

BROADBAND LOAN PROGRAM

Prepared By: Vermont Economic Development Authority

- o The program assumes a total of \$12,000,000 in project costs for six (6) borrowers.
- o The loan proceeds are expected to be used for the materials and installation of fiber-optic cabling, working capital and capitalized interest.
- o VEDA would fund \$10,800,000, or 90% and the remaining 10%, or \$1,200,000 would come from other sources (borrower equity, grants, etc.).
- o The maximum loan amount is \$1,800,000. All loans and corresponding VEDA borrowings are at variable interest rates.

BORROWER PROJECT COSTS:		FUNDING SOURCES:		% OF TOT
MATERIALS, EQUIPMENT AND WORKING CAPITAL	\$12,000,000	VEDA FINANCING	\$11,524,560	91%
CAPITALIZED INTEREST	724,560	EQUITY/OTHER	1,200,000	9%
TOTAL USES	<u>\$12,724,560</u>	TOTAL SOURCES	<u>\$12,724,560</u>	100%

ESTIMATED STATE APPROPRIATIONS Under Varying Loss Assumptions*	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	STATE LOSS TOTAL	STATE LOSS As % of Total	VEDA LOSS TOTAL
1 of 6 Projects Fail	\$540,000	\$442,777	\$971,510	(\$103,761)	(\$685,457)	\$1,165,069	76%	\$371,539
2 of 6 Projects Fail	\$540,000	\$442,777	\$971,510	\$921,226	(\$567,136)	\$2,308,377	75%	\$764,839
3 of 6 Projects Fail	\$540,000	\$442,777	\$971,510	\$921,226	\$566,198	\$3,441,711	75%	\$1,168,113
4 of 6 Projects Fail	\$540,000	\$442,777	\$1,996,496	\$923,367	\$693,070	\$4,595,710	75%	\$1,550,722
5 of 6 Projects Fail	\$540,000	\$442,777	\$1,996,496	\$1,948,353	\$811,390	\$5,739,016	75%	\$1,944,024
6 of 6 Projects Fail	\$540,000	\$442,777	\$1,996,496	\$1,948,353	\$1,944,724	\$6,872,350	75%	\$2,347,298

*Assumes a 20% collateral salvage value; negative appropriation amounts (in red) are funds returned to the State.

Notes:

- 1) State funds provide a backstop against potential loan losses. Any unused funds appropriated to VEDA would be returned to the State (amounts in red, above).
- 2) GAAP requires lenders to "provide" (expense) estimated or actual losses in each reporting period; the 2020 and 2021 appropriations is the State's share.
- 3) VEDA will bear the risk of loss on amounts up to a maximum of \$3,000,000; VEDA will absorb its historical loss rate before any State funds are expended.
- 4) Borrowers are not required to repay principal or interest for two years; after this deferral period, all accrued interest is capitalized (i.e. added to loan balance).
- 5) The analysis anticipates that after 5 years borrowers will either refinance their VEDA loan with a bank or the loan will be charged-off.