

**Report to
Joint Committee on Government and Finance,
Governor's Office
and
Board of Treasury Investments**

January 2022

**West Virginia Economic Development
Authority**

Broadband Loan Insurance Program





Memo

To: WVEDA Board
Joint Committee on Government and Finance
WV Governor's Office
WV Board of Treasury Investments

From: Executive Director, Kris Warner

Date: January 11, 2022

Re: Broadband Loan Insurance report for the quarter ending December 31, 2021

In accordance with West Virginia Code § 31-15-8a(g), the West Virginia Economic Development Authority (the "WVEDA") is required to submit quarterly reports on the 30th day of each January, April, July and October to the Joint Committee on Government and Finance, the Governor and the Board of Treasury Investments containing information about the WVEDA's Broadband Loan Insurance Program, as defined in West Virginia Code § 31-15-8a(a)(2) ("BLINS"). This quarterly report is being provided pursuant to West Virginia Code § 31-15-8a(g).

The WVEDA executed an Amended Broadband Loan Insurance Promissory Note in July of 2021 increasing the principal amount from \$50 million to \$80 million. The WVEDA has committed \$11,236,879.70 for traditional BLINS and \$30,061,108.98 for RDOF BLINS. The WVEDA has \$38,702,011.32 available to commit to eligible broadband projects.

To date, the WVEDA has received \$112,049.93 in application and origination fees. The WVEDA charges a one-time \$1,000 application fee and a one-time

origination fee (one-half of one percent) to cover the costs associated with administering the program. There are no ongoing revenue streams for this program.

The WVEDA has earned \$60,609.01 in interest on disbursed BTI funds and has paid the WV Board of Treasury Investments ("BTI") \$77,843.94 in interest on disbursed loan funds. The WVEDA is concerned that the interest expense on loan disbursements (required by BTI) will continue to exceed interest earnings on the same funds.

To summarize the program, the WVEDA issues BLINS commitments to insure financial institutions loans or letters of credit to internet service providers for qualified projects. The respective financial institution funds the loan to the provider or issues a letter of credit on behalf of the provider. The WVEDA essentially commits to fund a valid claim in the event a loan defaults or letter of credit is presented. If a financial institution presents a valid claim the WVEDA must remit the funds to the financial institution.

It is BTI's position that the WVEDA must draw down BTI loan funds for a BLINS commitment upon the execution of the Standard BLINS Agreement as it is a liability of the WVEDA. The WVEDA's position is that the commitment represents a contingent liability (as certain events must occur before funds are required) and that the WVEDA should draw down BTI loan funds when a financial institution presents a valid claim. As a result, the WVEDA is incurring interest expense (payable to BTI) for loan disbursements that are not needed unless a claim is presented.

The WVEDA invests all loan disbursements in the WV Money Market Pool fund, but the earnings are less than the interest expense paid to BTI. To date the WVEDA has paid \$77,843.94 to BTI in interest expense and earned \$60,609.01 in interest on disbursed funds. The WVEDA has paid \$17,234.93 over and above interest earnings to administer the BLINS program.

To resolve this issue the WVEDA recommends that BTI perform a liquidity calculation on the full amount of the \$80,000,000 BLINS note to WVEDA. Further, it is recommended that the WVEDA draw funds from the BTI loan when a valid claim is presented. This recommendation streamlines the funding process and eliminates the WVEDA's interest carrying cost.

Listed below are the outstanding and active Broadband Loan Insurance commitments:

1. Provider Name:	Digital Connections, Inc.
Financial Institution:	Clear Mountain Bank
Total Loan Value:	\$1,596,099.62
Loan Amount Insured:	\$1,276,879.70

BLINS Loan O/S Principal: \$1,596,099.62
Loan Maturity Date: March 26, 2030
Loan Status: Current

- 2. Provider Name:** CityNet, LLC
Financial Institution: MVB Bank of Bridgeport
Total Loan Value: \$10,200,000.00
Loan Amount Insured: \$2,193,337.98
BLINS Loan O/S Principal: \$2,741,672.47
Loan Maturity Date: April 29, 2040
Loan Status: Current/Not fully funded

Listed below is a traditional Broadband Loan Insurance commitment that is pending approval of matching funds and the execution of the Broadband Loan Insurance Agreement:

- 1. Provider Name:** Roane County Economic Development Authority
Service Area: Roane County, WV
WVEDA approval: January 21, 2021
Financial Institution: Wesbanco Bank
Commitment Amount: \$2,250,000.00
Loan Amount Insured: \$1,800,000.00
BLINS Loan O/S Principal: \$0
Loan Maturity Date: N/A
Loan Status: WVEDA approved pending USDA approval

Listed below are the outstanding and active RDOF Broadband Loan Insurance commitments for a Letter of Credit (LOC):

- 1. Provider Name:** CityNet, LLC
Service Area: Harrison County, WV
WVEDA approval: February 2, 2021
Financial Institution: MVB Bank of Bridgeport
Commitment Amount: \$16,055,057.49
LOC Amount: \$5,351,685.90
LOC Amount Insured: \$5,351,685.90
LOC Maturity Date: October 15, 2028
LOC Status: Current/LOC can increase to the commitment amount
- 2. Provider Name:** Digital Connections, Inc.
Service Area: North Central WV
WVEDA approval: February 2, 2021
Financial Institution: Clear Mountain Bank
Commitment Amount: \$2,574,900.42
LOC Amount: \$858,300.14

LOC Amount Insured: \$858,300.14
LOC Maturity Date: November 24, 2028
LOC Status: Current/LOC can increase to the commitment amount

Listed below are approved RDOF Broadband Loan Insurance commitments for Letters of Credits that are pending FCC RDOF approval and the execution of the Broadband Loan Insurance Agreement:

- 1. Provider Name:** Gigabeam Networks, LLC
Service Area: Upshur County, WV
WVEDA approval: February 2, 2021
Financial Institution: Citizens Bank of WV
Commitment Amount: \$8,420,336.76
LOC Amount: N/A
LOC Amount Insured: N/A
LOC Maturity Date: N/A
LOC Status: WVEDA approved pending FCC approval
- 2. Provider Name:** MicroLogic, Inc.
Service Area: Upshur County, WV
WVEDA approval: January 21, 2021
Financial Institution: Citizens Bank of WV
Commitment Amount: \$3,010,814.31
LOC Amount: N/A
LOC Amount Insured: N/A
LOC Maturity Date: N/A
LOC Status: WVEDA approved pending FCC approval

None of the loans or letters of credit insured under the BLINS Program are in a default status.

I have also attached the WVEDA's internal report from December 31, 2021, which is provided monthly to the WVEDA Board members for review and discussion at the monthly Board meeting.

Please feel free to contact me with any questions.

West Virginia Economic Development Authority
December 2021 Broadband Loan Insurance

WVBTI Nonrecourse Revolving Loan	\$50,000,000.00
WVBTI Nonrecourse Revolving Loan (Executed July 2021)	\$30,000,000.00
Total WVBTI Nonrecourse Revolving Loan	\$80,000,000.00
Less:	
Committed Traditional BLINS to date	\$11,236,879.70
Committed RDOF BLINS to date	\$30,061,108.98
Remaining funds available to commit	\$38,702,011.32
WVEDA loan disbursements required by WVBTI	\$8,722,255.76
WVEDA exposure for loans funded by Financial Institutions	\$3,470,217.67
Letters of Credit funded by financial Institutions	\$0.00
* Interest Paid to WVBTI	\$77,843.94
* Interest Earned on invested Loan Disbursements	\$60,609.01
Application and Origination Fees Collected	\$112,049.93

* NOTE: WVEDA earned \$1,326.12 in interest from 10/1/2021 through 12/31/2021 and paid \$1,559.88 in interest to WVBTI for the same period.

Traditional BLINS Insured Projects: Borrower	Service Area	Bank	Commitment Date	Closing Date	Committed Amount	Insured %	Exposure	Outstanding Balance	Estimated Exposure	Required BTI Exposure	Loan Status	Insurance Expiration
Digital Connections, Inc.	North Central WV	A	2/15/2018	3/26/2018	\$1,850,000.00	0.80	1,480,000.00	1,596,099.62	1,276,879.70	1,276,879.70	Current	3/26/2030
*CityNet, LLC	Harrison County, WV	B	2/21/2019	4/29/2020	\$10,200,000.00	0.80	8,160,000.00	2,741,672.47	2,193,337.98	8,160,000.00	Current	4/29/2040
*Roane County EDA	Roane County, WV	C	1/21/2021		\$2,250,000.00	0.80	1,800,000.00			1,800,000.00	Committed	
TOTAL Traditional BLINS					\$14,300,000.00		\$11,440,000.00	\$4,337,772.09	\$3,470,217.67	\$11,236,879.70		
RDOF BLINS Insured Projects:												
*CityNet, LLC	Harrison County, WV	F	2/2/2021	10/15/2021	\$16,055,057.49	100.00	5,351,685.90	0.00	0.00	5,351,685.90	Current	10/15/2028
*MicroLogic, Inc	Upshur County, WV	D	1/21/2021		\$3,010,814.31	100.00	3,010,814.31			3,010,814.31	Committed	
* Digital Connections, Inc.	North Central WV	E	2/2/2021	11/24/2021	\$2,574,900.42	100.00	858,300.14	0.00	0.00	858,300.14	Current	11/24/2028
* Gigabeam Networks, LLC	Upshur County, WV	D	2/2/2021		\$8,420,336.76	100.00	8,420,336.76			8,420,336.76	Committed	
TOTAL RDOF BLINS					\$30,061,108.98		\$17,641,137.11	\$0.00	\$0.00	\$17,641,137.11		
COMBINED TOTAL Traditional BLINS & RDOF BLINS					\$29,081,137.11		\$29,081,137.11	\$4,337,772.09	\$3,470,217.67	\$28,878,016.81		

* NOTE: Loan is not fully funded, Letter of Credit has not been issued or Letter of Credit is issued but not presented and has a \$0 balance.

BANK CODE	BANK NAME
A	Clear Mountain Bank
B	MVB Bank of Bridgeport
C	Wesbaco Bank, Parkersburg
D	Citizens Bank of WV
E	Letter of Credit with Clear Mountain Bank, there will be a zero balance until drawn upon
F	Letter of Credit with MVB Bank of Bridgeport, there will be a zero balance until drawn upon