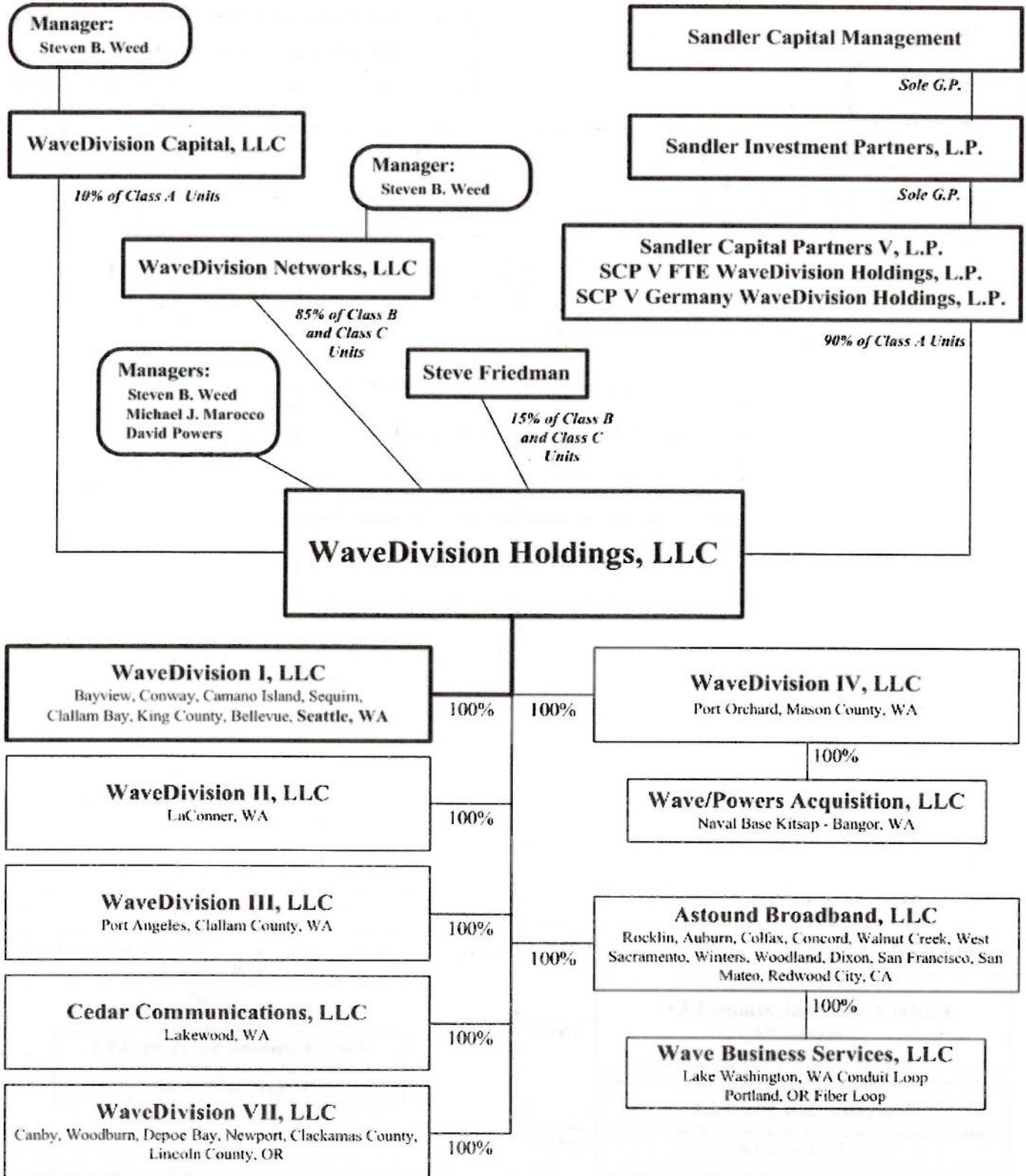


Exhibit 5-C

Organization Chart AFTER Proposed Transaction

