



O-NET FINANCIAL CLOSURE REPORT

May 5th, 2025

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Introduction

During the Public Input Session on November 5, 2024 regarding the sale of OFL LTD. to TELUS Communications, it was stated that a financial report on the Town's involvement in OFL LTD and its sale process would be presented following the release of the Town's 2024 Audited Financial Statements. This is that report.

A recording of the November 5th session can be accessed [HERE](#) where some of this and other information was discussed.

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 - Breakdown of the sale process, the sale price, and the subsequent financial management strategy.

Note: *The terms OFL, OFL LTD. and O-NET are used interchangeably throughout this document. These terms are synonymous.*

Executive Summary

O-NET was a visionary project undertaken by a committed group of volunteers to make Olds Canada's most connected community. As Canada's first community-owned broadband company, O-NET forged a trail for many in the telecommunications space. However, its subscriber and revenue numbers did not grow sufficiently to maintain operations, replace core infrastructure, and service the \$18+ million debt, despite substantial effort and dollars expended to make it successful. This is in addition to the fierce competition O-NET faced from other larger national telecommunication companies.

Following several financial support efforts in 2022 and 2023, Town Council decided it could not justify using more tax dollars to support O-NET without a guarantee the investment would be successful or recoverable. In early 2024, directions were given to the OFL Board of Directors by Town Council to sell O-NET.

In November 2024, TELUS Communications was announced as the successful bidder following a 6-month competitive sales process. The sales price was \$11 million, which required the Town to write off all internal loans to O-NET (a net loss of \$7.8 million) and begin servicing the approximate \$8.9 million debt owed to the Alberta Capital Finance Authority, following an unsuccessful lobbying campaign to the province for debt forgiveness.

The Town will use sale proceeds to make lump sum payments over the next 2 years, restructure the remaining debt; and service the debt until its expected maturity date in 2031.

Section 1: Olds Fibre Ltd. Timeline (2007 – 2024)

The following represents a summary of the Town's relationship with O-NET from 2007 – 2024. The information is accurate but not comprehensive, as the purpose is to provide a general context to the financial decision to sell O-NET in November 2024.

2007	<ul style="list-style-type: none">• Council agreed to underwrite a \$1.5 million bond issue for Fibre to the Premises (FTTP) to the Olds Institute for Regional and Community Development (OIRCD). However, no transfer of funds occurred at this time.• OIRCD was a volunteer led organization focused on the economic and social betterment of Olds and region. It existed from 2001 until 2022.
2008	<ul style="list-style-type: none">• The Government of Alberta provided a \$2.5 million grant to Olds Institute to explore FTTP in Olds.
2010	<ul style="list-style-type: none">• In September, following a request from OIRCD, Bylaw 2010-17 passed third reading for a \$6 million loan from the Town of Olds to OIRCD for an FTTP investment.
2012	<ul style="list-style-type: none">• In August, a Loan Guarantee bylaw for \$4 million was approved by Town Council for OIRCD. This was for a Line of Credit established at Connect First Credit Union.
2013	<ul style="list-style-type: none">• O-NET is launched, making Olds the first 'gigabit community' in Canada.
2014	<ul style="list-style-type: none">• In March, Council passed a borrowing bylaw 2014-04 and loan bylaw 2014-05 for an additional \$8 million for OIRCD, with a 15-year amortization period.
2017	<ul style="list-style-type: none">• At OIRCD's request, the town refinanced \$14 million in loans with an extended amortization period, as OIRCD could not meet the existing payment schedule. Loan payments would be interest only until 2021.
2018	<ul style="list-style-type: none">• The Town received a CARES Grant from the Government of Alberta for \$600,000 to create an O-NET business plan and promotional effort. The Town was required to provide a matching \$600,000, which it did.

2020	Forbearance Process <ul style="list-style-type: none"> • In May 2020 the Town of Olds initiated the forbearance process, which is a legal process enforcing the repayment of a debt owed. • In June 2020, the Town engaged BDO Canada LTD as a financial advisor for the purpose of providing financial and advisory services to the Town regarding the debt owed by OIRCD. BDO determined that combined projected revenues of OIRCD and OFL would be insufficient to cover the loan installments of principal and interest payments owed to the Town. • BDO also confirmed that a substantial risk exists for the Town of Olds, in terms of default on payment as the Town would be required to make payments on the funds borrowed from Alberta Capital Finance Authority (ACFA). Broadband Investment Committee (BIC) <ul style="list-style-type: none"> • Council established the BIC in 2021 to advise Council on matters related to broadband and OFL LTD. options. • The committee consisted of the Mayor and 5 Councillors and met 19 times in 2021. • The BIC was disbanded and did not meet following the October 2021 election. Receivership: <ul style="list-style-type: none"> • In June 2021, the Town of Olds declined to renew the forbearance agreement with the OIRCD due to O-NET's negative financial outlook and inability to service the \$18+ million debt. • BDO Canada Ltd was appointed as Receiver of OIRCD. • In September 2021, BDO advises the Town that OIRCD is unable to make the required loan payments. Town of Olds Council approves a budget adjustment making this payment from general operating reserves. Municipally Controlled Corporation <ul style="list-style-type: none"> • BDO Canada LTD commenced a sales process that engaged multiple telecommunications firms, but no offer was accepted by the Town at this time. • In August 2021, Council moved OFL LTD. under the Town of Olds creating a Municipally Controlled Corporation (MCC). • An MCC means the municipality owns the corporation but does not manage its day-to-day operations.
2021	Municipal Election and New Board of Directors: <ul style="list-style-type: none"> • In October 2021, a new Board of Directors for OFL was appointed, consisting of the newly elected members of the Town of Olds Council.
2022	MCC Operations <ul style="list-style-type: none"> • In August, OFL Board of Directors approved the Business Management Agreement (BMA) between OFL and FourNetworks Inc. in the hopes of renewing and expanding O-NET to new markets and new subscribers.

2023**New Board of Directors**

- Town Council decided to appoint public-at-large-board members to 6 of the OFL Board's 7 positions. This was done to bring private sector experience to the governance of the organization.
- Following a public advertising and interview period, Council filled all vacancies with individuals specializing in telecommunications, legal, private sector finance, and corporate governance.
- One elected official remained on the OFL Board of Directors.

End of the Business Management Agreement

- The OFL Board of Directors ended the BMA with FourNetworks Inc. in October of 2023.

2024**Town Direction to the OFL Board:**

- In early 2024, the Board of Directors provided options to Town Council on the future of O-NET. These options consisted of multi-million-dollar investments in O-NET's core infrastructure over several years, or to pursue a sale of the company.
- Council instructed the OFL Board to begin a sales process for O-NET.

Sale Process

- Stage Left Partners was hired by the OFL Board to start a sales process, which lasted nearly 6 months and solicited over a dozen telecommunications companies about purchasing O-NET.
- TELUS Communications was the successful bidder.

Sale Price

- The sale price for OFL LTD. was \$11 million and the company officially sold on November 5th, 2024.
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Section 2: Financial Summary

This is an overview of the Town's financial contributions to OFL LTD. and expenses incurred by the Town of Olds because of it.

IN SUMMARY:

The Town provided OFL LTD. approximately \$18 million between 2010 and 2017 in the form of loans and guarantees. Between 2020 – 2021, under the Town's ownership/management \$1.2 million was added to OFL LTD. debt in the form of expenses incurred on behalf of the organization during the forbearance process. From 2022 – 2024, the Town spent approximately \$535,311 in supporting OFL LTD.

In 2024, the sales process resulted in a sale of OFL LTD. for \$11 million. Closing costs for this transaction were \$515 thousand. And \$4.15 million in debt was paid out, the largest being to Connect First Credit Union for the line of credit. Total cash proceeds of \$6.33 million will be received on the sale. \$4.2 million came to the Town in November 2024. The remaining \$2.13 million will be released once the holdback period expires in late 2026. The Town's financial loss from O-NET is \$7.8 million.

MORE DETAIL:

➤ Debt Incurred to Build and Operate O-NET

- 2010: A \$6 million loan was provided by Town Council to the Olds Institute for Regional and Community Development (OIRCD) for the purposes of building O-NET.
 - 2012: \$4 million loan guarantee was approved by Town Council to establish a line of credit for O-NET.
 - 2014: An \$8 million loan was provided by Town Council to OIRCD for the purposes of building O-NET.
 - 2017: The \$14 million owed to and guaranteed by the Town was refinanced due to difficulty in OIRCD meeting the payment schedule.
- ❖ ***Total Amounts Loaned and Guaranteed by the Town to O-NET: \$18 million.***

➤ Expenses to Reorganize and Sustain O-NET Operations

- 2018: \$600,000 was provided by Town Council to OIRCD as a matching component to the Alberta CARES grant program to help fund O-NET's business plan and promotional activities.
- 2020 – 2022: \$850,000 in consulting and legal fees were paid to BDO LTD. and Brownlee LLP by the Town.
- 2021: \$450,000 was paid by the Town of Olds to cover 1 debenture payment
- 2022: \$20,000 was paid by the Town of Olds to hire a 3rd party lobbying firm to help facilitate meetings with provincial and federal agencies that funded rural broadband projects.
- 2023 – 2024: The Town paid \$438,750 to reimburse O-NET for its public Wi-Fi service in the Town of Olds from 2020 – 2024.

- 2024: The Town cancelled \$80,496 in interest charges on the internal loan, which had a budget revenue implication.
- 2024: The Town forgave \$16,065 in property tax for OFL LTD.
- 2024: \$326,931 was paid by the Town of Olds to cover the September debenture payment
- ❖ **Expenses Incurred by the Town due to O-NET: \$2,782,242**
 - **Note:** *The \$850,000 incurred between 2020 – 2022 was wound into the overall debt owed by O-NET, but these amounts were not recoverable.*

➤ Transaction Process and Expenses

OFL LTD. was sold to TELUS Communications for \$11 million on November 5th, 2024.

- With the \$11 million sale price:
 - \$4.15 million was used to pay off OFL indebtedness, primarily the line of credit held by Connect First Credit Union.
 - \$515,436 in closing costs, mainly consisting of consulting and legal fees.
 - \$4.2 million has been paid to the Town.
 - \$2.13 million is being held by TELUS Communications in the form of holdbacks until November 2026.
- The Town has incurred \$88,220 in consulting and legal fees that were not deducted from the sale proceeds.
- ❖ **Net Sale Proceeds:** *By the end of 2026, the Town of Olds expects to have received an approximate net sum of \$6.33 million from sale proceeds. The entire amount will be applied to the remaining ACFA debt of \$8.9 million.*

Section 3: Sales Process and Next Steps

SALES PROCESS

This section of the report is presented in a Q&A format as there are many details that fall outside of the actual transaction but are relevant to the conversation.

- Why did the Town decide to sell O-NET?
 - O-NET was unable to generate the revenue required to operate the company and replace its deteriorating infrastructure.
 - O-NET did not reach much more than 50% usership from Olds's residents, meaning there was never sufficient support to fund the organization.
 - Attempts to improve financial viability and expand subscriber growth through a business management agreement, upgraded television platform, and government lobbying were unsuccessful.
- Why didn't the Town try to keep O-NET?
 - It did; however, O-NET was in dire financial circumstances with aging infrastructure, declining revenues, and an inability to service its debt.
 - It was projected the Town would need to contribute approximately \$2 million annually for the next 3-5 years to keep O-NET solvent. That was not feasible, as there would be no guarantee that this investment would allow it to compete against Rogers, Shaw, and Telus.
- How was the sales process run?
 - OFL LTD. Board of Directors hired *Stage Left Partners*, a merger and acquisitions firm specializing in telecommunications transactions, to run the sales process.
- Why wasn't the sales process advertised publicly?
 - It was determined that potential purchasers were less likely to engage in a public process. Mergers and acquisitions in the private sector are generally done with a high degree of discretion.
 - The Town of Olds was not obligated to conduct this process publicly. But we were required to publicly report on the results and offer citizens the opportunity to provide input. That occurred on November 5th, 2024.
- How much was O-NET sold for?
 - \$11 million
- Why was O-NET sold for less than the debt it owed the Town?
 - O-NET's market value was only \$11 million. No buyers were willing to pay more.
- How much debt is the Town left with?
 - \$8.9 million (*before sale proceeds are applied*).
 - In 2025, the Town will apply the first lump sum payment, reducing the debt to \$5.3 million, and the second lump sum at the end of 2026, following the release of the holdback by TELUS.

- Overall debt will be reduced to approximately \$2.6 million by January 2027.
- How much did the Town lose on O-NET sale?
 - \$7.8 million
- Did O-NET bring benefit to Olds?
 - Yes. There are businesses that chose Olds because of our gigabit broadband infrastructure. Those businesses pay taxes and employ people who live, eat, and shop here.
 - That gigabit infrastructure still exists and can be leveraged by TELUS to attract more businesses that require this type of internet speed; speeds that do not exist in most places in rural Alberta.
- Why did the Town approach the Provincial Government for support?
 - O-NET was built using property tax dollars from the citizens of Olds. In recent years, billions of dollars have been announced for other rural broadband projects using provincial and federal tax dollars to cost share with local municipalities; O-NET was built prior to these programs existing.
 - However, we felt that it was a reasonable ask to allow residents to have the same access to and benefit from subsidized rural internet that residents in Red Deer County, Clearwater County, and Sturgeon County, to name a few.

NEXT STEPS

The priority is to pay off the remaining debenture as quickly as possible without placing undue hardship on Town taxpayers. However, tax dollars will be required to pay the approximate \$3 million left owing on the OFL debt.

1. Restructuring O-NET Debt

- The Town has tentatively reached an agreement with the Alberta Treasury and Finance to restructure the remaining \$8.9 million debt owed.

2. Lump Sum Payment #1

- Make one lump sum payment of \$3.45 million in 2025.

3. Debt Servicing

- Debenture Payments will decrease to approximately \$545,000 in 2025 and 2026.

4. Lump Sum Payment #2

- Make a second lump sum payment of \$2.13 million following the release of holdbacks by TELUS Communications in November 2026.

5. Debt Servicing

- Debenture payments will continue until loan maturity in 2031.

Council will be provided with options to accelerate debt repayment as finances allow.

Conclusion

O-NET was a bold and visionary project that brought national attention to Olds and established critical broadband infrastructure that continues to benefit our community. It demonstrated the power of innovation and community leadership. However, the financial strain it placed on the Town has reinforced an important lesson: municipalities are not structured to compete in private industry. While we honor and appreciate the legacy O-NET has left, we also recognize the need to focus municipal resources on core services that directly support the well-being of our residents.

The Town has already begun the process of debt recovery and is committed to managing the remaining obligations responsibly. Looking ahead, we will continue to foster innovation and economic growth, but always within a framework that protects the long-term financial health of our community.

A broader fiscal update will be released in early June 2025 via the *2025 Financial Update*. It will be available on the Town's website: <https://www.olds.ca/news>.