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A PROFESSIONAL CORPORATION

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August 31, 2011

HAND DELIVERED
Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street – Drawer 20
Montpelier, VT 05620-2701

Re: Petition of City of Burlington d/b/a Burlington Telecom to amend Condition No. 17 of its Certificate of Public Good, enlarging the date by which it must complete its system build out
Docket No. 7044

Dear Sue:

Please consider the original and three (3) copies of this letter the sixth progress report of the City of Burlington ("City") d/b/a Burlington Telecom ("BT") as required by Paragraph 10 of the Board's Order in the above-referenced matter dated October 8, 2010. Reference should be made to BT's prior progress reports dated November 1, 2010, December 30, 2010, February 28, 2011, May 2, 2011 and June 30, 2011 for additional information.

With respect to potential investors, since the last status report the City has focused its efforts on negotiating with the out of state independent telephone company that submitted a letter of intent ("LOI") in January 2011 proposing to provide new equipment in order to facilitate the return of the CitiCapital equipment with the exception of the fiber, which would be replaced using a like-kind exchange. As reported previously, the original LOI was not acceptable to the City's financial advisors, Dorman & Fawcett ("D&F"), and a revised LOI was presented in February 2011. The revised LOI provides the City a minority equity stake in BT and an annual cash flow distribution to the City representing a percentage of BT's free cash flow, subject to a minimum annual distribution to the City. The amount and term of the minimum annual distributions remains the subject of continuing negotiations between the parties.

Also as reported previously, this party has visited Burlington on two occasions and has met with members of the City Council's Blue Ribbon Committee ("BRC"), BT staff and the City's administration. The LOI has been further revised based upon these meetings and subsequent discussions between the parties. D&F has been working closely with members of the

BRC and intends to make an in-person presentation to the BRC in the coming weeks in anticipation of bringing a proposal to the City Council this Fall.

Subsequent to the last status report the City obtained this party's written consent pursuant to their Non-Disclosure and Confidentiality Agreement to share the terms of the LOI with the Board and the Department of Public Service under seal. The City has shared the February 2011 LOI and financial information concerning this party with the Department pursuant to the terms of the Protective Order that is in place in Docket 7044. The City has had discussions with the Department concerning requested revisions to the proposed transaction and how the LOI compares to the template transaction envisioned by D&F. The City intends to continue to keep the Department informed of the status of these negotiations. If the Board so desires, the City will share the same information provided to the Department with the Board under seal.

The City has nothing new to report with respect to CitiCapital. As the Board is aware, the City submitted a proposed restructuring plan to CitiCapital in August 2010, which was rejected. These parties subsequently acknowledged that their Lease/Purchase Agreement terminated as a result of the City's non-appropriation of funds for rental payments during Fiscal Year ("FY") 2011. In December 2010 CitiCapital informed the City that it had retained Great American Group of New York to assist in the inventory, appraisal and return of the equipment subject to the Lease/Purchase Agreement and that the City would be hearing from them shortly. As of the date of this letter, the City still has heard nothing from this group. In February 2011, CitiCapital requested a status report on new equipment financing and what a third party may be willing to pay CitiCapital in lieu of returning the equipment. The City, through D&F, provided the requested report on February 10, 2011.

With FY 2011 now complete, BT has demonstrated its ability to manage to its plan, achieve positive cash flow before debt service and produce the results it predicted in discussions last year with CitiCapital. Moreover, BT's FY 2011 performance makes a compelling case for CitiCapital to reconsider the restructuring plan proposed last August.

With respect to a proposed amendment to Condition 17 of the Certificate of Public Good ("CPG"), BT has had discussions with the Department, the BRC and City Councilors about adopting a line extension policy consistent with Vermont Statutes and Board Rules as a potential cure for its non-compliance with that CPG Condition. BT hopes to present its proposal to the City Council in September, and will keep the Board informed of any progress in this regard.

The Hearing Officer's *Procedural Order Re Pending Motions* dated June 17, 2011 directed BT "to provide as much financial information as possible, particularly with respect to monthly cash flow reports, in future progress reports." *Id.* at 3. Enclosed herewith is an update on BT's financial and operational performance prepared by D&F and provided to the City Council earlier this month. Also enclosed is a financial report dated August 15, 2011, prepared by BT and provided to the plaintiffs in the civil action entitled *Osier, et al. v. City of Burlington, et al.*, Docket No. S1588-09 CnC, presently pending in Chittenden Superior Court, Civil Division. BT is required to provide this information to the plaintiffs in that action monthly. If the Board finds this information helpful, BT will provide this same information to the Board and the Department on a monthly basis as well.

Thank you for your assistance. If the Board needs anything further in this regard at this time, please let me know.

Very truly yours,

William F. Ellis

William F. Ellis

WFE/
Enclosures
cc: Docket 7044 Service List

Burlington Telecom

Dorman & Fawcett City Council Update August 8, 2011

Fiscal Year 2011 represents a turning point for Burlington Telecom. BT's pre-debt service cash flow was positive and the entity was essentially not dependent on the City's pooled cash for the first time since its founding. The City's cash overall position as it relates to BT improved more than $1 million dollars. Partner talks have continued to progress.

Financial Performance

BT's financial performance for FY 2011, compared with actual FY 2010 and Budgeted FY 2012 can be found below. Estimated FY 2011 Figures comprise 12 months actual revenues, eleven months of actual costs and estimated final total costs for June.

($000's)	FY2010 Results	FY2011 Estimate	Budget FY2012
Revenues	7,127	7,189	7,313
COGS	2,186	2,033	2,094
Gross Margin	4,940	5,155	5,218
GM%	69.3%	71.7%	71.3%
Operating Costs	4,677	4,244	3,888
EBITDA	262	911	1,330
%	3.7%	12.7%	18.2%
Capex	1,081	291	513
Cash Flow (Pre Debt Service)	(819)	620	817

FY2011 performance against FY 2010 shows revenues essentially flat year on year. Cash flow pre-debt service shows an improvement of $1.4 million dollars ($1,439k) comprising an improvement in gross margin of $215k, reduced operating costs of $433k year on year and capital expenditures, down $790k.

Cash flow pre debt financing improved from a negative $819k in FY 2010 to a positive forecast of $620k for FY 2011, reflecting the impact of significant changes in operating practices, the introduction of a comprehensive set of controls on expenditures, and the ongoing work of BT management and staff to control expenditures and contain costs.

For FY 2012 BT has budgeted a slight increase in revenues of 1.7%. Overall prices across all segments have been held year on year, to ensure that BT's offerings remain competitively priced, with only one small increase on one residential package, in spite of anticipated increases in programming and content costs. Cash flow pre debt service is budgeted to improve by a further $197k to $817k. Costs remain under tight control, and reduced year on year operational costs of $356k reflect the full year impact of various actions taken over the course of the past year to improve efficiency, partially offset by increased sales and marketing costs as BT begins to market and promote its offerings again and improve customer service.

Capital expenditures are budgeted to increase by $222k to $513k in FY 2012 and include a provision to participate in a couple of larger, more capital intensive initiatives if such opportunities arise and show a clear and acceptable ROI.

BT continues to be a positive contributor to the City cash pool on a month by month basis, and has been since October 2010, with the exception of a small negative balance in March 2011. The positive balance at 30 June was $153k.

Operational

Internally, BT has undergone significant change over the past 10 months, beginning with the introduction of a comprehensive monthly financial control and reporting environment and focus on cash management, but extending to a detailed review of every area of its operations and the video, telephone and internet equipment used to operate BT.

During the past year, BT ended its reliance on expensive outside services for marketing and installation activities and had the work brought in house. BT's use of an external collection agency for delinquent accounts was not cost effective. That function was also brought in house, utilizing BT's Customer Service Reps to make courtesy calls.

At the same time, BT has reduced overall staffing levels by approximately 30%. Staff, who have historically had segregated duties, are now being cross-trained to ensure more effective coverage across disciplines. BT's staffing and expenditure levels have now been right sized to match its current underlying level of activity.

BT's technical staffs are currently nearing completion of a series of manufacturer provided software upgrades to equipment, a number of which have been available for several years, in order to ensure that key equipment remains current relative to its age.

With its operational reviews complete, BT undertook an internal management reorganization in July to better align it to its key objectives for FY 2012. This will place increased focus on customer service and sales and marketing. While continuing to improve internal effectiveness and efficiency, BT's focus will shift from primarily internal in FY 2011 to primarily customer facing in FY 2012.

BT's priority will be on continuing to improve its service to both its residential and business customers over the coming year and on becoming more actively involved in the local business community and in local events.

These initiatives are important to BT's plans to grow its revenue base over the coming 12 months, arresting and beginning to recover the declines in subscriber numbers experienced over the past 2 years. Those declines have slowed significantly over the last fiscal year, with overall subscriber numbers falling 2.9% between July through December 2010, the first half of FY 2011, and 1.7% during the most recent 6 months ending 30 June 2011.

Significant ongoing help continues to be received from Hiawatha Broadband Communications, the successful Winona Minnesota based over builder, and particularly Gary Evans, a founder and HBC's longtime CEO, who works alongside D&F as an operational partner.

BT's ongoing operational relationship with Gary Evans and HBC remains critical to the new initiatives planned for FY 2012, with BT working closely with Evans to ensure best practice is introduced across several customer facing areas within BT's operations.

Partner / Restructuring Discussions

Partner discussions have progressed and updated LOI terms are being negotiated. D&F has consulted the BRC as the LOI terms have evolved. The City has advised in its June 30 filing with the Public Service Board that it intends to provide the Board and the Department of Public Service the LOI under seal pursuant to a non-disclosure and confidentiality agreement with the interested party.

There has been no change in the status of the Citicapital lease, which may be a result of the State's investigation having taken longer than expected. BT's improved operating results ordinarily would be the basis for Citicapital to reconsider the earlier BT restructuring proposal, but there has been no indication of their willingness to do so. Regardless of Citicapital's position, BT is achieving the results that attract a viable partner for the City.

Burlington Telecom
Balance Due to City
As of 8/13/11

DESCRIPTION	Balance with City
Due to City - GL 4383-33002	(183,315.27)
Checks paid 8/15/11-not posted to GF	15,213.60
Cash in Bank-per online statement	(160,389.53)
Net due City/(Excess Cash)	(328,491.20)
Scheduled Cash Outlay - Aug 2011 (8-15 through 8-31-11)	$ 425,153.32
Anticipated Cash collections - July Billings	(262,000.00)
Non-AR cash benefit	0.00
Due to City @ 8/31/11/(Excess cash @ 8/31/11)	(165,337.88)

A/R to be collected	$ 653,944.13
Taxes Payable out of Billings	$ 47,737.92
$ available for expenses	$ 606,206.21
Collect within 15 days	$ (262,000.00)
AR collect within 60 days	$ 344,206.21

City of Burlington
DUE TO/FROM BT
4383.33002

		DEBIT	CREDIT
Pentamation Balance	8/15/2011		-
GRAND TOTAL		183,315.27	-

Burlington Telecom
Fund 4383
Sources & Use of Cash - FY 2011

	1Q Actual	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Actual May-11	Actual Jun-2011	Actual Jul-2011	Actual Aug 12-
Sources of Cash:												
Revenues-Invoicing	1,902,193	644,630	605,724	633,044	552,047	621,003	644,288	533,911	547,613	555,243	557,185	273,798
Other/True Up/PEG Access Fees	31,904	10,329	7,476	9,330	10,249	9,131	9,183	9,948	7,883	9,100	5,876	0
Total Sources of Cash	1,934,097	654,959	613,200	642,374	562,296	630,134	653,471	543,859	555,476	564,343	563,061	273,798
Uses:												
COGS	538,049	184,603	192,206	180,365	185,000	218,363	171,273	170,685	155,463	163,614	166,959	27,000
Operating Expenses	1,021,629	289,705	372,365	291,759	144,194	768,065	406,826	107,101	428,542	407,234	245,032	152,620
Net Cash from Ops before Int and CapX	374,419	180,651	48,629	170,250	233,102	(356,294)	75,372	266,073	(28,529)	(6,505)	151,070	94,178
Interest Expense - City of Burlington	130,540	34,898	35,497	36,380	36,680	31,947	0	51,947	67,815	0	120,000	0
Interest Expense - CitiLeasing	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	171,789	70,405	66,480	2,878	0	370	0		2,699	3,600	10,000	0
Total Uses of Cash	1,862,007	579,611	666,548	511,382	365,874	1,018,745	578,099	329,733	654,519	574,448	541,991	179,620
Net Cash from Operations	72,090	75,348	(53,348)	130,992	196,422	(388,611)	75,372	214,126	(99,043)	(10,105)	21,070	94,178
Cash Balance per GL & Bank												
Cash per Bank	546,383	33,088	152,732	527,705	100,977	102,320	596,789	590,055	23,563	214,418	35,213	160,390
Due from/(Due to) GF	(474,293)	114,350	(58,642)	(302,624)	320,526	(69,428)	(488,525)	(267,665)	199,785	(1,175)	199,100	168,102
	72,090	147,438	94,090	225,081	421,503	32,892	108,265	322,391	223,348	213,243	234,313	328,491
		147,438	94,090	225,081	421,503	32,892	108,264	322,391	223,348	213,243	234,313	328,491
		0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0

	8/19/11	8/26/11	9/2/11	9/9/11	9/16/11	9/23/11	9/30/11	10/7/11	10/14/11	10/21/11	10/28/11	11/4/11	11/11/11
Sources of Cash:													
Revenues-Invoicing	178,000	108,000	150,000	125,000	148,000	148,000	155,357	125,000	148,000	148,000	160,000	150,000	150,000
Other/True Up/PEG Access Fees	3,099	2,000	2,000	5,800	1,500	1,500	1,500	5,800	1,500	1,500	1,000	5,800	1,500
Total Sources of Cash	181,099	110,000	152,000	130,800	149,500	149,500	156,857	130,800	149,500	149,500	161,000	155,800	151,500
Uses:													
COGS	100,000	40,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	25,000	43,000	43,000
Operating Expenses	112,509	80,238	119,280	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Net Cash from Ops before Int and CapX	(31,410)	(10,238)	(7,280)	(4,200)	14,500	14,500	21,857	(4,200)	14,500	14,500	51,000	27,800	23,500
Interest Expense - City of Burlington	0	64,218	64,218	0	0	0	60,000	0	0	0	60,000	0	0
Interest Expense - CitiLeasing	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	5,199	8,600	8,600	3,605	3,605	3,605	3,605	3,605	3,605	3,605	3,605	3,605	3,605
Total Uses of Cash	217,708	193,056	232,098	138,605	138,605	138,605	198,605	138,605	138,605	138,605	173,605	131,605	131,605
Net Cash from Operations	(36,609)	(83,056)	(80,098)	(7,805)	10,895	10,895	(41,748)	(7,805)	10,895	10,895	(12,605)	24,195	19,895
Cash Balance per GL & Bank													
Cash per Bank													
Due from/(Due to) GF													
	291,882	208,827	128,729	120,924	131,820	142,715	100,967	93,162	104,058	114,953	102,348	126,543	146,438
	0	0	0	0	0	0	0	0	0	0			

All Rpt Areas
CO # : 196
OCN # : 086D

Aged Trial Balance Report Accounts only
All Accounts Suppressing Zero Balances Sorted By Account Name, Account Number
BURLINGTON TELECOM

7/31/2011

Account Name	Account Number	Inactive Date	Last 'ayment Dat	Last Payment	Total Balance	Unapplied Pre Payments	Balance Under 30 Days	Balance 30-59 Days	Balance 60-89 Days	Balance 90 and Over
Company Totals:					1,172,610.67		605,009.00	257,516.93	15,334.37	294,750.37

Inactive accounts	(344,868.57)
August collections MTD	(173,797.97)
Collected Interco	0.00
Available to collect	653,944.13

BURLINGTON TELECOM

PROFIT & LOSS STATEMENT

ACTUAL

FY10/11

		ACTUAL												
		0709	0809	0909	1009	1109	1209	0110	0210	0310	0410	0510	0610	FY 2010
REVENUE														
	RESIDENTIAL	433,008	413,368	436,954	435,777	415,038	433,371	431,100	428,882	421,922	430,566	427,602	425,677	5,133,265
	BUSINESS	69,493	73,087	70,348	74,967	74,514	73,894	79,769	66,277	88,280	81,725	96,672	93,774	942,802
	MUNICIPAL	39,295	40,404	39,980	59,572	148,251	65,448	65,226	65,338	65,332	65,487	65,342	65,345	785,020
	OTHER	52,788	29,402	26,430	15,792	18,541	19,330	24,099	21,241	22,930	20,422	10,700	97,388	359,063
TOTAL REVENUE		594,584	556,261	573,711	586,109	656,344	592,042	600,194	581,738	598,465	598,200	600,316	682,184	7,220,150
EXPENDITURES														
	COGS	87,415	56,413	245,432	158,285	182,935	233,735	200,396	174,470	232,609	242,702	90,992	305,687	2,211,072
	OTHER OPERA	244,182	334,899	318,451	446,077	314,086	368,194	354,480	341,182	332,927	477,966	296,120	620,206	4,448,770
	CAPITAL	-	133,348	182,192	188,385	196,066	67,107	24,778	187,130	13,792	81,168	56,753	(40,703)	1,090,015
	DEBT SERVICI	-	386,674	78,108	155,424	285,561	27,330	27,330	24,686	414,004	25,567	54,661	384,911	1,864,255
TOTAL EXPENDITURES		331,598	911,334	824,183	948,171	978,648	696,366	606,984	727,468	993,332	827,403	498,525	1,270,100	9,614,113
NET INCOME		262,987	(355,073)	(250,472)	(362,063)	(322,304)	(104,324)	(6,790)	(145,730)	(394,867)	(229,203)	101.791	(587,916)	(2,393,963)

		Actual YTD 2011														
		0710	0810	0910	1010	1110	1210	0111	0211	0311	0411	0511	0611	FY 2011	0711	Actual YTD
REVENUE													Actual			
	RESIDENTIAL	413,436	407,927	421,314	402,059	399,435	392,724	395,655	384,907	386,731	385,460	379,522	365,997	4,735,167	367,349	367,349
	BUSINESS	93,796	96,806	94,259	110,806	100,226	104,824	105,867	107,013	107,249	109,838	110,210	103,393	1,244,287	103,622	103,622
	MUNICIPAL	94,999	94,740	94,283	96,839	97,082	96,855	96,825	96,781	96,814	89,534	57,881	85,852	1,098,486	86,214	86,214
	OTHER	7,855	11,190	7,774	10,914	7,476	9,330	9,131	11,135	9,183	9,948	7,928	9,100	110,964	5,876	#REF!
TOTAL REVENUE		610,086	610,663	617,630	620,618	604,219	603,733	607,478	599,836	599,978	594,780	555,541	564,343	7,188,905	563,061	563,061
EXPENDITURES													Estimate		Estimate	
	COGS	148,802	198,920	190,327	134,036	180,831	178,459	183,898	159,209	168,891	155,463	178,050	156,005	2,032,891	167,000	167,000
	OTHER OPERA	428,021	345,850	426,500	275,239	392,465	387,125	374,091	369,073	384,291	268,491	315,108	278,021	4,244,275	321,000	321,000
	CAPITAL	28,614	50,356	92,819	89,486	(5,873)	(14,213)	14,401	370	8,421	2,699	5,608	17,000	289,688	10,000	10,000
	DEBT SERVICI	43,009	43,729	42,318	36,380	35,497	36,680	36,680	31,947	51,947	67,815	65,449	63,700	555,151	60,000	#REF!
TOTAL EXPENDITURES		648,446	638,855	751,964	535,141	602,920	588,051	609,070	560,599	613,550	494,468	564,215	514,726	7,122,005	558,000	#REF!
NET INCOME		(38,360)	(28,192)	(134,334)	85,477	1,299	15,682	(1,592)	39,237	(13,572)	100,312	(8,674)	49,617	66,900	5,061	5,061

* $386,673.45 interest payment came from the escrow account and $281,180.26 are accrued expenditures