

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

DRAFT

February 8, 2017

Members Present: David Provost, Clem Nilan, Karen Paul, Theresa Alberghini DiPalma, Dave Hartnett, Jane Knodell, Joan Shannon

Member's Absent: Tim Halvorson

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

Meeting commences at 5:35 p.m.

David Provost takes those in attendance through a Public Session Presentation Document outlining BT recent history and BT Sale Process and Timeline . Opens public forum at 5:45pm.

Don Schramm BT Residential Customer and member of Keep BT Local. Proposed process looks very good. Supports co-op ownership as “sustainably local”. Doesn’t want BT sold to local investors who would turn around and sell it again. Prepared to invest \$100,000 in Keep BT Local bid. Supports the deliberative process. Requests clarification on whether the BTAB would work with any potential buyer to strengthen their proposal, including financing options.

Dorman - Short answer: absolutely. The goal of the deliberative process is to give the buyers the best chance of succeeding against the criteria and that includes the Keep BT Local co-op.

Steve Goodkind submits written document to the BTAB.

Ishmal Ahmed Request clarification on who owns BT’s infrastructure, whether the City has an interest in carrying some form of ownership going forward, and whether it would be possible to split the asset and sell it in pieces. Request clarification on whether Bluewater could alter the conditions of the sale under the current agreement.

Blackwood – The fiber is owned by Bluewater Holdings who has leased it to the City.

Provost – Bluewater provided \$6M in financing to settle the lawsuit with Citibank. If sold within the proposed timeframe and above a threshold price, Bluewater Agreement enables the City to direct the sale of BT. The conditions of the agreement with Citibank and Bluewater allow for the City to have a continued minority ownership of the asset going forward.

Barraclough – It may be difficult to split the assets of the business to sell different parts separately.

Dorman – I don’t anticipate any changes from Bluewater if the City acts within the agreed upon timeframe.

Lynn Martin – Expresses concern of BT falling into the hands of Comcast and supports continued local ownership, preferably co-operatively owned.

Solveig Overby – Residential customer and member of Keep BT Local. Supports local, co-operatively owned ownership.

Public Forum closed at 6:11pm

Provost opens the floor to comments from the BTAB.

Nilan Everyone on the advisory board and staff want the best possible buyer for Burlington Telecom. We are driven through values and not solely by money. Some money would come back to the city by the sale but most of the money invested in the system would be paid back to the city over time through benefits and opportunities of having a state of the art telecom system.

Shannon We don't know yet whether co-op ownership will be possible, but protecting this City asset is in the front of our minds always. We don't know yet what other options will be presented to us and that is the job of the BTAB, to ferret that out. It is also our job to make sure whatever entity buys the asset is well capitalized to make investments in the infrastructure. We made a conscious decision not to rank the criteria because they are all important to have. I am hearing that the public is supportive of the deliberative process to find the right partner.

Alberghini DiPalma I've reexamined the criteria and was reminded that they were very carefully crafted and based on public testimony. After reflection on the work we have done to date, I feel we are on the right track with the deliberative process.

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

Knodell – The BTAB will recommend process to City Council. The City Council will need to approve it. Once in the process, the BTAB will screen potential parties. A record will be kept of every interested buyer that approaches us. City Council will have access to that list. BTAB, in conjunction with Dorman & Fawcett, will vet each bidder and identify a group of finalists to bring to City Council. The final decision on the sale will rest with the City Council.

Provost – We are required to bring more than one potential solution to City Council.

Paul – The process will be very like the process with Bluewater where City Council had at least two opportunities to deliberate the possibilities and ask questions.

Hartnett – Is there a time when the finalists will be made public?

Provost – The goal of the process is that the finalists will publicly present to City Council. As far as the specifics of what will be presented, that has not yet been determined, but will involve the criteria for determining the right partner and the extent to which candidates meet those criteria.

Hartnett – Why is it important, that the vetting up to that point be done in Executive Session?

Blackwood – There will be proprietary information in the offers that if made public may hurt the potential buyer, Burlington Telecom or the City. It may be that we get to the end of the process and agree everything can be made public. That won't be determined until all offers have been vetted.

Provost – I wish to thank the members of the BTAB, Dorman & Fawcett and the BT Staff for their time and effort to bring this process to this point. We don't disagree with any comments about the value of this asset to the City. We were faced with a financial issue that the City couldn't solve. At the time, the asset was not worth the \$51M we owed Citibank. Bluewater Holdings stepped in to save this asset for the City and it is now our role to find the right buyer for the asset.

MOTION to adjourn made by *Shannon*, seconded by *Alberghini DiPalma* at 6:25 p.m. *Unanimous*.

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BT SALE AND SALE CRITERIA

Steven Goodkind

2/7/16

I would like to talk about two words that are central to the issue before the BTAB today i.e. **criteria** and **sale**. Because of the conditions mandated by the Bluewater Holdings agreement (not the CITI settlement) these terms have a context quite different from what the public might expect. Let's start with the sale.

The CITI settlement does not require the sale of BT. It contains no deadlines, penalties or minimum acceptable price for the sale of BT. It has provisions to be met should a sale occur and provisions if it does not. None of these conditions put the city under the gun to sell BT like Bluewater does.

CITI assumed that Burlington would obtain financing to fund the settlement and that this financing would be "intended as a bridge to the eventual arm's length sale of the System to a private entity." Assumed does not mean required and in fact something quite different has already happened.

Burlington has already sold BT to Bluewater Holdings under anything but an arm's length transaction. Furthermore, under certain circumstances it could remain in Bluewater's hands indefinitely.

It will be Bluewater who sells BT, not Burlington. For the next two years, the city may be able to direct the sale if we can meet the reserve price of \$11 million set by Bluewater. After that time, Bluewater can do as it pleases with BT.

If BT were bleeding red ink, it might be best to get rid of it, the sooner the better. However, the opposite is true. BT as an asset continues to grow. If there is a decision to sell BT, it should only be based on what is in the best interest of the citizens of Burlington, not an arbitrary deadline. I will get back to this after a brief discussion of the criteria BTAB has recommended for evaluating potential purchasers of BT.

At first blush, the criteria appear to reflect a commitment to a wide range of good things that the buyers of BT must provide. But they actually don't. They are criteria without any weighting of their importance or declarations of minimum prescriptive expectations. This includes the language regarding the \$17 million owed to city taxpayers.

Some or all of these criteria will be compromised as the pressure of the sale deadline approaches. We will take what we can get or risk getting nothing. It does not have to be this way.

We can decide if and when to sell BT on our terms without a gun to our heads. To do so we must recognize what stands in our way and deal with it. It is not the CITI settlement and it is not the operations of BT. It is

clearly the agreement with Bluewater Holdings. I and many others, including Public Service Department staff, have questioned the wisdom of the financing arrangement with Bluewater from the get go. The concerns have only increased with the passing of time. This agreement must be terminated by any legal means possible.

To start with, the BTAB should be recommending only one criterion to the city council. That criterion is **that the city regains ownership of BT prior to any decision to sell it.** The only sale that should take place at this time is one that returns BT to the city. Then we can take the time to do what's right for Burlington.