

RESOLUTION NO. 569

A RESOLUTION CONSENTING TO THE TRANSFER OF THE CABLE COMMUNICATIONS FRANCHISE AGREEMENT TO TIDEL COMMUNICATIONS, INC. FROM STORER METRO COMMUNICATIONS, INC.

WHEREAS, the City of Wilsonville is a member of the Metropolitan Area Communications Commission (hereinafter the Commission); and

WHEREAS, the members of the Commission entered into a certain Cable Communications System Franchise Agreement between the jurisdictions participating in the Commission and Storer Metro Communications, Inc. (hereinafter Grantee); and

WHEREAS, pursuant to Section 3.5 Franchise NonTransferable of the Agreement, requested the Cable Communications Franchise be transferred to Tidel Communications, Inc. (hereinafter Tidel); and

WHEREAS, the Commission considered the request, determined Tidel has the legal, technical and financial qualifications to operate the cable system according to the terms and conditions of the Franchise Agreement, and by adoption of Commission Resolution

86-02 (attached) recommended to the City of Wilsonville that consent to be granted to transfer the Cable Communications Franchise to Tidel from Grantee; and

WHEREAS, the Council has deemed it to be in the furtherance of the public interest and welfare of the Citizens of the City of Wilsonville to consent to the transfer of the Franchise.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WILSONVILLE AS FOLLOWS:

- A. The City Council hereby grants its consent to transfer the Cable Communications Franchise to Tidel from Grantee.
- B. This consent is granted contingent upon unanimous consent of the member jurisdictions of the Commission to the transfer, and the filing by Tidel of the following with the Commission in a form satisfactory to the Commission:
 - 1. Formal acceptance of the Franchise Agreement indicating that Tidel agrees to be bound by all terms and conditions thereof; and
 - 2. Certificate of Insurance pursuant to Section 9.5 of the Franchise Agreement; and
 - 3. Evidence that a security fund of \$100,000, pursuant to Section 9.2, has been deposited

in a bank account maintained by the Commission, or that Tidel has acquired the existing security fund originally deposited by Grantee; and

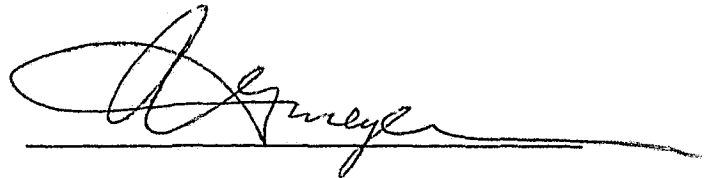
4. Proof of the posting of a \$100,000 faithful performance bond, pursuant to Section 9.3; and
5. Evidence that the financing of the purchase of the cable system is essentially the same as that presented to MACC staff and legal counsel on June 17, 1986, and that all financing is completed.

and the Commission determining that all member jurisdictions have given their consent to the transfer and Tidel has submitted the required documents.

- C. The Mayor is authorized to file with the Chairman of the Commission an executed true and correct copy of this resolution and is authorized and shall execute on behalf of the City, a Cable Commissions Franchise Agreement redrafted to reflect the transfer of ownership. The Franchise Agreement and two duplicate copies shall be executed and returned to the Commission within thirty (30) days of

receipt of the redrafted Franchise Agreement by the
City of Wilsonville.

ADOPTED by the City Council of the of the City of
Wilsonville at a regular meeting thereof this 7th day of July,
1986, and filed with the Wilsonville City Recorder this same
date.

A handwritten signature in cursive script, appearing to read "A. G. Meyer", written over a horizontal line.

A. G. MEYER, Mayor

ATTEST:

A handwritten signature in cursive script, appearing to read "Vera A. Rojas", written over a horizontal line.

VERA A. ROJAS, City Recorder

Memo

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: DEE THOM *Dee Thom*
SUBJECT: SALE OF STORER CABLE SYSTEM
DATE: JULY 1, 1986

Storer Metro Communications, Inc., requested MACC (Metropolitan Area Communication Commission) to consider the transfer of the cable television franchise to Tidel Communication, Inc. The franchise does allow change of control, but only through the written consent of each grantor (city).

MACC has held several workshops and a public hearing that was aired live on cable and took testimony by people in attendance and telephone.

Mr. William Bauce, President of Tidel, was present at the workshops and public hearings to answer any questions of the public and the Commission.

Attached for your consideration, is Resolution CB-R-231-86, consenting to the transfer of the franchise and a copy of the MACC Resolution No. 86-02 and a report directed to the jurisdictions containing the background and issues that were addressed.

RECOMMENDATION:

Consent to the transfer of the cable franchise from Storer Communications, Inc. to Tidel Communications, Inc. and adopt Resolution CB-R-231-86.

djt:vr

METROPOLITAN AREA COMMUNICATIONS COMMISSION

RESOLUTION 86-02

A RESOLUTION RECOMMENDING TO THE MEMBER JURISDICTIONS OF THE METROPOLITAN AREA COMMUNICATIONS COMMISSION THAT THEY APPROVE THE SALE OF THE CABLE TELEVISION FRANCHISE TO TIDEL COMMUNICATIONS, INC. FROM STORER METRO COMMUNICATIONS, INC.

WHEREAS, Storer Metro Communications, Inc. (hereinafter Grantee) requested, by letter dated May 5, 1986 and supplemented by letter dated June 18, 1986, which are both attached as Exhibit "1", pursuant to Section 3.5 Franchise Non-Transferable of the Cable Television Franchise Agreement, that the cable television franchise be transferred to Tidel Communications, Inc. (hereinafter Tidel), an Oregon corporation with its principal office in Portland, Oregon; and

WHEREAS, the Board of Commissioners of the Metropolitan Area Communications Commission (hereinafter Board) elected to consider the request to ascertain if Tidel has the legal, technical and financial ability to operate the cable television system under the terms and conditions of the Cable Television Franchise Agreement, and to make a recommendation to the member jurisdictions; and

WHEREAS, the Board requested certain information of Tidel to assess the prospective buyers legal, technical and financial qualifications and this request was complied with and is attached in the original resolution as Exhibit "2"; and

WHEREAS, the Board reviewed the information, heard testimony from William M. Bauce, President, Tidel, regarding Tidel's legal, technical and financial qualifications, and heard testimony from Patrick Cleary, Vice President, Chase Manhattan Bank, in support of Tidel's financial qualifications; and

WHEREAS, the Board held a public hearing on June 18, 1986 and approved a report outlining the key issues which is attached as Exhibit "3".

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Metropolitan Area Communications Commission as follows:

- A. The Board, based upon the evidence presented and its own research, is of the opinion that Tidel possesses the legal, technical and financial qualifications to operate the cable television system under the terms and conditions of the Franchise Agreement.
- B. The Board, based upon testimony of William M. Bauce believes Tidel is fully aware of the terms and conditions of the Cable Television Franchise Agreement and agrees to operate the system in compliance with those terms and conditions.

- C. The Board recommends the member jurisdictions concur with its findings and grant a transfer of the Cable Communications System Franchise Agreement between the Jurisdictions Participating in the Metropolitan Area Communications Commission and Storer Metro Communications, Inc. to Tidel Communications, Inc.
- D. The transfer will become effective upon the consent of all member jurisdictions and the filing by Tidel of the following with the Metropolitan Area Communications Commission in a form satisfactory to the Commission:
1. Formal acceptance of the Franchise Agreement indicating that Tidel agrees to be bound by all terms and conditions thereof; and
 2. Certificate of Insurance pursuant to Section 9.5 of the Franchise Agreement; and
 3. Evidence that a security fund of \$100,000, pursuant to Section 9.2, has been deposited in a bank account maintained by the Commission, or that Tidel has acquired the existing security fund originally deposited by Grantee; and
 4. Proof of the posting of a \$100,000 faithful performance bond, pursuant to Section 9.3; and
 5. Evidence that the financing of the purchase of the cable system is essentially the same as that presented to MACC staff and legal counsel on June 17, 1986, and that all financing is completed.
- E. Filing of its acceptance of the Franchise Agreement and all other documents by Tidel must be completed within 45 days of the approval of the 15th member jurisdiction to do so. Failure to timely file the information shall make the approval of the jurisdictions null and of no effect. The approval of the transfer shall become effective upon MACC formally determining that all member jurisdictions have approved the transfer and that Tidel has submitted all required documents.
- F. Upon completion of item E. above, the member jurisdictions and Tidel shall execute a Franchise Agreement upon the redrafting of the Agreement by MACC staff to reflect the transfer.

Adopted by the Board of Commissioners of the Metropolitan Area Communications Commission this 25th day of June, 1986.

for Herbert L. Killpack
Eve M. Killpack
MACC Chair

STORER METRO
COMMUNICATIONS, INC.

14200 S.W. Brigadoon Court
Beaverton, Oregon 97005
(503) 644-3188

DAN MURRELL
VICE PRESIDENT OF OPERATIONS

May 5, 1986

Metropolitan Area Communications Commission
and Member Jurisdictions
12655 S.W. Center Street, Suite 390
Beaverton, Oregon 97005

Ladies and Gentlemen:

Storer Metro Communications, Inc. proposes to sell its cable communications system located in the area of the Metropolitan Area Communications Commission jurisdictions to Tidel Communications, Inc., and in connection with such sale, to transfer existing franchises between the Metropolitan Area Communications Commission jurisdictions and Storer Metro to Tidel.

Pursuant to Section 3.5 of the franchise agreements, Storer Metro hereby requests approval from the Metropolitan Area Communications Commission and its members to such transfer of the existing franchises.

We will be happy to provide you such assistance in connection with this request as is feasible, and will provide you with the documentation required within the time set forth in Section 3.5.

Sincerely,



Dan Murrell
Vice President of Operations

DM/jk
cc: Jim Moore

STORER METRO
COMMUNICATIONS, INC.

14200 S.W. Brigadoon Court
Beaverton, Oregon 97005
(503) 644-3188

DAN MURRELL
VICE PRESIDENT OF OPERATIONS

June 18, 1986

Mr. William J. Tierney
Metropolitan Area Communications Commission
12655 S.W. Center Street, Suite 390
Beaverton, Oregon 97005

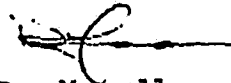
Dear Bill:

Re: Transfer of MACC Franchises to Tidel Communications, Inc.

We wish to clarify our letter of May 5, 1986, as it relates to the current and pending deliberations of the MACC and its members.

In connection with the request for approval of the MACC members for transfer of existing franchises to Tidel Communications, Inc., effective upon the proposed sale of assets by Storer Metro Communications, Inc. to Tidel Communications, Inc., it is contemplated that Tidel Communications, Inc. would assume the franchise obligations upon the closing of the asset sale, and that Storer Metro Communications, Inc. as grantee, and Storer Communications, Inc., and Metro-West Communications, Inc., and their successors by merger would be relieved of all obligations arising or to be performed under the franchises subsequent to the closing date.

Sincerely,



Dan Murrell
Vice President of Operations

DM/jk
cc: Jim Moore

METROPOLITAN AREA COMMUNICATIONS COMMISSION

REPORT TO MEMBER JURISDICTIONS FROM THE MACC BOARD

ON THE REQUEST TO TRANSFER THE CABLE TELEVISION FRANCHISE
TO TIDEL COMMUNICATIONS, INC.
FROM STORER METRO COMMUNICATIONS, INC.

JUNE 25, 1986

I. INTRODUCTION AND BACKGROUND

On May 5, 1986 Storer Metro Communications, Inc. requested the cable television Franchise be transferred to Tidel Communications, Inc., an Oregon corporation with its principal office in Portland, Oregon. This request was made pursuant to Section 3.5 Franchise Non-Transferable of the Franchise Agreement.

Section 3.5 and Section 3.6 Change in Control, a related section, address the Grantors' responsibility and authority in the event of a request for an ownership change. Each Grantor, i.e. all the member jurisdictions, must give their consent in writing and may inquire into the qualifications of the prospective buyer to operate the cable system under the terms and conditions of the Agreement.

The MACC Board determined it appropriate to investigate the prospective buyer's legal, technical and financial qualifications and to make a recommendation to the member jurisdictions. To that end, the Board did the following:

- A. Requested detailed information of Tidel which was complied with and reviewed in a special Board worksession held on June 4, 1986.
- B. Heard testimony by William M. Bauce, President, Tidel regarding the prospective buyer's legal, technical and financial qualifications, and knowledge of and willingness to comply with the terms and conditions of the Franchise Agreement at a special Board Meeting on June 13, 1986. Mr. Bauce's statements regarding Tidel's ability to finance the purchase of the system were supported by testimony from Mr. Patrick Cleary, Vice President, Chase Manhattan Bank, which has guaranteed to provide the senior debt and serves as investment banker to Tidel responsible for securing subordinated debt and equity capital.
- C. Held a public hearing on June 18, 1986. The public hearing was held "live" on Tualatin Valley Television, Cable Channel 12 and allowed for public testimony to be received via telephone and from those present in the meeting room.

REQUEST TO TRANSFER CABLE TELEVISION FRANCHISE

II. LEGAL ISSUES

The Board found Tidel met the legal qualifications to assume ownership of the cable system as contained in the Cable Communications Act of 1984.

Tidel stated it agreed to assume all the rights, duties and responsibilities of Storer Communications, Inc. and Storer Metro Communications, Inc. pursuant to the Franchise Agreement, including the provisions contained in Storer Metro's Proposal as incorporated in the Agreement by reference. It further stated it agreed to perform all legal obligations and responsibilities of the Agreement. Tidel was asked if there were exceptions and noted there were no exceptions.

III. TECHNICAL ISSUES

Tidel Communications was founded in 1980 to purchase and manage cable systems in the Pacific Northwest. It currently owns cable properties in Oregon, Washington and California, and serves as the managing partner for a limited partnership which owns a cable system in Oregon. Its cable systems serve 11,500 subscribers.

William M. Bauce now owns over 99% of Tidel although he will be selling up to 20% equity in Tidel to finance the purchase. He is the only member of the Board of Directors, but again indicated the Board may expand after the purchase.

Tidel's experience in operating cable systems is in classic cable markets where off-air television reception is poor. These systems located in rural areas have many fewer subscribers than the MACC Franchise. In fact the MACC subscriber base is three times the size of Tidel's combined current cable holdings. Tidel does not have direct experience operating a system as technically sophisticated as this one, nor with a subscriber base of 34,000. Additionally, it has no experience operating institutional networks and its community access operations are much more limited than the one operated by Storer Metro. Tidel intends to keep the current system manager.

Although the Board recognized the lack of direct experience in operating large cable systems, a number of factors mitigated its concern. The system is builtout and has been operating for over three years. In 1986, it has met the the construction requirements, customer service standards, and technical specifications of the Franchise Agreement as amended in October 1985. Changes are not required to meet compliance standards. Tidel intends to keep system management in place and its principal has personal experience in operations as large as the MACC franchise.

REQUEST TO TRANSFER CABLE TELEVISION FRANCHISE

IV. FINANCIAL ISSUES

Tidel is purchasing the system for \$43,200,000 from Storer Communications, Inc. It is estimated to have additional expenses of \$1,450,000 for brokerage and professional fees. The price will be \$1,260 per subscriber, which is in line with prices paid for other cable systems today. Storer's capital investment was \$50,000,000.

Tidel is financing the purchase through senior debt (\$24,000,000), subordinated debt (\$17,000,000) and equity (\$5,000,000). The financing package provides Tidel with \$1,350,000 in beginning working capital. Chase Manhattan Bank is the lender for the senior debt and is serving as the investment banker to secure subordinated debt and equity.

The equity will be provided by the sale of up to 20% in Tidel Communications, Inc. The Company does not now have cash available to increase the amount of equity. The other cable systems it owns are not generating sufficient amounts of cash to be in a position to support the purchase or the operations of the MACC franchise. Consequently, the Board, as well as Tidel and their bankers, view this purchase as more analogous to a stand alone cable system than to a purchase by a multiple system operator.

The Board requested and received a ten year projection of the cable system operations. It analyzed these projections to determine the validity of the assumptions and the Company's ability to meet franchise obligations, repay debt and provide a return for investors.

The ten year projections submitted by Tidel indicate that the cable system will generate sufficient cash to meet all obligations including operating expenses, capital expenditures, and interest and principal payments on senior and subordinated debts during the ten years (1987 to 1996) with \$10,390,000 accrued over and above expenses.

The Board views the projections as tending to be optimistic. Statements at the June 13 meeting were made by Mr. Bauce and Mr. Murrell in defense of the projections' validity. In summary, the projections assume the following:

- A. A 3% per year growth in residential dwelling units.
- B. A 1% per year growth in penetration (households subscribing to cable divided by total households passed by cable) from the current 48%, increasing to 57% by year #10.
- C. A 28% increase in revenue per subscriber in years #1 and #2 with a 5.5% average increase over years #3 through #10.
- D. Operating expenses 10% below Storer Metro's current operating expenses in year #1.
- E. Operating margins (operating income divided by revenue) in excess of 42% in years #3 through #10.
- F. Interest rates averaging 11% over the ten year projection.

REQUEST TO TRANSFER CABLE TELEVISION FRANCHISE

The Board is principally concerned that there is little room for deviation from the projections before cash flow problems and the potential for operating problems will occur which could result in lowered levels of service in violation of the Franchise Agreement, as well as an inability to pay interest and principal on debt. Mr. Cleary from Chase Manhattan Bank indicated the loans would contain covenants restricting cash being taken out of the system prior to repayment of senior debt. Additionally, he indicated the bank is not inclined to turn off the cable system if the worse situation occurs but will seek to sell the system to another operator.

V. FRANCHISE ISSUES

Mr. Bauce stated he was familiar with the Franchise Agreement and intended to operate the cable system in compliance with the Agreement. The Board identified the following key provisions to Mr. Bauce:

- A. Interactive Services
- B. Franchise Fee
- C. Security Fund
- D. Faithful Performance Bond
- E. Operational Requirements of the PCN including rates, installations, termination and subsequent deeding to MACC.
- F. Construction Requirements relative to new subdivisions, isolated homes, and multiple dwelling units.
- G. Status Monitoring
- H. Quality of Service, i.e. telephone answering, customer service response, and technical specifications.
- I. Community Access

Mr. Bauce indicated he was aware of each requirement and intended to comply with each requirement.

REQUEST TO TRANSFER CABLE TELEVISION FRANCHISE

VI. CONCLUSIONS AND RECOMMENDATIONS

The Board recognizes the entrepreneurial effort Tidel Communications is making to purchase the cable system and the risks involved.

The Board believes based upon the evidence presented that Tidel Communications, Inc. possesses the legal and technical qualifications to operate the system.

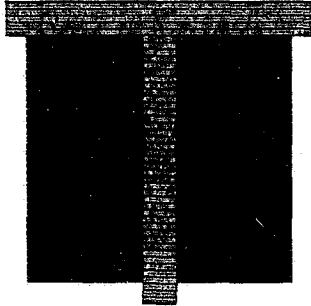
The Board has some skepticism regarding the financial projections and has a degree of concern because 88% of the purchase is being financed with debt, although the weight of the information is not so negative as to warrant the Board challenging the financial ability of Tidel Communications to operate the system. The Board's concerns are tempered somewhat by the ability of Tidel to secure financing at competitive rates from a major lender.

The Board believes it has been diligent in impressing upon the prospective purchaser the requirements of the Franchise Agreement and its attitude of requiring strict compliance.

It further has impressed upon the prospective buyer that compliance with the Franchise Agreement supercedes repayment of interest, principal and dividends.

It has accepted Tidel's statements that Tidel will operate the system under the terms and conditions of the Franchise Agreement.

After careful consideration, the Board recommends the member jurisdictions approve the transfer of the Cable Television Franchise Agreement to Tidel Communications, Inc. from Storer Metro Communications, Inc.



June 30, 1986

Mayor R.B. "Gregg" Meyer
7733 Arbor Glen Court
Wilsonville, OR 97070

Dear Mayor Meyer:

I appreciate the amount of time and effort that you put into your consideration of the franchise transfer from Storer to Tidel. We are eagerly looking ahead to assuming ownership of the cable system serving Wilsonville, and to working closely with you and with the Metropolitan Area Communications Commission.

From now until closing (August 1st), we will be actively engaged in the completion of the Storer acquisition; thus, our availability will likely be very limited. I hope that you will indulge us by understanding if we are unable to attend your July Council meeting.

Once again, thanks for your efforts, and we look forward to a long and mutually rewarding relationship.

Sincerely,

William M. Bauce
President

WMB:bjr

CITY OF



Wilsonville

30000 S.W. Town Center Loop E
P.O. Box 220 / Wilsonville, Oregon 97070-0220
503 / 682-1011

July 2, 1986

Mr. William A. Bauce, President
Tidel Communications, Inc.
4800 S. W. Macadam, Suite 309
Portland, Oregon 97201

Mr. Bauce:

Thank you for your letter of June 30, 1986, pertaining to the franchise transfer from Storer to Tidel.

We understand that you do have a busy schedule and may not be able to be present at the Wilsonville City Council meeting when the transfer matter is presented for approval.

The approval should be imminent and I will inform you of its passage as soon as possible.

We are looking forward to working closely with Tidel to provide our subscribers with efficient and courteous service.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. G. Meyer', with a long horizontal flourish extending to the right.

A. G. Meyer
Mayor

agm:vr