

Open Session

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GTS Interim Agreement

Presentation to Southside Network Authority Board, October 14, 2022

Signposting

- We are in the concluding stages of the Detail Phase, preparing to enter the Interim Phase, if we so desire.
- Detail Phase: A time to figure out what you agree on, and what you don't. General deal points—suss out big conflicts. Discussion of contingencies and general focusing on risk points.
- Interim Phase: A time to run down contingencies, negotiate the fine points, and draft the governing documents for the long term.



Most Important General Deal Points

For Authority

- \$2m a year in base revenue
- Maintenance of ring by GTS/SCC
- 2% of gross “net” revenues of GTS/SCC’s system built out from the ring in Years 1 thru 5, 3.5% in years 6 thru 10, and 5% for all subsequent years
- Non-speculation clause
- Insight into financials of system, partial control over strategic plan
- Formula for pricing of subsequent takedowns of dark fiber

For GTS/SCC

- 96 strands of fiber for 20 years, option to purchase more triggered at 60% of strands leased
- Initial 18-month exclusivity; if GTS/SCC is meeting goals, exclusivity vests for 5 years
- Ultimate control of business decisions of single purpose entity (SPE)
- Timeline for construction completion
- SNA will support potential grants identified by consortium to support system

Interim Agreement Process

- Schedule and hold public hearing.
 - Non-confidential portions of text of Interim Agreement will be made public.
 - Public will be invited to Board of Directors meeting to comment.
 - Staff will advertise.
 - Friday, November 11?
- Waiting period.
 - Following PH, need to wait 30 days to approve and sign the Agreement.
 - Next Board meeting is December 9—do we want to move a meeting date to make this work?

Next Step—Comprehensive Agreement

- We're not locked into this deal yet—but both of us are sinking significant effort into every step of the way.
- Detailed business terms
 - Development of strategic plan
 - Gross “net” revenue sharing
 - Metrics for achievement of commercialization plan
- Formation of the SPE
- Drafting of long-term O&M agreement