

Summary of Major Changes to the KBTL Offer

- I. City's Carried Interest
 - a. City can take a 1/8 ownership stake in Burlington Telecom
 - b. City can take \$1,500,000
 - c. Citibank will be give the same two options through Burlington's share
 - d. Two spreadsheets show the difference in the two financing amounts
 - e. See the document (1) KBTL Offer-amended.docx for further information
- II. 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.
- III. 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.
- IV. Working Capital improvement
 - a. 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.
- V. 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
- VI. 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

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 \$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, it will be paid to the various parties by KBTL as follows:

Payment to Merchant’s Bank:	Cash
Payment to Blue Water Holdings, LLC:	Cash
Payment to Citibank:	Same offer as made to the City.
Payment to Dorman & Fawcett:	Cash
Payment to the City of Burlington:	KBTL offers to the City of Burlington continued ownership rights in BT at a level equal to Burlington’s relative share of the acquisition price, which KBTL understands to be 12.5%. The City will have the option, after five years, of selling their stake back to the company at a valuation of the enterprise determined by a third-party(s). Should the City choose not to retain continued ownership rights, the Payment to the City will be made in cash.

2. *Subsequent KBTL Ownership by Subscribers:*

Upon KBTL’s acquisition of BT, all Burlington subscribers of BT would become member/owners of the KBTL cooperative or its subsequent formation as an operating cooperative.

In recognition of the fact that Burlington residents/taxpayers have already paid nearly \$17 million dollars of toward the development and operations of BT, there would be no additional cost for Burlington subscribers to become member/owners of KBTL.

The cooperative will own 87.5% of the operating telecom company and the City of Burlington will own 12.5% of the operating telecom company. So only 87.5% of the operating excess can be credited to member owners, with 12.5% being reserved for credit to the City.

It should be noted that beyond the City's 12.5% stake in the operating telecom company the City and the School District will be members of the cooperative and will receive economic benefits (capital account credits and possible patronage refunds) relative to their usage of services.

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

- As part of the purchase, KBTL would acquire either a 5-year option to purchase 200 Church Street, at a determined price after 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) 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 who become subscribers of the resulting entity would become members of KBTL.
- Compliance with all of the BTAB's and communities' criteria relating to the sale of BT (as explained in further detail in the attached document titled "Criteria Compliance.").

FINANCING

KBTL intends to finance its bid as follows:

- \$10 million in long-term financing with a third-party entity, Maine Fiber Company.
- Approximately \$1.5 million in non-cash equity value that will be owned by Burlington. Should Burlington choose not to remain an equity participant, it will also receive cash that will come from additional financing from Maine Fiber.
- \$1 million in current commitments from the KBTL community.

This financing package includes putting \$500,000 of the cash proceeds into BT as additional working capital. KBTL is also establishing a collateralized Line Of Credit that will support

working capital within Burlington Telecom. The third-party financing entity has also expressed the potential of financing BT's expansion into other communities.

Additional caveats for KBTL's offer

- The current assets and liabilities being assumed by the purchaser are defined in the Asset Sale Agreement.
- KBTL's will make offers to all existing management and staff of Burlington Telecom. Our intent is to have Burlington Telecom managed by the existing team, to the extent possible.

Revisions to the Pro-Forma Financing

- I. There are two version of this pro-forma, one assumes the City retains an interest in Burlington Telecom and the other assumes that Burlington Telecom takes the cash payout instead. The additional cash payout would be financed by Maine Fiber under the revised terms listed below.
- II. Moved all Projected amounts forward 1 year. Since transaction will now almost certainly close near the end of FY 2018, 2019 is considered Year One for the Pro-formas. All 2018 information now comes directly from BT documents
- III. Changes made to the fixed interest cost for Maine Fiber. Deal terms are now
 - a. 8% annual interest rate
 - b. 5-years, interest only
 - c. 5-years amortizing
 - d. \$5,000,000 balloon payment in year 10, which would be refinanced at that point if it is still outstanding
 - e. Contingent, performance based payments will be owed to Maine Fiber dependent on the success of Burlington Telecom. These payments will equate to a range of \$0 up to a maximum of \$1,000,000 per year and are dependent upon Burlington Telecom increasing in value during the period that the debt is outstanding. These contingent payments are payable upon the repayment of the debt.
 - f. Burlington Telecom will have the option to repay the debt at any point after year 3, at which point the value of the contingent payments would also be payable.
- IV. Costs for a guaranteed line of credit that will support working capital have been added.
- V. An additional \$25,000 direct contribution to BTV Ignite has been added.
- VI. We have added additional projected employment costs that begin at \$100,000 per year and growth with expense rate costs. While we had already projected two additional FTEs in our pro-forma comparisons, we have budgeted these additional costs to cover various contingencies that may arise in the transition from a municipal workforce to a private workforce. These include incentive payments for continued employment with Burlington Telecom.

Additional Comments on our Modeling

- I. It should be noted that we have budgeted for the possibility of 2 additional FTEs in our original projections.
- II. While we include full budgeting for the additional revenue project expenses, we have not assumed additional revenue from these projects. We have taken this conservative approach in our pro-forma presentation to show that this financial structure is sustainable even if these initiatives do not succeed.
- III. We have been asked about how we expect to afford the services the City currently provides to Burlington Telecom as a department of the City. First, we understand that the City is supposed to be charging Burlington Telecom for these services and there are various lines in the detailed expenses where these costs are explicit. The additional FTEs as well as the added projected employment are meant to cover these services.

Revenue Growth		2019-2022	2023+		
	Residential		5%	4%	BT's 5-year plan ranges from 6-10%
	Business		5%	4%	BT's 5-year plan ranges from 8-11%
	Municipal		3%	3%	BT's 5-year plan ranges from 0-4%
	Other		3%	3%	BT's 5-year plan is over 20% per year
COGS Growth					
	Internet		0%	3%	BT's 5-year Plan are the same
	Voice		4%	3%	BT's 5-year Plan are the same
	Video		6%	0%	BT's 5-year Plan are similar
	Other		3%	3%	
SG&A Growth					
	Total		5%	3%	BT's 5-year Plan are lower--in the 2% range
Capital Spending					
	Maintenance		0%	3%	
	Base Maintenance Amount			1,000,000	BT's 5-year Plan are similar
Preferred Equity	Amount	Rate	Cost		
	1,000,000	4%	\$ 40,000		
Working Capital	Average Balance				
	\$ 500,000	6%	\$ 30,000		

	FY 2015	FY 2016	FY 2017 Budget/Actual	2018 Budget	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
REVENUE														
RESIDENTIAL REVENUE	4,748,684	5,361,987	5,909,908	6,628,464	6,959,887	7,307,882	7,673,276	8,056,939	8,459,786	8,798,178	9,150,105	9,516,109	9,896,754	10,292,624
BUSINESS REVENUE	1,839,565	1,961,163	2,102,262	2,115,742	2,221,529	2,332,606	2,449,236	2,571,698	2,700,283	2,808,294	2,920,626	3,037,451	3,158,949	3,285,307
MUNICIPAL REVENUE	1,035,100	1,011,183	997,539	1,058,196	1,089,942	1,122,640	1,156,319	1,191,009	1,226,739	1,263,541	1,301,448	1,340,491	1,380,706	1,422,127
ALL OTHER REVENUE	101,369	87,438	78,201	66,000	67,980	70,019	72,120	74,284	76,512	78,807	81,172	83,607	86,115	88,698
REVENUE TASK				200,000										
TOTAL REVENUE	7,724,718	8,421,770	9,087,911	10,068,402	10,339,338	10,833,147	11,350,951	11,893,930	12,463,320	12,948,820	13,453,350	13,977,658	14,522,523	15,088,756
COGS														
INTERNET PROVISIONING	224,857	167,096	174,250	212,382	241,704	241,704	241,704	241,704	241,704	248,955	256,424	264,116	272,040	280,201
VOICE PROVISIONING	330,152	339,437	267,721	273,600	284,544	295,926	307,763	320,073	332,876	342,863	353,148	363,743	374,655	385,895
VIDEO PROVISIONING	1,391,206	1,446,014	1,513,130	1,720,012	1,823,213	1,932,606	2,048,562	2,171,476	2,301,764	2,301,764	2,301,764	2,301,764	2,301,764	2,301,764
MISC EXPENSE	8,907	-												
TOTAL COGS	1,955,122	1,952,547	1,955,101	2,205,994	2,349,461	2,470,236	2,598,029	2,733,253	2,876,345	2,893,582	2,911,337	2,929,624	2,948,460	2,967,860
GROSS MARGIN	5,769,596	6,469,223	7,132,810	7,862,408	7,989,877	8,362,911	8,752,922	9,160,676	9,586,976	10,055,238	10,542,013	11,048,034	11,574,063	12,120,895
OPERATING														
OUTSIDE PLANT	767,704	416,247	413,105	465,648	488,931	513,377	539,046	565,998	594,298	612,127	630,491	649,406	668,888	688,955
NETWORK OPS	504,855	558,059	547,064	579,396	608,366	638,784	670,723	704,259	739,472	761,656	784,506	808,041	832,283	857,251
SALES	130,958	128,815	139,575	146,945	154,293	162,007	170,108	178,613	187,544	193,170	198,965	204,934	211,082	217,414
CUSTOMER SVC	584,740	537,972	485,201	556,538	584,365	613,583	644,263	676,476	710,300	731,608	753,557	776,163	799,448	823,432
ADMIN	584,090	532,497	528,104	524,573	550,802	578,342	607,259	637,622	669,503	689,588	710,276	731,584	753,532	776,138
BUSINESS	752,672	719,064	637,433	605,550	635,828	667,619	701,000	736,050	772,852	796,038	819,919	844,517	869,852	895,948
LEGAL & REGULATORY	224,547	203,149	152,291	149,000	156,450	164,273	172,486	181,110	190,166	195,871	201,747	207,799	214,033	220,454
SERVICE SUPPORT/HELP DESK	260,662	296,157	354,163	359,788	377,777	396,666	416,499	437,324	459,190	472,966	487,155	501,770	516,823	532,328
MARKETING	176,826	184,892	219,634	234,361	246,079	258,383	271,303	284,868	299,111	308,084	317,327	326,847	336,652	346,752
OTHER		27,800	77,088	40,697	42,732	44,868	47,112	49,468	51,941	53,499	55,104	56,757	58,460	60,214
Additional Costs (Assumption Page)					155,000	160,000	165,250	170,763	176,551	180,197	183,953	187,822	191,806	195,910
SUPPORT FOR REVENUE TASK				154,043	161,745	169,832	178,324	187,240	196,602	202,500	208,575	214,832	221,277	227,915
TOTAL OPERATING	3,987,054	3,604,650	3,553,658	3,816,540	4,162,367	4,367,735	4,583,372	4,809,790	5,047,530	5,197,306	5,351,575	5,510,472	5,674,136	5,842,711
EBITDA	1,782,542	2,864,573	3,579,152	4,045,868	3,827,510	3,995,176	4,169,550	4,350,886	4,539,446	4,857,933	5,190,438	5,537,562	5,899,927	6,278,185
Memorial Auditorium					500,000	500,000								
Other One Time Charges*					875,000									
MAINTENANCE CAP (post 2018)	966,702	1,508,125	2,050,000	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
CAPITAL INSTALL LABOR		357,973	401,918	507,117	532,473	559,096	587,051	616,404	647,224	666,641	686,640	707,239	728,456	750,310
CASH FLOW PRE-DEBT SERVICE	815,840	998,474	1,127,233	1,538,751	920,038	1,936,080	2,582,499	2,734,482	2,892,222	3,161,292	3,442,898	3,737,595	4,045,962	4,368,601
Loan Service	279,266	558,532	558,532	558,532	920,000	920,000	920,000	920,000	920,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Preferred Equity Dividend					40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Cash Added During Deal					500,000									
Cash Flow after Financing				980,219	460,038	976,080	1,622,499	1,774,482	1,932,222	1,121,292	1,402,898	1,697,595	2,005,962	2,328,601
Cumulative Cash Available After Financing					460,038	1,436,117	3,058,616	4,833,098	6,765,319	7,886,611	9,289,509	10,987,105	12,993,067	15,321,667
Debt Service Coverage Ratio					1.48	2.02	2.69	2.85	3.01	1.55	1.69	1.83	1.98	2.14

Grey Section comes directly from BT's FY17-FY23 BT Plan Summary

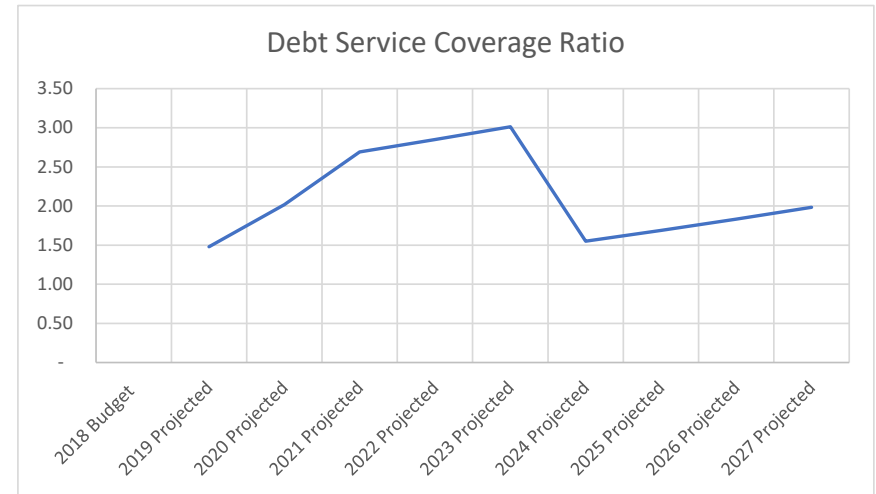
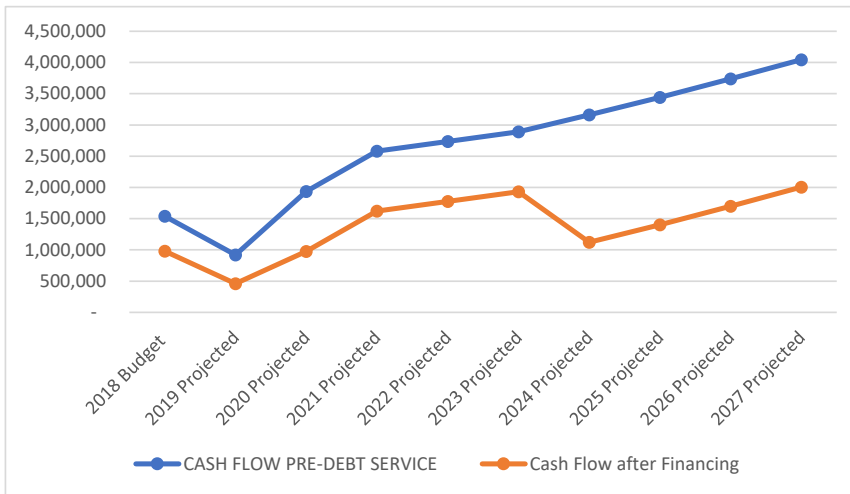
*See Capital Spending Breakout Page to understand the One-Time Charges

Cash Flow after Financing is the cash available after all maintenance capital expenditures have been met as well as all expected expenses of the Telecom have been met. This cash is available for expansion or for other projects.

Cumulative Cash Available After Financing is the cumulative amount of internally generated funds available for use in expansion or other projects.

	FY 2016	FY 2017	Budget 2018
GPON Capex Totals	531,321	399,988	292,973
Add. Service Materials	191,805	261,916	284,759
Other Replacement Equipment	273,602	-	103,839
Misc Capex Totals	287,216	316,400	200,600
Swaps Cost/Upgrades		136,031	54,413
New Builds/Extension	224,180	835,665	1,063,416
Maintenance Capex	1,283,945	1,114,335	936,584
Unaccounted		100,000	0
Expansion Capex	224,180	835,665	1,063,416
Install Labor	357,973	401,918	507,117

Memorial Auditorium Move	\$	1,000,000	From BT's Information
Employee Benefit Change Cost	\$	50,000	*One Time Charge
PSB Approval Costs	\$	250,000	*One Time Charge
KBTL Liabilities	\$	75,000	*One Time Charge
Change in Working Capital	\$	500,000	*One Time Charge



Loan Amount	\$	11,500,000
Initial Return		8%
Total Years Interest Only		5
Balloon Payment	\$	5,000,000

Year	Total Payments (No Call)
1	\$ 920,000.0
2	\$ 920,000.0
3	\$ 920,000.0
4	\$ 920,000.0
5	\$ 920,000.0
6	\$ 2,000,000.0
7	\$ 2,000,000.0
8	\$ 2,000,000.0
9	\$ 2,000,000.0
10	\$ 2,000,000.0

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REVENUE TASK				200,000										
TOTAL REVENUE	7,724,718	8,421,770	9,087,911	10,068,402	10,339,338	10,833,147	11,350,951	11,893,930	12,463,320	12,948,820	13,453,350	13,977,658	14,522,523	15,088,756
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VIDEO PROVISIONING	1,391,206	1,446,014	1,513,130	1,720,012	1,823,213	1,932,606	2,048,562	2,171,476	2,301,764	2,301,764	2,301,764	2,301,764	2,301,764	2,301,764
MISC EXPENSE	8,907	-												
TOTAL COGS	1,955,122	1,952,547	1,955,101	2,205,994	2,349,461	2,470,236	2,598,029	2,733,253	2,876,345	2,893,582	2,911,337	2,929,624	2,948,460	2,967,860
GROSS MARGIN	5,769,596	6,469,223	7,132,810	7,862,408	7,989,877	8,362,911	8,752,922	9,160,676	9,586,976	10,055,238	10,542,013	11,048,034	11,574,063	12,120,895
OPERATING														
OUTSIDE PLANT	767,704	416,247	413,105	465,648	488,931	513,377	539,046	565,998	594,298	612,127	630,491	649,406	668,888	688,955
NETWORK OPS	504,855	558,059	547,064	579,396	608,366	638,784	670,723	704,259	739,472	761,656	784,506	808,041	832,283	857,251
SALES	130,958	128,815	139,575	146,945	154,293	162,007	170,108	178,613	187,544	193,170	198,965	204,934	211,082	217,414
CUSTOMER SVC	584,740	537,972	485,201	556,538	584,365	613,583	644,263	676,476	710,300	731,608	753,557	776,163	799,448	823,432
ADMIN	584,090	532,497	528,104	524,573	550,802	578,342	607,259	637,622	669,503	689,588	710,276	731,584	753,532	776,138
BUSINESS	752,672	719,064	637,433	605,550	635,828	667,619	701,000	736,050	772,852	796,038	819,919	844,517	869,852	895,948
LEGAL & REGULATORY	224,547	203,149	152,291	149,000	156,450	164,273	172,486	181,110	190,166	195,871	201,747	207,799	214,033	220,454
SERVICE SUPPORT/HELP DESK	260,662	296,157	354,163	359,788	377,777	396,666	416,499	437,324	459,190	472,966	487,155	501,770	516,823	532,328
MARKETING	176,826	184,892	219,634	234,361	246,079	258,383	271,303	284,868	299,111	308,084	317,327	326,847	336,652	346,752
OTHER		27,800	77,088	40,697	42,732	44,868	47,112	49,468	51,941	53,499	55,104	56,757	58,460	60,214
Additional Costs (Assumption Page)					155,000	160,000	165,250	170,763	176,551	180,197	183,953	187,822	191,806	195,910
SUPPORT FOR REVENUE TASK				154,043	161,745	169,832	178,324	187,240	196,602	202,500	208,575	214,832	221,277	227,915
TOTAL OPERATING	3,987,054	3,604,650	3,553,658	3,816,540	4,162,367	4,367,735	4,583,372	4,809,790	5,047,530	5,197,306	5,351,575	5,510,472	5,674,136	5,842,711
EBITDA	1,782,542	2,864,573	3,579,152	4,045,868	3,827,510	3,995,176	4,169,550	4,350,886	4,539,446	4,857,933	5,190,438	5,537,562	5,899,927	6,278,185
Memorial Auditorium					500,000	500,000								
Other One Time Charges*					875,000									
MAINTENANCE CAP (post 2018)	966,702	1,508,125	2,050,000	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
CAPITAL INSTALL LABOR		357,973	401,918	507,117	532,473	559,096	587,051	616,404	647,224	666,641	686,640	707,239	728,456	750,310
CASH FLOW PRE-DEBT SERVICE	815,840	998,474	1,127,233	1,538,751	920,038	1,936,080	2,582,499	2,734,482	2,892,222	3,161,292	3,442,898	3,737,595	4,045,962	4,368,601
Loan Service	279,266	558,532	558,532	558,532	800,000	800,000	800,000	800,000	800,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Preferred Equity Dividend					40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Cash Added During Deal					500,000									
Cash Flow after Financing				980,219	580,038	1,096,080	1,742,499	1,894,482	2,052,222	1,521,292	1,802,898	2,097,595	2,405,962	2,728,601
Cumulative Cash Available After Financing					580,038	1,676,117	3,418,616	5,313,098	7,365,319	8,886,611	10,689,509	12,787,105	15,193,067	17,921,667
Debt Service Coverage Ratio					1.69	2.30	3.07	3.26	3.44	1.93	2.10	2.28	2.47	2.66

Grey Section comes directly from BT's FY17-FY23 BT Plan Summary

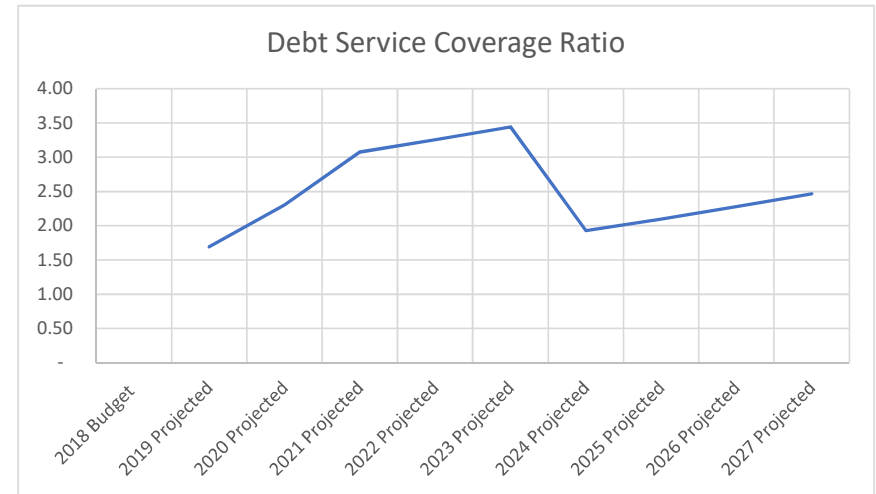
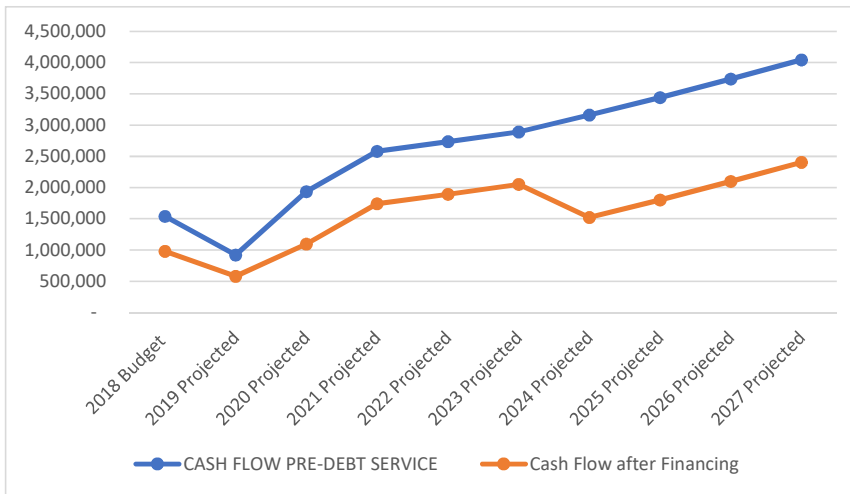
*See Capital Spending Breakout Page to understand the One-Time Charges

Cash Flow after Financing is the cash available after all maintenance capital expenditures have been met as well as all expected expenses of the Telecom have been met. This cash is available for expansion or for other projects.

Cumulative Cash Available After Financing is the cumulative amount of internally generated funds available for use in expansion or other projects.

	FY 2016	FY 2017	Budget 2018
GPON Capex Totals	531,321	399,988	292,973
Add. Service Materials	191,805	261,916	284,759
Other Replacement Equipment	273,602	-	103,839
Misc Capex Totals	287,216	316,400	200,600
Swaps Cost/Upgrades		136,031	54,413
New Builds/Extension	224,180	835,665	1,063,416
Maintenance Capex	1,283,945	1,114,335	936,584
Unaccounted		100,000	0
Expansion Capex	224,180	835,665	1,063,416
Install Labor	357,973	401,918	507,117

Memorial Auditorium Move	\$	1,000,000	From BT's Information
Employee Benefit Change Cost	\$	50,000	*One Time Charge
PSB Approval Costs	\$	250,000	*One Time Charge
KBTL Liabilities	\$	75,000	*One Time Charge
Change in Working Capital	\$	500,000	*One Time Charge



Loan Amount	\$	10,000,000
Initial Return		8%
Total Years Interest Only		5
Balloon Payment	\$	5,000,000

Year	Total Payments (No Call)
1	\$ 800,000.0
2	\$ 800,000.0
3	\$ 800,000.0
4	\$ 800,000.0
5	\$ 800,000.0
6	\$ 1,600,000.0
7	\$ 1,600,000.0
8	\$ 1,600,000.0
9	\$ 1,600,000.0
10	\$ 1,600,000.0