FTTP Feasibility Study
for
The City of Decorah, IA

Confidential Work-In-Progress
Not for Disclosure

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Uptown Services, LLC
Dave Stockton & Neil Shaw, Principals

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4. Pro Forma Financial Analysis
   - Baseline 20 year pro forma results
   - Overview of business structure options
   - Analysis of wholesale and operating partner options
Residential Quantitative Survey
Current Broadband Services Usage

**DESIGN FRAMEWORK**

- **Area of Interest:** Universe of ≈ 2,900 households (HHs)
  - Total sample size of 400 respondents
  - 95% Confidence Interval with ± 4.6 sample error
- Results weighted to reflect actual age distribution from 2010 Census data (age of householder)¹
- Respondents screened to ensure
  - Decision-maker for telecommunications and entertainment services in the home
  - Respondents with immediate family members employed by any of the following were excluded:
    - City of Decorah
    - CenturyLink
    - Mediacom
    - Mabel Telephone
    - Northeast Iowa Telephone

¹ This can create slight rounding error in percent of respondent metrics.
Survey results are weighted to reflect the actual age distribution (by age decile) per the 2010 Census.

- 88% of Decorah households use the Internet at home
- Cable Modem (Mediacom) has the majority of market share at 72%
- 87% of Internet households use a wireless access point
Internet usage increases with income in Decorah.
Cable modem service is preferred across all age and income categories.

Wireless substitution is lower than the national average at 27% of HHs.
A further 5% of wireline phone users will drop for wireless in the next 12 months.
The average number of lines is:
- All Households: 0.99
- Wireline Households: 1.35

Q11: “How likely are you to disconnect the wired phone line and only use your cell...”
Mediacom has been able to capture market share leadership from CenturyLink by Internet service bundling. 

87% of households use traditional pay TV (cable or satellite dish) 
In Decorah today, 14% of households do not have Pay TV, compared to the national average of 22%

Q2: “For TV service, do you have...”

Q7: “Who is your local phone service provider?”

Monthly Local Phone Spending

Monthly Pay TV Spend
Over-the-Top (OTT) or online TV viewing significantly lags the national trend with 43% of Decorah households using OTT.

- Among younger households, up to 17% are using OTT or Off Air as a substitute service.
- Uptown estimates a further 3% of pay TV users in Decorah will ‘cut the cord’ in the next 12 months.

Across all households in Decorah, 42% have all 3 services from a single provider.

The importance of bundling is high when compared to our Superior, CO (2017) and Ft Collins, CO (2016) surveys.
The chart below compares the results of this study with 26 other markets where Uptown has completed similar quantitative research:

- Northern Ohio (2)
- Washington
- North Carolina
- Oregon (2)
- Southern Ohio
- Wisconsin
- Kansas (2)
- Alabama
- Georgia
- Oklahoma (2)
- New York
- Arkansas
- Tennessee (4)
- Michigan
- Kentucky
- Colorado (5)

Satisfaction Rating by Service/Service Provider (Mean Rating on a 1 to 10 Scale)
While reliability and price are always important, Internet speed has dramatically increased in importance over the last several years. Bundling and Brand are secondary in importance to other attributes...

Importance Rating of Select Broadband Service Attributes
(Mean Rating on a 1-5 Scale)

Decorah households place importance on lower prices and Internet speed...

Q30: “What would you like to see most improved from your current broadband services?”

- Lower Prices
- Increased Internet Speed
- Reliability/Reception
- Nothing
- Customer Service
Question 33: “What aspect of Internet speed is most important?”

Importance of Internet Speed on Download vs. Upload

- Download Most Important: Decorah 18%, Superior 40%, Ft Collins 37%
- Upload Most Important: Decorah 4%, Superior 2%, Ft Collins 1%
- Both Important: Decorah 70%, Superior 58%, Ft Collins 59%

Question 27: “In your opinion, is the availability of low-cost, high-speed Internet important to the future local economy?”

Importance of Having Low Cost High-Speed Internet

- Very Important: Decorah 78%, Superior 78%, Ft Collins 81%
- Somewhat Important: Decorah 14%, Superior 18%, Ft Collins 14%
- Neither: Decorah 3%, Superior 2%, Ft Collins 2%
- Somewhat Unimportant: Decorah 2%, Superior 1%, Ft Collins 2%
- Very Unimportant: Decorah 1%, Superior 1%, Ft Collins 1%
Two-thirds of Decorah households support the payment of a monthly $5 surcharge to help fund the new fiber network.

Q37: “Would you support adding a $5 monthly fee to your water bill to partially fund the construction and operation of this network for the first 36 months of operation?”

<table>
<thead>
<tr>
<th>Response</th>
<th>Decorah</th>
<th>Superior</th>
<th>Ft Collins</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would support</td>
<td>58%</td>
<td>66%</td>
<td>57%</td>
</tr>
<tr>
<td>I would be neutral</td>
<td>17%</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>I would not support</td>
<td>20%</td>
<td>25%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Residential Quantitative Survey
FTTP Market Potential – Current Market
72% of respondents indicated they would definitely or probably switch to the FTTP system for Internet service...

Q26-28: “How likely would you be to subscribe to [insert service] if it were 10% less than Mediacom or CenturyLink charges?

<table>
<thead>
<tr>
<th>Service</th>
<th>Definitely</th>
<th>Probably</th>
<th>Might/Might Not</th>
<th>Probably Not</th>
<th>Definitely Not</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>40%</td>
<td>32%</td>
<td>11%</td>
<td>5%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Phone</td>
<td>29%</td>
<td>27%</td>
<td>15%</td>
<td>10%</td>
<td>16%</td>
<td>3%</td>
</tr>
<tr>
<td>Video</td>
<td>36%</td>
<td>33%</td>
<td>15%</td>
<td>5%</td>
<td>8%</td>
<td>3%</td>
</tr>
</tbody>
</table>

PENETRATION CALCULATIONS

Uptown uses a ‘Likert Scale’ with Overstatement Adjustment

- Conservative research techniques from the Packaged Goods sector
- Clearly specify purchase intent vs. “interest” and removes overstatement bias

Example: “How likely would you be to subscribe?”

- Definitely Would: 21.5% x 70% = 15.0%
- Probably Would: 35.6% x 30% = 10.7%
- Might/Might Not: 20.0% x 10% = 2.0%
- Probably Would Not: 10.4% 27.7% = Penetration Estimate
- Definitely Would Not: 4.4%
- Don’t Know: 8.1%

<table>
<thead>
<tr>
<th>Service (Terminal / Year 5 Eroded)</th>
<th>Residential</th>
<th>Small Business (Terminal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video</td>
<td>36.7% / 31.2%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Internet</td>
<td>38.7%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Telephone</td>
<td>30.1% / 21.1%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>
Expected Internet purchase intent by current connection type:
- Cable Modem User: 42% would switch
- DSL User: 43% would switch
- Satellite User: 43% would switch

**Internet Market Share Impact**

**Purchase Intent by Internet Connection**
(Top Two Box at 10% Discount)

- Cable Modem: 44%
- DSL: 41%
- Satellite: 43%

- Definitely Would: 41%
- Probably Would: 35%
- Might/Might Not: 12%

**Internet Market Share Post FTTP System**
(Households)

- FTTP System: 42%
- Cable Modem: 14%
- DSL: 3%

**Current Internet Market Share**
(Households)

- Cable Modem: 71%
- DSL: 25%
- Satellite: 3%
- Other: 1%

**Provider Preference**

The majority of respondents, when given the choice, would prefer to receive high speed Internet from the Town of Decorah...

Q29: "Among the following list of potential providers, who would you prefer to receive high-speed Internet service from?"

- CenturyLink: 3%
- Mediacom: 8%
- The City: 68%
- A new provider: 4%
- Don’t Know: 18%
Internet purchase intent is strongest among younger, higher income households...

**Internet Purchase Intent by Age**

- Probably
- Definitely

**Internet Purchase Intent by Income**

- Probably
- Definitely

Video purchase intent is consistent across most age groups, but is stronger among higher income households...

**Video Purchase Intent by Age**

- Probably
- Definitely

**Video Purchase Intent by Income**

- Probably
- Definitely

Study conducted by Uptown Services, LLC
Business case projections for voice penetration reflect the quantitative research outcome and reflect ongoing wireless (voice) and OTT (video) substitution within the residential segment...
Residential Quantitative Survey

FTTP Market Potential – Future Market
The DOCSIS3.1 cable modem standard was initially deployed by MSOs in select markets starting last year. DOCSIS 3.1 works by using a much denser compression scheme via 4096 QAM and a new channel division multiplexing protocol (OFDM). This has reduced channel width from 6 MHz to 20-50 kHz, enabling bonding of carrier channels into a frequency block of 192 MHz.

The upgrade requires cable modem replacement and firmware upgrade to the deployed CMTS platform. Outside plant changes to the HFC distribution network are not required.

Mediacom announced completion of its DOCSIS3.1 upgrade across Iowa in early 2017 with the launch of 500M and 1G tiers. Pricing for the 1G tier is $100 for the first year under 24 month term (research tested $70/mo. promotional rate).

<table>
<thead>
<tr>
<th>Maximum Synchronization Speed (Maximum Usable Speed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOCSIS 1.x</td>
</tr>
<tr>
<td>Downstream</td>
</tr>
<tr>
<td>Upstream</td>
</tr>
</tbody>
</table>


* Due to backward compatibility requirement of initial 3.1 modems with DOCSIS 3.0.

Potential Disruption of DOCSIS3.1
- Evolution of the cable modem standard can deliver 1Gbps over HFC
- Mediacom has announced deployment in all IA markets
- Two key market dynamics will drive penetration impact to pro forma
  - 1st to Market Advantage
  - Elasticity of Demand

Research Methodology to Evaluate Sensitivity
- Current demand
  - DOCSIS3.1 is available but Mediacom customers have not yet upgraded
- Future demand in 2018 under 3 potential scenarios
  - No FTTP: Mediacom after 1 year of 1Gbps availability (sole 1G option)
  - If Mediacom and the Town both offer 1Gbps at price parity ($50/mo.)
  - Baseline pro Forma: If Mediacom and the Town both offer 1Gbps and the Town has a price discount advantage ($50 versus $70/mo.)
NO FTP: MARKET IMPACT OF DOCSIS3.1 BY 2018

Market share impact if Mediacom implements DOCSIS3.1 and is the sole provider of residential Gig service:
- Add 6.2 points to Internet penetration
- Equates to 7.3 points of market share
- Upsell 21% of subscribers to 1Gig

Internet Market Share Post DOCSIS3.1
(No FTP & Mediacom 1G @ $70)

Current Internet Market Share (Households)

Mediacom Internet Dispersion (Mediacom 1G @ $70)

FUTURE DEMAND WITH FTP 2ND TO MARKET

Assumption
Mediacom’s upgraded DOCSIS3.1 subs would be under contract and removed from the FTTP opportunity.

Mediacom Internet Dispersion (Mediacom 1G @ $70)

FTTP Purchase Intent | Current Demand | Future Demand Post DOCSIS3.1 Baseline Pro Forma
---|---|---
Definitely Switch | 39.9% | 39.9% x 78.5% = 31.3%
Probably Switch | 32.3% | 32.3% x 78.5% = 25.4%
Might/ Might Not Switch | 10.8% | 10.8% x 78.5% = 8.5%
Penetration Estimate | 38.7% | 30.4%
Participants were asked if they would – or would not – switch to a different Internet service if both of the following services were provided in the future. The new service options would be the following two Internet services, both offering 1 Gbps speed...

Q32-33: “If these services were available to your home, and offer the same speed, which of the following statements best describes your likelihood to switch?”

<table>
<thead>
<tr>
<th></th>
<th>Mediacom $70</th>
<th>City $50</th>
<th>Both $70</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Would Switch to Mediacom</td>
<td>7%</td>
<td>61%</td>
<td>23%</td>
</tr>
<tr>
<td>I Would Switch to the City</td>
<td>75%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>I Would Retain My Current Service</td>
<td>3%</td>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>7%</td>
<td>61%</td>
<td>23%</td>
</tr>
</tbody>
</table>

City is preferred provider by a factor of almost 5x

Brand preference is overriding price elasticity of demand

Medium-Large Business Market
COMMERCIAL BROADBAND SERVICES MARKET

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Internet Access</th>
<th>Metro Ethernet (Transport)</th>
<th>Dedicated Internet (Access)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small Businesses and Medium/Large depending on sector</td>
<td>Medium to Large Business and Institutions</td>
<td>Last Mile or Middle Mile (Fiber lateral to ring)</td>
</tr>
<tr>
<td>Network Architecture</td>
<td>Last Mile (Copper, Coax, or Fiber)</td>
<td>Majority of connections (90% of all premises)</td>
<td>Typically less than 100 connections per urban market</td>
</tr>
<tr>
<td>Potential Market Size</td>
<td>Connection Type</td>
<td>Shared bandwidth (GPON)</td>
<td>Dedicated Private Circuit(s) or MAN</td>
</tr>
<tr>
<td>Typical Data Service Set</td>
<td>Typical Data Service Set</td>
<td>Standard Internet tiers up to 1G</td>
<td>Point-to-point transport from 100M to 10G+</td>
</tr>
</tbody>
</table>

HIGH CAPACITY COMMERCIAL MARKET NEEDS

- Typical High Capacity Needs and Desired Service Attributes
  - Infrastructure Availability: Fiber is the Standard
  - Dedicated Capacity: Superior to shared bandwidth connections
  - Competitive Pricing
  - Service Experience: Reliability, Customer Service, and Responsiveness
  - Network Integration: Select firms require national/global tier 1 provider

- High Capacity Providers in Decorah
  - Wireline: Mediacom, CenturyLink, AcenTek/DMN, NEIT, Windstream
  - Wireless: NEIT
RESEARCH APPROACH

- Qualitative assessment of medium-large business market in Decorah
  - 10 Depth Interviews of 30-40 minutes
  - Responses aggregated for confidentiality
- Identify key market characteristics
  - Fiber availability, capacity needs, performance criteria
  - Current price levels, use of contracts, and connection requirements
- Estimate potential market share
  - Satisfaction and switching criteria
  - Openness to City-provided fiber services

DEPTH INTERVIEW PARTICIPANTS

<table>
<thead>
<tr>
<th>Services</th>
<th>Retail</th>
<th>Technology</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hacker, Nelson &amp; Co.</td>
<td>Weis Buick</td>
<td>Tritech Software Systems</td>
<td>Open Decorah</td>
</tr>
<tr>
<td>Midwest Group Benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td>Manufacturing/Materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decorah Bank &amp; Trust</td>
<td>Gemini, IRP, Bruening Rock Products, DECO</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Nationally, aggressive rollouts of fiber by incumbent and alternative providers have substantially increased the availability of fiber to commercial buildings...

"The majority of new fiber deployments were focused on connecting medium and smaller buildings in the metro areas surrounding major cities across the U.S. Broader accessibility to on-net fiber has started to shake up the services markets." - Rosemary Cochran, principal at Vertical Systems Group

With the recent lease of DMN backbone strands to AcenTek, fiber has been deployed to several business/industry locations via backbone laterals. Advanced data needs are being met in these selective areas, but businesses will consider the City as a provider option...
Satisfaction levels are relatively high – especially for AcenTek

- Average satisfaction is 3.9 in Decorah
- Previous Uptown study range is 3.4 to 3.7

Local support rates much higher in Decorah than other markets...
### HIGH CAP PRICING – SHARED BANDWIDTH

Price levels in Decorah for shared bandwidth commercial connections benchmark as high for capacities below 20M but are more competitive at higher capacities...

Source: Decorah Depth Interviews among 190 commercial institutions (2017) and Fort Collins Depth Interviews among 23 commercial institutions (2016).

### HIGH CAP PRICING – DEDICATED BANDWIDTH

Price levels in Decorah for dedicated bandwidth benchmark as low due to the aggressive pricing of AcenTek as a new market entrant to the area...

Source: Decorah Depth Interviews among 190 commercial institutions (2017) and Fort Collins Depth Interviews among 23 commercial institutions (2016).
PERCEIVED MOTIVATION FOR FTTP

Percentage of Respondents by Motivation Choice
(Closed Ended with 3 Options)

- 80% City Revenue Diversification
- 20% New Tech. and Econ. Development
- 0% Meet Unmet Needs

Research Findings:
- Fiber, with dedicated bandwidth, has recently become available in Decorah through AcenTek's lease of DMN strands
- Satisfaction scores are relatively high for AcenTek and Mediacom
- Telecom and broadband needs are being met, but firms are open to considering the City network for a data connection. Lower price is a key switching factor for these firms
- Some firms will wait to evaluate the track record of the FTTP system

Pro Forma:
- Estimate the dedicated access market as 10% of the all commercial entities (≈ 35) with penetration growing to 50% by Year 8.
- High incidence of dedicated access, but competitive given the AcenTek rate card. Estimate ARPU at $750 per connection
SUMMARY OF RESEARCH FINDINGS

- Mediacom is the market share leader for all 3 services in Decorah. 88% of households have Internet access.
- Video and voice service services satisfaction levels benchmark as average. Cable modem satisfaction is low.
- A desire for lower prices dominates potential areas for broadband improvement.
- Incidence of triple-play bundle is high. Purchase intent is high, especially for voice and video.
- Strong provider preference for the City of Decorah versus other incumbent options.
- Determined that Mediacom would add 6 points in market share and temporarily lock in 21% of Internet subscribers with a $70 Gig tier (assumed promo/contract price point)
- This results in an initial drop of FTTP Internet penetration from 38.7% to 30.4% for the pro forma analysis.
- Once FTTP is launched, a Mediacom $70 Gig service is not competitive with FTTP service if FTTP is at price parity or better due to strong provider preference

Technology Analysis
Gigabit Passive Optical Network vs. Active Ethernet
GPON VS. ACTIVE ETHERNET

- **Gigabit Passive Optical Network (GPON)**
  - ITU G.984.x standard
  - Delivered Ethernet services
  - 2.4G downstream / 1.2G upstream
  - Single fiber delivery to subscriber optical network terminal (ONT)
  - ONT’s support GPON or ActiveE connections
  - Comprehensive bandwidth management standards
  - Passive system with up to 128 splits and 35 km reach

- **Active Ethernet (IEEE 802.x)**
  - Point to point GigE
  - Single fiber delivery to subscriber ONT
  - Dedicated symmetrical 1G to serving switch port - up to 60 km reach

- **Majority of FTTP deployments have been GPON**

BANDWIDTH FORECAST

- **GPON – Low Cost and Flexible**
  - 2.5G of shared downstream bandwidth
  - Flexible splitter placement and less demand for fiber strands
  - High port density – up to 5,210 subs in one chassis (10 rack units)
  - Consumes less space in rack and 33% as much power required
  - Supports path to 10G GPON

- **Active Ethernet – “Futureproof”**
  - Dedicated GigE from serving switch to each subscriber
  - One strand from subscriber to serving switch location
  - Better suited for high capacity transport services than GPON
  - Longer reach – 60 km
  - Extreme fiber strand counts required without active field cabinets
  - Requires more fiber, space, power, cabinets, electronics and capital

- **Tradeoffs can be quantified**
PON VERSUS ACTIVE ETHERNET ECONOMICS

**Network Electronics**
- GPON cards and ports = $50 per subscriber
- AE cards and ports = $320 per subscriber
- AE is $350K more than GPON at 1,300 subscribers

**Outside Plant Materials**
- GPON splitters = $15 more per passing
- AE fibers per cable 2x-3x more = $250K over 31 miles
- AE is $286,000 more than GPON at 2,600 passings

**Technical Services**
- AE requires two additional splices / passing = $60 per passing
- AE is $156K more than GPON over 2,600 passings
- AE will also require more and larger equipment cabinets

Technology Analysis
Evolving FTTP Standards
**NEXT GENERATION APPROACHES – ITU AND IEEE**

- **ITU GPON Standards Evolution**
  - XG-PON1 (G.987) – 10G Down / 2.5G Up
  - XG-PON1 available for four years
  - Operators waiting for symmetrical 10G (NG-PON2)
  - NG-PON2 (G.989) – 10G Down / 10G Up
  - Commercial deployments for NG-PON2 in 2017

- **IEEE Ethernet Standards Evolution**
  - Point to Point GigE (802.3ah) – 1G symmetrical
  - 10G EPON (802.3av) – 10G symmetrical
  - Commercially available in 2013

**FSAN – GPON ON STEROIDS**

- **Full Service Area Network (FSAN) NG-PON2**
  - Four time and wave division multiplexing (TWDM) channels
  - Up to four 10G PONs combine for 40G aggregate capacity
  - Will operate over legacy splitters
  - Higher split ratios and longer reach included in the standard

- **Will accommodate point to point overlay**
  - WDM technology used to deliver line rates of 1, 2.5 and 10G over separate wavelengths
  - Will occupy 1603nm – 1625nm channels
  - Full coexistence with other services

- **Full 4x10G capability not expected until 2017**
  - XGS-PON - 10G/10G interim option to be available in 2016
  - XGS-PON standard expected to be ratified in early 2016

- **Eventual capability of 8x10G PONs**
Deploy GPON as the ruling architecture
- Design approach for mass market service areas
- Implement robust design standards in terms of network capacity

Deploy hybrid architecture as needed for hi-cap services
- Design for dedicated fiber to equipment sites for active Ethernet
- Less “cookie cutter” than GPON network
- One-off designs to reflect specific market conditions

Monitor GPON product lifecycle
- Determine final GPON platform strategy based on bid results
- Design system that will easily accommodate upgrades
- Plan for upgrades based on service mix (linear video?)

Study conducted by Uptown Services, LLC
PREMISES EQUIPMENT AND INSIDE WIRE

- **Provider Owned Premises Equipment**
  - Optical Network Terminal – indoor wall mount or desktop versions
  - Optional router capability (wireless or not)
  - Set Top Boxes required for all TV sets receiving digital video services

- **Customer Owned Premises Equipment**
  - Router – may not be GigE capable
  - All end user computing devices
  - Standard telephones for telephone service

- **Inside Wire**
  - Phone services use the existing phone wiring
  - Digital video services use new CAT6 wiring or Wi-Fi
  - Data services delivered over new CAT6 cable or Wi-Fi

SERVICE DROP AND NETWORK ACCESS POINT

- **Network Access Point (NAP)**
  - NAPs connect drops to the FTTP outside plant network
  - One NAP serves between four and sixteen passings
  - Drops have traditionally been fusion spliced at the NAP
  - NAPs are connected to the distribution fiber network

- **Service Drop and Test Access Point**
  - Drops only installed after subscriber orders service
  - One fiber drop cable installed from NAP to each premises
  - Fiber drop pushed or pulled in shallow drop conduit in underground
  - Aerial drops are flat self support cable
  - Drop fiber terminated in test access point (TAP) mounted on dwelling
  - TAP provides demarcation between outside and inside fiber (bulkhead)
Service drops installed after member orders first service
- Drops fusion spliced to main fiber cable at Network Access Point (NAP)
- Optical Network Terminal (ONT) placed in dwelling
- WiFi and non-WiFi ONTs to be offered
- Streaming video supported using SmartTV or device

Distribution and feeder fiber
- Distribution fiber connects network terminals to the feeder network
- Feeder network connections can occur at a splice closure or cabinet
- Distribution cables can range in size from 1 to 144 fibers
- The size and type of cable is driven by the splitting approach

Centralized split approach
- 1x32 splitters aggregated in splitter cabinets
- Dedicated fiber strands from network terminals to cabinets
- Each cabinet typically fed with 12-24 feeder fibers
- One cabinet for every 250 homes on average

Distributed split approach
- 1x4 and 1x8 splitters deployed in network terminals
- 1x4 and 1x8 splitters also deployed upstream in closure or cabinet
- Approach reduces fiber and splicing in distribution network by 87.5%
- Outside plant savings offset by added electronics and splitter cost
SPLITTER CABINET BUILDING BLOCKS

- Feeder
- Feeder Ports
- 1x32 Splitters
- Outputs
- Distribution Cable A
- Distribution Cable B
- Distribution Cable C
- Distribution Cable D

Splitter Cabinet

OPTICAL LINE TERMINALS AND FEEDER

- Optical Line Terminals (OLTs)
  - An OLT combines all digital content onto PON ports
  - Each two card chassis supports up to 512 GPON subscribers
  - Environmentally hardened and two Rack Units
  - OLTS connect upstream via multiple 10G uplinks
- Feeder Network
  - Feeder connects splitter cabinets to serving OLTS
  - Typically one feeder fiber per 32 passings (PON port)
  - ≈ 82 feeder fibers would be required to service 2,600 passings
  - Typically 6-12 feeder fibers per splitter cabinet
  - Decorah FTTP network would include 12-15 splitter cabinets
- Decorah MetroNet
  - DMN could be used for feeder if the network included two OLT sites
  - Each OLT site would feed multiple DMN feeder routes
  - FTTP would need 24-26 fibers on each DMN feeder route leaving OLT sites
**NETWORK BACKBONE AND CORE**

- **Backbone Network – Layer 2**
  - Backbone connects equipment sites to the core network routers
  - OLTs can connect to each other using protected 10G rings (ERPS)
  - Backbone uses much less fiber capacity than feeder – 12 to 24 fibers

- **Core Network – Layer 3**
  - Core network safely routes traffic to and from the outside world
  - Border Gateway Protocol (BGP) routers connect to the Internet
  - BGP routers deployed in pairs
  - Installed on backbone network in physically diverse locations
  - Each router connects to at least two Internet backbone providers

- **Outside World – Content**
  - Two physically diverse Internet backbone connections desired
  - Video content would come in over one or both Internet connections
  - Phone would also route over one or both Internet connections

**PRIMARY EQUIPMENT SITE COMPONENTS**

- Internet Connection
- Router
- Optical Line Terminal
- Office Local Area Network
- Decorah Equipment Site
- Splitter Cabinet
- Feeder A
- Feeder B
- Feeder C
- Splitter Cabinet
- Decorah Equipment Site
- 100% GPON standards based system
  - Relying on next generation standards to support future growth
  - Nx10G capabilities over time
- Centralized split architecture
  - One fiber per passing terminates in splitter cabinet
  - Approximately one splitter cabinet per 200 passings
  - Deploy 1x32 splitters as required in splitter cabinets
  - Network Access Points (NAPs) connect subscriber drops to network
  - All drops fusion spliced at serving NAP
- Design assumes the use of standard cable technology
  - Strand and lash aerial installation of armored fiber cable
  - Armored fiber cable pulled in new HDPE conduits
  - 1.5 IN HDPE conduits employed for drops and distribution pathways
Aerial vs. underground
- 85% of homes and businesses served via aerial plant
- Most poles are in alleys with drops on both sides of the alley
- New subdivisions are underground (rear lot and front lot)

Advantages of underground approach
- Fiber is not susceptible to wind and ice loading and failures
- Facilities can be placed in City Rights of Way
- Much cleaner overall
- No pole attachment costs (make ready and annual fees)

Drawbacks of underground approach
- Cost is 4x to 10x the cost of aerial construction
- More disruption for land owners during construction
- Need to mark and locate in the future to avoid dig ins
- Water intrusion risk with high water table or flooding
SAMPLE DESIGN BREAKDOWN

- Four sample designs completed for three Decorah neighborhoods
  - Area 1 - Underground Front Lot
  - Area 2 – Rear Lot Aerial
  - Area 3 – Underground Front Lot
  - Area 3 – Rear Lot Aerial
- Conservative labor costs
  - $15 per foot for all directional drilling and hand hole placement
  - $2.15 per foot for installing strand on existing pole lines
  - $1.00 per foot for pulling fiber in conduit or lashing to strand
  - $175 closure prep for all NAPs and splice points
  - $30 per fusion fiber splice
- Some costs not as clear
  - Pole line survey requirements
  - Pole loading and make ready engineering requirements
  - Make ready construction costs (to make room for fiber on existing poles)
  - Ability and cost to use DMN assets for FTTP (conduit, fiber & strand)

SAMPLE DESIGN AREAS

City of Decorah FTTP Feasibility Study
Sample Design Neighborhoods
Design Metric | Value
--- | ---
Aerial Plant Miles | -
Underground Plant Miles | 3.9
% Aerial | 0%
% UG | 100%
Pasings | 258
Passings per Mile of Plant | 66
Materials Cost per Passing | $242
Labor Cost per Passing | $1,449
Total Cost per Passing | $1,691
Total Materials (no drops) | $62,380
Total Labor (no drops) | $373,821
Total Cost | $436,201

* - Does not include engineering, fixed equipment, subscriber capital and installation costs.

Design Metric | Value
--- | ---
Aerial Plant Miles | 1.3
Underground Plant Miles | -
% Aerial | 100%
% UG | 0%
Pasings | 109
Passings per Mile of Plant | 81
Materials Cost per Passing | $113
Labor Cost per Passing | $293
Total Cost per Passing | $406
Total Materials (no drops) | $12,344
Total Labor (no drops) | $31,942
Total Cost | $44,286

* - Does not include engineering, fixed equipment, subscriber capital and installation costs.
### AREA 3 – FRONT LOT UNDERGROUND

**Design Metric** | **Value**
--- | ---
Aerial Plant Miles | -
Underground Plant Miles | 2.6
% Aerial | 0%
% UG | 100%
Passings | 189
Passings per Mile of Plant | 74
Materials Cost per Passing | $233
Labor Cost per Passing | $1,301
Total Cost per Passing | $1,534
Total Materials (no drops) | $44,007
Total Labor (no drops) | $245,946
Total Cost | $289,952

* - Does not include engineering, fixed equipment, subscriber capital and installation costs.

09/08/2017 Study conducted by Uptown Services, LLC

### AREA 3 – REAR LOT AERIAL

**Design Metric** | **Value**
--- | ---
Aerial Plant Miles | 1.9
Underground Plant Miles | -
% Aerial | 100%
% UG | 0%
Passings | 189
Passings per Mile of Plant | 97
Materials Cost per Passing | $101
Labor Cost per Passing | $242
Total Cost per Passing | $343
Total Materials (no drops) | $19,020
Total Labor (no drops) | $45,813
Total Cost | $64,833

* - Does not include engineering, fixed equipment, subscriber capital and installation costs.

09/08/2017 Study conducted by Uptown Services, LLC
### SAMPLE DESIGN SUMMARY

<table>
<thead>
<tr>
<th>Sample Design Area</th>
<th>OH Miles</th>
<th>UG Miles</th>
<th>Passings</th>
<th>Passings per Mile</th>
<th>Weight</th>
<th>Materials per Passing</th>
<th>Labor per Passing</th>
<th>Total per Passing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area 01 - Front Lot Underground</td>
<td>-</td>
<td>3.9</td>
<td>258</td>
<td>66</td>
<td>7.5%</td>
<td>$241</td>
<td>$1,449</td>
<td>$1,691</td>
</tr>
<tr>
<td>Area 02 - Rear Lot Aerial</td>
<td>-</td>
<td>2.6</td>
<td>189</td>
<td>74</td>
<td>42.5%</td>
<td>$233</td>
<td>$1,301</td>
<td>$1,534</td>
</tr>
<tr>
<td>Area 03 - Front Lot Underground</td>
<td>1.3</td>
<td>-</td>
<td>308</td>
<td>81</td>
<td>7.5%</td>
<td>$113</td>
<td>$293</td>
<td>$406</td>
</tr>
<tr>
<td>Area 03 - Rear Lot Aerial</td>
<td>1.9</td>
<td>-</td>
<td>189</td>
<td>97</td>
<td>42.5%</td>
<td>$101</td>
<td>$242</td>
<td>$343</td>
</tr>
<tr>
<td>Overall Weighted Average / Total</td>
<td>745</td>
<td>N/A</td>
<td>100%</td>
<td>$127</td>
<td>$437</td>
<td>$564</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Weighting based on estimated number of passings in each category
- Total fiber mileage estimated to be 31 miles
- Total last mile outside plant construction estimate = $1.5M
- 100% underground approach would add $2.7M in last mile OSP cost

### FFTP BACKBONE STRATEGY

- **Equipment per Node**
  - Each serves 1,300 passings
  - Capacity to feed 40 splitters
  - (5) PON cards
  - (3) OLT chassis
- **Node locations**
  - North Node – Fire Station
  - South Node - Hospital
  - 20 Rack Units per Site
- **Capital budget**
  - Equipment - $80,000 per site
  - Prof Svcs - $5,000 per site
  - ≈ $65 per passing
Incumbent and Proposed FTTP Service Offerings
Internet and Data Services

<table>
<thead>
<tr>
<th>Technology</th>
<th>Mediacom</th>
<th>CenturyLink</th>
<th>Year 1 / Year 2</th>
<th>Modem Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60M</td>
<td>1.5M</td>
<td>$60 / $80</td>
<td>Included. Subtract $10 if customer provided.</td>
</tr>
<tr>
<td></td>
<td>100M</td>
<td>7M</td>
<td>$70 / $90</td>
<td>Cable Modem (DOCSIS 3.0 &amp; 3.1)</td>
</tr>
<tr>
<td></td>
<td>200M</td>
<td>7M</td>
<td>$80 / $100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>500M</td>
<td>12M</td>
<td>$90 / $100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1G</td>
<td>12M</td>
<td>$100 / $120</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>20M</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>40M*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Not available in all areas.

CenturyLink pricing per centurylink.com. CenturyLink prices reflect subscription to Internet service at non-promotional rates. Mediacom pricing from mediacomcable.com as of June 2017, mystery shopping calls, and collected household bills.
Internet Monthly Recurring Charges from Bill Audit
(CenturyLink and Mediacom)

*Net adjusts for additional fees (e.g. cost recovery, modem rental) and discounts.

PROPOSED RESIDENTIAL INTERNET PRICING

<table>
<thead>
<tr>
<th>FTT P System</th>
<th>Mediacom Year 1 / Year 2</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>50M / 50M Tier $49.95</td>
<td>$60 / $80</td>
<td>17% / 38%</td>
</tr>
<tr>
<td>1G / 1G Tier $99.95</td>
<td>$100 / $120</td>
<td>0% / 17%</td>
</tr>
<tr>
<td>1G / 1G Charter Member $59.95</td>
<td>$100 / $120</td>
<td>40% / 50%</td>
</tr>
<tr>
<td>WiFi ONT Upgrade (802.11.ac) $10.00</td>
<td>$10.00</td>
<td>0%</td>
</tr>
</tbody>
</table>
By pricing residential Gig Internet at $60, Uptown estimates that Internet ARPU (average revenue per user) will be just over $60 per month, including wireless upgrade revenues....
FTTP COMMERCIAL DATA SERVICES

1. Standard Internet Access
   - Shared capacity connection over GPON
   - No contract requirement and no SLA guarantees
   - Can upgrade to symmetrical bandwidth and add BGP Routing (some tiers)

2. Dedicated Internet Access*
   - Dedicated capacity via ActiveE connection (same ONT)
   - Requires dedicated fiber strand. Practical option for pure commercial service areas
   - Contract agreement with SLA and term requirement

3. High Capacity Direct Fiber Access*
   - Multiple connection options:
     - Direct routed connection
     - Customer CPE connection (either non-protected media converter or protected)
     - Protected connection is optional
     - Contract agreement with SLA and term requirement
     - Resale rights may be included

4. Point-to-Point (Transport Circuit): Dedicated pathway of defined capacity without access*

5. MAN: Customized access and transport solution for multi-site business or institution*

*Not included in the FTTP business case as revenues.

INCUMBENT COMMERCIAL INTERNET PRICING

<table>
<thead>
<tr>
<th></th>
<th>Download</th>
<th>Upload</th>
<th>Price Rate Card / Promo</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediacom</td>
<td>10M</td>
<td>1M</td>
<td>$69.95</td>
<td>Cable Modem (DOCSIS 3.0 &amp; 3.1)</td>
</tr>
<tr>
<td></td>
<td>20M</td>
<td>2M</td>
<td>$129.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50M</td>
<td>5M</td>
<td>$199.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>105M</td>
<td>10M</td>
<td>$299.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20M</td>
<td>20M</td>
<td>$299.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1G</td>
<td>20M</td>
<td>$349.95</td>
<td></td>
</tr>
<tr>
<td>CenturyLink</td>
<td>12M</td>
<td>Not Disclosed</td>
<td>$54.99 (24 mos.)</td>
<td>DSL</td>
</tr>
<tr>
<td></td>
<td>20M</td>
<td>Not Disclosed</td>
<td>$64.99 (24 mos.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>40M</td>
<td>Not Disclosed</td>
<td>$84.99 (24 mos.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100M</td>
<td>Not Disclosed</td>
<td>Custom Quote</td>
<td></td>
</tr>
<tr>
<td>AcenTek</td>
<td>100M</td>
<td>100M</td>
<td>$450</td>
<td>Direct Fiber (Dedicated bandwidth)</td>
</tr>
<tr>
<td></td>
<td>250M</td>
<td>250M</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td></td>
<td>500M</td>
<td>500M</td>
<td>$1,500</td>
<td></td>
</tr>
</tbody>
</table>

Note: Prices reflect providers single-service Internet rate card pricing. Mediacom pricing from mediacomcable.com as of June 2017. CenturyLink pricing from centurylink.com as of June 2017.
**PROPOSED COMMERCIAL INTERNET PRICING**

<table>
<thead>
<tr>
<th>Decorah Download / Upload</th>
<th>Decorah Price</th>
<th>Incumbent Comparable</th>
<th>Incumbent Price</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>25M / 5M Symmetrical</td>
<td>$59.95</td>
<td>Mediacom 20M</td>
<td>$129.95</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>+ $10</td>
<td>CenturyLink 20M</td>
<td>$64.99</td>
<td></td>
</tr>
<tr>
<td>50M / 10M Symmetrical</td>
<td>$79.95</td>
<td>Mediacom 50M</td>
<td>$199.95</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>+ $30</td>
<td>CenturyLink 40M</td>
<td>$84.99</td>
<td></td>
</tr>
<tr>
<td>100M / 20M Symmetrical</td>
<td>$89.95</td>
<td>Mediacom 105M</td>
<td>$299.95</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>+ $50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>250M / 50M Symmetrical</td>
<td>$199.95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ $100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>500M / 250M Symmetrical</td>
<td>$349.95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ $150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1G / 500M Symmetrical</td>
<td>$599.95</td>
<td>Mediacom 1G</td>
<td>$349.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ $200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Prices reflect providers single-service Internet rate card pricing.

**COMMERCIAL INTERNET VALUE**

Internet Downstream Throughput and Price per Mbps (Incumbents and Proposed FTTP Tiers)
Incumbent and Proposed FTTP Service Offerings

Video Services

TRADITIONAL VIDEO VS. OTT

<table>
<thead>
<tr>
<th></th>
<th>Traditional Pay TV</th>
<th>Over-The-Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples</td>
<td>Mediacom, Spectrum, AT&amp;T (U-verse)</td>
<td>Hulu Plus, Netflix, PlayStation Vue, AT&amp;T (DirecTV Now)</td>
</tr>
<tr>
<td>Regulation</td>
<td>FCC rules require:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ownership and control of ‘closed-end path’</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Video franchise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pricing deregulated via ‘effective competition’</td>
<td></td>
</tr>
<tr>
<td>Access to Content</td>
<td>Guaranteed via FCC rules</td>
<td>No programmer requirement (specific OTT rights required)</td>
</tr>
<tr>
<td>Signal Delivery</td>
<td>Provider last mile plant</td>
<td>End user’s Internet connection</td>
</tr>
<tr>
<td></td>
<td>(may be leased access with ‘ownership and control’)</td>
<td></td>
</tr>
<tr>
<td>Signal Format</td>
<td>Analog, Digital (QAM), or IP Video</td>
<td>IP Video</td>
</tr>
<tr>
<td>Signal Decryption &amp; Authentication</td>
<td>Set top-box controlled by service provider</td>
<td>Subscriber authentication only</td>
</tr>
</tbody>
</table>
**MARKET FORCES AFFECTING VIDEO DISTRIBUTORS**

- Margin Erosion
  - Sub loss due to value destruction from rate increases and no perceived increase in value
  - Gross margin has been halved by programming cost increases despite these rate increases
- Ongoing Capital Investment
  - Traditional QAM systems out of capacity face a major capital investment to migrate to IP video (hardware, software, set tops)
  - Headend capex continues in all systems due to MPEG4 adoption and vendors’ end of life announcements
- Loss of Competitive Advantage
  - Existing traditional Cable Systems had market protection as a duopoly via last mile infrastructure and franchise agreements entry barriers. Key assets were last mile infrastructure and local operations.
  - New ‘Virtual Video Providers’ (OTT) will have ubiquitous market reach across the U.S. via the broadband connection. Key assets will be national brand power and consumer platform integration.
  - National consumer brands can leverage their brand, existing consumer base, and huge cash positions to quickly capture market share (e.g. Google, Apple...)

---

**TYPICAL VIDEO GROSS CONTRIBUTION TREND**

Market forces have dramatically impacted video gross margins from a combination of subscriber loss and escalating video COGS...
1. No Video
   - Example: Longmont, CO from 2015-2016
   - Risks: Loss of bundling and no financial contribution

2. Cooperative Marketing (co-branding with 3rd party)
   - Receive a one-time commission
   - Example: Longmont, CO in 2017 (Layer3 TV)
   - Risks: No control over video service and minimal financial contribution

3. Hosted Video (wholesale model)
   - Receive a wholesale fee or gross margin split per sub/month
   - Example: Skitter TV
   - Risks: Capex requirement (off-airs, custom channels, set tops)

4. Hosted Video (retail model)
   - Pay a license fee per sub/month
   - Example: MobiTV
   - Risks: Content rights

5. Joint Ownership (partial equity and operating support)
   - Initial equity and annual cost sharing based on Decorah % of total premises
   - Example: CFU, Waverly & Bellevue 28E Agreement
   - Risks: Minimized, but subject to OTT competition

---

### CAPEX/OPEX BY STRATEGY

<table>
<thead>
<tr>
<th></th>
<th>Capex</th>
<th>Opex</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hosted Video</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(wholesale)</td>
<td>Headend Initial Buy in: $60k</td>
<td>Middleware License Fees: $1.90/STB</td>
</tr>
<tr>
<td></td>
<td>Channel Customization Costs: $30k</td>
<td>Network DVR Service Fee: $4.00/Subscriber/Mo.</td>
</tr>
<tr>
<td></td>
<td>Tower &amp; Dishes: $15k</td>
<td>Video Transport License Fee: $1.00/Subscriber/Mo.</td>
</tr>
<tr>
<td></td>
<td>Generator/UPS. Not Included</td>
<td>Leased Transport Circuit: $13k/Mo.</td>
</tr>
<tr>
<td></td>
<td>VOD Platform. Not Included</td>
<td>Premium Install Contractor Rate: $55</td>
</tr>
<tr>
<td></td>
<td>Set Top (Gateway w/ DVR): $300 ea.</td>
<td>OSS/BSS Software: $50,000</td>
</tr>
<tr>
<td></td>
<td>Set Top (Client): $100 ea.</td>
<td>NCTC Membership Fee: $1/premise passed</td>
</tr>
<tr>
<td></td>
<td>Total Capex (Years 1-5): $511k</td>
<td>Headcount: 1 FTE for Headend Technician</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Content License Fees: Vary by programmer</td>
</tr>
<tr>
<td><strong>Hosted Video</strong></td>
<td></td>
<td>Total Opex (Years 1-5): $484k</td>
</tr>
<tr>
<td>(retail)</td>
<td>Set-Up Fee: $30k</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Edge Servers: $30k</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Off-air encoders: $3k each broadcast stream</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Capex (Years 1-5): $105k</td>
<td></td>
</tr>
<tr>
<td><strong>Joint Ownership</strong></td>
<td>Total Capex (Years 1-5): $446k</td>
<td>Total Opex (Years 1-5): $3.5M</td>
</tr>
<tr>
<td>(CFU Headend)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Incumbent and Proposed FTTP Service Offerings

**Voice Services**

<table>
<thead>
<tr>
<th>Package</th>
<th>CenturyLink</th>
<th>Mediacom</th>
<th>FTTP System</th>
<th>Discount to CL / Mediacom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Only</td>
<td>$22.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LD per Minute</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line &amp; Features</td>
<td>$35.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LD per Minute</td>
<td>11 features</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Line &amp; Features</td>
<td>$49.00</td>
<td>$49.95</td>
<td>$34.95 Bundled</td>
<td>29% / 30%</td>
</tr>
<tr>
<td>Unlimited LD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Subscriber Line Charge**

<table>
<thead>
<tr>
<th></th>
<th>CenturyLink</th>
<th>Mediacom</th>
<th>FTTP System</th>
<th>Discount to CL / Mediacom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CenturyLink prices from centurylink.com as of June 2017. Mediacom pricing from Mediacom.com as of June 2017.
**INTERNET MONTHLY RECURRING CHARGES FROM BILL AUDIT**

(CenturyLink and Mediacom)

<table>
<thead>
<tr>
<th>Rate</th>
<th>CenturyLink Average</th>
<th>Mediacom Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Card</td>
<td>$36.16</td>
<td>$49.95</td>
</tr>
<tr>
<td>Net*</td>
<td>$34.73</td>
<td>$34.95</td>
</tr>
</tbody>
</table>

*Net adjusts for additional fees (e.g., cost recovery, modem rental) and discounts.

---

**COMMERCIAL VOICE EXCHANGE SERVICES (PER LINE)**

<table>
<thead>
<tr>
<th>Service</th>
<th>CenturyLink</th>
<th>Mediacom</th>
<th>FTTP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line &amp; Feature Packages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Prime</td>
<td>Monthly: $40.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(3 Calling Features)</td>
<td>1 Year: $36.00</td>
<td>2 Year: $34.00</td>
<td>3 Year: $32.00</td>
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<tr>
<td>Choice Business</td>
<td>Monthly: $45.00</td>
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<td>-</td>
</tr>
<tr>
<td>(15 Calling Features)</td>
<td>1 Year: $40.50</td>
<td>2 Year: $38.25</td>
<td>3 Year: $36.00</td>
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<tr>
<td>Choice Business Plus</td>
<td>Monthly: $55.00</td>
<td>1st Line: $39.95*</td>
<td>Addl. Lines: $29.95*</td>
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<tr>
<td>(15 Calling Features)</td>
<td>1 Year: $49.50</td>
<td>2 Year: $46.75</td>
<td>3 Year: $44.00</td>
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<tr>
<td>Long Distance</td>
<td>Unlimited Domestic: $28.00</td>
<td>Included</td>
<td>Add $2/line</td>
</tr>
</tbody>
</table>

*Requires 3 year term.
### COMMERCIAL VOICE NETWORK SERVICES

<table>
<thead>
<tr>
<th>Service</th>
<th>CenturyLink</th>
<th>Mediacom</th>
<th>FTTP (Contract Required)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISDN / SIP Trunks</td>
<td>Facility Charge Monthly: $150 3 Year: $127 5 Year: $110 7 Year: $108</td>
<td>Per B Channel Monthly: $30.49</td>
<td>Not rate carded.</td>
</tr>
<tr>
<td>Primary Rate Interface Access / Per B Channel (23B+D)</td>
<td>With Internet 2 Year: $24.95 3 Year: $22.95</td>
<td>Without Internet 2 Year: $29.95 3 Year: $27.95</td>
<td></td>
</tr>
</tbody>
</table>

### VOICE PROVIDER ROLE

<table>
<thead>
<tr>
<th>Function</th>
<th>Operational Responsibility</th>
<th>FTTP System</th>
<th>CLEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Local Loop and Premises NIU</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Fiber MUX, Transport, and Switch</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Interconnect</td>
<td>LNP, Operator Services, PSAP, IC Agreements</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>Advertising, Sales</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Brand, Pricing</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Provisioning</td>
<td>Work Order Creation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Bell Processes</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Switch Provisioning</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Customer Install</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Billing</td>
<td>Bill Fulfillment</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Call Detail Record (LD), Taxes &amp; Fees</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Internet</td>
<td>Backbone Interconnection</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
# Financial Analysis

Overview of Revenue, Opex, & Capex Inputs

## VOICE ARPU

<table>
<thead>
<tr>
<th></th>
<th>FTTP Retail</th>
<th>Wholesale Rate</th>
<th>FTTP Share</th>
<th>Dispersion</th>
<th>Contribution per Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlimited local &amp; LD</td>
<td>$34.95</td>
<td>$10.00</td>
<td>$25</td>
<td>100%</td>
<td>$25</td>
</tr>
<tr>
<td>Business Package (Monthly)</td>
<td>$29.95</td>
<td>$12.00</td>
<td>$18</td>
<td>40%</td>
<td>-</td>
</tr>
<tr>
<td>Business Package (2 year)</td>
<td>$24.95</td>
<td>$12.00</td>
<td>$13</td>
<td>20%</td>
<td>-</td>
</tr>
<tr>
<td>Business Package (3 year)</td>
<td>$22.95</td>
<td>$12.00</td>
<td>$11</td>
<td>40%</td>
<td>-</td>
</tr>
<tr>
<td>Total Commercial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$14</td>
</tr>
</tbody>
</table>
BASELINE MODEL OVERVIEW

- Reflects specific Decorah service area market conditions
  - Quantitative market research
  - Sample designs to evaluate and cost out construction budget
  - Salaries, wages, and overhead
- Retail Business Structure (wholesale options evaluated as a separate pro forma scenario)
- Internet and voice services (video included as a pro forma scenario)
- Cost inputs based on Longmont and other Municipal FTTB deployments
  - Local construction costs (boring, splicing, etc.)
  - Headcount and contractor costs
  - Recent bids/proposals for equipment, construction labor, software, CLEC terms, etc.
- Assumes FTTP launch subsequent to Mediacom deployment of DOCSIS3.1
- Capital budget uses estimated cost/passing + 10% contingency
- Long term debt interest rate at 4.0% for 20 year revenue bond (w/ 3 years capitalized interest)

KEY INPUTS
- Premises
  - Residential: 3,000
  - Commercial: 350
  - Premises Growth: .5% (Res & Biz)
  - % Complex: 10% of commercial
- Year 5 Penetration
  - Internet: 30.4%
  - Voice (eroded): 21.1%
  - Residential Internet
    - 25Mbps Tier: $49.95
    - 1Gbps Tier: $59.95
    - WiFi Upgrade: $10.00
  - Commercial Internet
    - 25Mbps Tier: $59.95
    - 50Mbps Tier: $79.95
    - WiFi Upgrade: $10.00
- Voice
  - Residential: $25 net wholesale
  - Commercial: $14 net per line
- Install Fees
  - Residential: $49.95 (Year 3)
  - Commercial: $99.95 (Year 3)
KEY INPUTS

**Operating Expense**

- Bandwidth/IP Addresses
  - Delivered bandwidth quoted at $0.25/Mbps at 613 Park Street.
  - IPv4 lease fee of $0.22/address/mo.
  - Allocated bandwidth/sub grows from 2M to 8M in 10 years.
- Fiber backbone lease (DMN)
  - 320 strand miles at $25/mile/mo.
- Staffing
  - Headcount per detail slide
  - 1.5% annual wage increase
  - 41% benefits loading
- Vehicle Maintenance
  - 10k miles annually per vehicle
  - $0.75/mile growing at 2%
- Professional Services
  - Implementation Support: $240k
  - Legal/Acct: $5k/year
- Other Opex
  - Pole attachment at $15/pole/year
  - Vendor maintenance of $55k/year for OSS/BSS and FTTP electronics

**SG&A Expenses**

- Marketing
  - Year 1: $20k
  - Year 2: $40k
  - Year 3: $20k
  - Year 4+: 1% of revenues
- Billing
  - 80% of residential and 50% of commercial using paperless billing
  - Paper bill cost of $0.75/each/month and growing 3% annually
- Overhead Cost Allocation
  - None

**Baseline Opex (in millions)**

**Baseline SG&A (in 000's)**
FTE LEVELS: MANAGEMENT EMPLOYEES

- Dedicated FTTP System Full Time Equivalents (FTE)
  - System GM: 1 FTE
  - Data Technician: 1 FTE
  - Marketing Coordinator: 1 FTE
  - Customer Service Liaison: 1 FTE (outsourced customer care scenario only)
  - Commercial Account Rep: Not included
  - Sales Engineer / MDU Accounts: Not included

- Positions funded using 2017 proposed pay plan, 41% benefits loading, and 1.5% annual salary increase

FTE LEVELS: DEDICATED FRONTLINE EMPLOYEES

- Customer / Technical Service Representatives (CSRs/TSRs)
  - CSRs handle inbound/office sales, order entry and first tier support
  - TSRs handle all second tier customer support, dispatch and service provisioning

- Install Technicians
  - Installs are 2-phase with pre-install followed by separate premise install
  - Pre-Install: Install fiber drop and Test Access Point
  - Premise Install: Place ONT and inside wiring

- Service & Maintenance Technicians
  - Service techs fix subscriber problems. Network techs maintain the fiber system outside plant
  - Service call volume equals 50% of all subscribers/year dropping to 25% by year 5
  - Each Service Tech can complete 4/day growing to 6/day by Year 5
  - 1 Maintenance Tech per 1,000 plant miles

09/08/2017 Study conducted by Uptown Services, LLC
FRONTLINE EMPLOYEE STAFFING OPTIONS

- **Baseline Pro Forma:** All Insourced
  - Install Techs, CSRs, and TSRs staffed by City without contractor staffing
  - CSRs/TSRs staffed at 1 FTE per 2k accounts growing to 4k by Year 5, but with minimum of 3 CSR FTE and 2 TSR FTE to ensure phone coverage
  - Each Install Tech can complete 3/day
- **Scenario Analysis:** Outsourced Install Techs
  - All installs (pre-installs and premise installs) are outsourced during Years 1-3
  - Pre-installs completed by a contractor at fixed rate of $185
  - Premise installs are completed by a contractor at fixed rate of $170
- **Scenario Analysis:** Outsourced Customer Care
  - CSRs and TSRs are outsourced to a 3rd party call center (e.g. Aureon in Des Moines) at hourly rate of $28.00/$29.75 (business/after hours)
  - Requires staffing a single FTE as Customer Services Liaison

INCREMENAL BROADBAND FTE REQUIRED

<table>
<thead>
<tr>
<th>Position Title</th>
<th>City Salary Grade/Step</th>
<th>Salary (unloaded)</th>
<th>Year1</th>
<th>Year2</th>
<th>Year3</th>
<th>Year4</th>
<th>Year5</th>
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<tbody>
<tr>
<td>System GM</td>
<td>12 – S4</td>
<td>$61,000</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
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<tr>
<td>Marketing Coordinator</td>
<td>3 – S4</td>
<td>$40,000</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Data Tech</td>
<td>8 – S10</td>
<td>$65,000</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Customer Service Liaison</td>
<td></td>
<td></td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>CSRs</td>
<td>Utility Operator III –</td>
<td></td>
<td></td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
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<tr>
<td>TSRs</td>
<td>Step C</td>
<td></td>
<td></td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Install Techs</td>
<td></td>
<td></td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
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<tr>
<td>Maintenance Techs</td>
<td></td>
<td></td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Service Techs</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Total Headcount</td>
<td></td>
<td></td>
<td>2.5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: FTE required if outsourced
Network Construction
- OSP Construction: $487 composite cost per premise passed
- Subsequent plant extensions: $244/premise passed
- Backbone/Feeder Construction: $25/premise passed*
- OLT cost: $54/premise passed
- Remote Cabinet cost: $40/premise passed (2 remote cabinets)
- Make Ready cost: $250/per pole
- Year 10 Network electronics upgrade: $75/premise passed

Software
- OSS/BSS: $250k
- Fiber Management & Network Management: $50k

Fixed Equipment
- Core HE switch/router: $150k (2 routers)
- Internet systems back office: $50k
- Field Tech Equipment/Tools: $80k

* With access to DMN backbone strands

Vehicles
- Service Vans Per Install Technician: 1.0
- Heavy Service Trucks Per Maintenance Technician: 0.5
- Service vans: 3 at $45k each
- Heavy Service Trucks (non-insulated): 1 at $90k each
- Install Rigs: 1 per Install Technician at $20k each
- Vehicles replaced at 6 year intervals

Contract Labor (not in Baseline pro forma)
- Pre-Installs: $185 each
- Premise Installs: $170 each

Optical Network Terminals (ONTs)
- Residential/Business ONT (non-WiFi): $150 each
- Residential/Business ONT (80211.ac WiFi): $200 each
- Year 7 ONT upgrade: $48k ($40/ea.)

Fiber Drop & Powering
- Fiber drop and connectors: $125 each
- Power cord and UPS: $52 each ($12 for non-voice install without UPS)
**Engineering and Integration**
- Walk out & strand mapping: $1,000 per mile
- Make ready engineering: $500 per mile
- FTP design: $1,250 per mile
- Construction management services: $3,000 per mile
- As-built drawings: $250 per mile
- Backbone/Feeder design: $25k flat fee
- Headend engineering & integration: $20k flat fee

**Locates**
- Not included

---

**PROJECT FINANCING**

**Long term financing**
- Single round of financing (Year 1)
- Three years interest only and 17 years of principal payments
- 2.0% issuance, 0% reserve requirement
- Interest rate – 4.5%

**Short term financing**
- Provides for cash needs not covered by long term financing
- Balance accumulates over first 10 years including interest (4%)
- Level payments begin in year six over ten year payment plan

- Start-up period included as Year 1 of the business case
- No revenues assumed during first year of the plan
- Technical Trial underway at the end of Year 1

**Other assumptions**
- Bad debt = 3% of gross revenues
- 2% interest on cash reserves
- Discount rate = 5% for present value calculations
- 10 billable months in Year 2
Five Year Capex = $3.8M

- Outside Plant Construction
- Video System
- Facility Capital Costs
- Other Capital Costs
- Back Office Systems
- Middleware and Conditional Access
  - Fixed Equipment
- Vehicles
- Contract Installation
- FTTP ONTs
- Fiber Drop and Powering
- Converters
- Engineering & Inspection Services

### Retail Model: Baseline CAPEX by Year

- **Network Construction**
  - Year 1
  - Year 2
  - Year 3

- **Start-Up Tasks**

- **ONT Upgrade**

- **Electronics Upgrade**

- **Other Capital Costs**
- **Fixed Equipment**
- **FTTP ONTs**
- **Engineering & Inspection Services**
Pro Forma Scenario Analysis

- Use outsourcing to reduce staffing expense
  - Install Technicians
  - CSR’s
  - TSR’s

- Offer triple play service to increase revenue
  - Joint headend ownership with CFU
  - Hosted traditional Pay TV with video headend transport feed (e.g. Skitter TV)
  - Hosted video in-home streaming (e.g. MobiTV)

- Greater Internet penetration
  - Year 20 net cash break-even penetration requirement

- Wholesale models

Study conducted by Uptown Services, LLC
### Financial Outcomes

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Baseline</th>
<th>Outsourced Installs &amp; Customer Care</th>
<th>Triple Play via Skitter TV</th>
<th>Triple Play via AcenTek</th>
<th>Joint Headend Ownership</th>
<th>Triple Play** &amp; Internet @40% Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Model</td>
<td>City is Retailer</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Internet Penetration*</td>
<td>30.4%</td>
<td>40.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice Penetration*</td>
<td>21.1%</td>
<td>31.2%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Video Penetration*</td>
<td>0%</td>
<td>31.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>$5.0M</td>
<td>$5.7M</td>
<td>$5.6M</td>
<td>$5.8M</td>
<td>$5.9M</td>
<td></td>
</tr>
<tr>
<td>Working Capital</td>
<td>$15.5M</td>
<td>$11.3M</td>
<td>$7.9M</td>
<td>$10.6M</td>
<td>$4.2M</td>
<td>$1.3M</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$20.5M</td>
<td>$16.3M</td>
<td>$13.6M</td>
<td>$16.2M</td>
<td>$10.0M</td>
<td>$7.2M</td>
</tr>
<tr>
<td>Net Cash – Year 20</td>
<td>($17.7M)</td>
<td>($13.0M)</td>
<td>($8.6M)</td>
<td>($12.2M)</td>
<td>($3.7M)</td>
<td>($1.5M)</td>
</tr>
<tr>
<td>Project Break Even</td>
<td>&gt;20 Years</td>
<td>&gt;20 Years</td>
<td>&gt;20 Years</td>
<td>&gt;20 Years</td>
<td>&gt;20 Years</td>
<td>18 Years</td>
</tr>
</tbody>
</table>

*Penetration metrics are Year 5 and are eroded where applicable.

**Video via Joint Headend Ownership.

Study conducted by Uptown Services, LLC

---

### Financial Analysis

#### Business Structure Options
EXAMPLE MUNICIPAL FTTP SYSTEMS MODELS

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Municipality</th>
<th>Retail Service Provider (RSP)</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Longmont, Colorado</td>
<td>The City</td>
<td>The City via Revenue or General Obligation Bond</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Westminster, Maryland</td>
<td>Ting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Huntsville, Alabama</td>
<td>Google Fiber</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Lincoln, Nebraska</td>
<td>Allo</td>
<td>The Service Provider</td>
</tr>
<tr>
<td></td>
<td>Austin, Texas &amp; Others</td>
<td>Google Fiber</td>
<td></td>
</tr>
</tbody>
</table>

WHOLESALE AND FRANCHISE MODELS

- Wholesale Model
  - Decorah builds and maintains the physical fiber network to pass all premises
  - Retailer is responsible for all other functions/costs
  - Details of partner roles on next slide

- Franchise Model
  - Franchising authority grants franchise agreement including terms for franchise fee, premises passed, ROW access, and construction requirements
  - End user fees are not specified or regulated other than non-discriminatory pricing
  - Decorah plays no role and does not fund the FTTP system*
  - Not recommended based on recent withdrawal of Google Fiber and Axia

* Pro forma analysis is not relevant to the Franchise Model with no Decorah investment requirement.
## WHOLESALE MODEL ROLES

<table>
<thead>
<tr>
<th>Function</th>
<th>Operational Responsibility</th>
<th>Retail Model</th>
<th>Wholesale Model (Westminster)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Partner</td>
<td>NA</td>
<td>Ting</td>
<td>Data: RSP</td>
</tr>
<tr>
<td></td>
<td><strong>Network Services</strong></td>
<td></td>
<td>Video &amp; Voice: RSP or 3rd Party</td>
</tr>
<tr>
<td></td>
<td>Backbone, Feeder, and Distribution Conduit/Fiber</td>
<td>Decorah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FTTP Electronics</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fiber Drop</td>
<td>Decorah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ONU and Inside Wiring</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FTTP Electronics</td>
<td>Decorah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fiber &amp; Conduit</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electronics</td>
<td>Decorah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outage Response</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Backbone Interconnection</td>
<td>Decorah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>OSS/RGS</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fiber Management</td>
<td>Decorah &amp; RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advertising, Sales, Branding</td>
<td>RSP or 3rd Party</td>
<td></td>
</tr>
<tr>
<td>Marketing &amp; Promotion</td>
<td>Community Engagement</td>
<td>Decorah &amp; RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>End User Pricing</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td>Customer Operations</td>
<td>Help Desk, Service Calls, Billing</td>
<td>RSP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer Installs and Disconnects</td>
<td>RSP</td>
<td></td>
</tr>
</tbody>
</table>

## WESTMINSTER MARYLAND

- **City Role**
  - Design, construction, and maintenance of the fiber network. City retains title to the network.
  - 24/7 availability for unscheduled maintenance with 4 hour on-site response timeframe
- **Network Point of Demarcation**
  - Residential: Exterior wall closest to public ROW
  - Commercial: Patch panel in telecom closet
- **Services**
  - Triple Play with Ting providing data service (up to 1Gbps) and ‘arranging’ for voice and video
  - Retail rates are at the sole discretion of Ting
- **Financial Terms**
  - Premise Passed Fee: $6/month
  - Connected Premise Fee: $17/month
  - Fees apply whether business or residential connection
  - ARPU Adjustment: The Connected Premise Fee will increase by $1 for every 10% increase in Ting’s realized ARPU (compared to baselined ARPU at 1,500 subscribers)
Ting is exclusive provider for Phase 1
- ‘Open Access’, but with initial period of exclusivity for Ting for data service. Exclusivity protection lasts until either:
  - Two years after the launch of each deployment phase service area, or
  - Penetration reaches 20% and/or Ting achieves 3,000 end user customers (of 7,200 HHs)
- Ting operates under 2 roles: Network Operator and Services Provider
  - As Network operator it is the active wholesaler to unaffiliated Service providers that it will be competing with. The City has no active role with RSPs other than Ting.
  - Ting will individually negotiate wholesale agreements with each additional RSP. Agreements must be non-discriminatory but terms can vary across these agreements.
  - As Network Operator Ting will install and maintain all premise inside wiring and CPE, including the ONT. The ONT will be outdoor vs. indoor.
- Other Terms
  - 10 Year Term with 2 ten year renewal periods
  - City must renew if actual wholesale revenues exceed debt service by 10% or more
  - Termination for Convenience: City can terminate with 6 months notice

Background
- Virtual Wireless Network Operator launched in 2012. Sprint and T-Mobile are their host networks.
- Owned by parent Tucows
- FTTP Services
  - Residential and commercial Internet access (1G residential/commercial and 5M residential)
  - Video in development
- Retail Service Provider for 2 municipal FTTP systems
  - May 2015: Charlottesville, VA (18k households)
  - August 2015: Westminster, MD (7k households)
  - In development: Holly Springs, NC (8k households) and Sandpoint, ID (4k households)
- Overbuild Competitors
  - Charlottesville, VA: Mediacom and CenturyLink
  - Westminster, MD: Mediacom and Verizon
  - Holly Springs, NC:
BUSINESS STRUCTURE RISKS

✧ Retail Model Risks
  ✧ Service revenues may be insufficient to cover debt service requirement
  ✧ Technology advances may require more frequent or costly system upgrades than forecast
  ✧ Personnel or other operating expenses may exceed forecast

✧ Wholesale Model Risks
  ✧ Lease rates may be too low to pay off the long term debt from the fiber build
  ✧ Retailer price levels may not be competitive in a DOCSIS3.1 environment with Mediacom’s $100 Gig service
  ✧ Retailer may go bankrupt or default on wholesale payments

✧ Franchise Model Risks
  ✧ Not applicable to Decorah

Pro Forma Analysis
Wholesale Models
FINANCIAL ANALYSIS OF WHOLESALE

- Financial feasibility requires both parties to meet financial return obligations
  - Wholesaler: Debt service of the bond(s)
  - Retailer (RSP): Sufficient ROI for shareholders = Net Cash positive by Year 8
- Pro forma methodology
  - City Case: Identify the Per Passing and Per Connect wholesale fees that enable the City to become Net Cash positive by Year 15
  - RSP Case: Input these Per Passing and Per Connect wholesale fees as lease rates in the RSP case and evaluate feasibility (minimum 8-Year IRR of 0%)
- RSP Case key financial inputs
  - Same penetration levels as Retail Case
  - Same services pricing (to match expected penetration)
  - Headcount efficiencies (detail next slide). Same wage levels, but lower overhead loading (30% vs. 41%)
  - Higher cost of debt as a taxable bond or higher cost 3rd party financing (5.5% vs. 4.5%)

RETAILER BUSINESS CASE

- Private partner serves as Retailer and offers Triple Play
- RSP staffing:
  - 1 FTE as system GM (higher wage scale than City)
  - 1 FTE as Data Technician (higher wage scale than City)
  - No incremental CSRs or marketing staff
  - No incremental TSRs
  - Same resource levels for Install and Service Technicians and/or install contractors. No Maintenance Techs.
- RSP responsible for:
  - Customer drop, ONT, set tops, and installation process and materials
  - Bandwidth, voice switch, video feed
  - Customer service, billing, help desk, and ONT monitoring
### BROADBAND FTE FOR WHOLESALE MODEL

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Decorah / RSP Headcount</th>
<th>Salary (unloaded)</th>
<th>Year1</th>
<th>Year2</th>
<th>Year3</th>
<th>Year4</th>
<th>Year5</th>
<th>Year6</th>
<th>Year7</th>
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<tr>
<td>System GM</td>
<td></td>
<td>$120,000</td>
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<tr>
<td>Data Tech</td>
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<td>$90,000</td>
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<td>1</td>
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<tr>
<td>Install Techs</td>
<td></td>
<td>$55,000</td>
<td>-</td>
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<td>1</td>
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<td>Maintenance Techs</td>
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<tr>
<td>Service Techs</td>
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<td>1</td>
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</tr>
<tr>
<td><strong>Total Headcount</strong></td>
<td></td>
<td></td>
<td>1 / 2</td>
<td>2 / 3</td>
<td>2 / 4</td>
<td>2 / 4</td>
<td>2 / 4</td>
<td>2 / 4</td>
<td>2 / 3</td>
</tr>
</tbody>
</table>

### CAPEX: RETAIL VS. WHOLESALE (YEARS 1-5)

- **Retail Model**
  - Outside Plant Construction
  - Other Capital Costs
  - Fixed Equipment
  - FTTP ONU
  - Engineering & Inspection Services
  - Video System
  - Back Office Systems
  - Vehicles
  - Fiber Drop and Powering

- **Wholesale Fiber Lease Models**
  - Facility Capital Costs
  - Middleware and Conditional Access
  - Contract Installation
  - Converters

- Wholesale = 68% of Retail CAPEX

$3.8M vs. $2.6M

---

Study conducted by Uptown Services, LLC

09/08/2017
## Wholesale Financial Outcomes

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Decorah as Wholesaler (Westminster terms)</th>
<th>Decorah as Wholesaler (15 year payback terms)</th>
<th>Retail Service Provider</th>
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<tbody>
<tr>
<td>Wholesale Fee (per passing/connect)</td>
<td>$6 / $17</td>
<td>$10 / $17</td>
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<tr>
<td>Equity Investment</td>
<td>-</td>
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<td>Long Term Debt</td>
<td>$3.6M</td>
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<td>Working Capital Requirement</td>
<td>$2.1M</td>
<td>$0.3M</td>
<td>$1.4M</td>
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<td>Total Funding</td>
<td>$5.7M</td>
<td>$3.9M</td>
<td>$5.4M</td>
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<tr>
<td>Net Cash – Year 8</td>
<td>-</td>
<td>-</td>
<td>($1.8M)</td>
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<tr>
<td>Net Cash – Year 15</td>
<td>($2.5M)</td>
<td>$0.2M</td>
<td>$600K</td>
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<td>IRR – Year 8</td>
<td>-</td>
<td>-</td>
<td>(7.4%)</td>
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<tr>
<td>Project Break Even</td>
<td>&gt; 20 Years</td>
<td>15 Years</td>
<td>13 Years</td>
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