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REAL-WORLD PUBLIC-PRIVATE PARTNERSHIP STRATEGIES



Risk & Reward Matrix for PPPs

ncreasing Risk

Decreasing Risk

- Scenarios are not a core competency
- Friction created with competitive markets
- Partnerships are not mutual in terms of risk/reward
- High risk in technology and operations
- Status quo, no risk, no reward
- Negative outcomes of doing nothing to community's longterm goals

Negative **Scenarios**

Decreasing Reward

Do **Nothing** Scenarios **Opportunity** Based **Scenarios**

Increasing Reward

Scenarios

- Leverage current capabilities
- Shift some risk to partners
- Revenue participation is proportional to capital contributions

Optimal

- Leverage current capabilities
- Eliminate risk and shift to partner
- Realize operational benefits from partner deployments and some revenue participation

- Don't release an RFI until you've done your homework
- You only have one opportunity to attract providers
- Don't just ask providers to "come and build it"
- Feasibility study is CRITICAL
 - Document your assets
 - Understand your goals, know your options
 - Develop your "ask"
 - What's negotiable and not negotiable
 - Define how you will measure success

- Still an emerging field, business models are developing
- Every business model is different
- Flexibility is key as the environment changes
- You must have strong deal-making partners
 - Know the business of broadband and have lived it
 - Experts at project finance
 - Capable of marrying public and private interests

- Negotiation points for partnerships
 - Early term sheet development
 - Roles and responsibilities
 - Clearly defined deliverables from each partner
 - Funding sources and amounts
 - Triggers to release capital
 - Contingencies on funding
 - Binding letters of intent and agreements

Who Are the Private Partners?

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Current Operators

(Incumbents,
Competitive Providers,
Startups)

Broadband Developers

(Collection of Partners to Build, Operate & Maintain)

Broadband Financiers

(PE Funds, Municipal Leasing)

9-12 Month Timeframe

Select the **Short List** Document Determine Release Issue Your Most Determine Feasible Your Top & Prepare Your Ask Your RFP Term Sheet Responsive Your Assets Scenarios **Providers** Bidder

9-12 Month Timeframe

Complete Execute Negotiate Conduct Due Design Meet Uptake Acquire Begin Definitive Deal Points Thresholds Diligence Engineering & Funding Construction Agreement Contingencies

- Rural community north of San Diego
- Low density, challenging terrain
- 2,000 homes, 150 businesses
- Wealthy demographic, yet unreliable broadband services
- DSL, cable, wireless & dialup
- Minimal investment from current providers

- Partnership Development
 - Initial feasibility study conducted
 - Needs assessment & goal setting
 - Technical design & service requirements
 - Financial feasibility & funding required
 - Option development and consensus building
 - Privately-owned, community-owned, partnership
 - Provided the feasible options and recommended approach based on the community's requirements

- RFP Release
 - Identified terms and conditions upfront
 - 8 companies participated
 - 3 shortlisted
 - Term-sheet developed and "ask" was well defined
 - Most responsive provider selected
 - Competitive national FTTH provider

- Partnership Goals
 - Make RSF the most connected community in the US
 - Allow RSF to participate in the project
 - Funding
 - Partial control over services
 - Long-term rates
 - Types and packages
 - Quality and performance
 - Payback on investment
 - Ongoing return



www.magellan-advisors.com



888.960.5299



gig@magellan-advisors.com



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