

CCTV BOARD MEETING

12 March 2015

Present: Jane Knodell, Mike McNamara, Erin Malone

Absent: Amanda Levinson

NEXT MEETING: 4/14 – 8 a.m. Feldman's Bagels

1. Approval of February 2015 Minutes – Unanimous

2. Approval of February 2015 Financials – Unanimous

3. BAMO Merger Discussion – Mike, Jane and Erin attended the BAMO Steering Committee Meeting on 3/10. The next meeting will take place in April. The mood was subdued yet supportive of a continuing gradual approach to emerging questions of collaboration and potential for long term merger. Mike thinks that we will move toward increasing levels of collaboration through “merger by one thousand decisions”. The Tech Core is a great opportunity to merge functional areas and explore a joint “tech department”, which can lay the groundwork for other staff merger. The upcoming financial review will be productive if there is more clarity on the deliverables. The discussion of financial health will acquaint leadership with the workings of the organizations and generate valuable questions and decision points.

Two recommendations emerged from CCTV Board discussion:

- Gain more clarity on deliverables of pending joint financial review by scheduling a meeting with Treasurers with Alice prior to start of work.
- Have Board members chair the meeting (on regular or rotating basis) rather than the staff.

4. New Board Members – The Board members enthusiastically approved the invitation of Tess Gauthier and Jason Pelletier to the CCTV Board. They bring values, expertise and energy that is well suited to our work. Erin will reach out to Tess and Mike will reach out to Jason to welcome and brief them. The quorum for six members will now be 4.

5. BT Update – LG reported on call/ meeting with Terry Dorman and Clem Nilan. Terry is the Mayor's point person on finding a buyer, of which there are several prospects. **The highlights of this conversation, held on 2/14/15 follow:**

Prior to the resolution of the Citibank Settlement, there were 2 prospective buyers. The first, relatively small lacked the confirmation of financing necessary for operations. The second, came in at the end, referred by Citibank, was very serious and pushed hard but intended to eliminate the residential side of the business and to flip it. Neither panned out. But both wanted to leave the City with a meaningful ownership stake. Why? Because a/ they come in on the back of the taxpayers significant investment and b/ it is a better marketing approach. These reasons remain and this won't change going forward.

What is a “meaningful ownership stake”? Not less than 20% and not more than 33%. It is hard to get it materially above 20% because of the nature of the Citibank transaction. It is not likely that we would get it over 33% because a new owner would want an absolute majority. Dorman doesn't think that the City will have to come up with extra money in order to maintain at least a 20% share. In Dorman's

calculations, the City can take its share of the final Citibank Settlement at closing in the form of 5% cash and 20% in equity. (Note: We have not seen that written down in the documents.)

Is the Coop viable? Dorman cited two concerns about the Co-op. He is concerned about their management based on interactions so far. He questions their ability to raise the working capital beyond the transaction price. Additional capital will be necessary to expand the network so that it's core always has a competitive offering for its subscribers.

The work ahead: to maximize the asset value and insure quality of the system going forward. -Capital for infrastructure upgrades and expansion to neighboring municipalities

The Ideal Purchaser: regional v. national entity; no quick flip 2 years or later' understands the "buy local" nature of BT and BTV; and, supports original vision of BT' well managed and properly financed (beyond the purchase price). Dorman also believe that a "poison pill" could be written into the contract. A poison pill is a strategy used by corporations to discourage hostile takeovers. (Note: Given the definition of a poison pill, it is not clear how Burlington could exercise this.)

If BT does a good job over the next 2 years, whoever purchases will respect that market position. But BT must become the disputed market leader.

On City Management: According to Dorman, local ownership with city participation is OK as long as BT is not managed by the City. He does not think that any municipality will succeed running a competitive business. Plus if the City were to take it on it would address the requirement to extend service to the entire city. As it stands, the value of a fiber customer is currently \$3-4K while it would take \$7-8K to connect them to the network. If, for example, BED ran BT we would run the risk of poorer service over time and less capital commitment which would open the door for competitors. (Note: Not sure how he concludes this but could not get him to say more on the subject).

Inquiries To Date: There have been inquiries from 6 companies or reps to date.

Time Frame: Sale could happen 18-24 months from the closing with Bluewater. It would be nice to get it done in 3 years. There is a scenario in the works to grow subs and extend to Winooski and South Burlington which would result in higher revenue and purchase price. This could lengthen the amount of time for the sale to take place. This would result in less money for the City but the proceeds would be higher and so the shares would yield more.