Financing the Case

April 16, 2020

Three Sources of Financing

- Cash on hand
- DIP Financing
- Pacific Northwest Sale Proceeds

Cash on Hand

- Debtors have $777 million of cash on hand.
- Cash is not subject to any DACAs or security agreements.
  - Exception 1 - $50.2 million restricted cash supporting LCs.
  - Exception 2 – Security agreement at Frontier Video Services, but there are no assets.
- $726.8 million of unrestricted cash available in ordinary course of business.

Adequate Protection (Interim Order)

Term
▪ Monthly adequate protection payments at the non-default contract rate for the first liens, second liens, and secured subsidiary debt
▪ Replacement liens on prepetition collateral
▪ Superpriority claims
▪ Payment of certain professional fees and expenses
▪ Payment of interest at non-default contract rate and indenture trustee fees for unsecured subsidiary debt

Frontier COMMUNICATIONS

DIP Financing (Final Order Only)

Term	
Amount	▪ $460 million Revolving Credit Facility
Maturity	▪ Earlier of 12 months or effective date of a plan ▪ Automatic 6 month extension for regulatory approval
Interest Rate	▪ Either: (i) Adjusted LIBOR *plus* 3.25%; or (ii) ABR *plus* 2.25% ▪ Default rate: 2.00% above then-applicable rate
Fees	▪ $16 million paid prepetition
Additional Key Terms	▪ Perfected, superpriority, priming liens on prepetition collateral ▪ No case milestones other than entry of the approval order (38 days) ▪ Full DIP/Exit is available for issuance of LCs.

<u>New Exit Facility</u>

- At Effective Date, DIP Facility automatically converted into a First Lien Revolving Credit Facility subject to the satisfaction of certain conditions
- Interest rate of either: (i) Adjusted LIBOR *plus* 4.00%; or (ii) ABR *plus* 3.00%
- Upfront fee: 1.50%, $2.875 million of the prepetition commitment fees are creditable against the upfront fee
- Undrawn commitment fee: 0.500%

DIP Financing (Final Order Only) (cont'd)

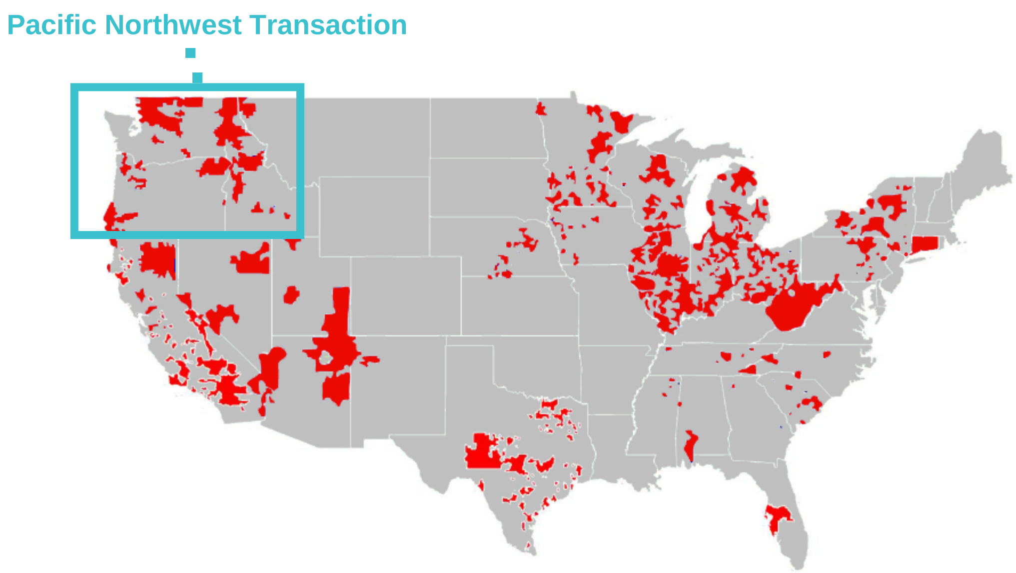
- Key benefits of the DIP financing include:
  - demonstrates lender support for debtors' business operations;
  - provides assurance to Debtors' employees, customers, and vendors;
  - provides much-needed LC capacity to permit Debtors to bid in the Rural Digital Opportunity Fund ("RDOF") action; and
  - convertible to exit revolving facility (with full LC capacity).

DIP Financing (Final Order Only) (cont'd)

- Two key requirements:
  - priming liens on 1L and 2L collateral; and
  - repayment of prepetition revolving credit facility from cash on hand and/or cash from the Pacific Northwest sale at the earlier of:
    - 60 calendar days after closing of the Pacific Northwest sale; and
    - 3 business days after the date on which the debtors receive (i) cash from the Pacific Northwest sale and (ii) court approval of the payoff of the prepetition revolving credit facility.
- Will be addressed at the final hearing on the DIP.

Pacific Northwest Transaction

- On May 29, 2019 the Company entered into a definitive agreement to sell its Pacific Northwest operations and associated assets in Washington, Oregon, Idaho, and Montana for $1.352 billion in cash, subject to certain closing adjustments (the "PNW Sale").
- The Company entered into a transition services agreement with the purchaser to provide various network and support services for a minimum of six months following the transaction closing.
- Through these chapter 11 cases the Debtors seek to assume the definitive agreement and close the PNW Sale.



Pacific Northwest Transaction (cont'd)

Transaction Timeline

- The Company and the Buyer have contemplated a close by month-end to maximize efficiencies of accounting and working capital transactions.
- The Purchaser and the Company are aligned on achieving an April 30 close, as are over 75% of Holders of Senior Notes.
- The Pacific Northwest Transaction is a provision of the Restructuring Support Agreement and must close by May 28, 2020 under the milestones.