

Privatization of The Bahamas Telecommunications Company Limited

Comparison of Bluewater and CWC transactions for shares of BTC and key terms

(Note: EBITDA = Net Earnings Before Interest Taxes Depreciation and Amortization)

	Bluewater Ventures Ltd.	Cable & Wireless Communications Plc
Date	2007	2011
Operations	No telecom operations Group of ex-telecom executives	Mobile, fixed, broadband, entertainment
Nature of Business/ Scope of Resources	No financial statements available	CWC: 11m subs, \$2.3bn revenues, \$866m EBITDA
Financial partner funding	100% financial investors – source unknown	100% funded by Cable & Wireless
Price for 49% (51% CWC) of BTC's shares	\$260m <i>Paid as follows:</i> \$220m at closing \$25m end yr5, \$15m end yr6 No mention of stamp duty – assumed gross price which includes stamp duty	\$217 million (inclusive of stamp tax)
Net cash/debt remaining in company	Approx. \$60m net cash in company at closing – There was no reference in the Letter Of Intent to Government withdrawing the cash pre-transaction. 51% of this net cash equates to \$30.6 million (effectively would be retained by Government through its shareholding in BTC)	\$15m net cash in company at closing 49% of this net cash equates to \$7.4 million (effectively would be retained by Government through its shareholding in BTC)

Cellular exclusivity period	6 years (with MVNO in 4 th year)	3 years before process for 2 nd cellular license, no third license until after 5 years.
Landline exclusivity period	6 years	Landline liberalized already.
Due diligence	No financial or share ownership information provided	Complied with sale process rules. Public company.
Financing capability	No evidence of financing capacity or funding for the transaction	Fully funded from CWC existing balance sheet and capital resources
Pension	<p>Bluewater wished to</p> <ol style="list-style-type: none"> 1. “freeze” the pension plan as soon as possible after completion so no new benefits would accrue 2. All employees would join a new defined contribution plan 3. The Government would be responsible for all contributions to fund the deficit of the defined benefit plan. <p>Government agreed to settle the pension deficit.</p>	All bidders bid based on the proposed Feeder Trust structure, such that BTC only responsible for contributions to plan of 10% of salaries per annum
Import duties	Government was agreeable, for a 3 year period from completion, to a 33% reduction in duty payable on telecoms equipment. Bluewater wanted a 5 year, full waiver of duty.	No tax/duty concessions
Tax and other concessions	<p>Bluewater wanted a waiver of the \$4 million franchise fee paid by BTC which the Committee at the time confirmed was in place for 10 years from 1995, and other taxes, and to fix a preferential rate for rental of BEC poles.</p> <p>Government were also willing not to increase license fees (as long as not related to cost of regulating sector)</p> <p>BTC would effectively have paid, under Bluewater ownership, little to no tax or fees to Government</p>	<p>No tax concessions</p> <p>Bid based on new regulatory regime under which Government receives 3% of revenues in Comms Fees, as well as all other required taxes.</p> <p>No preferential Government leases.</p> <p>Government will therefore receive approximately \$11 million</p>

		in comms fees from BTC on an ongoing basis, as well as full import duties, business license fees and other appropriate taxes and fees.
Management/ Support Services Agreement	Bluewater and BTC were to enter into a strategic consulting agreement for provision of services of Bluewater personnel for strategic, operational, financial, and managerial advice and assistance. Fee scales were not yet negotiated.	Support Services, Know How and Trademark agreements 2% of gross revenues, and a cost based fee for certain support services
Legislation/ Regulatory regime	Regulatory regime deficiencies continued to exist. GOTB was planning to work with Bluewater to develop and pass new legislation.	New sector legislation, with competition laws, and regulation of whole communications sector including Cable TV passed in advance of privatization exercise. New independent regulator established. Extensive consultation process undertaken.
Pledges of BTC shares	Bluewater wanted the ability to pledge its shares immediately suggesting financing was dependent on pledge of shares.	No pledges of shares
Transfers of shares restrictions	<ol style="list-style-type: none"> 1. Free ability to transfer shares after initial period 2. After initial period, Rights of First Offer – 30 days notice 3. Tag Along Rights 4. Timing/ nature of any IPO was not agreed 5. Pre-emption rights for new issues of shares 	<ol style="list-style-type: none"> 1. No share transfers for 5 years 2. After 5 years, Rights of First Offer – 45 days notice 3. If Rights not taken up, then CWC can sell to Established Telecoms Company, otherwise requires Government approval to sell 4. Any transfer at all times subject to NEC/Exchange Control approvals. 5. Government may sell 9% on BISX in 1st 3 years, up to 25% thereafter 6. Tag Along Rights 7. Government may compulsorily acquire CWC shares in the event of CWC insolvency event or material breach of Shareholders' Agreement
Supermajority /Veto rights of Government (only applicable to negotiated agreements – Bluewater and	<p><i>Supermajority of Board (required affirmative written vote of 2 Government Directors) relating to:</i></p> <ol style="list-style-type: none"> 1. Borrowing limits (were not agreed) 2. Loans outside ordinary course 3. Issue of repurchase of securities of company 4. Sale, pledge, encumbrance, disposal of asset (amounts not agreed) 5. Material change in scope of business 	<p><i>Reserved matters (requiring Government approval) relate to:</i></p> <ol style="list-style-type: none"> 1. Changes to Mem & Arts 2. Changes in share capital 3. Changes in nature of business 4. Borrowings over 2.5 times EBITDA 5. Loans other than trade credit to any person 6. Disposal of any material part of business 7. Acquisitions over \$37.5 million

<p>CWC)</p>	<p>6. Entry into, or variation of any material contract with Bluewater or its affiliates 7. Acquisitions in excess of \$10 million 8. Remuneration of Directors/ Senior Officers over initially agreed amounts 9. Change in Financial Year 10. Increase in Board size 11. Significant change to employee benefit plans 12. Consulting agreements greater than \$1m (final amount not agreed) 13. Operations outside Bahamas <i>Supermajority of Shareholders:</i> Bluewater was not willing for there to be any rights of Government as shareholder, and was only willing to agree to supermajority of Board rights. Government also wanted rights re changes in share capital, Mem & Arts, winding up of company, material change in scope of business, dividends, changes to strategic plan, merger, consolidation or recapitalization of company, and change of name.</p>	<p>8. Any charges, guarantees, secured over the assets of the company otherwise than for company purposes 9. Relocation overseas of principal place of business or material part of business 10. Partnerships or Joint Ventures greater than 10% revenues 11. Contracts outside normal course of business 12. Transactions with CWC group/directors/ employees 13. material changes to services agreements including basis of fees/charges 14. Listings 15. Winding up 16. Auditors 17. termination of Pension plans 18. Redundancies</p>
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