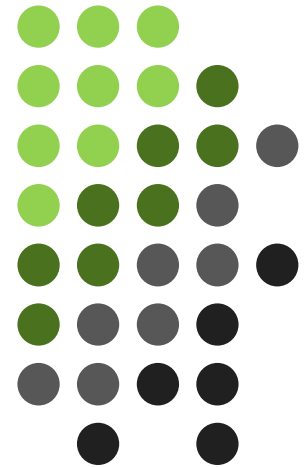


Burlington Telecom

Sale Process History & Timeline



Background



- **December 2009**

City Council created the Blue Ribbon Committee on Burlington Telecom

- Assess the viability of BT
- Assess the financing options for BT, including sale

- **February 2010**

Blue Ribbon Committee Report Issued

- Recommended developing a restructuring strategy to achieve 3 basic objectives
 - Continue to allow Burlington residents + businesses to benefit from the investment
 - Allow BT to continue to operate under new governance and ownership
 - Provide a long-term opportunity for the City to realize a return on its investment in BT

- **March 2010**

Dorman & Fawcett, a VT restructuring firm, asked to advise the City on BT

- **September 2010**

Dorman & Fawcett (D&F) becomes the Manager of Burlington Telecom



Settlement with Citibank

- Following the stabilization of BT's finances and operations, the City moved to settle litigation with Citibank.
 - Citibank sought \$33 Million in damages against the City
- Settlement with Citibank reached in early 2014 was contingent on the assumption of a future sale of BT to a private entity
- Settlement facilitated by interim financing from Bluewater Holdings
 - City conveyed the assets of BT to Bluewater for \$6 Million
 - City leased the assets back to continue to operate BT
- The financing enabled the City to settle the Citibank litigation
- Settlement also eliminated the City's ability to be sole owner in the future



Agreement with Bluewater

- Bluewater Holdings LLC is a local holding company, financed by a local bank - Merchants Bank
- Dorman & Fawcett engaged to continue to operate BT
- Under the agreement, January 2, 2018 is the deadline for the City to:
 - Optimize its share of proceeds from the sale
 - Find a qualified purchaser for BT subject to Public Service Board approval
 - Direct a sale to that purchaser



Development of Sale Criteria

- **September 2015**
City Council approved the process recommended by the BTAB for developing sale criteria to evaluate prospective partners for BT
 - Public education meeting held in October, + three additional meetings to accept public input in Nov/Dec, chaired by David Provost, BTAB chair
 - City also made an online survey available to accept public comment
 - BTAB discussed and finalized criteria in January and February 2016
 - Final public forum held in February 2016 to present recommendations prior to presenting to City Council for approval
- **March 21, 2106**
BTAB presents criteria to City Council
- **April 25, 2016**
Resolution for the Adoption of Criteria for Sale of BT unanimously approved

Burlington Telecom Sale Process



● **Timing**

March - October 2017

● **Process**

Focused on those potential partners likely to meet key criteria, rather than an auction.

● **Advantage**

Focus on the “right” partner rather than all possible partners.

● **Disadvantage**

May not reach every interested party.

Timeline



January: Agree sale process and timeline to forward to City Council.

February

March

April/May

- City Council to approve timeline and process.
- Finalize list of potential interested parties.
- Complete Virtual Diligence Site.

- Launch Sale Process

- Initial diligence & meetings with Burlington Telecom

June

July

September

- Offer Deadline (June 1)
- Discussions w/ potential finalists (June 15-30)
- BTAB Review & Recommendation (June 30)

- City Council Finalist Presentations
- Finalist Detailed Diligence
- City Council Approval (July 31)

- Legal Document Subject to PSB Approval (Sept 29)

OCTOBER 9: Council Approval to Forward to PSB for Approval
Bluewater Agreement provides for an additional 80 days of flexibility

Process - Deliberative



- Flexible timeline within reason
- Likely fewer but more qualified candidates
- Allows more “in depth” probing
- BTAB criteria used to determine outcome
- More focused on potential partners likely to meet criteria

Deliberative Process Advantages



- Possibly less negative to business momentum
- Enables greater focus on those most likely to meet key criteria
- More flexibility in decision timing to consider and find the right partner
- Longer, possibly less intense process
- Will likely attract one or more serious offers from those who would be absent from a formal process
- Focused on “the right partner” rather than all partners

Deliberative Process Disadvantages



- May not reach all interested parties
- Longer timeline may adversely impact business momentum

Alternative Process - Formal



Timing

- More concentrated, less flexible
- 15 June – 15 September

Process

- Widely publicized
- Time Limited
- Anyone can participate
- BTAB criteria used to determine outcome

Advantage

- Reaches widest possible audience of bidders
- Clear “for sale” sign on BT
- Shorter more intense process
- Finite timeline

Disadvantage

- Several bidders may not meet criteria
- Some serious bidders may not participate
- May not be optimal for city consideration and approval
- Highly distracting for BT Management
- Current BT business momentum may stall

Next Steps



- City Council approval of process and timeline (Feb)
- Completion of Virtual Diligence Site for initial and second phase of diligence. (by Feb. 28)
- Finalize list of potential interested parties. (Duration of Feb.)
- Launch sale process (Mar. 1)
- Review progress with BTAB monthly