

LAW OFFICES
McNEIL, LEDDY & SHEAHAN
A PROFESSIONAL CORPORATION

JOSEPH C. McNEIL (1919-1978)
JOSEPH E. McNEIL
JOHN T. LEDDY
NANCY GOSS SHEAHAN
WILLIAM F. ELLIS
SUSAN GILFILLAN
JOSEPH A. FARNHAM
KEVIN J. COYLE*
KIMBERLEE J. STURTEVANT
COLIN K. McNEIL

(*ALSO ADMITTED IN N.Y.)

271 SOUTH UNION STREET
BURLINGTON, VERMONT 05401

TELEPHONE
(802) 863-4531

TELECOPIER
(802) 863-1743

November 1, 2010

Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street – Drawer 20
Montpelier, VT 05620-2701

Re: Petition of City of Burlington d/b/a Burlington Telecom to amend Condition No. 17 of its Certificate of Public Good, enlarging the date by which it must complete its system build out
Docket No. 7044

Dear Sue:

Paragraph 10 of the Board's Order in the above-referenced matter dated October 8, 2010, requires the City of Burlington d/b/a Burlington Telecom ("BT") to file a report on October 31, 2010, and every two months thereafter, "detailing its progress in curing or resolving violations of the CPG, which reports should address with specificity the status of negotiations with its lender, any developments in finding a private investor in or buyer for the network, and other efforts to cure or mitigate the violations of the CPG and the effects thereof." Docket 7044, *Order on Motions and Cross-Motion for Partial Summary Judgment*, 10/8/10 at 33. Please consider this letter as BT's initial progress report as required by Paragraph 10.

By way of background, in March 2010, acting on the recommendation of the Blue Ribbon Committee on Burlington Telecom, the City retained the services of the financial consulting firm Dorman & Fawcett ("D&F"). D&F's initial charge was to assess BT's operation and advise/assist with a financial restructuring plan. As part of this initial phase D&F made operational improvements at BT and prepared a detailed business plan for Fiscal Year 2011. Upon BT General Manager Chris Burns' resignation in August 2010, D&F assumed the interim General Manager role at BT. D&F's success in reforming BT's operations and management is reflected in part by the fact that BT's reliance on the City's pooled cash management system for cash flow purposes has decreased sharply.

In addition to working on BT's operations and management, D&F also has been charged with negotiating with CitiCapital Municipal Finance and CitiBank, N.A. ("CitiCapital"), the holder of the City's Master State and Municipal Lease/Purchase Agreement dated August 9, 2007 ("Lease Agreement"). The Lease Agreement is subject to annual appropriation for the lease payments by the City Council, meaning that if the City Council does not approve a budget containing an appropriation for the lease payments for the next fiscal year, the Lease Agreement terminates. On June 28, 2010, the City and CitiCapital entered into an agreement to continue

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good faith negotiations through September 30, 2010. The forbearance period was subsequently extended to October 29, 2010.

Beginning in June and continuing through to the present, D&F has had direct discussions with CitiCapital officials and their attorneys. Those discussions concerned restructuring the Lease Agreement. There has been recent communication between D&F and CitiCapital and both sides are trying to work through this difficult situation. The City is hopeful a meeting will occur this week.

As the Board is undoubtedly aware, the negotiations between the City and CitiCapital are highly sensitive, and D&F has repeatedly impressed upon City representatives the need to keep the negotiations confidential. The City has attempted to heed the advice of its consultant. The City was taken aback when it learned the Commissioner of the Department of Public Service injected himself into the middle of these negotiations without any advance warning or discussion with the City. Not only did the Commissioner's letter contain erroneous information (the City is not in default of the Lease Agreement as he states), it was not helpful to and could hamper the negotiations. The City respectfully requests the Board to implore the Commissioner to work with and through the City to obtain any information deemed necessary from CitiCapital in the future.

Please let me know if the Board needs anything further in this regard at this time.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Ellis". The signature is fluid and cursive, with the first name "William" and last name "Ellis" clearly distinguishable.

William F. Ellis

WFE/

cc: Docket 7044 Service List