

Networkx sale gets council's attention

Votes to ask MLGW for delay; wants time to study specifics

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The pending sale of Memphis Networkx — and the anticipated loss of nearly all \$28.6 million of public funds invested in the fiber-optics firm — isn't sitting well with members of the City Council.

Told by their attorney Tuesday that City Council approval is not required for Memphis Light, Gas and Water Division to sell off its investment in Networkx, council members said they at least hope to slow down the sale of the company.

The council voted 8-0 Tuesday to ask MLGW's board to hold off on its planned sale of Networkx to a Colorado holding company until the council has sufficient time and facts to study the deal.

MLGW officials made no promises to the council.

The utility's board of commissioners is scheduled to vote Thursday on whether to sell MLGW's 49 percent share of the public-private venture. The Tennessee Regulatory Authority must also approve the sale.

MLGW is expected to get back just \$994,000 of its \$28.6 million investment.

"I value the input of the City Council in terms of wanting additional information," Nick Clark, a board member of both MLGW and Networkx, said Tuesday evening. "And my hope is that the council, if needed, would consider a special-called meeting in order to address this expeditiously."

The Commercial Appeal reported last week that an agreement has been reached by MLGW and its private partners, who include some of the city's leading businessmen, to sell Networkx to Communications Infrastructure Investments for \$11.5 million.

Launched in 1999, Networkx serves business and institutional customers with an array of high-speed data services through a fiber-optic network owned by the company.

Councilwoman Carol Chumney, a city mayoral candidate and chair of the council's MLGW com-

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mittee, said the sale is just moving too fast. She made the motion to ask the utility to delay its decision.

"There are a lot of unanswered questions here. I think the public deserves the answers, because it's their money they are going to lose," Chumney said. "I just can't understand why a company that came in two years ago and said they were about to make a profit is now going to be sold."

Among questions raised by council members was how Networkx's private investors would fare in the sell. There are also concerns raised about a letter from a potential buyer that claims its bid for Networkx is better than the Colorado firm's.

Chumney and council member Dedrick Brittenum also suggested that the council is legally required to sign off on the proposed sale. The council holds broad authority over MLGW and approves the utility's budget and contracts over \$25,000.

But council attorney Allan Wade told council members that MLGW is technically "liquidating" an investment, and the council does not have authority over the utility's investments.

Another issue of contention is a clause in the proposed sale contract that would reduce the sale price of Networkx by \$1 million if council approval is required to cement the deal. The clause — incorporated at the request of the buyer — was added in anticipation that council approval could cause costly delays.

"This deal is dwindling as we speak," said Councilman Joe Brown.

Added council member E.C. Jones: "Pretty soon we're going to be paying them to buy it."

Rick Masson, MLGW's board chairman and acting president and CEO, told the council the public utility is simply at a "crossroads."

Additional investments of about \$5 million to \$10 million are needed by Networkx in the next year and a half for the company to grow, he said. But neither MLGW nor the private partners are willing to put up the money.

"I think the public's appetite for risk of additional investment in this company has expired," Masson said.

Voting for the resolution Tuesday were Brittenum, Chumney, Madeleine Cooper Taylor, Edmund Ford, Barbara Swearengen Ware, Myron Lowery, Tom Marshall and Scott McCormick. Council member Jones abstained and other members were absent or did not cast votes.

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Reporter Jacinthia Jones contributed to this story.

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