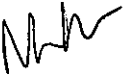


MEMORANDUM

TO: Mayor and City Commissioners, City of Oregon City

FROM: Nancy L. Werner, Special Counsel 

SUBJECT: WaveDivision Transfer of Control

DATE: August 9, 2012

WaveDivision VII, LLC d/b/a Wave Broadband ("Wave") currently holds a franchise granted by the City of Oregon City (the "City") to own and operate a cable system in the City. Wave is a wholly-owned subsidiary of WaveDivision Holdings, LLC ("Wave Holdings"). Wave Holdings has entered into an agreement that will result in a change in its ownership, thus changing the entity that controls Wave. The franchise requires prior approval from the City of transactions like this one that will result in a change in control of Wave.

This memorandum is intended to provide you with a brief overview of the Transaction, the legal framework for reviewing the change in control, and the outcome of our review of the documents submitted by Wave Holdings.

I. SUMMARY OF THE TRANSACTION

The Transaction triggering the change in control is between 1) Wave Holdings, OH WDH Holdco, LLC, a Delaware limited liability company affiliated with Oak Hill Capital Partners III, L.P. ("Oak Hill"), and 2) WaveDivision Capital, LLC, a Washington limited liability company controlled by Wave Holdings' Chief Executive Officer Steve Weed ("Wave Capital") which is an affiliate of GI Partners. On May 30, 2012, Oak Hill entered into a definitive agreement to acquire Wave Holdings from its current majority owners, principally three affiliates of Sandler Capital Management (the "Transaction").¹ The Transaction results in new ownership of Wave Holdings, but Wave Holdings will continue to be the parent of Wave. The Transaction should not impact the management and operation of Wave or the franchise. Upon the closing of the Transaction, Wave will remain responsible for all obligations and liabilities under the franchise.

¹ According to Jim Penney, Wave Holdings' Executive Vice President of Business and Legal Affairs, the Transaction was necessary because Sandler Capital Management, Wave Holdings' private equity partner since 2003, needed liquidity to repay its fund investors. Oak Hill will be Wave Holdings' new private equity partner.

II. PROCESS AND CRITERIA FOR REVIEW

Because the franchise holder is not changing, this transaction is viewed under the federal Cable Act and Federal Communications Commission ("FCC") rules as a change in control and not an assignment of the franchise. The franchise anticipates these types of transaction and expressly requires the City's consent prior to any change in control, consistent with the transfer provisions in the Cable Act. See Franchise § 3.7.

As required by applicable rules of the FCC, Wave Holdings and Oak Hill have filed FCC Form 394 with the City and have provided the City with information about the Transaction (collectively, the "Application"). The franchise and the Cable Act, together with associated FCC rules, provide the City with 120 days to act upon the Application. If no action is taken, the change in control is automatically deemed approved.

Federal law and the franchise govern the factors and criteria the City can consider in reviewing this request. Both authorize the City to consider the legal, financial, and technical qualifications of the prospective controlling party.

III. OUTCOME OF REVIEW AND RECOMMENDATION

We have reviewed the Application, including documents related to the Transaction, as well as the franchise and applicable laws and rules. We have not found any basis on which to conclude the proposed new ownership structure impairs the legal or technical qualifications of Wave Holdings as Wave's parent company. We did not conduct a review of the financial qualifications of Wave Holdings under the new ownership structure, however, it is our understanding that a certified public accountant conducted such review and found no issues.

Based on our review, we recommend that the City approve the Application.

cc: Nancy Ide, City Recorder