

## Michael Fugle

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**From:** Mitchel Olson <Mitchel.Olson@bugtusselwireless.com>  
**Sent:** Tuesday, August 2, 2022 3:33 PM  
**To:** Michael Fugle  
**Cc:** Tina Smigielski; Jeff.Verdoorn@ocedc.org  
**Subject:** RE: Oneida County Questions

Mike –

Anything you would like to see that was not included on the previous email, specifically all of the documents from the first tranche of bonds issued via Fond Du Lac County.

Mitch

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**From:** Michael Fugle <mfugle@co.oneida.wi.us>  
**Sent:** Tuesday, August 2, 2022 3:31 PM  
**To:** Mitchel Olson <Mitchel.Olson@bugtusselwireless.com>  
**Cc:** Tina Smigielski <tsmigielsk@co.oneida.wi.us>; Jeff.Verdoorn@ocedc.org  
**Subject:** RE: Oneida County Questions

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Mitchel,

I don't know whether there will be a portal available. Please identify what documents relate to the particular response.

Mike



Oneida County Corporation Counsel  
Michael J. Fugle  
P.O. Box 400  
Rhineland, WI 54501

(715) 369-6155  
FAX 369-6284

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**From:** Mitchel Olson <[Mitchel.Olson@bugtusselwireless.com](mailto:Mitchel.Olson@bugtusselwireless.com)>  
**Sent:** Tuesday, August 2, 2022 1:38 PM  
**To:** Michael Fugle <[mfugle@co.oneida.wi.us](mailto:mfugle@co.oneida.wi.us)>  
**Cc:** Tina Smigielski <[tsmigielsk@co.oneida.wi.us](mailto:tsmigielsk@co.oneida.wi.us)>; [Jeff.Verdoorn@ocedc.org](mailto:Jeff.Verdoorn@ocedc.org)  
**Subject:** RE: Oneida County Questions

No, we do not.

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**From:** Michael Fugle <[mfugle@co.oneida.wi.us](mailto:mfugle@co.oneida.wi.us)>  
**Sent:** Tuesday, August 2, 2022 1:37 PM  
**To:** Mitchel Olson <[Mitchel.Olson@bugtusselwireless.com](mailto:Mitchel.Olson@bugtusselwireless.com)>  
**Cc:** Tina Smigielski <[tsmigielsk@co.oneida.wi.us](mailto:tsmigielsk@co.oneida.wi.us)>; [Jeff.Verdoorn@ocedc.org](mailto:Jeff.Verdoorn@ocedc.org)  
**Subject:** RE: Oneida County Questions

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Hi Mitchel,

Do you have a secure website, portal or F'FTP we can access?

Mike



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**From:** Mitchel Olson <[Mitchel.Olson@bugtusselwireless.com](mailto:Mitchel.Olson@bugtusselwireless.com)>  
**Sent:** Tuesday, August 2, 2022 12:14 PM  
**To:** Michael Fugle <[mfugle@co.oneida.wi.us](mailto:mfugle@co.oneida.wi.us)>  
**Cc:** Tina Smigielski <[tsmigielsk@co.oneida.wi.us](mailto:tsmigielsk@co.oneida.wi.us)>; [Jeff.Verdoorn@ocedc.org](mailto:Jeff.Verdoorn@ocedc.org)  
**Subject:** RE: Oneida County Questions

Good Morning Everyone –

Please see below, those being our answers to the questions you presented. I am still working on the documents you requested, but wanted to get something out the door for your review.

Does the county have the capability of establishing a data room into which I can place documents? Your request is substantial, and many of the documents are very large.

Thanks!



**Mitchel Olson**  
**Chief Development Officer | General Counsel**

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**From:** Michael Fugle <[mfugle@co.oneida.wi.us](mailto:mfugle@co.oneida.wi.us)>  
**Sent:** Thursday, July 28, 2022 11:06 AM  
**To:** Mitchel Olson <[Mitchel.Olson@bugtusselwireless.com](mailto:Mitchel.Olson@bugtusselwireless.com)>  
**Cc:** Tina Smigielski <[tsmigielsk@co.oneida.wi.us](mailto:tsmigielsk@co.oneida.wi.us)>; [Jeff.Verdoorn@ocedc.org](mailto:Jeff.Verdoorn@ocedc.org)  
**Subject:** Oneida County Questions

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Good Afternoon Mr. Olson,

The Administration Committee of the Oneida County Board of Supervisors has directed me to work with our Finance Director, Municipal Advisor and Bond Counsel to submit a preliminary listing of requests and/or questions to you for response. This comes after two meetings of the Committee in conjunction with the financial and legal team to consider the potential project, including, but not limited to publically available documents from the first tranche of bonds issued via Fond Du Lac County, emails, and other correspondence received to date from yourself and/or from the Oneida County Economic Development Commission on this topic. Kindly



respond no later than Wednesday, August 2<sup>nd</sup> and please attend the next Committee meeting scheduled for 9:00am on Thursday, August 4<sup>th</sup>. Zoom will be an option if attending in person does not work for your schedule.

1. It is our understanding that the Bug Tussel project includes multiple counties within the State of Wisconsin. Please provide an overview of the project goals, objectives, and accomplishments to date and plans for the future.

The project goals are to expand our footprint and to provide a countywide comprehensive plan for improved connectivity for unserved and underserved areas of Wisconsin. Through the R.O.A.D. to Digital Equality program, Bug Tussel seeks to provide (1) Fixed wireless broadband to rapidly provide improved coverage across a wide area, (2) Middle-mile connectivity, connecting anchor institutions throughout the participating county, (3) Last-mile fiber connections along the middle-mile route, providing fiber connectivity to residents along the middle-mile route, (4) Improved cellular connectivity utilizing the constructed towers, and (5) Community education through Bug Tussel University. This program began in 2021, which projects beginning in 5 counties (Fond du Lac, Marathon, Calumet, Jackson, and Waushara). In the second tranche, projects will begin in an additional 7 counties (Jefferson, Iowa, Taylor, Wood, Green Lake, Oconto, and Rock). The ultimate goal of the program is to install the infrastructure necessary to insure that all unserved and underserved residents in Wisconsin have a path to connectivity. We will continue to pursue countywide projects so long as there are participating counties in which investment needs to be made.

2. The County supported the Hilbert Communications / Bug Tussel application for state grant dollars in reference to broadband expansion. The County was recently advised that the grant was awarded. Please provide a summary of the grant (grantor, grantee, amount, timing, uses, and general restrictions) as well as a copy of the grant agreement.

The grant was applied for with the Public Service Commission of Wisconsin. The project contemplated therein is the same project that was presented to Oneida County (limited to only the fiber portion of the project). A copy of the application is attached. The grant was in the amount of \$2,769,500. The PSC issued their Order officially awarding the grant July 28, and we have not yet been presented with the Grant Agreement, which outlines additional terms and conditions. The project is to be completed by November 30, 2024, unless extension is granted by the PSC. Grant funds are received by reimbursement throughout construction of the project assets. Unlike previous cycles, the PSC is funding the grant through a bond issuance of their own, so additional terms and conditions will apply that have not in the past.

3. It is our understanding that Bug Tussel and/or Bug Tussel 1 are owned by Hilbert Communications. Please describe the corporate structure of these entities (e.g.. LLC, s-Corp.) as they relate to one another, and please provide the most recent audited financial statements for each.

Bug Tussel Wireless, LLC and Bug Tussel 1, LLC, are wholly owned subsidiaries of Hilbert Communications, LLC. Bug Tussel Wireless is the internet service provider, and Bug Tussel 1 is a special purpose entity created for the purpose of segregating the



bond assets. Hilbert prepares a single consolidated financial statement, which is attached.

4. Please identify any members with a controlling interest or members with in excess of a 24% ownership interest of Hilbert Communications.

No members of Hilbert Communications are controlling or have an ownership interest in excess of 24%.

5. Please forward the feasibility study or the overall, statewide projects and for the Oneida County specific project that provides: a historical background of Bug Tussle / Hilbert Communications' project(s), a description of the service to be provided, details of the capital outlay; operations and management; marketing research and financial forecasts. If you do not have such a study or studies available, please explain why not?

I have attached the consolidated pro forma financial model for the 2021 and 2022a issuances.

The need for rural broadband and the feasibility of rural broadband projects has been well-documented by the Wisconsin Public Service Commission, the FCC, and many independent studies showing the negative impact of not having broadband and the economic vitality which can be had, though not guaranteed, if one has access to broadband.

Furthermore, Bug Tussel Wireless has a successful 19 year operating history utilizing this model which is far superior to any "theoretical feasibility study." We have proven the feasibility with our operations and it would be wasteful to spend anyone's money trying to theorize a model that has been proven and executed. We have followed our projections very closely and those projections are included in the PLOM for the underwriters, bond insurers and bond buyers and have been reviewed as part of Standard and Poor's rating which on the most recent issue was A+.

6. Please explain how the project is being funded in Oneida County (e.g. grant, Town pledge, County-backed bonds), and the intended use of the bond proceeds used. Please provide a projected repayment scheduled, and the "waterfall" of funding to make the annual debt service payments.

As detailed in the Grant application, a nominal portion of the project will be funded by contribution from multiple towns in Oneida County. These contributions were solicited by Jeff, and were a substantial benefit to the scoring of the grant application. The primary funding source for this project is the County-backed bunds, in addition to the grant award. The bond proceeds will be used to install the assets discussed in the grant application, approximately 225 miles of fiber optic middle-mile, as well as 6 communication towers.

The bond issuance will include 3 years of capitalized interest (no payments due for the first 3 years), interest only payments for years 4 and 5, with principal and interest payments beginning in year 6, amortized over the remaining 25 years of the bonds. At this time, it is unclear when the bonds for the Oneida County project will be issued.



Specific repayment information will be contingent upon the interest rate at which the bonds are issued, which may be different than the first two tranches.

7. Is it accurate to state that all of the bond issues in this project, issued as separate tranches, are on parity; therefore, revenues from all projects combined may be used to repay the bonds even if one or more county's project fails to meet Bug Tussle's current projections? And conversely, is it then accurate to state that counties' will be obligated for their pro-rated share of overall bond repayments should total statewide project revenues fall short and debt service reserve funds require replenishment?

Each series of bonds has its own debt service reserve fund, and the amount on deposit in those debt service reserve funds are only available to pay debt service on the bonds associated with that series.

The revenues from all projects is combined and may be used to make bond payments independent of the county in which the revenue is generated. Oneida County's obligation to replenish the debt service reserve fund will be its pro-rata share of the total amount of bonds issued, which is a direct result of the amount authorized in Oneida County's resolution, and will not change based on additional participating counties.

8. Should the project in Oneida County not move forward and/or not produce sufficient revenues to repay the bonds, what Hilbert and/or Bug Tussel corporate assets are pledged ahead of the County's obligation to use tax payer funds to replenish any debt service reserve fund if needed? How is that pledge guaranteed?

Through a Guaranty Agreement with Oneida County, Hilbert Communications guarantees payment of the bonds. There is no specific lien placed on Hilbert's assets, other than its membership units in Bug Tussel 1, LLC. Mechanically, Bug Tussel 1 has an obligation to make the payments. In the event Bug Tussel 1 fails to make the payments, payments are made from the debt service reserve fund. The Trustee will notify the County, which has 150 days to replenish that account. The County has the right to request reimbursement from Bug Tussel 1 and Hilbert (terms defined in the Reimbursement Agreement and Guaranty Agreement), which must be made within 5 days. In the event reimbursement is not made, the County can foreclose on the assets on which it has a lien (fiber and towers install in Oneida County by Bug Tussel 1), and seek additional reimbursement from Hilbert.

In practice, so long as Hilbert is able it will make any payments Bug Tussel fails to make.

9. There seems to be some confusion on the role of a bond insurer in a financing such as the one being proposed by Bug Tussel. Will you please explain, in layperson terms, what the bond insurance provides to Bug Tussle, the bond holders, and the County as a guarantor of the debt?

Bond insurance is an insurance product to protect the bondholders. The insurance company stands between the bondholders and the county. In the event the County fails to replenish the debt service reserve fund, the bondholders can make a claim against



the insurance policy. At that point, the insurance company would seek reimbursement from the county. It is a tool to provide comfort to the bondholders, which improves the rate at which the bonds are issued. It has little to no impact on Bug Tussel or the County beyond the improved interest rate.

10. What are be the economic, public safety and community benefits to this project? What do you see as the primary risks to the County in participating in this program?

There are significant benefits to this project for the County. Broadband connectivity is an essential element of daily life, as highlighted by the pandemic. This project provides improved connectivity for thousands of homes and businesses in the County, with the additional capacity for further deployment.

The County, specifically, will receive cash payments throughout the lifetime of the bonds, free use of the towers for its purposes, and free use of 24 strands of fiber for its purposes. Public safety will have the opportunity to expand their radio and E911 coverage, without the expense associated with a tower lease or the cost of constructing a tower. Moreover, other counties are utilizing their fiber to connect their communication towers, satellite buildings, and parks, which results in significant cost mitigation on the County's existing internet costs.

The risk to the County are becoming financially responsible for the project. This risk is mitigated by the County's lien on the assets as well as Hilbert's guarantee.

Very truly yours,

Mike Fugle



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