



By: Stephen Elliott

9/14/2017

Google Fiber subcontractor files for bankruptcy

'Slow rollout' of internet service contributed to Nashville company's problems

A Nashville-based subcontractor for the company helping Google Fiber with the build out of its high-speed internet service has filed for Chapter 11 bankruptcy, claiming changes in the telecommunications industry and the "slow rollout of Google Fiber" contributed to growing debts.

The company, Phoenix of Tennessee, reported assets of between \$100,000 and \$500,000 in a filing last week, with liabilities between \$1 million and \$10 million, the largest of which is a \$514,000 disputed debt to a Philadelphia lender for equipment rental. The company had completed work for Bechtel Infrastructure and Power Corp., the global construction company helping Google install its infrastructure. Bechtel planned to lay off approximately 70 employees in Nashville earlier this year, as Google said much of their work was complete.

Alex Payne, a member at Dunham Hildebrand who filed on Phoenix's behalf, said in a statement that Phoenix took on debt in anticipation of growth.

"Phoenix tried for most of 2017 to find a solution outside of bankruptcy — it pared down its staff and payroll, terminated contracts that were operating at a loss, and its ownership sold non-Phoenix properties in an attempt to pay down the debt," Payne said in the statement. "While these changes helped Phoenix to improve its operational efficiency and limit the damage from its debt crunch, it came to the point early in September where Phoenix finally decided that it needed the breathing spell provided by the Bankruptcy Code."

The company is also working with financial consultants Tortola Advisors on a restructuring. Phoenix is helmed by President Kyle Waites, whom Tortola principal Steve Curnutte praised for fighting hard "to exhaust every possible alternative."

"Phoenix's need for a reorganization is not the fault of Google Fiber and not the fault of Bechtel — it is just a tough business and a tough circumstance," Curnutte said. "Rock under Nashville is harder than rock under a lot of other cities — even with some of the micro-trenching that Phoenix is doing, Nashville is a tough place to deploy fiber."

According to Payne, Phoenix received approximately \$4 million in purchase orders from telecommunications clients in 2013. In anticipation of the installations, which were to be in at least

five states, Phoenix opened offices in Texas, Florida, Arizona, Louisiana, Georgia and Kentucky, hired new employees and purchased equipment.

“Essentially, Phoenix invested and incurred debt on the front-end in order to prepare for the contract demand, in anticipation of breaking even — and ultimately profiting — once the jobs were completed,” Payne added. “However, by mid-2014, both clients had cancelled their orders due to changes in the market and technology.”

Phoenix had banked on new work from the Google Fiber rollout “as a way to help resolve the issues created by the 2014 cancellations.”

The company installed several Fiber Huts, but the slow rollout of the infrastructure added further to the company’s debt load, according to the attorney. Google Fiber was in part slowed by opposition from competitors AT&T and Comcast, which **sued the Metro Nashville government** over the industry newcomer's installation practices. (Comcast officials countered that they have worked diligently with Google in Nashville and have not attempted to slow them down.)

“This, combined with an overall downturn in the telecomm construction market, has created a situation where Phoenix was capable of supporting either its ongoing operations or its long-term debt, but not both at the same time without a restructuring,” Payne added.

The company intends to complete all of its current contracts but will examine upcoming contracts as it undertakes a reorganization.