

Introduction

The Keep Burlington Telecom Local Cooperative (KBTL) was formed in 2013 for the sole purpose of acquiring Burlington Telecom (BT). At present, we have no officers or employees and are working as a dedicated group of Burlington residents, including a six-member Board of Directors who have met regularly since 2013.

As detailed below, the cooperative is a group of over 500 residents of Burlington. Our vision for Burlington Telecom is that it remain under local control – we built it, it's ours.

Since bids for BT were first submitted this summer and narrowed to two bidders in October, we have worked with city and BT officials.

In October and early November, we attempted to form a joint venture with one or more of the other bidders but were unsuccessful. The reason is simple. The ultimate goals of a cooperative and that of a commercial for profit enterprise are incompatible.

We don't want to be misunderstood here, we are not against for-profit businesses; our view is that the cooperative model is best for BT and the residents of Burlington. Hence, the KBTL cooperative is patterned after other successful cooperatives in Vermont: Onion River Coop, Vermont Electric Coop, Cabot Creamer, and many credit unions.

A summary of the changes to our specific proposal follows:

- I. Carried Interest or cash for City and Citibank for the 'base' purchase offer of \$12M
 - a. City can take a carried interest in Burlington Telecom, cash, or a combination of the two,
 - b. Citibank will be give the same two options through Burlington's share
 - c. All spreadsheets assume that both City and Citibank take cash
 - d. See the document (1) KBTL Offer.docx and (2) Business Plan.docx for further information
- II. Increase in our offer from \$12M to \$18M
 - a. Based on \$6M in equity to be raised. If we raise at least \$1.5M this will replace the preferred equity we are raising via Milk Money VT. If we are unable to raise \$6M in equity we will offer notes (or optionally carried interest) to each of City; Citibank; Blue Water Holdings, LLC; and Dorman & Fawcett. If these parties cannot agree on a mixture of notes, carried interest, and cash using the total cash, notes, and carried interest that comprise our \$18M offer, we are willing to reduce our offer, if needed to \$12M, to satisfy these parties needs to avoid notes and/or carried interest.
 - b. We include three versions of a pro-forma to support these options.
 - i. (10) Pro-Forma and Financing 18M Equity: assumes we raise \$6M in new equity

- ii. (10) Pro-Forma and Financing 18M Notes: assumes we use preferred equity from Milk Money and \$5M in notes.
- iii. (10) Pro-Forma and Financing 12M: assumes that no parties will accept notes or carried interest so our offer is limited to \$12M.

III. Contracts

- a. School Contract—accept with the existing contract in place that is in the due diligence data room.
- b. City Contract—we still need to see the contract that is being negotiated, but we expect that we can accept this.

IV. Maine Fiber Company

- a. See (12) Notes to Revised Pro-Forma.docx to Pro-forma document to see a discussion of the changes as well as well as the Pro-forma spreadsheets.

V. Working Capital improvement

- a. We include a loan for \$1.5M from the Vermont Economic Development Authority (VEDA); this is a 15 year loan at an interest rate under 4%. The loan is in review; additional details are in the financing section of the business plan.
- b. We will enter into a guaranteed LOC for working capital. LOC to be provided by a financial institution and guaranteed by a third-party deposit with the institution. LOC will be at least \$1,000,000.

VI. Investing in the Tech Economy

- a. Increased the direct payments to BTV Ignite to \$50,000 beginning in FY 2019.
- b. Support targeted technical training and co-working spaces that develop skilled workers for the tech economy
- c. Support local educational institutions and assist in hosting events such as technical competitions
- d. Provide opportunities for high school and college students such as internships and/or scholarships
- e. Support Public Educational and Governmental Access channels as the world moves from cable subscriptions to directly streaming video content

VII. Pricing

- a. Internet-Commit to no price increases for three years
- b. Phone—Commit to no price increases for three years
- c. Cable—Commit to only passing through to customers the costs associated with content cost increases