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November 23, 2010

(\*ALSO ADMITTED IN N.Y.)

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:

Condition 5 of the City of Burlington d/b/a Burlington Telecom's ("BT's") certificate of public good issued in the above-referenced matter on September 13, 2005 ("CPG") requires the City of Burlington ("City") to notify the Board and the Department of Public Service "if a Lessor invokes, or provides BT notice of, one or any combination of remedial steps in a lease of equipment used in, or required for, the regulated public service operations of BT." Please consider this letter as an update on the status of negotiations with CitiCapital Municipal Finance and CitiBank, N.A. ("CitiCapital") and the notice required by Condition 5 of the CPG.

Representatives of the City and CitiCapital met in Boston on Monday, November 15, 2010. The meeting revolved around CitiCapital representatives' unwillingness to accommodate or accept the Board and Vermont Superior Court Orders prohibiting the use of non-BT funds for payment of the CitiCapital lease. CitiCapital representatives also underscored their unwillingness to set a restructuring precedent with the City of Burlington that would redound to their and the industry's detriment, if other municipalities took actions similar to Burlington. CitiCapital's refusal to consider the City's proposal for restructuring the Lease Agreement appears also to be influenced by the belief that a "higher authority" will somehow find the money to make the payments "at the 11th hour" if they remain steadfast in their demand for the leased equipment to be returned. CitiCapital is relying on the stated provisions of the Lease Agreement that upon an event of non-appropriation, the City is to "peaceably deliver" the equipment to CitiCapital.

As it appeared CitiCapital's representatives are relying at least in part on news accounts for certain of their information, the City provided supporting documentation showing CitiCapital that it is presently enjoined by the Chittenden Superior Court, Civil Division from expending non-BT funds for payments to CitiCapital absent approval by the Board, and the Board's Orders, including the Orders entered 2/16/2010 and 10/8/2010, that do not allow the use of non-BT funds to support BT. The City made an interim proposal consistent with the legal restrictions on the use of City funds that included returning to the Legislature to reconsider the existing statutory restrictions. CitiCapital remained dismissive of the legal restrictions on the use of City funds and asserted that the City had an absolute obligation to make the scheduled lease payments as set forth in the Lease Agreement, notwithstanding any Court or Board Orders and despite the non-appropriation provision of the Lease Agreement.

CitiCapital did agree to an accommodation period to allow continued use of its equipment on the condition that the City made minimum monthly rental payments of \$311,000, which is well above market rates and beyond BT's cash resources. The restructuring proposal presently before CitiCapital provides regular and recurring monthly payments without utilizing non-BT revenue. Moreover, it provides CitiCapital substantial upside in a format that addresses their concern about setting an industry precedent.

Given CitiCapital's position and the lack of authority to utilize non-BT revenues to make payments to CitiCapital, the City intends to abide by the terms of the Lease Agreement. The City agrees with CitiCapital that the failure to appropriate funds for FY 2011 scheduled lease payments has resulted in termination of the Lease Agreement, and it is now the City's obligation to return to CitiCapital the equipment financed there under as soon as practical. The City presently is researching several options so that it can continue to provide the high quality of service its customers have come to expect. These options include the purchase of replacement equipment, which will allow the CitiCapital equipment to be de-installed and returned, as well as potential partnership opportunities consistent with the City's obligation to propose a cure to the Board. BT is committed to providing continued service to the residents and businesses in the City of Burlington.

Condition 4 of the CPG and 30 V.S.A. §505 requires Board approval prior to BT abandoning all or any part of its facilities if it would effect the abandonment, curtailment or impairment of service. It is not the City's intent to curtail service however, any transition from CitiCapital's equipment to replacement equipment has the risk of impairment of service. For this reason, the City requests the Board to schedule a status conference at its earliest convenience for the purpose of discussing these latest developments and establishing a process for addressing the requirements of Condition 4 of the CPG and 30 V.S.A. §505.

Susan M. Hudson, Clerk  
November 23, 2010  
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Thank you for your continued assistance in this matter.

Very truly yours,

A handwritten signature in cursive script that reads "William F. Ellis". The signature is written in dark ink and is positioned above the printed name.

William F. Ellis

WFE/

cc: David O'Brien, Commissioner  
Geoffrey Commons, Special Counsel