

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

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 Bank 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.

Keep BT Local Cooperative

Proposal to the

City of Burlington

Keep BT Local Cooperative (“KBTL”) is a Burlington based cooperative dedicated to the purchase of and the eventual profitable operation of Burlington Telecom (“BT”). KBTL’s goal is to enhance the quality of life, promote economic development and reinvest in its community by providing its individuals businesses and institutions with high quality and unfettered access to the Internet, communications services, video entertainment and unmatched customer service. KBTL is committed to returning profits and benefits to the community and expanding this enterprise both within Burlington and beyond.

A. INTRODUCTION

This Proposal to the City of Burlington (“Burlington”) includes details about KBTL’s initial offer, a brief discussion of its operating and management plans and a discussion of how its proposal meets the public criteria that were developed by the Burlington Telecom Advisory Board (“BTAB”) and adopted by the Burlington City Council (“Council”).

B. ABOUT KEEP BT LOCAL COOPERATIVE

KBTL was formed in 2013 for the sole purpose of purchasing BT from Burlington. The goal of KBTL is to create an organization that will provide the governance and financial structure to ensure that BT remains a locally owned and controlled company. At the time of KBTL’s incorporation, nearly 500 local residents and businesses committed to joining the cooperative and about 150 contributed capital to become voting member/owners of the cooperative. Since that time many more individuals and businesses have become paid-in member/owners.

Over the past four years KBTL developed a business plan, monitored the progress of BT, and participated in many meeting of the Burlington Telecom Advisory Board (BTAB) as they developed the criteria for the sale of BT. KBTL also elected a Board of Directors that meets regularly, held annual and informational meetings and elections, worked to raise capital through its members and others, and actively brought together the components required to support this proposal.

KBTL’s current focus is on the acquisition of BT. Should it be successful in doing so, it will transition from an acquisition entity to an operating cooperative. Moreover, as explained in further detail below, should KBTL is successful in acquiring BT from Burlington, all of BT’s subscribers will become members of the operating cooperative, bringing the cooperative’s membership to over 7,200.

C. KBTL BUSINESS STRUCTURE, VISION AND FINANCING

1) Business Structure

KBTL will create an operating cooperative which will be structured as a utility cooperative with subscribers as members. Each member will buy into the cooperative with a full share price of \$500; Burlington subscribers will have 50% of their share purchase requirement waived, hence their buy-in cost is \$250, which can be paid over time at a rate not slower than \$5/month. Lifeline and other subsidized subscribers will have \$4/month of their membership purchase waived by the cooperative. KBTL membership will be transferrable to the operating cooperative with full credit for KBTL paid membership. The waived and paid-in membership funds and any retained (non-distributed) member patronage will be treated as member equity; paid-in amounts are fully owned by the member and can be withdrawn when the member leaves the cooperative. Patronage is earned in proportion to billed services. Net earnings in the cooperative will be allocated (to members) as patronage which may be held by the cooperative or distributed; these amounts will be computed and reported to members. Undistributed patronage may be paid out to departing members at the discretion of the board. The cooperative management and/or board will decide how much (if any) patronage to distribute each year.

Cooperative members each have one vote to elect the board of the cooperative. The board of the operating cooperative will consist of eleven members, with eight of these representing geographic districts in Burlington. The remaining three members of the board will be professionals with relevant experience in telecommunications appointed by the eight elected board members. The board sets policy and hires a general manager. The general manager hires the staff and manages the operation of the BT cooperative.

Our proposal also supports (budgets for) incentive payments to the management team, which we intend to include. We also expect to create mechanisms for the BT management and staff to have an active voice in policy decisions.

2) Business Vision

The core of KBTL's vision is to realize the full potential of the original vision for Burlington Telecom. This vision includes providing a state-of-the art telecom option, ensuring local control of at least some telecommunications providers, creating and maintaining long-term competition in the local market for telecommunications service - ensuring that service options remain first class and that rates remain competitive, fully recognizing that these contribute to the strength and growth of both the technology community in the region as well as the regional economy. In addition, KBTL's vision is to use a cooperative structure to not only allow all members of our community to partake of these services, but also to participate in the economic growth of BT. The vision that includes all members of our community in building an equity stake in BT is a particularly important component given national economic trends towards extreme inequality of income and wealth. Adherence to long established cooperative principles is a central part of our vision. The cooperative principles are:

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

3) **Financing**

KBTL's bid is financed with a combination of loans, member equity, carried interest, community equity, deferred payments, and notes.

Most of the funds for the purchase of BT come to KBTL as a loan from Maine Fiber; this is a \$10,000,000 loan with effective annually compounded interest of 13.55%, graduated payments, a \$5,000,000 balloon after 10 years, and an early repayment option. The Maine Fiber loan payments for the first two years will be \$800,000/year, for years 3-5 payments will be \$1,400,000/year, and in subsequent years the payments will be \$2,585,136/year. The terms of this loan provide a reasonable amount of time to find good solutions if the cooperative has difficulty making these scheduled payments. In the unlikely event that KBTL defaults on its loan with Maine Fiber, KBTL will have an extended period of one and half years to cure the default as long as it is making interest payments of equal to at least 8% of the principal. And in the even greater unlikely event that KBTL is unable cure the default, the City will be given the opportunity to repurchase BT for the amount then due the Maine Fiber loan. The equipment and operations of BT are collateral for this loan.

The cooperative also plans to borrow \$1,500,000 from the Vermont Economic Development Authority (VEDA) on a long-term loan at under 4% interest. We expect this loan from VEDA will be pari-pasue with Maine Fiber's loan in using the equipment and operations of BT as collateral (this is not yet confirmed). In addition, there will be guarantors for this loan. The application for this loan is in review at VEDA. We expect to have a provisional loan approval and guarantors identified before City Council meets on November 27, 2017; the provisional elements may include final underwriting approval for KBTL and/or guarantors.

The cooperative also plans to have a line of credit for \$1,000,000 to be used, as needed, for short-term operating needs. This loan will be from a financial institution and will be backed (collateralized and guaranteed) by long-term deposits owned by a KBTL supporter. Documentation of this line of credit will be provided before November 27, 2017.

Paid-in member shares will accumulate over time. Member share purchase obligations are described in part 1 C above. We expect to accumulate member shares of over \$1,000,000 in approximately three years, \$2,000,000 in approximately 6 years, and \$3,000,000 in approximately 10 years. Because we expect only a small portion of paid in shares to be available for the cooperative to use by closing, these funds are not included in the funds used to purchase BT.

We are raising additional equity which, if it does not exceed \$1,000,000 in each of 2017 and 2018 (\$2,000,000 by closing) may be via Milk Money VT. We expect to raise \$6,500,000 in additional equity. We have an active campaign to raise \$1,000,000 in preferred equity via Milk Money VT; these non-voting shares have a target dividend of 4%; the actual dividend amount

will be decided by the cooperative board. These preferred shares are callable; the cooperative may choose to repurchase these shares at face value at any time. As of November 19, 2017, \$600,000 of the 2017 Milk Money VT \$1,000,000 target have been contributed or pledged.

The City of Burlington is offered a carried interest in the form of non-voting preferred shares that pay no dividend, are callable by the cooperative at any date, and may be sold back to the cooperative at any time six years or more after closing. The repurchase price for these preferred shares will be based on the average of the value of a member share purchased at the closing date (including any retained or paid patronage) and the market value of the cooperative (as assessed by an independent third party).

Deferred payments or notes may be part of KBTL's financing. Notes will earn 5% annual interest which will be paid at least annually. The face value of notes will be payable at the first of the following:

- The cooperative's annual EBITA for two successive years exceeds 50% of the total amount due on notes,
- The total of all other cooperative debt (other than notes created at closing) is smaller than 125% of the cooperative's accumulated cash, or
- 15 years after closing.

D. PRELIMINARY DUE DILIGENCE AND BUSINESS PLAN

In 2014, KBTL retained the services of Casco Bay Advisors, LLC and its principal, Brian Lippold (who has over 30 years of telecommunications experience) to prepare KBTL's business plan for the operations of BT once acquired by KBTL. (Brian's Resume and Resume Supplement are included in this proposal.)

Casco Bay Advisors' original due diligence, completed in 2015, showed that BT: (1) is cash-flow positive and profitable on an operating basis, (2) has engaged in a prudent and logical capital upgrade program, (3) continues to increase its market share, (4) has a lean and capable staff, and (5) has sufficient cash flow to support ongoing operations and ongoing capital upgrades. These conclusions remain the same as of the date of the submission of this proposal.

Below are KBTL's plans for its three major business objectives, including: (1) Continued Operations, (2) Providing Service to Unserved Areas of Burlington and (3) Expansion to Other Communities.

1. *Continued Operations:*

KBTL seeks to operate BT in a similar fashion to how it is currently being operated. KBTL will continue to provide the business and residential triple-play services and engage in marketing that highlights the value provided by a locally owned and operated telecom. Additionally, the marketing will highlight the unparalleled speed offered by

Fiber To The Home (FTTH) especially as users migrate away from cable television and phone services. That beings said, the three core services will be operated as follows:

Internet - While 95% of BT subscribers purchase the Internet product, most users are not utilizing the high speeds enabled by BT's network. KBTL will market the benefits of upgrading to higher speeds (1 GB) to existing customers and encourage Burlington subscribers to make the best use of the high-end Internet services available.

For business subscribers, KBTL plans to promote the availability of high speed data able to support distributed work environments and bandwidth-intensive business needs. Additionally, KBTL will work with the local business and creative community, through such initiatives as BTV Ignite & incubator facilities, to support budding, creative endeavors.

Voice - BT offers a wide range of telephone calling plans for both residential and business users. Voice services represent 18%+ of all revenues. With the widespread adoption of cell phones, residential voice services will likely continue to decline, although overall commercial voice services revenue will continue to grow and perhaps accelerate given KBTL's plan to increase the focus on commercial sales.

Video – KBTL will continue to provide BT's television subscribers with the various tiers of video service as well as HD and popular content. It is KBTL's expectation that over the next ten years, the classic video (cable) delivery market will shift significantly. The rapid transformation of the cable TV industry and the myriad Over The Top ("OTT") options now available will require that KBTL management embrace OTT and help customers to take advantage of this flexibility. Given the low margins associated with classic cable TV service, any corresponding reduction in video revenues will have little to no impact on its operating cash flow and will likely increase operating cash flow. Further, as KBTL embraces OTT services and provide its member/owners with assistance in this transformation, it will be a form of internal marketing that will build customer loyalty. Finally, BT, as do all cable providers, dedicates a portion of cable revenue to the support of Public Access stations. KBTL will proactively work to keep funding for Public Access even as cable revenue dwindles.

2. *Unserved Areas of Burlington:*

BT's network currently passes between 80-85% of the potential customers (businesses and households) within Burlington. While many of the unserved areas may be difficult and expensive to build out because utility poles do not exist in these areas, KBTL seeks to achieve a 100% service area within the City of Burlington. For neighborhoods (identified by BT in their existing plans) that are prohibitively expensive to add to the fiber network, we will explore alternative (wireless) solutions.

During the Public Service Board Hearings and in the private documents provided as part of this process, BT has estimated the costs for building out the network to the unserved areas of Burlington. While KBTL was not involved in developing these estimates, KBTL have reviewed them and would look to identify areas that could be built in an economically viable fashion. Additionally, KBTL would employ the following approaches:

- a. Neighborhood Financing—This approach is very similar to the approach Vermont Gas takes when they look to run additional lines within Burlington. If KBTL could identify enough potential customers who would commit to long-term service to make the capital expenditure feasible, KBTL would run fiber to the neighborhood.
- b. Partnerships with Utilities—This approach involves working with other utilities when they are either running new service or have accessed their buried services for repair/upgrade. It should be noted that this approach is currently being used by BT, with the current Red Rocks expansion as an example.
- c. Employing Hybrid Solutions—This approach involves using wireless technologies to provide that “last mile” service from the fiber. In the past several years, wireless technologies that can provide multi-user service at necessary bandwidths have been developed that did not exist during the initial fiber build out for BT. These technologies could be used to connect residents in otherwise expensive to build neighborhoods.

3. *Expansion to Other Communities:*

KBTL recognizes the importance of expanding the BT service territory to adjacent communities. BT already has some fiber capability in Winooski and South Burlington that serves Champlain College and Burlington International Airport respectively. KBTL’s plan would be to use those existing fiber lines (as well as others) to begin the build out to adjacent communities using both fiber and wireless solutions. KBTL’s plan will also focus on a build out similar to that done in Burlington, beginning with municipal customers as well as large businesses. After these cornerstone customers have supported early capital expenditures, KBTL will then focus on extending the service to the residential areas of the local communities that are adjacent to the newly run fiber.

While the central office infrastructure supports significant expansion into neighboring communities, expansion capital (cost) will be needed for the fiber build out, the additional huts and the equipment required at the end user site. For these reasons, the value of expansion will accrue to the ongoing entity and does not materially add to the current value of BT. Additionally, the expansion costs are highly dependent upon market density and variables in outside plant construction that can only be determined by detailed network planning and engineering analysis at the time of the build out. As part of the documentation provided to the bidders during this process, there are estimates for buildouts into the communities adjacent to Burlington. Once the assets of BT have been

acquired, KBTL management would undertake do a further review of this analysis and expand the network where appropriate and profitable.

It should be noted that expanding cable services beyond Burlington will require an expansion of the existing Certificate of Public Good (CPG). If this is desirable it will need to be considered prior to applying for the new CPG at the time of sale.

D. MANAGEMENT PLAN

KBTL intends to hire a general manager to oversee and manage the day to day operations of BT, including the hiring of a professional staff to run the business.

BT is currently managed by a full time general manager, Stephen Barraclough, who is a consultant with Dorman & Fawcett. KBTL's preference is for the current general manager to remain with BT on a permanent basis. If, however, the current general manager is unable to stay on in that way, KBTL would ask that he continue to serve on an interim basis while KBTL engages in a rigorous search for a permanent general manager. KBTL has also identified other telecom professionals with experience in the BT market who can advise KBTL on the management of BT and assist in the search for a new general manager.

- Our offer includes offering all existing management jobs with the resulting Telecom Company for the immediate future post sale.
- We have been asked to address what we would do should either the existing management (including Stephen Barraclough and/or Dorman & Fawcett) choose to exit or no longer be able to provide services to Burlington Telecom
- Our plans include the following
 - Brian Lippold-Brian is a telecom executive who now has a telecom consulting practice in Maine. Brian has worked extensively on our business and acquisition plans and is a former executive in Burlington for Telcove, Adelphia and others. Brian has said that he would be interested in being interviewed for a position should KBTL succeed in its offer and have need for a general manager.
 - Maine Fiber has various telecom service providers as clients, is well-connected in the New England area when it comes to telecom personnel and has already brought ideas for possible managers to our attention.
 - There are various cooperative entities who we have spoken with who have also offered to bring management talent, both business and technical, to our attention should we succeed with our offer. In particular the Rural Broadband Association (www.ntca.org), has over the past couple years, introduced us to other telecom cooperatives and executives and from these introductions have built additional financing and consulting connections.
 - At least two parties who we have had other financing discussions with have offered to bring telecom executives to the table as either possible hires or possible advisors.

- With all of these connections, and others, we feel that we would have no issue hiring a telecom team should we succeed AND should we be required to pursue a different path from what we have proposed.
- Finally, both David Mount (Westaff) and Andy Montrol have substantial experience hiring corporate professionals; both are on the KBTL board. Their experience includes hiring a general manager of a fiber to the home telecom.

KBTL
PRO-FORMA
and
FINANCING
18M EQUITY

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
Baseline Depreciation and Amortization			600,000

Equity	Amount	Rate	Cost
	6,000,000		0% \$ -
Working Capital	Average Balance		
	\$ 1,000,000		0% \$ -

Additional Costs

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
Cost of Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Projected Employment Costs	\$ 100,000	\$ 105,000	\$ 110,250	\$ 115,763	\$ 121,551	\$ 125,197	\$ 128,953	\$ 132,822	\$ 136,806	\$ 140,910
Additional funds for BTV Ignite--cash	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
	\$ 125,000	\$ 130,000	\$ 135,250	\$ 140,763	\$ 146,551	\$ 150,197	\$ 153,953	\$ 157,822	\$ 161,806	\$ 165,910

Membership Projections

Burlington Passings**	15,800	16,963	18,125	19,288	20,450	20,450	20,450	20,450	20,450	20,450
6,000 Non-Burlington Passings						1,200	2,400	3,600	4,800	6,000
Burlington Members**	7,700	8,400	9,100	9,800	10,500	11,200	11,900	12,600	13,300	14,000
50% Non-Burlington Members	-	-	-	-	-	600.0	1,200.0	1,800.0	2,400.0	3,000.0
Burlington Market Penetration	49%	50%	50%	51%	51%	55%	58%	62%	65%	68%
Percentage of Reduced Payment Members	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
\$62.50 Payment per year Full--Burlington	\$ 360,938	\$ 393,750	\$ 426,563	\$ 459,375	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250
\$12.00 Payment per year Reduced--Burlington	\$ 23,100	\$ 25,200	\$ 27,300	\$ 29,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400
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Total Capital Contribution	\$ 384,038	\$ 418,950	\$ 453,863	\$ 488,775	\$ 139,650	\$ 169,575	\$ 199,500	\$ 229,425	\$ 259,350	\$ 289,275

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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

MFC

Loan Amount	\$	10,000,000
Target IRR		14%
Initial Return		8%
Years at Initial Return		2
Total Years Interest Only		5
Balloon Payment	\$	5,000,000

Year		Total Payments (No Call)
1	\$	800,000.0
2	\$	800,000.0
3	\$	1,400,000.0
4	\$	1,400,000.0
5	\$	1,400,000.0
6	\$	2,585,136.0
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8	\$	2,585,136.0
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VEDA

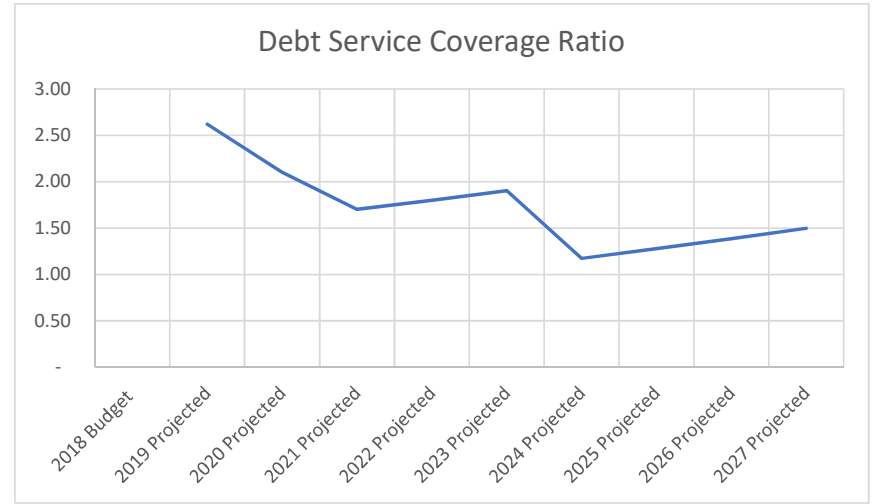
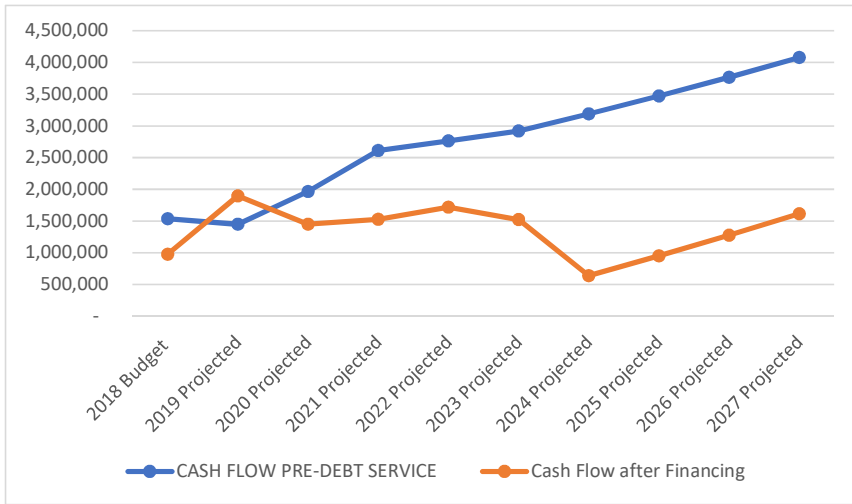
Loan Amount	\$	1,500,000
Rate		4%
Initial Return		4%
Years at Initial Return		15
Total Years Interest Only		0
Balloon Payment	\$	-

Year		Total Payments
1	\$	134,912.0
2	\$	134,912.0
3	\$	134,912.0
4	\$	134,912.0
5	\$	134,912.0
6	\$	134,912.0
7	\$	134,912.0
8	\$	134,912.0
9	\$	134,912.0
10	\$	134,912.0

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
MFC Loan**	\$ 10,600,000	\$ 11,200,000	\$ 11,500,000	\$ 11,700,000	\$ 11,900,000	\$ 10,520,000	\$ 9,140,000	\$ 7,760,000	\$ 6,380,000	\$ 5,000,000
VEDA Loan	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Total Debt	\$ 12,100,000	\$ 12,700,000	\$ 13,000,000	\$ 13,200,000	\$ 13,400,000	\$ 12,020,000	\$ 10,640,000	\$ 9,260,000	\$ 7,880,000	\$ 6,500,000
Burlington Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Capital Contributions	\$ 384,038	\$ 802,988	\$ 1,256,850	\$ 1,745,625	\$ 1,885,275	\$ 2,054,850	\$ 2,254,350	\$ 2,483,775	\$ 2,743,125	\$ 3,032,400
Retained Capital	\$ -	\$ 276,589	\$ 520,245	\$ 835,064	\$ 1,225,261	\$ 1,114,560	\$ 1,198,089	\$ 1,486,316	\$ 1,990,212	\$ 2,721,267
Total Equity and Retained Member	\$ 6,384,038	\$ 7,079,577	\$ 7,777,095	\$ 8,580,689	\$ 9,110,536	\$ 9,169,410	\$ 9,452,439	\$ 9,970,091	\$ 10,733,337	\$ 11,753,667

**MFC Principal Balance Annual Average

Debt/Equity Ratio	65%	64%	63%	61%	60%	57%	53%	48%	42%	36%
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KBTL
PRO-FORMA
and
FINANCING
12M

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
Baseline Depreciation and Amortization			600,000	

Notes	Amount	Rate	Cost	
preferred equity	-		5%	\$ -
Working Capital	1,000,000		4%	\$ 40,000
	Average Balance			
	\$ 500,000		5%	\$ 25,000

Additional Costs

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
Cost of Working Capital	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Additional Projected Employment Costs	\$ 100,000	\$ 105,000	\$ 110,250	\$ 115,763	\$ 121,551	\$ 125,197	\$ 128,953	\$ 132,822	\$ 136,806	\$ 140,910
Additional funds for BTV Ignite--cash	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
	\$ 150,000	\$ 155,000	\$ 160,250	\$ 165,763	\$ 171,551	\$ 175,197	\$ 178,953	\$ 182,822	\$ 186,806	\$ 190,910

Membership Projections

Burlington Passings**	15,800	16,963	18,125	19,288	20,450	20,450	20,450	20,450	20,450	20,450
6,000 Non-Burlington Passings						1,200	2,400	3,600	4,800	6,000
Burlington Members**	7,700	8,400	9,100	9,800	10,500	11,200	11,900	12,600	13,300	14,000
50% Non-Burlington Members	-	-	-	-	-	600.0	1,200.0	1,800.0	2,400.0	3,000.0
Burlington Market Penetration	49%	50%	50%	51%	51%	55%	58%	62%	65%	68%
Percentage of Reduced Payment Members	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
\$62.50 Payment per year Full--Burlington	\$ 360,938	\$ 393,750	\$ 426,563	\$ 459,375	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250	\$ 131,250
\$12.00 Payment per year Reduced--Burlington	\$ 23,100	\$ 25,200	\$ 27,300	\$ 29,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400
\$62.50 Payment per year Full--Non-Burlington	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,125	\$ 56,250	\$ 84,375	\$ 112,500	\$ 140,625
\$12.00 Payment per year Reduced--Non-Burlington	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800.00	\$ 3,600.00	\$ 5,400.00	\$ 7,200.00	\$ 9,000.00
Total Capital Contribution	\$ 384,038	\$ 418,950	\$ 453,863	\$ 488,775	\$ 139,650	\$ 169,575	\$ 199,500	\$ 229,425	\$ 259,350	\$ 289,275

**Assumptions here come directly from BT Documents

	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
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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

MFC		
Loan Amount	\$	10,000,000
Target IRR		14%
Initial Return		8%
Years at Initial Return		2
Total Years Interest Only		5
Balloon Payment	\$	5,000,000

Year	Total Payments (No Call)	
1	\$	800,000.0
2	\$	800,000.0
3	\$	1,400,000.0
4	\$	1,400,000.0
5	\$	1,400,000.0
6	\$	2,585,136.0
7	\$	2,585,136.0
8	\$	2,585,136.0
9	\$	2,585,136.0
10	\$	2,585,136.0

VEDA		
Loan Amount	\$	1,500,000
Rate		4%
Initial Return		4%
Years at Initial Return		15
Total Years Interest Only		0
Balloon Payment	\$	-

Year	Total Payments	
1	\$	134,912.0
2	\$	134,912.0
3	\$	134,912.0
4	\$	134,912.0
5	\$	134,912.0
6	\$	134,912.0
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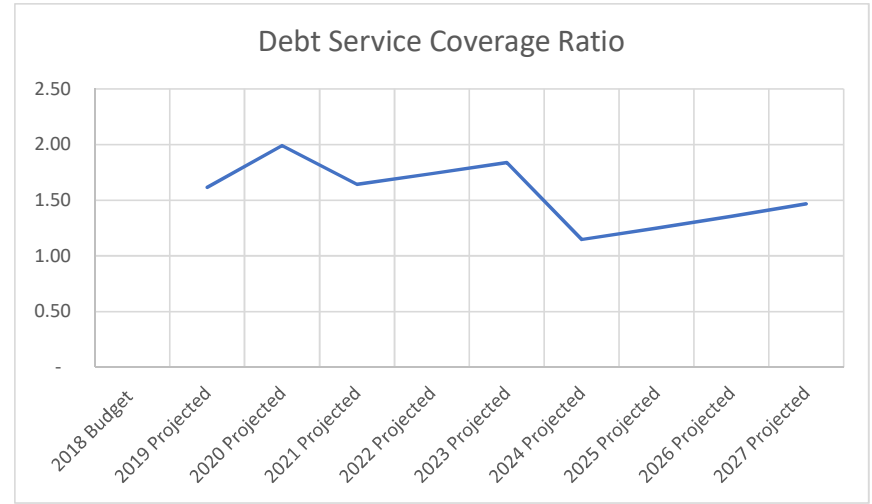
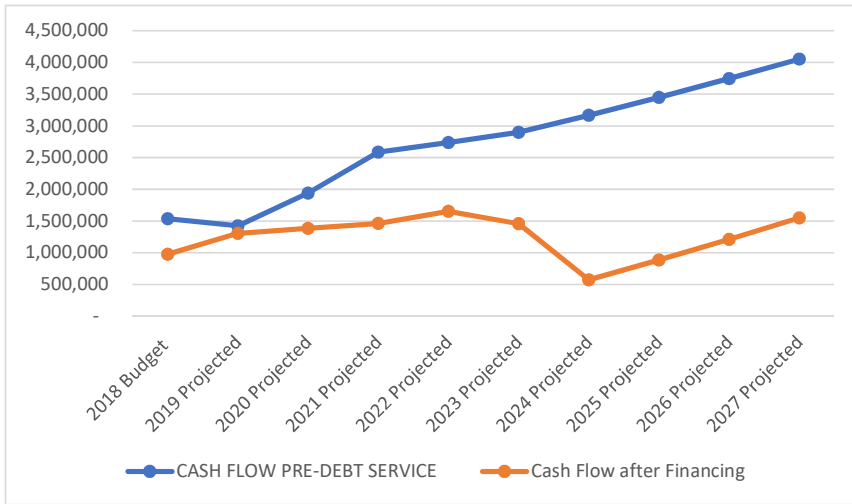
Line of credit		
Loan Amount	\$	1,500,000
Rate		5%
Initial Return		5%
Years at Initial Return		less than 1 year
Total Years Interest Only		
Balloon Payment		

Year	Total Payments	
1	\$	500,000.0

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
MFC Loan**	\$ 10,600,000	\$ 11,200,000	\$ 11,500,000	\$ 11,700,000	\$ 11,900,000	\$ 10,520,000	\$ 9,140,000	\$ 7,760,000	\$ 6,380,000	\$ 5,000,000
VEDA Loan	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Line of credit	\$ 500,000									
Total Debt	\$ 12,600,000	\$ 12,700,000	\$ 13,000,000	\$ 13,200,000	\$ 13,400,000	\$ 12,020,000	\$ 10,640,000	\$ 9,260,000	\$ 7,880,000	\$ 6,500,000
Preferred shares	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Contributions	\$ 384,038	\$ 802,988	\$ 1,256,850	\$ 1,745,625	\$ 1,885,275	\$ 2,054,850	\$ 2,254,350	\$ 2,483,775	\$ 2,743,125	\$ 3,032,400
Retained Capital	\$ -	\$ 211,589	\$ 390,245	\$ 640,064	\$ 965,261	\$ 789,560	\$ 808,089	\$ 1,031,316	\$ 1,470,212	\$ 2,136,267
Total Equity and Retained Member	\$ 1,384,038	\$ 2,014,577	\$ 2,647,095	\$ 3,385,689	\$ 3,850,536	\$ 3,844,410	\$ 4,062,439	\$ 4,515,091	\$ 5,213,337	\$ 6,168,667

**MFC Principal Balance Annual Average

Debt/Equity Ratio	90%	86%	83%	80%	78%	76%	72%	67%	60%	51%
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KBTL
PRO-FORMA
and
FINANCING
18M NOTES

Revenue Growth	2019-2022	2023+	
Residential	5%	4%	BT's 5-year plan ranges from 6-10%
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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
Baseline Depreciation and Amortization			600,000

Notes	Amount	Rate	Cost
preferred equity	5,000,000		5% \$ 250,000
Working Capital	1,000,000		4% \$ 40,000
	Average Balance		
	\$ 1,000,000		0% \$ -

Additional Costs

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
Cost of Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Projected Employment Costs	\$ 100,000	\$ 105,000	\$ 110,250	\$ 115,763	\$ 121,551	\$ 125,197	\$ 128,953	\$ 132,822	\$ 136,806	\$ 140,910
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Loan Amount	\$	10,000,000
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Total Years Interest Only		5
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VEDA

Loan Amount	\$	1,500,000
Rate		4%
Initial Return		4%
Years at Initial Return		15
Total Years Interest Only		0
Balloon Payment	\$	-

Year		Total Payments
1	\$	134,912.0
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3	\$	134,912.0
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5	\$	134,912.0
6	\$	134,912.0
7	\$	134,912.0
8	\$	134,912.0
9	\$	134,912.0
10	\$	134,912.0

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected
MFC Loan**	\$ 10,600,000	\$ 11,200,000	\$ 11,500,000	\$ 11,700,000	\$ 11,900,000	\$ 10,520,000	\$ 9,140,000	\$ 7,760,000	\$ 6,380,000	\$ 5,000,000
VEDA Loan	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Total Debt	\$ 12,100,000	\$ 12,700,000	\$ 13,000,000	\$ 13,200,000	\$ 13,400,000	\$ 12,020,000	\$ 10,640,000	\$ 9,260,000	\$ 7,880,000	\$ 6,500,000
Preferred shares	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Notes	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Capital Contributions	\$ 384,038	\$ 802,988	\$ 1,256,850	\$ 1,745,625	\$ 1,885,275	\$ 2,054,850	\$ 2,254,350	\$ 2,483,775	\$ 2,743,125	\$ 3,032,400
Retained Capital	\$ -	\$ (13,411)	\$ (59,755)	\$ (34,936)	\$ 65,261	\$ (335,440)	\$ (541,911)	\$ (543,684)	\$ (329,788)	\$ 111,267
Total Equity and Retained Member	\$ 6,384,038	\$ 6,789,577	\$ 7,197,095	\$ 7,710,689	\$ 7,950,536	\$ 7,719,410	\$ 7,712,439	\$ 7,940,091	\$ 8,413,337	\$ 9,143,667

**MFC Principal Balance Annual Average

Debt/Equity Ratio	65%	65%	64%	63%	63%	61%	58%	54%	48%	42%
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