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Project Freebird

Organizational materials | July 2019



Key process deliverables timeline

Summary overview of near-term deliverables

Key deliverable	Description	Due date	Responsible party(ies)
Deliverables in next two weeks			
Draft Invitation to Negotiate ("ITN")	<ul style="list-style-type: none"> Build consensus on approach and receive sign-off from the Company, counsel and financial advisors How broad or narrow do we want the ITN to be? How specific are the process goals? 	July [19], 2019	Company, Foley, JPM, MS, Pillsbury
Preliminary financial analysis	<ul style="list-style-type: none"> What will Board require in order to approve ITN and what would be the minimum requirements? 	July 22, 2019	Company, JPM, MS
Secure approval to hire regulatory consultant, IE and market consultant	<ul style="list-style-type: none"> Draft RFP for IE, market consultant and regulatory consultant 	July 22, 2019	Company, JPM, MS
Prepare list of ITN-related info / DD / tables / numbers that need to be prepared and verified and assign responsibilities	<ul style="list-style-type: none"> Initial review of a comprehensive DD list to ensure that any major items that do not exist are in process Prepare script / talking points for post-board meeting individuals 	July 22, 2019	Company, JPM, MS
Deliverables in next eight weeks			
Begin Discussions with Florida Public Service Commission ("PSC") (if possible)	<ul style="list-style-type: none"> Counsel to confirm whether ITN would allow for direct discussions between Company & advisors in the shade or potential ways to facilitate that conversation Can rate base be pre-determined via discussions with regulators and if so, how long will that process take? 	Late July	Company, JPM, MS, Foley, Regulatory Consultant
Finalize NDA	<ul style="list-style-type: none"> Sign-off on document from management and legal counsel 	Early September	Company, Foley, Pillsbury
Ongoing workstreams			
CIM	<ul style="list-style-type: none"> Prepare marketing materials 	October	Company, JPM, MS
Phase I Financial Model	<ul style="list-style-type: none"> Finalize Phase I Investor Model 	October	Company, JPM, MS
Due Diligence / Populate Data Room	<ul style="list-style-type: none"> Populate data room with key documents 	December	Company, Foley, JPM, MS, Pillsbury

A broad process should be utilized to explore all potential opportunities for [Client]

- Optimizing customer rates; providing affordable electric, power and water to customers at rates that are equal to or lower than current forecasts
- Maintaining reliability; upholding [Client]'s standards of excellence for system safety and reliability
- Value maximization; providing highest potential proceeds to the City
- Clean energy development; managing the transition to renewable power sources to meet the state of Florida's environmental goals
- Commitment to employees; maintaining the jobs and benefits of [Client] employees
- Technological innovation; developing solutions to enhance the [Client] customer experience

Process description

- Conduct ITN / RFQ process to evaluate indications of interest
- Distribution of descriptive memorandum and preliminary bids in 1st round and management presentations and binding bids in 2nd round
- Contact broad universe of potential Counterparties

Process pros

- Highest probability of achieving all process objectives
- Competitive tension maximized
- Best test of market price
- Seller negotiating leverage and process control maximized
- Public announcement / disclosure through ITN may reveal other Counterparties or alternatives not previously considered

Process cons

- Some Counterparties may decline to participate in a publicly announced "auction" process

When appropriate

- Maximizing value is high priority
- Structural considerations are key
- Numerous potential Counterparties and limited clarity on who will be the most aggressive Counterparty

Overview of key process documents

Document	Description
Pre-launch	<ul style="list-style-type: none"> ■ Preliminary materials made available to broad universe ■ Public, descriptive information regarding the opportunity and [Client] objectives ■ Designed to generate initial interest and feedback
Round 1	<ul style="list-style-type: none"> ■ Identifies all ITN respondents ■ Tracks interactions with and feedback received from potential ITN respondents in detail ■ Typically included with distribution of teaser ■ Interested parties required to execute in order to gain access to confidential information and participate in the process ■ Includes extensive private information on the company including but not limited to business overview, historical and projected financials, customer information and regulatory details ■ Only distributed to qualified Counterparties who have executed a NDA and passed ITN screening criteria ■ Typically prepared by an independent third party to review the [environmental and/or engineering considerations] of the business, as well as views on base rate and returns
Round 2	<ul style="list-style-type: none"> ■ Organizes all diligence requests from potential Counterparties and subsequent responses ■ Facilitates the due diligence process ■ Presentation made to Counterparties by management ■ Often accompanied by a site visit / tour of critical facilities ■ Exhaustive record of all reports / data included in the electronic data room ■ Facilitates the due diligence process ■ Sale contract and associated disclosures ■ Instructions given to Counterparties on expected process, timing and requirements for participating ■ Clearly outline expectations for potential Counterparties ■ Typically distributed at each stage of the process

Preliminary key process responsibilities

Overview

	[Client]	J.P. Morgan / Morgan Stanley	Additional advisor(s)
Draft ITN		✓	-
Compile relevant data	✓		-
Direct any future Counterparty discussions to J.P. Morgan and Morgan Stanley	✓		-
Determine / screen potential Counterparties	✓	✓	-
Solicit data room provider through competitive process		✓	-
Prepare and distribute NDA for potential Counterparties	✓		Legal Counsel
Develop pre-marketing materials & set up meetings with technology firms [TBD]			
Develop / refine financial model	✓	✓	-
Draft CIM and first round bid letter		✓	-
Prepare PSA and associated schedules / agreements			Legal Counsel
Negotiate NDAs	✓		Legal Counsel
Distribute CIM and initial bid instructions		✓	-
Prepare management presentation	✓	✓	-
Prepare and review electronic data room	✓	✓	Legal Counsel
Interface between Counterparties and [Client]		✓	-
Review first round bids and confirm selected parties for second round	✓	✓	-
Counterparty Q&A and "deep-dive" due diligence / distribute PSA	✓	✓	-
Management presentations / site visits	✓	✓	-
Prepare final bid process letter	✓	✓	Legal Counsel
Evaluate final bids	✓	✓	-
Negotiate final terms / PSA	✓	✓	Legal Counsel

Potential Counterparty universe

- ITN screening process – designed to:
 - Identify process participants that have the financial and operational wherewithal to make a reasonable proposal
 - Eliminate parties that do not have serious intentions or wherewithal to make a reasonable proposal
- Key criteria
 - Minimum level of financial capability (i.e. clear and reasonable source of funding)
 - Minimum level of operational experience (i.e. comparable experience owning and operating a large and complex business operation)
 - Potential differentiating factors (financial, operational, technological or otherwise)
- Communications with potential counterparties
 - Identify appropriate contact at each counterparty
 - Communicate attractiveness of potential opportunity and indicate flexibility regarding potential partnership
 - Maintain ongoing, close communication with key decision maker(s) throughout process
- Counterparty types
 - Domestic strategics
 - Canadian strategics
 - International strategics
 - Infrastructure funds (including sovereign wealth funds and pension funds)
 - Private equity
 - Technology companies
 - Oil and gas companies
 - Partnerships & consortiums

Agenda

1 Appendix

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Illustrative data room index

Illustrative data room index

Category	Document/Title
Corporate/Organizational Docs	
1.0	
1.1	Charter and Bylaws
1.2	Shareholder and Board Meeting Minutes
1.3	Voting agreements (proxies, etc.)
1.4	Organizational chart
1.5	Directors and key management
1.6	Sponsor ownership details
1.7	Geographical operating areas
1.8	Organizational charts and policy manuals
1.9	Press clippings and releases
Employment and Benefits	
2.0	
2.1	Current employee information
2.2	Outside affiliations
2.3	Current independent contractors or agency workers
2.4	Independent contractors
2.5	Terminations
2.6	Termination policies
2.7	Non-disclosure, non-competition, and assignment of copyright/invention agreements
2.8	Employment agreements (including signed offer letters), sales agreements or arrangements, copies of expatriate agreements and policies, summaries of oral offers, collective bargaining agreements, and arrangements with works councils
2.9	Labor disputes against the Company
2.10	Employee complaints
2.11	Documentation relating to employee performance problems
2.12	Worker's compensation claims
2.13	Bonus or special compensation granted
2.14	Qualified and Nonqualified Retirement, Profit Sharing, ESOP, Health, Welfare, Severance, Change of Control, Fringe Benefit, and Deferred Compensation Plans covering employees, former employees, retirees, directors, officers or consultants (or, if an LLC, managers)
2.15	For each plan which is currently or was formerly in place:
2.16	Plan documents (including amendments) for bonus and incentive programs
2.17	Correspondence with or approvals from regulatory or taxation authorities "top hat plan" notices filed with the U.S. Department of Labor
2.18	Compensation guidelines and structure for hiring and for performance reviews
2.19	Summary policies on vacation, sick leave, sabbaticals, holidays and an analysis of accrued leave for all employees
2.20	Company employee and/or personnel manual or handbooks
2.21	Renegotiations to union agreements and outline of contingency strike plans

Illustrative data room index (cont'd)

Illustrative data room index

Category	Document/Title
Sales and Marketing, Services, and Support	
6.0	
6.1	Organization chart for Company's sales and marketing organizations, including the physical location, title, job description, and compensation of each sales or marketing employee, contract employee, or outsourced vendor not already provided
6.2	Customer satisfaction metrics and results (from past two reporting periods)
6.3	List of partners with responsibilities, entitlements and type (e.g. distributors, business partners, VARs, OEM, etc.)
6.4	Provide the following information for the sales organization for the current fiscal year—revenue by customer segment (enterprise, small & medium, consumer, other), revenue by vertical industry, revenue by geography and territory, revenue by direct vs. indirect channels and performance against targets
6.5	List of systems and tools used to manage and support sales employees, partners and their customers
General Financial Information	
7.0	
7.1	Audited financial statements for Company (including income statements, cash flow statements and balance sheets) and any subsidiaries
7.2	Detailed budget (including income statements, cash flow statements and balance sheets)
7.3	Detailed 5-year projections for the Company (including income statements, cash flow statements and balance sheets) including detailed underlying revenue, cost and balance sheet and other material assumptions
7.4	Updated copies of monthly financial statements for Company (including income statements, cash flow statements and balance sheets)
7.5	Trial balance for the most recent period and the last fiscal year end
7.6	Company's internal financial/accounting policies & procedures document (revenue recognition, internal standards reporting, etc.)
7.7	Detailed schedule of unusual/non-recurring revenue/expense
7.8	Internal and external auditors' reports and management responses
7.9	Detailed schedule of deferred liabilities (e.g. gas costs)
Revenue Information	
8.0	
8.1	Revenue recognition policies/procedures
8.2	Summary of sales to the top twenty customers by quarter. List number of overall transactions, and average revenue per transaction
8.3	Detailed schedule of revenues and units sales per product (by appropriate Unique Product Identifier)
8.4	Sales force pipeline for the coming year including committed and upside
8.5	Revenue by quarter by type (license, service, maintenance) for the last four quarters
Current Assets	
9.0	
9.1	Detailed schedule of cash, including a copy of the bank reconciliations for the most recent balance sheet date
9.2	Detailed aged schedule of accounts receivable by customer including days outstanding information, and allowances for doubtful accounts as of the most recent date available. Identify any specific receivables in dispute, collection, or arbitration.
9.3	A schedule of any re-bill experience and write-offs, as uncollectible of any notes or accounts receivable made by the Company, except for immaterial write-offs in the ordinary course of business
9.4	A schedule of any capital expenditures in excess of \$50,000 made by the Company
9.5	Detailed schedule of prepaid expenses or other prepaid or deferred assets as of the most recent date available
9.6	Summary of all deferred product support costs and their period of amortization

Illustrative data room index (cont'd)

Illustrative data room index

Category	Document/Title
Insurance/Risk Management	
14.0	
14.1	Provide a summary of and copies of all current insurance policies held by Company and any subsidiaries, including but not limited to: general liability, office package policy, workers compensation, auto, employment practices, fiduciary, crime, E&O and D&O. Also, provide contact information for insurance agents or brokers
14.2	Provide year-by-year summary of expired insurance policies (occurrence policies are needed going back to inception of the Company)
14.3	Provide summary of: (1) all property and casualty claims and/or all lawsuits; and (2) all closed claims and/or lawsuits
14.4	Provide any and all information available with regards to any known matter that could give rise to a claim or potential litigation
Operations	
15.0	
15.1	Summary of AMR details including meters in service, error rate, etc
15.2	Detailed description of transmission infrastructure
Government Regulation	
16.0	
16.1	A list of all federal, state, local, and foreign agencies that license, regulate, inspect, register, or issue permits or other approvals for the Company and any of its activities or products or any fuel used or consumed at or in any facilities of the Company
16.2	List of all applications, qualifications, tariffs, integrated resource plans and other filings with domestic and foreign governmental agencies (e.g., FERC, public utility commissions, SEC and others)
16.3	A schedule of all authorizations, approvals, licenses, consents, permits and certificates of authority issued or required to be issued by any federal, state, local, or foreign governmental authority and required by the Company for the ownership or operation of its business or assets
16.4	Any reports by (including any reports resulting from examinations made by, and any transcripts of any significant proceedings before) and significant correspondence to and from any state or federal regulatory agencies, and any other communications prepared by a governmental agency or authority or a Native American tribe, with respect to the Company or its activities, including utility commission audits, water right and water quality applications, hydraulic project approval applications, Corps or other permit applications
16.5	Description (together with any related reports, notices or correspondence) of any inquiries or complaints (including informal customer complaints)
16.6	All EMTA and/or SEC filings and correspondence
Environmental	
17.0	
17.1	General
17.2	Underground and aboveground storage tanks
17.3	Emergency planning and community right-to-know
17.4	Recent environmental reports or studies undertaken

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