

Burlington Telecom Advisory Board

DRAFT

October 22, 2015

Regular Meeting

Members: David Provost, Karen Paul (via phone), Clem Nilan, Jane Knodell

Member's Absent: Theresa Alberghini, Joan Shannon, Tim Halvorson

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

Public Members Heather Riemer

Meeting commenced at 5:37 p.m.

1. Agenda

MOTION to approve the agenda made by *Knodell*, seconded by *Nilan*. *Unanimous*.

2. Approval of Minutes from September 9, 2015 BTAB meeting

MOTION to approve the minutes from the September 9, 2015 Burlington Telecom Advisory Board ("BTAB") meeting, made by *Knodell*, seconded by *Nilan*. *Unanimous*.

3. Public Forum

Heather Riemer – keep BT local, affordable, and accountable

4. BT Management Update and FY2016 Q1 Results

Barraclough:

- Introduction of BT's new Director of Marketing & PR: Abbie Tykocki
- BT's financial results for Q1 FY2016 circulated in advance of the meeting
- \$2 million in revenues for the quarter – the first time for BT
- Added 334 net new subscribers in the first quarter and 781 for the trailing 12 months
- Now entering the quite period, hopeful to add 150-250 subscribers during this time
 - *Provost:* Great results and congrats to the team
- Reminder: BTV Ignite Public Meeting will be held October 29th 12p.m. – 2p.m. in Contois Auditorium at City Hall. Its purpose is to inform the public of BT's city wide fiber optic

infrastructure and how other communities with similar infrastructures have used them to drive Tech centric economic development and growth

- *Provost:* A draft of the social media materials created to solicit public comments has been circulated to the group for comments and suggestions. The website address will be announced to the public at the October 29th meeting.
 - *Tykocki:* A survey has been set up on a website page and links to the settlement agreement and the criteria established for the sale of BT. It will list the dates and times of the public meetings, have a comments section and contact information to complete
 - *Knodell:* important that access is easy and details are circulated widely

5. Determination of Criteria for Sale of BT

Provost: See attached presentation

- Blue Water Holdings, LLC (Lessor), is the bridge financier with funding from Merchants Bank
- Telecom Manager is Dorman & Fawcett
- The transaction that has transpired to date is the City of Burlington d/b/a Burlington Telecom owed CitiBank \$33.5 million dollars. CitiBank settled with the City under the terms that the City paid CitiBank monies at the time of the settlement, \$6 million of which was provided by transitional financing funded by Blue Water Holdings. With this transaction, Blue Water Holdings became the Lessor during a transitional period. A structure was also put into place to find a partner/buyer within a 3-5 year timeframe and that process leads us to where we are today in seeking public input into the creation of the criteria for the sale of BT.

Dorman: A clear distinction between the CitiBank agreement and the Blue Water agreement is that the CitiBank agreement didn't provide clarity around the assets and operations in the event of a default. The Blue Water agreement gives the Lessor the assurance that no matter what, BT could continue to operate even if there was a non-appropriation event by the City or an event of default. It ensures continuity of the enterprise.

Knodell: To clarify, in the agreement with Blue Water, the City was selling BT's assets but not BT as a company.

Dorman: That is correct, so long as there isn't a non-appropriation event or an event of default, the City is the operator and owner of the enterprise and Blue Water owns the underlying infrastructure assets. The City of Burlington has the right to use those assets in continuing to operate the business.

- The right to find and choose a buyer lies with the City for a period of 4 years starting January 2, 2015, and providing a certain \$ value threshold is achieved.
- The 50% of net proceeds that the City receives, after the repayment of outstanding debt, and other costs defined in the agreement are met, will be shared 50% with CitiBank. Upon this payment, the City of Burlington's obligations shall be deemed complete and final.

Dorman: The dates outlined are to have an agreement with an investor/ purchaser and for a filing for approval with the PSB. A further provision of time is allowed for the approval process with the PSB.

Knodell: There is an ongoing interest in BT's revenues for the City and the taxpayers.

Dorman: There is a provision in the settlement agreement that allows the City to have a continuing interest in the enterprise. It is something that earlier potential interested parties in BT have found to be positive. It will be up to potential buyers on how that is structured. Should the transaction result in a situation where the City of Burlington has part or all of its proceeds from that transaction in a carried interest in BT, CitiBank will have no claim of the continued interest the City would hold.

Knodell: Does CitiBank have to approve the purchaser/acquirer?

Dorman: No, unless there were a number of qualified bidders who came in with an attractive price but the City chose a buyer where there was substantially less proceeds, then CitiBank could try to contest that decision, that but there isn't anything in the agreement that gives CitiBank a say in the decision. There is a certain period of time that the City can determine the buyer, Blue Water has the right to object; however, Blue Water is focused on the doing right by the City and can expect considerable support from them.

MOTION to adjourn made by *Knodell*, seconded by *Nilan* at 6:18 p.m. *Unanimous*.