

## MEMORANDUM

TO: Pat Shea, CWA  
Sue Gunter, IBEW

FROM: Richard Seltzer and Melissa Woods

DATE: April 15, 2020

RE: Chapter 11 Bankruptcy Filing of  
Frontier Communications Corporation,  
et al., Case No. 20-22476 (RDD)  
(S.D.N.Y.)

Attorney-Client, Work Product,  
Common Interest Privileges

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Frontier Communications Corporation (“Frontier”), and a large number of affiliated companies, filed Chapter 11 Bankruptcy petitions late last night in the Southern District of New York. The case has been assigned to Judge Robert Drain in White Plains. Judge Drain is currently presiding over the *Windstream* bankruptcy, where the CWA is a member of the Unsecured Creditors Committee, and he has been involved in many major bankruptcies involving labor unions, including *A&P* and *Hostess*. This firm has appeared before him in many cases.

The documents in the bankruptcy court and Frontier communications to retirees and employees, some of which are attached, largely indicate that this proceeding will be a relatively quick bankruptcy proceeding focused on a financial restructuring. Attached to the first day declaration of Carlin Adrianopoli,<sup>1</sup> which provides information about the Company and the first day filings, is a Restructuring Support Agreement<sup>2</sup> (“RSA”) and a Restructuring Term Sheet<sup>3</sup> (“Term Sheet”), all of which are attached here. The RSA outlines a pre-arranged Financial

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<sup>1</sup> Declaration of Carlin Andrianopoli, Executive Vice President of Strategic Planning, in Support of Chapter 11 Petitions and First Day Motions (Docket no. 3) (hereinafter referred to as “Andrianopli Declaration”).

<sup>2</sup> Attached to the Adrianopli Declaration at pg. 82 (Exhibit B).

<sup>3</sup> Attached to the Adrianopli Declaration at pg. 127 (Exhibit B to RSA).

Restructuring Plan (“Plan”) that provides, upon emergence from bankruptcy, to reduce the company’s debt by more than \$10 billion dollars and provides otherwise for full payment of unsecured creditors (other than a major restructuring of certain unsecured bondholders’ debt), secured creditors and subsidiary debt holders. Frontier states that it has obtained commitments for \$460 million in debtor-in-possession (“DIP”) financing and has filed a first day motion seeking approval of that financing. It also states that it has \$700 million in cash, therefore, making it sufficiently liquid to meet its ongoing obligations - including employee<sup>4</sup> wages and benefits. Attached is a copy of the debtors’ Wages Motion<sup>5</sup> which specifically requests authorization, but not direction, to: (a) pay prepetition wages, salaries, other compensation, and reimbursable employee expenses, and (b) continue employee compensation and benefits programs in the ordinary course.

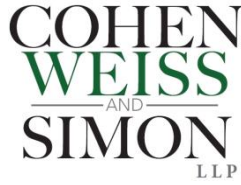
The filed Term Sheet more closely aligns with the Company’s draft term sheet filed with recent, pre-bankruptcy SEC filings than publicly filed draft term sheets of bondholder groups filed at the same time; those bondholder term sheets took a far more aggressive approach towards the pension plan, retiree benefits, and union contracts. However, there are a few references in the RSA and attached Term Sheet that mention potential negotiations with “any labor union.” For example:

- Debtor has committed to “confer and consult with the Required Consenting Noteholders with regard to material decisions in respect of negotiations with the IRS, the PBGC, or any labor union.” (Exhibit B, § 7(e), at pg. 100).
- Debtor has committed not to “take, adopt, or implement any material action or position with respect to . . . any labor union . . . other than in the ordinary course of business . . . inconsistent with the Restructuring Term Sheet.” (Exhibit B, Schedule 7.02(i)(6), at pg. 121).
- “The Company Parties and the Consenting Noteholders shall confer regarding potential cost savings and concessions under the Company Parties’ pension/OPEB plans and determine in good faith whether to pursue further concessions; provided, that from and after the RSA Effective Date, the Finance Committee of the Board, in consultation with the Required Consenting Noteholders, shall be charged with overseeing and making decisions on behalf of the Company Parties with respect to any negotiations regarding the “freeze” of the Company Parties’ pension/OPEB plans.” (Term Sheet, Pension/OPEB, at pg. 134).

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<sup>4</sup> The workforce is described as follows: 17,700 total employees of which 13,200 are hourly, 4,500 are salaried and 12,400 are represented.

<sup>5</sup> Attached to the Adrianopli Declaration at pg. 63 (Exhibit A).



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We will carefully monitor the proceedings and report any indication that the Debtors are considering seeking relief in relation to the pension plan or OPEB. In this context we have reached out to the PBGC and will stay in touch with legal counsel there.

We note that the Term Sheet contains outlines of Key Employee Incentive/Retention Plans (“KEIP” and “KERP” respectively) and a Management Incentive Plan (“MIP”). These two types of plans are different in that the MIP is a “post-emergence management incentive plan” paying out 6% of the total equity value of Reorganized Frontier, provided that up to 50% of the fund may be allocated prior to the effective date of the Plan Effective Date. No formal motion to approve either of these plans has been filed.

The debtor has proposed an expedited schedule and milestones, in the RSA, with the following timeline: (a) filing Plan of Reorganization and Disclosure Statement by May 14<sup>th</sup>; (b) Order approving Disclosure Statement entered by July 14<sup>th</sup>; (c) Order confirming plan of reorganization entered by August 15<sup>th</sup>; and (d) an Effective Date of a Plan of Reorganization no later than April 14, 2021. The schedule, through a Confirmation Order, is relatively tight.

A first day hearing has been set for tomorrow, April 16<sup>th</sup>, at 2 p.m., where Frontier will seek at least interim approval of many of the motions it has filed. In addition, the United States Trustee has requested the submission of applications for appointment to the Official Committee of Unsecured Creditors by April 22<sup>nd</sup> at noon.

Let us know if you have any questions. We will keep you informed of major developments.