

FREQUENTLY ASKED QUESTIONS (AND ANSWERS) REGARDING THE ACQUISITION OF BUGGS ISLAND TELEPHONE COOPERATIVE BY EMPOWER BROADBAND, INC.

(This list is meant to be a living document and may be populated with additional Questions, or modified in some other fashion, in response to Member inquiries)

**Buggs Island Telephone Cooperative (BIT)
Mecklenburg Electric Cooperative (MEC)
EMPOWER Broadband, Inc.**

1. *Why does this partnership make sense?*

By joining forces, BIT and MEC will create a stronger, better-positioned entity in EMPOWER, to build out and maintain the infrastructure needed to deliver broadband through fiber to your homes and businesses with the reliability and service you deserve...and bring it to you faster. In combining resources, EMPOWER will minimize any duplication of services, cut costs, and increase efficiencies by taking advantage of economies of scale, and combine the collective strengths of the two organizations to accelerate the buildout of a fiber network that will offer the very best of internet service to BIT's membership sooner, and cheaper. Additionally, as part of this agreement, BIT's service territory will be a high priority in EMPOWER's fiber buildout of MEC's territory.

2. *How will the member benefit from this partnership?*

The membership will benefit in several ways. Not only will this merger allow us to gain momentum in our buildout efforts to provide high-speed fiber, but it will also ensure that you receive a portion of your invested capital from the cooperative (BIT). Additionally, you'll have the comfort of knowing your service will now be provided by the affiliate of a locally-owned and locally-controlled electric cooperative that has been well established, and financially solid, for over 80 years. The educational and economic development opportunities for BIT's service area will be enhanced, and most importantly, this merger allows us to ensure that broadband internet services will be offered at a competitive price.

3. *Is Mecklenburg Electric Cooperative using its member's money to purchase BIT?*

No, Mecklenburg Electric Cooperative funds will not be used in EMPOWER Broadband's acquisition of BIT.

4. *What will happen to my Capital Credits?*

With this acquisition, members will receive a portion of their capital credits in a lump sum settlement. All remaining capital credits will be invested into EMPOWER's efforts to buildout fiber broadband in BIT's territory. Without the acquisition, given the cost of fiber deployment across BIT's system, members are not guaranteed any portion of their capital credits.

5. *What will happen to the employees of BIT?*

All BIT employees will become employees of EMPOWER Broadband.

6. *When will the acquisition take place?*

While an agreement has been executed by the MEC and BIT Boards paving the way for the acquisition, the action will become official only upon an affirmative vote by the membership. Voting will open on October 7 and it is critically important that all members vote. It is the desire of the organizations to close the transaction as soon as possible, and no later than the end of the year, so coordinated efforts between the two entities can minimize duplication, increase efficiencies and other opportunities can be pursued as one strong organization.

7. *How was the capital credit settlement I would receive calculated?*

BIT has diligently served its membership for decades and made considerable investments in its system; today however, much of its existing infrastructure has reached the end of its useful life. Subsequently, older copper wire and switches must now be replaced with new fiber optic cable and state-of-the-art networking equipment. Addressing these replacements to maintain service will require the investment of tens of millions of dollars! With these pending expenditures, there will likely be no margins for the foreseeable future and existing accumulated capital credits would have to be used to sustain this massive replacement project.

In consulting with national cooperative accounting experts, the industry standard method for calculating an appropriate capital credit settlement is typically determined through the “Net Present Value” method. Utilizing this formula, all capital credits were totaled, and then divided by the current value of BIT’s system less a small contribution for the fiber buildout. Accordingly, your capital credits are being returned at a generous rate of 31% with the remainder being used to continue the considerable financial investment required to deploy fiber optic cable across the BIT system. Both MEC and BIT’s Boards of Directors found this approach to be a generous and equitable solution that strikes an appropriate balance between returning capital credits to the membership and investing in a new state-of-the-art voice and broadband system that will reliably serve our communities far into the future. Accordingly, they both approved the method, percentage and acquisition.

8. *How important is my vote?*

Your vote is critically important and as a BIT member, it is your right and responsibility to do so. In order for this transaction to be successful and move forward, you must vote yes to show your support.

9. *Is EMPOWER a cooperative?*

No, EMPOWER is a wholly-owned subsidiary of MEC. EMPOWER’s revenues will be used to accelerate the deployment of fiber throughout the territory served by MEC.

10. *What will the BIT Board members receive from this acquisition?*

The board members at BIT unselfishly made this decision based on the option they believe best positioned BIT to deliver on its mission. They will receive only the satisfaction of knowing they acted in the best interest of their membership and that BIT’s employees would be retained and BIT’s members would receive a generous payout for their capital credits. BIT’s directors received no compensation or services for their important role in this acquisition.

11. Will EMPOWER's excess revenues be reinvested into fiber deployment?

Until MEC's entire system, which includes BIT's entire system, is deployed with fiber, all revenues will be plowed back into the system buildout and invested in the deployment of fiber.

12. Will EMPOWER serve more than BIT's membership?

EMPOWER's mission is to provide broadband service to every MEC member who desires high speed internet service.

13. If I vote no, how long will it take me to get all of my capital credits from BIT.

BIT has returned capital credits twice in the last 10 years, in 2014 and 2016. All other capital credit funds have been held by the board of directors to operate the cooperative and ensure fiscal stability. Without the acquisition, members are not guaranteed to receive any portion of their capital credits. Given that BIT would be in a fiber buildout mode for the foreseeable future, it is unlikely any capital credits would be repaid.

14. Does EMPOWER assume BIT's liabilities as well?

Yes, EMPOWER will assume all liabilities in addition to acquiring all assets. More importantly, MEC/EMPOWER also assumes the responsibility of serving you.

15. Who's on EMPOWER's Board of Directors? Will BIT's directors be on the board?

EMPOWER will be governed by the same 11 member elected directors who serve on MEC's Board, three of whom are BIT members and represent BIT's service territory. Additionally, two of BIT's current Directors will be selected to serve one three-year term. It should be noted here as well that 95 percent of all BIT members, are also MEC members.

16. Will the price of my telephone and/or internet service go up?

No, the rates for those currently receiving DSL or phone service from BIT will remain the same. Those receiving broadband/phone service from BIT through fiber will see a reduction in rates. You can review the new pricing structures on BIT's website, or by visiting their office in Bracey.

17. Will I be able to keep my DSL service, and will it be the same price?

Yes, you'll be able to retain your DSL service at this time, and those rates will remain the same following the acquisition. However, once fiber is deployed at your location, all members will be moved to fiber and its associated rates, which are less than what members are currently paying for DSL or fiber services from BIT.

18. What services will be offered and what is the price?

EMPOWER currently offers home telephone and internet services through fiber only. However, the DSL and phone service now offered by BIT will be maintained and available until fiber broadband has been deployed to those areas. Pricing is available at www.empowermec.net.

19. How soon will I get fiber broadband with this partnership?

Although we cannot give a specific date for connection, the agreement signed by MEC and BIT ensures that BIT's service territory becomes a priority for EMPOWER. One thing is certain,

combining the resources of the two organizations will result in an accelerated deployment of fiber. It should be noted here as well that 95% of BIT's members, are also MEC members.

20. Will there still be an office located in Bracey?

Presently, there are no plans to close the Bracey office, but the signage there will change, and a payment kiosk will be installed once a successful vote has occurred and the acquisition is complete.

21. Will you continue to offer residential and commercial security services (other services offered by BIT)?

EMPOWER will focus its efforts squarely on deploying fiber and providing excellent home telephone and internet services to its customers. All other services, including security, will no longer be available through EMPOWER; however, we will ensure that all current customers are able to continue those services, without interruption, with another provider.

22. Will there be any billing changes for the member after the merger?

Other than the logo change, the design and look of the customer bills will remain the same for the time being. Pricing will also remain the same with the exception of fiber broadband service which will be less.

23. Can I have the broadband service without the phone service?

Fiber broadband customers will not be required to receive telephone service as an additional service. Any members currently receiving DSL from BIT, will be required to continue their telephone service until fiber is installed at their location.

24. Will someone answer the phone when I call, or will it be automated?

Unless all Customer Service Representatives are on the phone with other members/customers, someone will answer your call. However, if that is the case, please leave a message and your call will be promptly returned. EMPOWER will have the same high-quality customer service you have come to expect from MEC.

25. Will there be a local place I can walk into for help with my service or bill?

There are no immediate plans to close the Bracey office, and of course we'll be able to assist you at any of MEC's three district offices as well...once BIT is acquired by EMPOWER.

26. Will long distance service be included with my phone?

Long distance services will remain the same.

27. Will I have a choice of long-distance carriers?

All BIT's phone members can remain with their current long-distance provider.

28. Will the local calling area change for members in the BIT service area?

There will be no changes to calling areas.

29. Will I receive one invoice for all my broadband and electric services?

No, EMPOWER Broadband, although an affiliate of Mecklenburg Electric Cooperative and governed by the same board of directors, is a completely autonomous entity. Accordingly, finances will be kept separate.

30. *Can I pay my electric bill at Bracey BIT office?*

Yes, once the acquisition is complete and payment processes are in place, MEC members will be able to pay their electric bill at the EMPOWER Bracey office. Additionally, a payment kiosk that will accommodate both EMPOWER and MEC payments is planned for installation at a later date.

31. *Will I be able to keep my same phone number?*

Unless change is required by regulation or otherwise, yes, you can keep your current number.

32. *Will my electric bill go up?*

No, the acquisition of BIT does not affect Mecklenburg Electric Cooperative's financials in any way, and accordingly, has no impact on utility rates.

33. *Will anything change at MEC because of this acquisition?*

No, your electric cooperative will continue to provide the same level of service that you have come to expect for over 80 years. This acquisition does not directly affect MEC in any way. Although EMPOWER is an affiliate of MEC, each are separate entities – one should have minimal, if any, impact on the other.

34. *Will there continue to be a 24/7 Help Desk?*

Yes, these services will remain the same.

35. *Will I be able to keep my current BIT email address?*

There are currently no plans that would require BIT members to change their email addresses, however, if substantial efficiencies (savings) can be realized, changes may be considered in the future.

36. *Will EMPOWER offer the fixed wireless service that BIT recently terminated.*

No, the decision to discontinue the fixed wireless service was a sound business decision made by BIT prior to acquisition discussions.

37. *Doesn't combining the two entities eliminate competition...and isn't that a negative?*

- Combining entities will result in opportunities to reduce costs and, accordingly, keep rates lower. Separately, there will be a duplication of services, potential overbuilds, and other factors that increase costs and prevent the buildout to all members.
- If BIT and MEC compete, the area will never get coverage. There is a reason there has been only one provider until now, because there is not enough density to justify the investment for one entity, much less two. EMPOWER entered the business to address the needs of its members who were vocal about their desire for MEC to take on the considerable task and expense of a fiber network. Only cooperatives are willing to provide this service because they

don't have to satisfy shareholders and focus on profits...but it is not feasible for two cooperatives to do so.

- If BIT and MEC compete, rates will be higher, because revenues are the only way they can continue the fiber buildout; revenues will be impacted by competition and force higher than necessary financing costs. One organization or the other will end up in financial trouble, and only the members lose when that happens.
- If BIT and MEC compete, sooner or later we end up with one entity anyway because BIT cannot sustain a prolonged war for customers with EMPOWER, and in the meantime, we waste opportunities provided by working together and prolong the buildout to all members.
- Competition would further focus both entities efforts on the areas with the most density essentially ignoring the more remote areas because of the high cost of service. Through a merger, all BIT members have the opportunity to receive fiber service in a timely manner.
- EMPOWER is governed by a member elected Board of Directors who answer to the very people it serves, who are also members of MEC. They too will receive service from EMPOWER and will always act in the best interests of the membership, accordingly, affordable rates will be a high priority.

38. *I already have fiber from BIT or EMPOWER, why should I vote yes?*

Because your vote will help ensure everyone receives fiber Broadband service. Additionally, your vote, is a vote for the economic viability and educational health of Southside Virginia. It is a fact that an area with high speed Broadband coverage has greater economic development opportunities and access to high speed Broadband levels the playing field for students of all levels. Lastly remember, having more customers allows EMPOWER to offer more affordable rates and a higher level of service.