

A photograph of a modern, multi-level office building interior. The space is characterized by curved balconies with glass railings and a central staircase with a metal handrail. The lighting is bright and modern, with recessed ceiling lights and large windows. The overall aesthetic is clean and professional.

SUMMARY OF THE FINANCIAL ADVISOR REPORT

DAVID LEWIS



BACKGROUND

Sources of financing for OI and OFL

Town has lent \$14 million

- 10.1 million borrowed from Alberta Capital Finance Authority
- 3.9 million taken from town cash flows

connectFirst Credit Union has lent approximately 3.4 million

- The town has guaranteed this debt

Private lenders have lend approximately \$1 million



BACKGROUND

History of town financing

September 2010 - \$6 million, scheduled to be repaid by September 2020

May 2014 - \$8 million, scheduled to be repaid by May 2029

In 2015 - town begins re-advancing the principal paid, approximately \$3.9 million.

Ultimately resulting in no principal being repaid since inception.

In July 2017, the town agrees to refinance the entire \$14 million debt.

- to be repaid over 25 years;
- interest only until September 2021



THIRD PARTY REVIEW

Reasons

1. Size of the loan
2. The potential effect if nonpayment occurs to the Town
3. Change in regulations, allowing the town to own a for profit entity
4. Concerns about governance issues
5. Contemplation of the sale of shares to invest in further fiber expansion
6. Lack of clarity on operations
7. Lack of operational input
8. Effect it has on the Town's borrowing capacity



THIRD PARTY REVIEW

BDO to review

1. Cash flow requirements
2. Review and analyze Lender's security position
3. Analyze amounts due from/to shareholders
4. Provide restructuring and alternative available to the Town
5. Review operational and financial viability of the Companies



LOAN RECOVERY OPTIONS

1. Refinancing
2. Sale to a third party
3. Sale of redundant assets
4. Orderly wind-down
5. Formal insolvency proceedings
6. Updating loan terms
7. Transfer assets from OI to OFL



KEY CONCLUSIONS OF THE REPORT

1. In order to maximize recovery in any option, assets should be in on entity
2. OFL continues to require capital investment in order for further growth to occur outside the Town
3. The Town is not in a position to make further capital investment
4. A substantial risk exist to the Town in terms of a default on payment, as the Town would need to make its payments on the funds borrowed from ACFA
5. Based on combined projection the Companies would be unable to cover installments of principal and interest as they come due.