

TERMS OF THE KEEP BT LOCAL (“KBTL”) OFFER

KBTL is pleased to present the City of Burlington with the following multi-faceted offer for the acquisition of BT:

1. *Financial Terms:*

The price offered by KBTL to the City of Burlington for the acquisition of Burlington Telecom is up to \$18,000,000. Our bid includes several options (detailed below), and depending on those options, may be between \$18,000,000 and \$12,000,000.

KBTL understands that the proceeds of this purchase price must be divided in accordance with the settlement agreement among the Merchant’s Bank, City of Burlington, Blue Water Holdings, LLC, Dorman & Fawcett, and Citibank. While the exact formula for the distribution of the acquisition price will be left to the City of Burlington, we estimate that the payments to each party will be (assuming that the remaining balance of the loan from Merchants Band plus various costs that will be paid out of the sale proceeds total \$6,000,000):

Payment to Merchant’s Bank:

- Cash

Payment to Blue Water Holdings, LLC:

- \$2.4M cash, plus up to \$2.4M in cash, deferred payments, or notes.

Payment to Citibank:

- \$1.5M cash or carried interest, plus up to \$1.5M in cash, deferred payments, or notes.

Payment to Dorman & Fawcett:

- \$0.6M cash, plus up to \$0.6M in cash, deferred payments, or notes.

Payment to the City of Burlington:

- \$1.5M in cash or carried interest, plus up to \$1.5M in cash, deferred payments, or notes.

2. *Subsequent KBTL Ownership by Subscribers:*

Upon KBTL’s acquisition of BT, all subscribers of BT would become member/owners of the KBTL cooperative or its successor operating cooperative.

Each subscriber will pay a cooperative membership share buy-in of \$500. For Burlington accounts, \$250 of this will be waived. Funds paid toward KBTL membership are transferrable toward membership in the BT operating coop. Cooperative membership may be paid over time, at a minimum rate of \$5/month, with subscribers in the lifeline program or other subsidized programs paying \$1/month towards membership and having

the remaining \$4/month waived. Cooperative membership funds actually paid by will be refunded to departing members on request. For members who are in good standing (have paid membership shares at the minimum rate or faster) undistributed patronage may also be refunded to departing members at the discretion of the cooperative board.

3. *Additional Terms and Conditions Offered to the City of Burlington and its Residents:*

- Burlington (The City of Burlington) and the Burlington School District will continue their existing service contracts with BT.
- As part of the purchase, KBTL will acquire either a 5-year option to purchase 200 Church Street, at a determined price before closing, or perpetual rights for use of 200 Church Street at a negotiated price reflecting market rent.
- For all other Burlington property that is currently being used by BT, KBTL would enter into long term (20-year minimum) renewable leases at rates to be determined with Burlington or the Burlington School District. KBTL understands that it will likely have to move its equipment from Memorial Auditorium in the near future and has priced the cost of this move into its offer price.
- Current subscribers of BT and subsequent Burlington residents, businesses, and other organizations who become subscribers of the resulting entity would become members of KBTL or its successor coop.
- Compliance with all of the BTAB's and communities' criteria relating to the sale of BT (as explained in further detail in Section G below).

F. FINANCING

KBTL intends to finance its bid as follows:

- \$10 million in long-term financing with a third-party entity, Maine Fiber Company.
- \$1.5 million long term loan from the Vermont Economic Development Authority (VEDA).
- Equity: either
 - \$1 million in preferred equity from the KBTL community via Milk Money VT (with \$600,000 committed as of 11/19/17) or:
 - At least 1.5M in equity (to be raised) plus: up to \$4.5M in either additional equity, deferred payments or notes.
- \$1M line of credit from a financial institution (detailed below).
- Membership share purchases (detailed in the Financing section of the Business Plan).
- Options and the bid prices that they support:
 - Bid price of \$18,000,000:
 - Additional \$6,000,000 in equity to be raised,

- If we raise at least \$1.5M but less than \$6M in additional, we offer deferred payments or notes to bring the bid up to \$18,000,000.
- Bid price of \$12,000,000 or more (with any offer over \$12M based on additional equity to be raised), but no deferred payments or notes.

With each of these options we include \$1,000,000 of the cash raised as working capital for BT's operations (with up to \$500,000 of this from the LOC, to be repaid from member equity purchases).

Additional caveats for KBTL's offer

- Although this is being treated as an asset sale, it is assumed that all current assets and current liabilities at the time of closing will convey to the purchaser. The purchaser will have the right to review the liabilities and ensure that they are relevant to the ongoing performance of Burlington Telecom.
- KBTL's offer expects that the existing management team remains in place at least for a transition period and that KBTL would be able negotiate employment agreements with the seven individuals listed in the Management Team Bio's document in the One Hub data room, though this is not a requirement. For Stephen Barraclough, this would likely mean reaching agreement with Dorman & Fawcett regarding his continued employment.