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RESEARCH & ANALYSIS OF RAINIER CONNECT'S TRANSFER OF CLICK! IRU TO PALISADE INFRASTRUCTURE

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OVERVIEW & SUMMARY

Given changes in the broadband market, Tacoma & TPU are potentially well-served by the transfer of ownership

- Alphaboost/Palisade represents a stable, resourced new lessee for the Click! assets.
 - Experienced CEO, located in metro area
 - Potential for investment in marketing, growth, & infrastructure upgrades to enable further community benefit from Click!
- The transfer is consistent with the Click! policy goals as adopted by the TPU Board & Tacoma City Council. The IRU commitments provide robust protection for the goals, and though Palisade is not a local company, it appears committed to continuing management of the network locally, with local staff. As a result, the transfer could improve the network's financial stability & safeguard the City & TPU's long-term use of the network.

1. BACKGROUND: CHANGES IN THE STRUCTURE OF THE BROADBAND MARKET & INVESTMENT ENVIRONMENT

CHANGES IN THE BROADBAND MARKET STRUCTURE SINCE THE IRU WAS SIGNED

Investment in broadband infrastructure has increased considerably, but with uneven distribution across communities

- Perceived value of assets & infrastructure used to provide reliable broadband to households changed due to increased dependence on broadband
- Increased private investment in fiber-to-the-premises network assets by both incumbent telcos & private equity-backed new entrants
- Competitive threat from fiber providers has forced cable companies to accelerate their network upgrade plans

RAINIER CONNECT'S COMPETITIVE POSITION

Successful partnership to date will require investment over time

- Partnership has been successful
 - Achieved the 12 policy goals & upgraded the Click! to DOCSIS 3.1
- Will need investment to keep up with the parts of Comcast's network being upgraded to DOCSIS 4.0, & CenturyLink/Lumen's network upgraded to FTTP
 - Absent new investment, market share likely to erode over time
- Brian Haynes, President & CEO, reports that Rainier Connect would need additional funding to upgrade to the latest technology & remain competitive
 - Chose Palisade Infrastructure based on willingness to invest long term & track record of working with community stakeholders

2. BACKGROUND REGARDING PALISADE INFRASTRUCTURE

PALISADE INFRASTRUCTURE'S OPERATIONS & RESOURCES

Financial qualifications

- 15-year history investing in energy & transportation infrastructure in Australia & New Zealand
 - Serves institutional & wholesale investors; investment mgr. for Australian pension funds
- As of 2022 annual report, had \$2.3 billion USD under management
 - Real assets in Australia, incl. ports, airports, hospitals, light rail, wind & solar farms
 - Mixed record of longterm ownership of assets (10+ years)
- Only investment in retail ISP was in 2022 for Australia-based GigaComm
 - “Digital equity” alternative to Australia’s public National Broadband Network
- Rainier Connect is Palisade Infrastructure’s first investment in the U.S.
 - Opened offices in NY in September 2022, immediately following Inflation Reduction Act became law the previous month

PALISADE INFRASTRUCTURE'S OPERATIONS & RESOURCES

Managerial qualifications

- Attempting to retain as much of Rainier Connect's existing management & staff as possible
 - Recognizes talent skilled in fiber deployment & operation will be hard to find when funding from IJA hits market
- Hired industry veteran to guide investment in Rainier Connect: Anand Vadapalli
 - Former CEO & President, Alaska Communications
 - Former board chair, USTelecom
 - Currently board member, Windstream
 - Prior sector experience includes Valor Telecom, Network Telephone, Cincinnati Bell/Broadwing; SDC Capital Partners
 - Based in Issaquah