

Burlington Telecom Advisory Board
Public Session on Timeline and Process for Sale

DRAFT

January 31, 2017

Members Present: David Provost, Clem Nilan, Karen Paul (via phone), Joan Shannon (via phone), Dave Hartnett, Theresa Alberghini DiPalma, Jane Knodell, Tim Halvorson

Member's Absent: Dave Hartnett

Others Present: Stephen Barraclough, Stacey Trudo, Nicholas Martin, Dawn Monahan, Jeremy Patrie, Abbie Tykocki and Terry Dorman (via phone)

Meeting commenced at 5:36 p.m.

David Provost takes everyone through a BT Sale Process History and Timeline for Public Session Document, including the history of the creation of the BTAB. Opens public forum.

Kirsten Merriman-Shapiro requests efforts for greater transparency in publicizing public sessions and submits written statement on behalf of her husband.

Steve Goodkind requests BTAB relook at the option of not selling Burlington Telecom and ending the agreement with Bluewater Holdings. Threatens to make public the Bluewater "reserve price" for the sale at the next BTAB meeting. Remarks that the write off the \$16.9M from the City ledger was a mistake and that it shouldn't be "wiped away". Requests that repayment be a focus of the sale. Expresses belief that business growth should not suffer during sale as Dorman & Fawcett is receiving profits from the sale to keep that from happening.

Matt Kropp residential subscriber and member of Keep BT Local co-op speaks in favor of a co-operatively owned structure for the sale of BT. Asks that BTAB consider economic impact of the City Market co-op, citing \$5M in retained cash patronage that would have been profits shipped out of the community if it was privately owned. Acknowledges the financial and operational aspects of Keep BT Local are a "heavy lift" which will require community support and flexibility. Subscribers being the owners would fundamentally shift and drive BT's success. Offers a personal contribution from his IRA Savings to fund the co-op purchase of BT. Encourages supporters to also make a financial contribution.

Carolyn Bates, resident and owner of Carolyn L Bates Photography since 1973, member of Keep BT Local. As a photographer, she loves the internet speeds allowing her to upload and share "huge" files quickly. Advocates for keeping Burlington Telecom owned by the city or co-operatively owned. "Do not sell BT under any circumstances."

Lauren Glenn Davitian – Suggests to lose local control of this asset is short-sighted, that the condition of sale served us in getting a settlement, but the settlement now needs to be renegotiated. Asks whether and/or how are the criteria of sale weighted? Requests that BTAB make recommendations about the

weight of the criteria. Requests that the City have right of first refusal in future sales of the BT asset. Concerned about the financial stake that Bluewater has in the deal as the City's take from the sale would not enable City to have a significant minority ownership. As an employee of CCTV, has just completed a year of negotiating with Comcast to in the Certificate of Public Good (CPG) process ensure public access would not be kept in "an analog ghetto". When the same conversation was had with BT, CCTV was easily able to come to agreement and both parties were aligned on the value of public media. Burlington Telecom sees value in building the economic *and* cultural aspect of the City as part of the DNA of the company. Any owner that is not grounded in public ownership will not value the importance of community access. Requests clarity on difference between deliberative and formal process.

Provost clarifies that deliberative process allows potential buyers to be vetted by the BTAB in a due diligence process and examined against the criteria created by the BTAB with input from 4 public sessions and approved by the City Council, before bringing finalists to City Council. The alternative process effectively puts up a For Sale sign, allowing anyone to submit a LOI up to a certain cut-off date, review them all and decide based on that. BTAB believes the process that is better for BT and the City is the deliberative process, given that the approved criteria does not look for the highest bidder or the buyer with the biggest national/international footprint, but rather the buyer that best fits the criteria.

Lauren Glenn Davitian Given that clarification, recommends support of the BTAB proposal to conduct a deliberative process. Asks BTAB to consider working closely with Keep BT Local to deliver a viable bid.

Alan Matson Chair of Keep BT Local, Residential and Business customer of BT. It is an amazing asset because it provides an amazing service to individual and businesses in Burlington. Advocates for Burlington residents purchasing BT from the City of Burlington. Keep BT Local is mostly agnostic on the two processes reviewed. Requests clarification on what information will be made public during the process. Keep BT Local will be expressing interest providing an offer in hopes of being considered as a finalist and will be very public about their process to garner public interest. Asks whether the list of finalists be made public? Requests clarification on the deliberative process is an attempt to attract more or fewer bidders than a formal process.

David Provost – If it is a big auction process, some buyers would not want to be involved. If it's limited to a smaller group, they would be more likely to participate.

Alan Matson – Keep BT Local formally expresses its interest as an organized cooperative in the state of Vermont to put forward an offer to purchase Burlington Telecom. Recognizes the efforts of the BTAB, Blue Ribbon Committee and BT Staff to bring us to this exciting point.

David Provost – Closes public forum at 6:27pm and opens the floor to discussion and comment from BTAB and BT Management.

Provost: In regards to what will be publicly disclosed throughout process: in the proposed process, there will be public presentations made to the City Council by the finalists. The specifics of what will be made public in those presentations will be directed by the City Attorney. BTAB will not be choosing a buyer, just making a recommendation on the final buyer based on who meets the criteria that has been approved by the City Council. The decision ultimately lies with the City Council.

Paul – In response to Steve Goodkind’s comments regarding the \$16.9M being taken off the City’s books. That was done not to minimize or “forget” the money owed to the City, but because not writing it off was not a proper accounting practice. No one involved in this process will ever forget or ever stop trying to recover that money. For something to be a receivable, there must be a known way to pay it within a year. The Council kept it on the books much longer than was advised by City accountants. Taking it off the books made it possible to obtain an unmodified opinion letter from our audit, which is one of the reasons the City’s credit rating has gone up, allowing us to afford other things that are valued in Burlington. Second, there is no question that having Dorman & Fawcett’s leadership in this process is a very big part of why Burlington Telecom is in the position it is in of expanding our loyal subscriber base, maintaining staff, and hiring quality new staff. Asks for clarification on the role of and payment to Dorman & Fawcett for better public understanding.

Provost – Points out that the recovery of the \$16.9M is one of the criteria for sale approved by the City Council. D&F came in to stand up Burlington Telecom and after the restructuring BT has been profitable and delivering positive and growing EBITDA on an ongoing basis. All the while having conversations with potential partners and buyers, conducting due diligence. They will find us the right partner. At the time the agreement for 10% of the profits was entered in to, the BTAB felt it was a fair and just price and that remains true today. Refrains from commenting on further details of the agreement, until another meeting, without having that information readily available for reference.

Paul: To address Lauren Glenn’s about the meaningful partnership the City would have in the new entity: through negotiations, the City is the only the party with the ability to take, if it wanted, the proceeds from this transaction and change them into shares of the new entity. The definition of “meaningful” however, has not be established.

Shannon: Requests a refresher on the conversation surrounding the request for the City’s Right of First Refusal, should the purchaser decide to sell the entity in the future.

Dorman: The challenge with a Right of First Refusal in any transaction is that it tends to put a chill on being able to sell or partner the asset at all. If it is made criteria, there is a risk that no buyer would come forward. A Right of First Refusal is something that makes it very difficult for a down the road sale to take place, so buyers will reject that condition. It may prevent otherwise desirable buyers from participating, that could be to the City’s detriment.

Lauren Glenn Davitian Recommends review of the Winooski One hydropower deal because that was a condition of the sale to establish precedent.

Provost Everyone wants to paint the fear that if we move forward with any process, we’ll end up selling BT to the huge conglomerate with the most amount of money. I don’t believe the criteria reflects that is what will happen. We are in the timeline now that we need to find a partner that we are satisfied with, that best meets the criteria, the meets what is important to the City of Burlington, it’s taxpayers and to the customers of Burlington Telecom. I urge us to move forward with the process to find the right partner and have discussions around details of the deal through that process. If we only get the attention of large, national conglomerates, they would not meet our criteria and we would have to go back to the drawing board. None of us are happy to be in this position, but when we began this process

7 years ago, we had \$51M of debt with a small number of subscribers with significant negative cash flow. We turned that around. So, the focus now is to find the right partner, the right buyer who then can structure the best deal based on the criteria.

Knodell We've heard from a lot of people tonight who wish we could change the past. Of course, we cannot do that. We've created a process that takes as a given the framework established by the Citibank settlement and the Bluewater agreement. We also have a very strong set of criteria for a buyer. I think we need to be very committed to these criteria and not be willing to compromise important criteria to find a buyer. We do need to be thinking about contingency plans, should we get into the process and find it is going in a different direction, that allow us to reopen the discussions. We chose a local business man and a local bank to fund this deal. I think they would be open to such a discussion should it become necessary. Because of the extremely good performance of the current BT Team, we're in a very strong position. But it's a competitive business that requires capital and it's not going to remain a strong asset if we can't continue to adequately capitalize it, so we can't ignore that. We are not saying "sell no matter what". We are committed to these criteria and there was a good process for these criteria. In regards to weighting the criteria, it would be very hard to do in the abstract. We'll have to look at concrete proposals and say "Which is more important to us". Overall, although people are not happy with the rules of the game that we've inherited from the past, what I'm hearing is that the process we've proposed is better than the alternative we considered.

Provost Are we comfortable moving the proposed sales process and timeline forward to the City Council for consideration?

MOTION to move the proposed sales process and timeline forward to the City Council for consideration made by *Nilan*, seconded by *Alberghini DiPalma*.

Paul Would it be appropriate to have a second opportunity for the public to be heard on this process soon?

MOTION to retract moving the proposed sales process and timeline forward to the City Council for consideration made by *Nilan*, seconded by *Alberghini DiPalma*.

A second public session on the timeline and process for sale is set for the next scheduled BTAB meeting on Wednesday, February 8. The intention will be to leave that meeting with a process to bring forward to the City Council for consideration.

Pat Robins suggests change of venue to accommodate more members of the public.

Location for the meeting to be determined and well publicized.

Nilan requests City Attorney's office member to attend the February 8 session.

MOTION to adjourn made by *Nilan*, seconded by *Alberghini DiPalma* at 7:03 p.m. *Unanimous*.

Kevin Shapiro Statement re: Sale of Burlington Telecom

As a longtime residential and commercial customer and 21 year resident of Burlington, I strongly feel the city should not sell BT or even consider doing so. Choosing a buyer (any buyer) is a fool's game - the apparently inevitable sale of BT is the worst waste of taxpayer resources in Burlington history. I have read the settlement agreement and it does not preclude maintaining BT as a public utility. The City should maintain BT as a public utility - as it was intended and approved by voters - like electric, water, streets and parks. Any sale, by definition, will result in worse services, higher prices, less local input, etc. This resource - second only to our natural beauty - should be 100% public, taxpayer/user supported in order to allow Burlington to truly grow and prosper as a tech hub without outside corporate influence. Allow tech businesses and adjacent communities to pay the city (in exchange for service unmatched by any competitor) to slowly retire the debt but Do Not Sell this resource. No amount of local oversight or input will be adequate to insure service that compares to what we've become accustomed to. In my two decades of Burlington tech business experience, all Comcast users hate Comcast. All BT users love BT service. No provider other than BT offers symmetrical service, fair pricing, gigabit service and more. The future of Burlington tech business depends on local, public ownership of this resource as the Peoples' lifeline to tech/data. No sale can or will serve these needs. BT was built public, intended public, run public (whatever the foibles) and must be maintained public. Do not squander this resource. Do not sell at any price. Any sale is antithetical to the city's tech goals. Keep It Public! Feel free to contact me as I will be glad to help any effort to keep this resource public. Please do not publish my contact information. Thank you for your consideration.

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Results of Public Comment Survey on the Process and Timeline for Sale of Burlington Telecom
Open from January 17 - February 10, 2017

What are your questions and concerns about the proposed timeline and process for the sale of Burlington Telecom?	First Name	Last Name	Street Address	Email Address
Let's look at this in context. The City failed to manage its budget and is now backing away from a key progressive element in public policy: the municipal ownership of utilities. This is no different from privatizing a water system, libraries, or schools. We must resist this with all our ability. With the money being thrown at corporate projects--BTC, Cambrian Rise--and the giveaway of public resources--Taft School, Memorial Aud.--we have the resources to repay the BT debt and use it for economic development and public service. Let's stop this madness. I oppose the sale. Public utilities are better managed and more responsive to costumers. The sale fixes nothing.				
BT has been an incredible asset to this community. It's hard to overstate how wonderful it is to have an ISP that really cares about its customers. I have been a customer of both Comcast and Fairpoint in the past, and I hope I never have to again. The number one priority in this sale should be to ensure that BT's fantastic customer service stays fantastic. This might sound silly, but a truly good ISP is one of the things keeping me in Burlington despite high rent. If BT becomes just another ISP like Fairpoint or Comcast, I'd be much more likely to move.				
Thank you foe this opportunity to provide some issues of concern regarding the sale of BTC. My concerns are of course my opinion. 1. Please do not sale this valuable asset to such service providers as Comcast, Charter Cable, or any in-disguise "company" whose intent is to resell the asset to such! 2. The buyer should reflect our values concerning democracy, the little people, fairness, openness, and net neutrality, and such should be stipulated in detail within the sale documents. 3. The sales agreement should also contain provisions which prohibit the closing of internet ports, disruption or causing interference on data or voice stream services, and/or the throttling of such provided by vendors or distributors other than the buyer's services.. I believe the expectation that any buyer should equal or exceed the quality and reliability of the full services currently provided by BTC is a very reasonable demand. Thank you.	Jerry	Kelleher	234 Main Street	jerrymkelleher@yahoo.com
Why is it going to be sold and when? Also is there going to be an increase in the near future?	Kenneth	Atwood	PO box 1732, Burlington Vt.	kenatwood@hotmail.com
Our Mayor/Real Estate Huckster is a disgrace for forcing BT to be sold so he could go on a massive,greedy building spree. We cannot let BT get absorbed by a massive telecom corporation.	Russell	Paul	82 Oak St	belewstrat@yahoo.com
Will gigabit fiber service be guaranteed in any future buyer's service plan?	Ben	Throop	9 Catherine St	ben@frameinteractive.com
I would like to see Lauren-Glenn Davitian be officially part of this process. Not only does she have more than a decade in work closely related to this endeavor, she would bring to the process an objective perspective without any interest in self-gain. If Davitian could officially become a member of the BTAB during these final critical months of deliberation, Burlington residents would be very well served. I strongly urge you to consider this request. Overall I would prefer that a local company is found to buy BT or to find one that will provide fast internet service at an affordable price that benefits the economics and the cultural style of our City. Thank you for taking on this important task. Good luck!	Jennifer	Ely	125 Village Green	hifromvermont@burlingtontelecom.net
How can you ensure that BT Telecom remains community-oriented, defined by its fit in the local culture and great customer service? My biggest concern is being folded into a corporation whose only concern is profit.	Thomas	Buck	61 Henry Street	challabuck@gmail.com
Considering this is a city asset, we get to decide the ideal buyer for BT. My suggestion is for the Council to honor the spirit of this city and give first right of refusal to any interested buyer that is a cooperative or a B-Corp. A timeline for proposals should be reasonable for conducting a transaction + extra time to allow for closure of the many affairs that involve such a transaction.	Tiki	Archambeau	36 Crombie St., #1, Burlington, VT 05401	tikiskis@yahoo.com
My main concern is that a publicly owned and funded telecom system (a public utility for the 21st century) will be sold to a private entity that is not beholden to the taxpayers who provided the risk capital. There is no reward on the back end of this for us - and selling off public assets to private entities should not be a path down which Burlington treads. We built and created BT in response to poor delivery of IT, cable, and phone services by the private sector. I would request - as has been said before - that the city of Burlington be given right of first refusal. And, that a revenue bond might be an option for the city to pursue as a long-term solution, and we work with another partner - like Keep BT Local Coop - to transition this to a public cooperative model in the long run. Or, we change legislation and allow BED to incorporate BT into its operations as a public utility and operate, in part, as a wholesale provider of bandwidth to other telecoms (not just consumers), to improve the overall access to high-speed internet and "telephone" services for businesses, academia, and residents.	Shay	Totten	197 North Avenue	shay@burlingtontelecom.net
What is the the stance of BT officials surrounding Net Neutrality; Will there be any kind of canary to alert the public you have been victim of a court subpoena?				
I would like Burlington Telecom to remain as it is - it's a valuable asset to the City of Burlington, similar to Burlington Electric. Stripping our town of publicly held assets seems shortsighted at best. If it must be sold, it should remain locally owned and managed, at the very least.	Margaret	Wallace	27 Washington St	dropjohn2@yahoo.com
If Burlington Telecom is now operating with a profit, acknowledging the terms of the legal agreement with the creditors, why is the city giving up COMPLETE control over this 21st century utility? Given that our parks operate at a loss, should we consider selling them first? Why don't we sell the building housing Police Dept. to developers and use a portion of the proceeds to build a 21st century building for our Police Dept. and invest in a controlling interest in our fiberoptic gem?				
The sale of BT should be scrapped. The city needs to realize that BT can and should be a jewel in the crown of the queen city. A state of the art telecommunications company in necessary and should be a given in a vibrant city like Burlington. Steps should be taken to allow BT to expand into Shelburne, South Burlington, Colchester and Winooski ASAP. An aggressive pricing strategy should be adopted with a view towards quick expansion. The idea of selling BT just to watch it become just another overpriced alternative to Fairpoint and Comcast sickens me. We've already paid for BT, we've seen it through a rocky start up, let's quit screwing around and make it the very best service available at affordable prices.	Timothy	McGrath	4 Shelburne Rd.	twiny2two@gmail.com
When will Burlington Telecom serve ALL of the residents of Burlington, including people in the far new north end at Village at Northshore, Claire Point and Rivers Edge?	Glenn	Fay	27 Northshore Drive	glennfayjr@gmail.com
Concerned about recovery of initial investment by the city				
Two questions/concerns: 1. Ownership of Burlington Telecom must be local to appreciate Vermont interests and to ensure a competitive market otherwise dominated by Comcast and Fairpoint who care nothing about Vermont except the ability to make a profit from us. 2. Unshackle Burlington Telecom from its restriction to compete only in Burlington. In order to be viable longterm BT must be allowed to expand its network wherever they can make a profit.	Michael	Rooney	292 South Willard Street	michael@rooneys.com