# 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** | **$12,724,560** | **TOTAL SOURCES** | **$12,724,560** | 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 (amountsin 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.