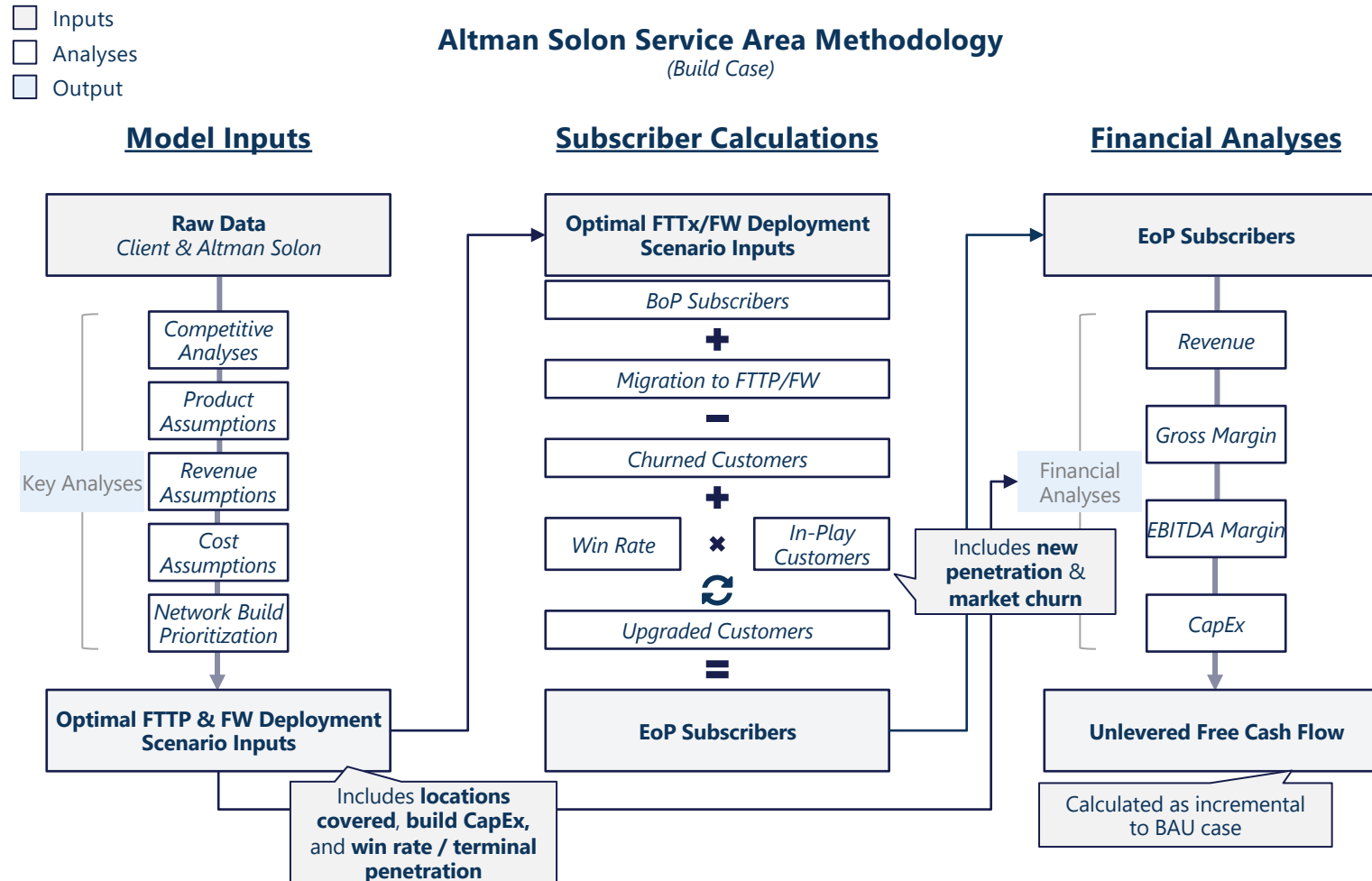

Arrow Platform

Financial Model



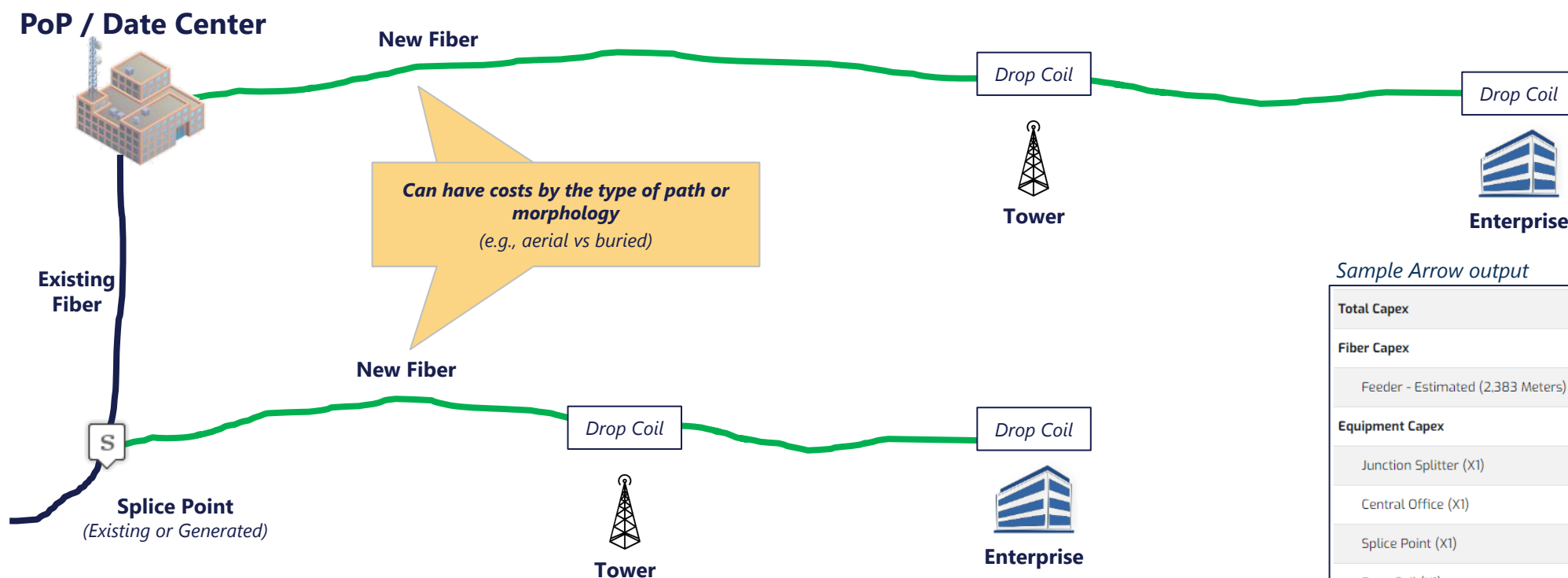
Each service area is run through a detailed annual forecast, with key inputs & data provided by both Altman Solon & clients



In planning routes to target locations, Arrow factors in a number of necessary network equipment elements and their costs

Typical Arrow Enterprise / Tower Build Plan Components

Illustrative



Sample Arrow output

Total Capex	\$23.4K
Fiber Capex	
Feeder - Estimated (2,383 Meters)	\$21.8K
Equipment Capex	
Junction Splitter (X1)	\$0.0K
Central Office (X1)	\$0.3K
Splice Point (X1)	\$0.3K
Drop Coil (X1)	\$1.0K

All equipment and fiber capex is considered one-time upfront expense

ARPU, operating expenses and ramp up to fair share are all considered in projecting revenue for each location

Typical Arrow **Individual** Location Financial Evaluation

Illustrative

Time Period / Year	0	1	2	3	4	5	6	7	8	9
Number of Locations	1	1	1	1	1	1	1	1	1	1
Location ARPU [annual]	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100
Number of Customers	0.00	0.11	0.18	0.23	0.27	0.29	0.30	0.31	0.32	0.32
Penetration	0.0%	11%	18%	23%	27%	29%	30%	31%	32%	32%
Location Revenue	\$0	\$560	\$936	\$1,188	\$1,357	\$1,470	\$1,546	\$1,597	\$1,631	\$1,654
<i>Total Location Revenue x Penetration</i>										
Operating Expenses	\$0	\$118	\$197	\$249	\$285	\$309	\$325	\$335	\$342	\$347
Maintenance Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Location Expenses	\$0	\$118	\$197	\$249	\$285	\$309	\$325	\$335	\$342	\$347
<i>Location Revenue – Location Expenses</i>										
Location Net Cash Flow	\$0	\$443	\$740	\$938	\$1,072	\$1,161	\$1,221	\$1,261	\$1,288	\$1,306
Discounted Cash Flow	\$0	\$403	\$611	\$705	\$732	\$721	\$689	\$647	\$601	\$554
<i>Present value of future cash flow</i>										
Present Value of Future Cash Flows	\$5,664	<i>Total expected current value of location's revenue streams. This value gets compared to network build cost to determine overall profitability</i>								

All above assumptions can be changed using ARPU and ROIC resource managers

To visualize how cost and revenue models come together, we will run a sample full coverage plan in one area

Arrow Build – Sample Scenario

Plan Settings:

Route to all (412) Medium size businesses in Apodaca

ARPU = \$700/mo.

Operating margin = 79%

Success-based connect cost = \$0

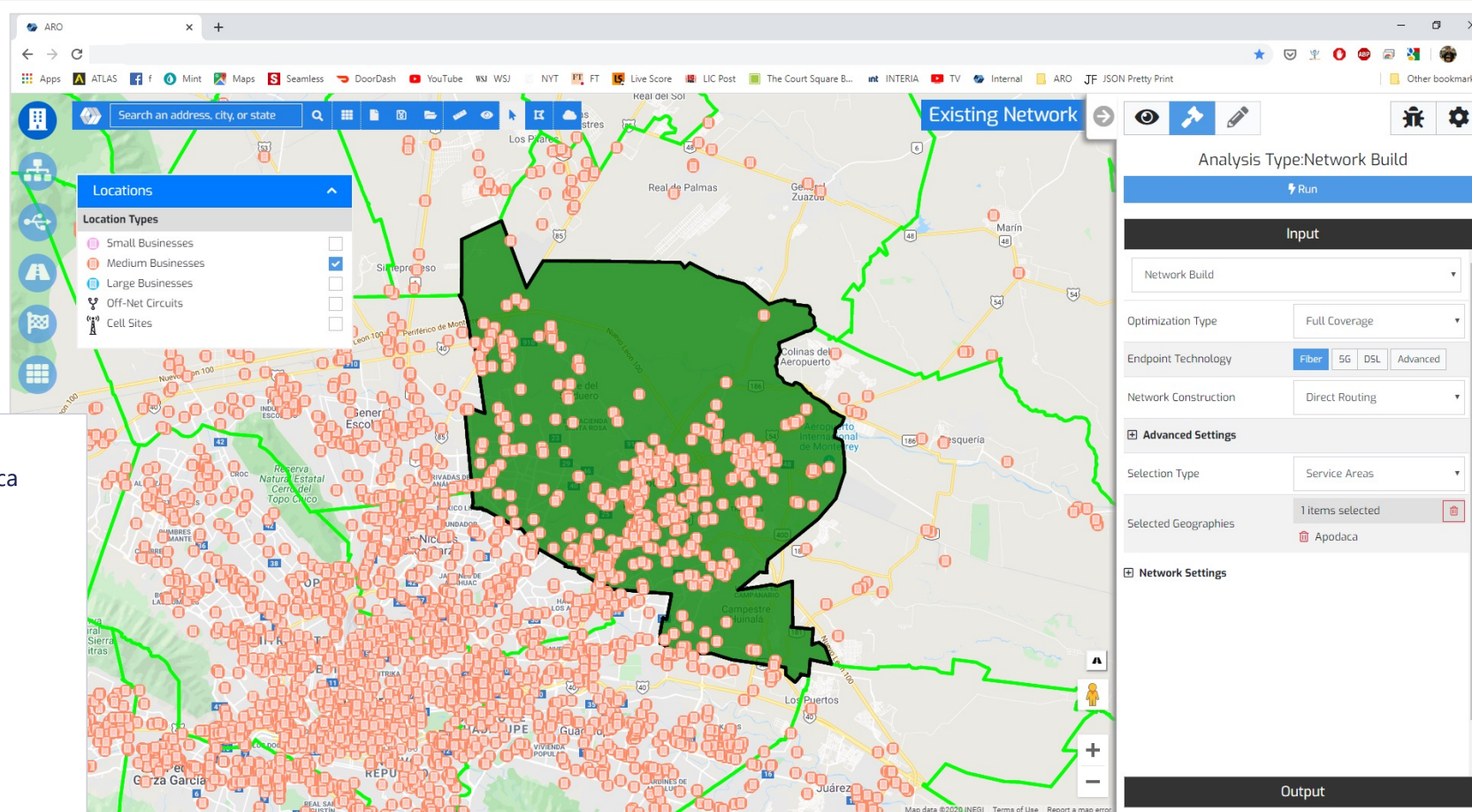
Capex:

Buried Fiber cost = \$37.39/meter

Mostly Aerial fiber cost = \$9.00/meter

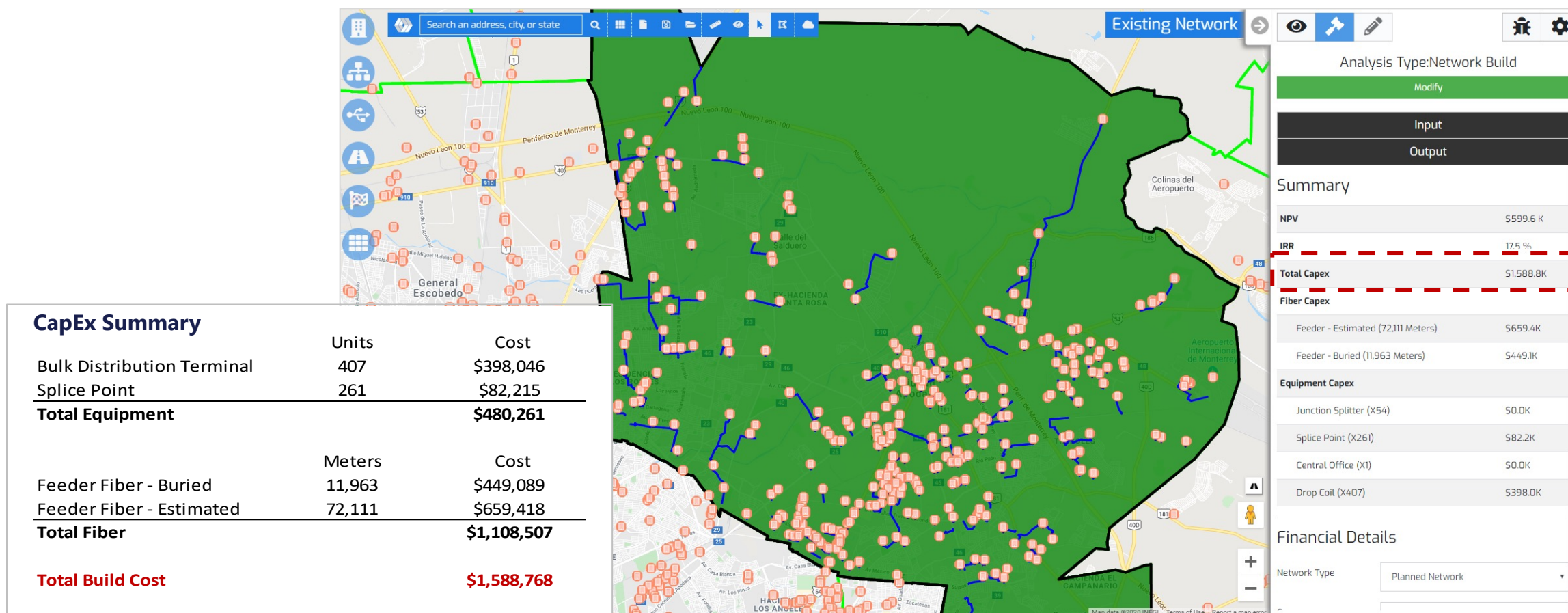
Splicing cost = \$315/instance

Drop Coil = \$978/unit



Routing to 412 medium businesses using current assumptions will require \$1.59M, all of which will be spent upfront

Arrow Build – Sample Scenario – CapEx



Arrow Build – Sample Scenario – Cash Flow

Those 412 locations, however, are expected to turn into 76 customers, by year 10, resulting in plan's overall NPV of \$0.6M, with 17.5% IRR

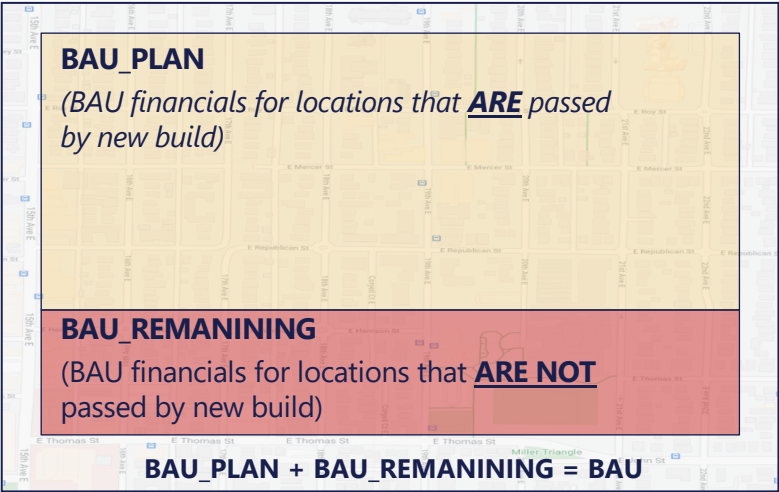
Time Period / Year	0	1	2	3	4	5	6	7	8	9
Number of Locations	412	412	412	412	412	412	412	412	412	412
Total Available Revenue	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800	\$3,460,800
Number of Customers	0	26	43	55	Number of new customers is greater than customer difference between time periods because it factors in customer churn				75	76
New Customers	0	30	24	20	15	16	17	18	13	12
Penetration	0%	6%	10%	13%	15%	16%	17%	18%	18%	18%
Revenue	\$0	\$216,556	\$361,718	\$459,022	\$524,248	\$567,970	\$597,277	\$616,923	\$630,092	\$638,919
Network Build Cost	\$1,588,768	Total build CapEx from prior page			\$0	\$0	\$0	\$0	\$0	\$0
New Connection Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$45,477	\$75,961	\$96,395	\$110,092	\$119,274	\$125,428	\$129,554	\$132,319	\$134,173
Maintenance Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$1,588,768	\$45,477	\$75,961	\$96,395	\$110,092	\$119,274	\$125,428	\$129,554	\$132,319	\$134,173
Net Cash Flow	-\$1,588,768	\$171,079	\$285,757	\$362,628	\$414,156	\$448,696	\$471,849	\$487,369	\$497,772	\$504,746
Discounted Cash Flow	-\$1,588,768	\$155,526	\$236,163	\$272,448	\$282,874	\$278,605	\$266,347	\$250,097	\$232,215	\$214,062
NPV	\$599,568	Plan NPV and IRR matching Arrow UI output								
IRR	17.5%									

Above cash flow projections are available in "Financial Output" reports

Arrow Financial Output Reports allow in-depth analysis of financial net impact of the proposed build

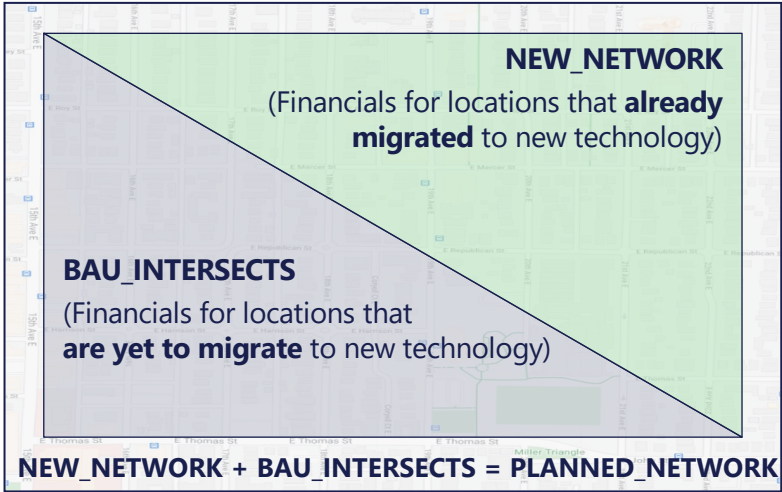
BAU

What the financials would have looked like without any new build



PLANNED NETWORK

What the financials will look like after accounting for the new build, for passed locations only?



**INCREMENTAL =
PLANNED_NETWORK –
BAU_PLAN**

What is the **net** impact of the new build

Example:

Customers		Year	0	1	2	3	4	5
BAU	BAU for all locations		30.0	36.7	42.7	48.1	53.1	57.5
BAU_PLAN	BAU for passed locations		21.3	26.0	30.3	34.2	37.7	40.9
BAU_REMANINING	BAU for locations not passed		8.7	10.6	12.4	14.0	15.4	16.7
PLANNED_NETWORK	Passed locations		21.3	32.3	40.9	47.5	52.7	56.8
NEW_NETWORK	Passed, already migrated		0.0	15.7	27.9	37.5	44.9	50.7
BAU_INTERSECTS	Passed, not yet migrated		21.3	16.6	12.9	10.1	7.8	6.1
INCREMENTAL	Net impact of the new build		0.0	6.3	10.5	13.3	15.0	15.9

30 existing legacy (DSL) customers, 21.3 of which got passed by the planned build. Baseline customer count expected to go up to 40.9 in year 5 in areas passed by new network

21.3 customers in year 0, turn into 56.8 in year 5, split between new and legacy technology subscribers

In areas covered by new network, 40.9 customers in the baseline case become 56.8 customers, **for a net gain of 15.9**