

**City of Seattle  
Seattle, Washington  
FTTP Network - Data Services  
June 2015**

**Construction in Power Space**

First is to ensure that all assumptions are clearly understood and their impact to the projected results. Second is to present a plausible outcome of the proposed broadband business. Third is to provide a guide to judge the progress of the broadband business as it unfolds. CTC does not warrant the analysis, the assumptions, or the success of the broadband business. CTC only offers this tool as a means of providing consultative advice. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**City of Seattle  
FTTP Network - Data Services  
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<b>Financial Statements</b>	<b>Page</b>
Income Statement	1
Cash Flow Statement	3
Capital Additions	5
Scenarios	7
Assumptions	11
Summary Tables	18

City of Seattle  
 FFTP Network - Data Services  
 Construction in Power Space  
 June 2015

Income Statement

	Year	1	2	3	4	5	6	7	8	9	10
<b>a. Revenues</b>											
Video	\$	-	-	-	-	-	-	-	-	-	-
Internet - Residential		8,868,600	47,379,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600
Internet - Business		1,193,400	3,449,640	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940
Enterprise		-	-	-	-	-	-	-	-	-	-
Voice		-	-	-	-	-	-	-	-	-	-
Connection Fee (net)		1,653,600	6,750,300	6,738,750	-	-	-	-	-	-	-
Provider Fee		-	-	-	-	-	-	-	-	-	-
Assessments		-	-	-	-	-	-	-	-	-	-
Ancillary Revenues		-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$</b>	<b>11,715,600</b>	<b>57,579,540</b>	<b>98,266,290</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>
<b>b. Content Fees</b>											
Internet	\$	206,310	958,760	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160
Enterprise		-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$</b>	<b>206,310</b>	<b>958,760</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>
<b>c. Operating Costs</b>											
Labor Costs	\$	5,186,070	14,254,790	21,699,810	22,127,750	22,564,250	23,009,480	23,463,610	23,926,830	24,399,310	24,881,240
Insurance		200,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Utilities		36,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000
Office Expenses		36,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Facility Lease		120,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Locates & Ticket Processing		-	280,000	561,000	561,000	561,000	561,000	561,000	561,000	561,000	561,000
Peering		33,100	168,100	302,900	302,900	302,900	302,900	302,900	302,900	302,900	302,900
Contingency		200,000	400,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Billing Maintenance Contract		-	-	-	-	-	-	-	-	-	-
Fiber & Network Maintenance		846,820	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650
Vendor Maintenance Contracts		-	-	-	-	-	-	-	-	-	-
Legal and Lobby Fees		750,000	500,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Planning		-	-	-	-	-	-	-	-	-	-
Consulting		500,000	500,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Marketing		2,400,000	2,400,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Education and Training		204,120	563,470	855,880	873,000	890,460	908,270	926,430	944,960	963,860	983,140
Customer Handholding		13,230	67,230	121,140	121,140	121,140	121,140	121,140	121,140	121,140	121,140
Customer Billing (Unit)		6,610	33,620	60,570	60,570	60,570	60,570	60,570	60,570	60,570	60,570
Allowance for Bad Debts		117,160	575,800	982,660	915,280	915,280	915,280	915,280	915,280	915,280	915,280
Churn (acquisition costs)		82,680	420,200	757,130	757,130	757,130	757,130	757,130	757,130	757,130	757,130
Low Income Assistance		-	-	-	-	-	-	-	-	-	-
Pole Attachment Expense		263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180
<b>Total</b>	<b>\$</b>	<b>10,994,970</b>	<b>22,892,040</b>	<b>30,319,920</b>	<b>30,697,600</b>	<b>31,151,560</b>	<b>31,614,600</b>	<b>32,086,890</b>	<b>32,568,640</b>	<b>33,060,020</b>	<b>33,561,230</b>
<b>d. EBITDA</b>	<b>\$</b>	<b>514,320</b>	<b>33,728,740</b>	<b>66,236,210</b>	<b>59,119,780</b>	<b>58,665,820</b>	<b>58,202,780</b>	<b>57,730,490</b>	<b>57,248,740</b>	<b>56,757,360</b>	<b>56,256,150</b>
<b>e. Depreciation</b>	<b>\$</b>	<b>13,523,920</b>	<b>31,814,420</b>	<b>40,759,410</b>	<b>40,779,480</b>	<b>40,799,560</b>	<b>39,650,280</b>	<b>35,200,740</b>	<b>30,759,480</b>	<b>30,759,480</b>	<b>30,759,480</b>
<b>f. Operating Income (EBITDA less depreciation)</b>	<b>\$</b>	<b>(13,009,600)</b>	<b>1,914,320</b>	<b>25,476,800</b>	<b>18,340,300</b>	<b>17,866,260</b>	<b>18,552,500</b>	<b>22,529,750</b>	<b>26,489,260</b>	<b>25,997,880</b>	<b>25,496,670</b>
<b>g. Non-Operating Income</b>											
Interest Income	\$	-	84,230	66,070	93,330	123,680	149,650	132,810	66,080	85,420	119,780
Interest Expense (10 Year Bond)		(720,400)	(960,400)	(869,650)	(775,270)	(677,110)	(575,030)	(468,870)	(358,460)	(243,620)	(124,200)
Interest Expense (20 Year Bond)		(9,350,000)	(19,125,000)	(20,027,510)	(19,234,290)	(18,407,370)	(17,545,310)	(16,646,610)	(15,709,710)	(14,733,000)	(13,714,770)
Interest Expense (Loan)		-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$</b>	<b>(10,070,400)</b>	<b>(20,001,170)</b>	<b>(20,831,090)</b>	<b>(19,916,230)</b>	<b>(18,960,800)</b>	<b>(17,970,690)</b>	<b>(16,982,670)</b>	<b>(16,002,090)</b>	<b>(14,891,200)</b>	<b>(13,719,190)</b>
<b>h. Net Income (before taxes)</b>	<b>\$</b>	<b>(23,080,000)</b>	<b>(18,086,850)</b>	<b>4,645,710</b>	<b>(1,575,930)</b>	<b>(1,094,540)</b>	<b>581,810</b>	<b>5,547,080</b>	<b>10,487,170</b>	<b>11,106,680</b>	<b>11,777,480</b>
<b>i. Taxes</b>	<b>\$</b>	<b>389,700</b>	<b>1,968,620</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>	<b>3,544,860</b>
<b>j. Net Income</b>	<b>\$</b>	<b>(23,469,700)</b>	<b>(20,055,470)</b>	<b>1,100,850</b>	<b>(5,120,790)</b>	<b>(4,639,400)</b>	<b>(2,963,050)</b>	<b>2,002,220</b>	<b>6,942,310</b>	<b>7,561,820</b>	<b>8,232,620</b>

City of Seattle  
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Income Statement

	Year	11	12	13	14	15	16	17	18	19	20	
<b>a. Revenues</b>												
Video	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Internet - Residential		85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	85,818,600	
Internet - Business		5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	5,708,940	
Enterprise		-	-	-	-	-	-	-	-	-	-	
Voice		-	-	-	-	-	-	-	-	-	-	
Provider Fee		-	-	-	-	-	-	-	-	-	-	
Assessments		-	-	-	-	-	-	-	-	-	-	
Ancillary Revenues		-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	<b>91,527,540</b>	
<b>b. Content Fees</b>												
Internet	\$	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	1,710,160	
Enterprise		-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	<b>1,710,160</b>	
<b>c. Operating Costs</b>												
Labor Costs	\$	25,372,810	25,874,210	26,385,640	26,907,300	27,439,390	27,982,120	28,535,710	29,100,370	29,676,320	30,263,790	
Insurance		400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	
Utilities		72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	
Office Expenses		60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	
Facility Lease		240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	
Locates & Ticket Processing		561,000	561,000	561,000	561,000	561,000	561,000	561,000	561,000	561,000	561,000	
Peering		302,900	302,900	302,900	302,900	302,900	302,900	302,900	302,900	302,900	302,900	
Contingency		600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	
Billing Maintenance Contract		-	-	-	-	-	-	-	-	-	-	
Fiber & Network Maintenance		1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	1,693,650	
Vendor Maintenance Contracts		-	-	-	-	-	-	-	-	-	-	
Legal and Lobby Fees		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	
Planning		-	-	-	-	-	-	-	-	-	-	
Consulting		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	
Marketing		1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	
Education and Training		1,002,800	1,022,850	1,043,310	1,064,180	1,085,460	1,107,170	1,129,310	1,151,900	1,174,940	1,198,440	
Customer Handholding		121,140	121,140	121,140	121,140	121,140	121,140	121,140	121,140	121,140	121,140	
Customer Billing (Unit)		60,570	60,570	60,570	60,570	60,570	60,570	60,570	60,570	60,570	60,570	
Allowance for Bad Debts		915,280	915,280	915,280	915,280	915,280	915,280	915,280	915,280	915,280	915,280	
Churn (acquisition costs)		757,130	757,130	757,130	757,130	757,130	757,130	757,130	757,130	757,130	757,130	
Low Income Assistance		-	-	-	-	-	-	-	-	-	-	
Pole Attachment Expense		263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180	263,180	
<b>Total</b>	<b>\$</b>	<b>34,072,460</b>	<b>34,593,910</b>	<b>35,125,800</b>	<b>35,668,330</b>	<b>36,221,700</b>	<b>36,786,140</b>	<b>37,361,870</b>	<b>37,949,120</b>	<b>38,548,110</b>	<b>39,159,080</b>	
<b>d. EBITDA</b>												
	\$	55,744,920	55,223,470	54,691,580	54,149,050	53,595,680	53,031,240	52,455,510	51,868,260	51,269,270	50,658,300	
<b>e. Depreciation</b>												
	\$	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	30,759,480	
<b>f. Operating Income (EBITDA less depreciator)</b>												
	\$	24,985,440	24,463,990	23,932,100	23,389,570	22,836,200	22,271,760	21,696,030	21,108,780	20,509,790	19,898,820	
<b>g. Non-Operating Income</b>												
Interest Income	\$	137,720	115,890	94,200	128,550	117,870	120,800	98,970	77,270	111,630	145,980	
Interest Expense (10 Year Bond)		-	-	-	-	-	-	-	-	-	-	
Interest Expense (20 Year Bond)		(12,653,260)	(11,546,650)	(10,393,000)	(9,190,320)	(7,936,540)	(6,629,460)	(5,266,830)	(3,846,300)	(2,365,380)	(821,530)	
Interest Expense (Loan)		-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$</b>	<b>(12,515,540)</b>	<b>(11,430,760)</b>	<b>(10,298,800)</b>	<b>(9,061,770)</b>	<b>(7,818,670)</b>	<b>(6,508,660)</b>	<b>(5,167,860)</b>	<b>(3,769,030)</b>	<b>(2,253,750)</b>	<b>(675,550)</b>	
<b>h. Net Income (before taxes)</b>												
	\$	12,469,900	13,033,230	13,633,300	14,327,800	15,017,530	15,763,100	16,528,170	17,339,750	18,256,040	19,223,270	
<b>i. Taxes</b>												
	\$	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	3,544,860	
<b>j. Net Income</b>												
	\$	8,925,040	9,488,370	10,088,440	10,782,940	11,472,670	12,218,240	12,983,310	13,794,890	14,711,180	15,678,410	

City of Seattle  
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Cash Flow Statement

	1	2	3	4	5	6	7	8	9	10
<b>a. Net Income</b>	\$ (23,469,700)	\$ (20,055,470)	\$ 1,100,850	\$ (5,120,790)	\$ (4,639,400)	\$ (2,963,050)	\$ 2,002,220	\$ 6,942,310	\$ 7,561,820	\$ 8,232,620
<b>b. Cash Outflows</b>										
Debt Service Reserve	\$ (11,900,500)	\$ (11,800,000)	\$ (1,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Reserve	(20,140,800)	(20,007,320)	(2,501,410)	-	-	-	-	-	-	-
Depreciation Reserve	-	-	-	(12,233,840)	(12,239,870)	(17,049,620)	(15,840,330)	(13,841,770)	(13,841,770)	(13,841,770)
Financing	(2,380,100)	(2,360,000)	(300,000)	-	-	-	-	-	-	-
Capital Expenditures	(199,790,180)	(220,191,770)	(44,724,940)	(100,370)	(100,370)	(6,664,710)	(22,574,460)	(40,532,890)	(6,105,120)	(100,370)
<b>Total</b>	\$ (234,211,580)	\$ (254,359,090)	\$ (49,026,350)	\$ (12,334,210)	\$ (12,340,240)	\$ (23,714,330)	\$ (38,414,790)	\$ (54,374,660)	\$ (19,946,890)	\$ (13,942,140)
<b>c. Cash Inflows</b>										
Interest Reserve	\$ 10,070,400	\$ 20,085,400	\$ 11,267,320	\$ 1,226,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation Reserve	-	-	-	100,370	100,370	6,664,710	22,574,460	40,532,890	6,105,120	100,370
Start Up Capital	-	-	-	-	-	-	-	-	-	-
Start Up Funds	-	-	-	-	-	-	-	-	-	-
Grants (infrastructure)	-	-	-	-	-	-	-	-	-	-
Grants (customer premises)	-	-	-	-	-	-	-	-	-	-
10-Year Bond Proceeds	18,010,000	6,000,000	-	-	-	-	-	-	-	-
20-Year Bond Proceeds	220,000,000	230,000,000	30,000,000	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	\$ 248,080,400	\$ 256,085,400	\$ 41,267,320	\$ 1,326,780	\$ 100,370	\$ 6,664,710	\$ 22,574,460	\$ 40,532,890	\$ 6,105,120	\$ 100,370
<b>d. Total Cash Outflows and Inflows</b>	\$ 13,868,820	\$ 1,726,310	\$ (7,759,030)	\$ (11,007,430)	\$ (12,239,870)	\$ (17,049,620)	\$ (15,840,330)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)
<b>e. Non-Cash Expenses - Depreciation</b>	\$ 13,523,920	\$ 31,814,420	\$ 40,759,410	\$ 40,779,480	\$ 40,799,560	\$ 39,650,280	\$ 35,200,740	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480
<b>f. Adjustments</b>										
Proceeds from Additional Cash Flows (10 Year Bond)	\$ (18,010,000)	\$ (6,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Additional Cash Flows (20 Year Bond)	\$ (220,000,000)	\$ (230,000,000)	\$ (30,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Additional Cash Flows (Loan)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>g. Adjusted Available Net Revenue</b>	\$ (234,086,960)	\$ (222,514,740)	\$ 4,101,230	\$ 24,651,260	\$ 23,920,290	\$ 19,637,610	\$ 21,362,630	\$ 23,860,020	\$ 24,479,530	\$ 25,150,330
<b>h. Principal Payments on Debt</b>										
10 Year Bond Principal	\$ -	\$ 2,268,780	\$ 2,359,530	\$ 2,453,910	\$ 2,552,070	\$ 2,654,150	\$ 2,760,310	\$ 2,870,720	\$ 2,985,560	\$ 3,104,980
20 Year Bond Principal	-	8,764,570	18,663,760	19,456,980	20,283,900	21,145,960	22,044,660	22,981,560	23,958,270	24,976,500
Loan Principal	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	\$ -	\$ 11,033,350	\$ 21,023,290	\$ 21,910,890	\$ 22,835,970	\$ 23,800,110	\$ 24,804,970	\$ 25,852,280	\$ 26,943,830	\$ 28,081,480
<b>i. Net Cash</b>	\$ 3,923,040	\$ 2,451,910	\$ 13,077,940	\$ 2,740,370	\$ 1,084,320	\$ (4,162,500)	\$ (3,442,340)	\$ (1,992,260)	\$ (2,464,300)	\$ (2,931,150)
<b>j. Cash Balance</b>										
Unrestricted Cash Balance	\$ 3,923,040	\$ 6,374,950	\$ 19,452,890	\$ 22,193,260	\$ 23,277,580	\$ 19,115,080	\$ 15,672,740	\$ 13,680,480	\$ 11,216,180	\$ 8,285,030
Depreciation Reserve	-	-	-	12,133,470	24,272,970	34,657,880	27,923,750	1,232,630	8,969,280	22,710,680
Interest Reserve	10,070,400	9,992,320	1,226,410	-	-	-	-	-	-	-
Debt Service Reserve	11,900,500	23,700,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500
<b>Total Cash Balance</b>	\$ 25,893,940	\$ 40,067,770	\$ 45,879,800	\$ 59,527,230	\$ 72,751,050	\$ 78,973,460	\$ 68,796,990	\$ 40,113,610	\$ 45,385,960	\$ 56,196,210
<b>Un-depreciated Value of Capital Assets</b>	\$ 186,266,260	\$ 374,643,610	\$ 378,609,140	\$ 337,930,030	\$ 297,230,840	\$ 264,245,270	\$ 251,618,980	\$ 261,392,390	\$ 236,738,030	\$ 206,078,920
<b>Debt Service Balance (10 Year Bond)</b>	\$ 18,010,000	\$ 24,010,000	\$ 21,741,220	\$ 19,381,690	\$ 14,375,710	\$ 14,375,710	\$ 11,721,560	\$ 8,961,250	\$ 6,090,530	\$ 3,104,970
<b>Debt Service Balance (20 Year Bond)</b>	\$ 220,000,000	\$ 450,000,000	\$ 471,235,430	\$ 452,571,670	\$ 433,114,690	\$ 412,830,790	\$ 391,684,830	\$ 369,640,170	\$ 346,658,610	\$ 322,700,340
<b>Debt Service Balance (Internal Loan)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service (P&amp;I)</b>	\$ 10,070,400	\$ 31,118,750	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450	\$ 41,920,450
<b>Debt Coverage Ratio</b>	-	(18.35)	1.19	2.04	1.88	1.59	1.55	1.54	1.46	1.39
<b>Debt Service Coverage Ratio</b>	-	(20.17)	0.20	1.13	1.05	0.83	0.86	0.92	0.91	0.90

City of Seattle  
 FTTP Network - Data Services  
 June 2015

Cash Flow Statement

	11	12	13	14	15	16	17	18	19	20
<b>a. Net Income</b>	\$ 8,925,040	\$ 9,488,370	\$ 10,088,440	\$ 10,782,940	\$ 11,472,670	\$ 12,218,240	\$ 12,983,310	\$ 13,794,890	\$ 14,711,180	\$ 15,678,410
<b>b. Cash Outflows</b>										
Debt Service Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Reserve	-	-	-	-	-	-	-	-	-	-
Depreciation Reserve	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)	(13,841,770)
Financing	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(6,664,710)	(22,574,460)	(22,518,640)	(100,370)	(18,114,620)	(12,669,460)	(22,574,460)	(22,518,640)	(100,370)	(100,370)
<b>Total</b>	\$ (20,506,480)	\$ (36,416,230)	\$ (36,360,410)	\$ (13,942,140)	\$ (31,956,390)	\$ (26,511,230)	\$ (36,416,230)	\$ (36,360,410)	\$ (13,942,140)	\$ (13,942,140)
<b>c. Cash Inflows</b>										
Interest Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation Reserve	6,664,710	22,574,460	22,518,640	100,370	18,114,620	12,669,460	22,574,460	22,518,640	100,370	100,370
Start Up Capital	-	-	-	-	-	-	-	-	-	-
Start Up Funds	-	-	-	-	-	-	-	-	-	-
Grants (infrastructure)	-	-	-	-	-	-	-	-	-	-
Grants (customer premises)	-	-	-	-	-	-	-	-	-	-
10-Year Bond Proceeds	-	-	-	-	-	-	-	-	-	-
20-Year Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	\$ 6,664,710	\$ 22,574,460	\$ 22,518,640	\$ 100,370	\$ 18,114,620	\$ 12,669,460	\$ 22,574,460	\$ 22,518,640	\$ 100,370	\$ 100,370
<b>d. Total Cash Outflows and Inflows</b>	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)	\$ (13,841,770)
<b>e. Non-Cash Expenses - Depreciation</b>	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480	\$ 30,759,480
<b>f. Adjustments</b>										
Proceeds from Additional Cash Flows (10 Year Bond)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Additional Cash Flows (20 Year Bond)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Additional Cash Flows (Loan)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>g. Adjusted Available Net Revenue</b>	\$ 25,842,750	\$ 26,406,080	\$ 27,006,150	\$ 27,700,650	\$ 28,390,380	\$ 29,135,950	\$ 29,901,020	\$ 30,712,600	\$ 31,628,890	\$ 32,596,120
<b>h. Principal Payments on Debt</b>										
10 Year Bond Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20 Year Bond Principal	26,038,010	27,144,620	28,298,270	29,500,950	30,754,730	32,061,810	33,424,440	34,844,970	36,325,890	19,330,170
Loan Principal	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	\$ 26,038,010	\$ 27,144,620	\$ 28,298,270	\$ 29,500,950	\$ 30,754,730	\$ 32,061,810	\$ 33,424,440	\$ 34,844,970	\$ 36,325,890	\$ 19,330,170
<b>i. Net Cash</b>	\$ (195,260)	\$ (738,540)	\$ (1,292,120)	\$ (1,800,300)	\$ (2,364,350)	\$ (2,925,860)	\$ (3,523,420)	\$ (4,132,370)	\$ (4,697,000)	\$ 13,265,950
<b>j. Cash Balance</b>										
Unrestricted Cash Balance	\$ 8,089,770	\$ 7,351,230	\$ 6,059,110	\$ 4,258,810	\$ 1,894,460	\$ (1,031,400)	\$ (4,554,820)	\$ (8,687,190)	\$ (13,384,190)	\$ (118,240)
Depreciation Reserve	29,887,740	21,155,050	12,478,180	26,219,580	21,946,730	23,119,040	14,386,350	5,709,480	19,450,880	33,192,280
Interest Reserve	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500	25,200,500
<b>Total Cash Balance</b>	\$ 63,178,010	\$ 53,706,780	\$ 43,737,790	\$ 55,678,890	\$ 49,041,690	\$ 47,288,140	\$ 35,032,030	\$ 22,222,790	\$ 31,267,190	\$ 58,274,540
<b>Un-depreciated Value of Capital Assets</b>	\$ 181,984,150	\$ 173,799,130	\$ 165,558,290	\$ 134,899,180	\$ 122,254,320	\$ 104,164,300	\$ 95,979,280	\$ 87,738,440	\$ 57,079,330	\$ 26,420,220
<b>Debt Service Balance (10 Year Bond)</b>	\$ (10)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service Balance (20 Year Bond)</b>	\$ 296,662,330	\$ 269,517,710	\$ 241,219,440	\$ 211,718,490	\$ 180,963,760	\$ 148,901,950	\$ 115,477,510	\$ 80,632,540	\$ 44,306,650	\$ 24,976,480
<b>Debt Service Balance (Internal Loan)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service (P&amp;I)</b>	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 38,691,270	\$ 20,151,700
<b>Debt Coverage Ratio</b>	1.48	1.40	1.32	1.25	1.18	1.12	1.05	0.99	0.94	
<b>Debt Service Coverage Ratio</b>	0.99	0.97	0.95	0.94	0.92	0.91	0.89	0.88	0.87	

City of Seattle  
 FTTP Network - Data Services  
 Construction in Power Space  
 June 2015

Capital Additions

	1	2	3	4	5	6	7	8	9	10
<b>Network Equipment</b>										
Headend- Data	\$ 18,014,250	\$ 6,004,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 18,014,250</b>	<b>\$ 6,004,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Outside Plant and Facilities

Total Backbone and FTTP	\$ 169,364,850	\$ 169,364,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 169,364,850</b>	<b>\$ 169,364,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Last Mile and Customer Premises Equipment

CPE Gbps Commercial	\$ 1,141,920	\$ 2,158,910	\$ 2,161,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CPE Residential & Small Commercial	5,121,720	22,240,570	22,198,990	-	-	-	-	-	-	-
Enterprise CPE and Drop	-	-	-	-	-	-	-	-	-	-
IP Telephone Adapter (2 telephones)	-	-	-	-	-	-	-	-	-	-
Average Drop Cost	4,951,440	20,212,690	20,178,110	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
Digital Set-top Box and CAT-5 Wiring	-	-	-	-	-	-	-	-	-	-
Additional Annual Replacement Capital	-	-	-	100,370	100,370	100,370	100,370	100,370	100,370	100,370
<b>Total</b>	<b>\$ 11,215,080</b>	<b>\$ 44,612,170</b>	<b>\$ 44,538,940</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>

Miscellaneous Implementation Costs

Splicing	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicles	300,000	-	-	-	-	-	-	-	-	-
Emergency Restoration Kit	50,000	-	-	-	-	-	-	-	-	-
Work Station, Computers, and Software	96,000	210,000	186,000	-	-	-	-	-	-	-
Fiber OTDR and Other Tools	150,000	-	-	-	-	-	-	-	-	-
Generators & UPS	100,000	-	-	-	-	-	-	-	-	-
Billing Software	250,000	-	-	-	-	-	-	-	-	-
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,196,000</b>	<b>\$ 210,000</b>	<b>\$ 186,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Replacement Costs for Depreciation

Network Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,014,250	\$ 6,004,750	\$ -
Last Mile and Customer Premises Equipment	-	-	-	-	-	5,607,540	22,306,090	22,269,470	-	-
Miscellaneous Implementation Costs	-	-	-	-	-	956,800	168,000	148,800	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,564,340</b>	<b>\$ 22,474,090</b>	<b>\$ 40,432,520</b>	<b>\$ 6,004,750</b>	<b>\$ -</b>

**Total Capital Additions** \$ 199,790,180 \$ 220,191,770 \$ 44,724,940 \$ 100,370 \$ 100,370 \$ 6,664,710 \$ 22,574,460 \$ 40,532,890 \$ 6,105,120 \$ 100,370

<b>Depreciation Reserve Contribution</b>	\$ -	\$ -	\$ -	\$ 12,233,840	\$ 12,239,870	\$ 17,049,620	\$ 15,840,330	\$ 13,841,770	\$ 13,841,770	\$ 13,841,770
<b>Draws from Depreciation Reserve</b>	-	-	-	(100,370)	(100,370)	(6,664,710)	(22,574,460)	(40,532,890)	(6,105,120)	(100,370)
<b>Net Depreciation Reserve Balance</b>	\$ -	\$ -	\$ -	\$ 12,133,470	\$ 24,272,970	\$ 34,657,880	\$ 27,923,750	\$ 1,232,630	\$ 8,969,280	\$ 22,710,680

City of Seattle  
 FTTP Network - Data Services  
 June 2015

Capital Additions

	11	12	13	14	15	16	17	18	19	20
<b>Network Equipment</b>										
Headend- Data	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Outside Plant and Facilities</b>										
Total Backbone and FTTP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Last Mile and Customer Premises Equipment</b>										
CPE Gbps Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CPE Residential & Small Commercial	-	-	-	-	-	-	-	-	-	-
Average Drop Cost	-	-	-	-	-	-	-	-	-	-
Additional Annual Replacement Capital	100,370	100,370	100,370	100,370	100,370	100,370	100,370	100,370	100,370	100,370
<b>Total</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>
<b>Miscellaneous Implementation Costs</b>										
Splicing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicles	-	-	-	-	-	-	-	-	-	-
Emergency Restoration Kit	-	-	-	-	-	-	-	-	-	-
Work Station, Computers, and Software	-	-	-	-	-	-	-	-	-	-
Fiber OTDR and Other Tools	-	-	-	-	-	-	-	-	-	-
Generators & UPS	-	-	-	-	-	-	-	-	-	-
Additional Annual Capital	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Replacement Costs for Depreciation</b>										
Network Equipment	\$ -	\$ -	\$ -	\$ -	\$ 18,014,250	\$ 6,004,750	\$ -	\$ -	\$ -	\$ -
Last Mile and Customer Premises Equipment	5,607,540	22,306,090	22,269,470	-	-	5,607,540	22,306,090	22,269,470	-	-
Miscellaneous Implementation Costs	956,800	168,000	148,800	-	-	956,800	168,000	148,800	-	-
<b>Total</b>	<b>\$ 6,564,340</b>	<b>\$ 22,474,090</b>	<b>\$ 22,418,270</b>	<b>\$ -</b>	<b>\$ 18,014,250</b>	<b>\$ 12,569,090</b>	<b>\$ 22,474,090</b>	<b>\$ 22,418,270</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Capital Additions</b>	<b>\$ 6,664,710</b>	<b>\$ 22,574,460</b>	<b>\$ 22,518,640</b>	<b>\$ 100,370</b>	<b>\$ 18,114,620</b>	<b>\$ 12,669,460</b>	<b>\$ 22,574,460</b>	<b>\$ 22,518,640</b>	<b>\$ 100,370</b>	<b>\$ 100,370</b>



**City of Seattle**  
**FTTP Network - Data Services**  
**Construction in Power Space**  
**June 2015**

**Scenarios**

**Base Case - Residential Service Price at \$75 per month, 48 percent of Occupied Households with Internet (43.2 percent of homes passed, 21.6 percent of businesses passed)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 11,715,600	\$ 91,527,540	\$ 91,527,540	\$ 91,527,540	\$ 91,527,540
Total Cash Expenses	11,201,280	32,861,720	35,271,390	37,931,860	40,869,240
Depreciation	13,523,920	40,799,560	30,759,480	30,759,480	30,759,480
Interest Expense	(10,070,400)	(18,960,800)	(13,719,190)	(7,818,670)	(675,550)
Net Income	\$ (23,469,700)	\$ (4,639,400)	\$ 8,232,620	\$ 11,472,670	\$ 15,678,410

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 3,923,040	\$ 23,277,580	\$ 23,277,580	\$ 1,894,460	\$ (118,240)
Depreciation Reserve	-	24,272,970	24,272,970	21,946,730	33,192,280
Interest Reserve	10,070,400	-	-	-	-
Debt Service Reserve	11,900,500	25,200,500	25,200,500	25,200,500	25,200,500
Total Cash Balance	\$ 25,893,940	\$ 72,751,050	\$ 72,751,050	\$ 49,041,690	\$ 58,274,540

Investment Metric	
Internal Rate of Return (IRR)	-5.32%

**1. Residential Service Price Increases by \$5 per month**

Income Statement	1	5	10	15	20
Total Revenues	\$ 12,306,840	\$ 97,248,780	\$ 97,248,780	\$ 97,248,780	\$ 97,248,780
Total Cash Expenses	11,207,190	32,918,930	35,328,600	37,989,070	40,926,450
Depreciation	13,523,920	40,799,560	30,759,480	30,759,480	30,759,480
Interest Expense	(10,070,400)	(18,960,800)	(13,719,190)	(7,818,670)	(675,550)
Net Income	\$ (22,907,270)	\$ 803,040	\$ 13,675,060	\$ 16,915,110	\$ 21,120,850

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 4,485,470	\$ 43,172,050	\$ 43,172,050	\$ 76,213,330	\$ 101,412,830
Depreciation Reserve	-	24,272,970	24,272,970	21,946,730	33,192,280
Interest Reserve	10,070,400	-	-	-	-
Debt Service Reserve	11,900,500	25,200,500	25,200,500	25,200,500	25,200,500
Total Cash Balance	\$ 26,456,370	\$ 92,645,520	\$ 92,645,520	\$ 123,360,560	\$ 159,805,610

Investment Metric	
Internal Rate of Return (IRR)	-3.83%

**2. Residential Service Price Decreases by \$5 per month**

Income Statement	1	5	10	15	20
Total Revenues	\$ 11,124,360	\$ 85,806,300	\$ 85,806,300	\$ 85,806,300	\$ 85,806,300
Total Cash Expenses	11,195,360	32,804,500	35,214,170	37,874,640	40,812,020
Depreciation	13,523,920	40,799,560	30,759,480	30,759,480	30,759,480
Interest Expense	(10,070,400)	(18,960,800)	(13,719,190)	(7,818,670)	(675,550)
Net Income	\$ (24,032,120)	\$ (10,081,840)	\$ 2,790,180	\$ 6,030,230	\$ 10,235,970

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 3,360,620	\$ 3,383,120	\$ 3,383,120	\$ (72,424,400)	\$ (101,649,300)
Depreciation Reserve	-	24,272,970	24,272,970	21,946,730	33,192,280
Interest Reserve	10,070,400	-	-	-	-
Debt Service Reserve	11,900,500	25,200,500	25,200,500	25,200,500	25,200,500
Total Cash Balance	\$ 25,331,520	\$ 52,856,590	\$ 52,856,590	\$ (25,277,170)	\$ (43,256,520)

Investment Metric	
Internal Rate of Return (IRR)	-7.02%

**3. Residential Take Rate Increases by 5 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 11,715,600	\$ 101,061,900	\$ 101,061,900	\$ 101,061,900	\$ 101,061,900
Total Cash Expenses	11,201,280	35,012,685	37,601,015	40,458,745	43,613,905
Depreciation	13,728,030	43,175,270	32,094,290	32,094,290	32,094,290
Interest Expense	(10,127,600)	(19,010,910)	(13,734,220)	(7,833,170)	(697,010)
Net Income	\$ (23,731,010)	\$ (51,095)	\$ 13,718,245	\$ 16,761,565	\$ 20,742,565

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 3,724,100	\$ 36,463,355	\$ 36,463,355	\$ 75,203,885	\$ 102,631,860
Depreciation Reserve	-	25,676,870	25,676,870	16,053,350	24,512,610
Interest Reserve	10,127,600	-	-	-	-
Debt Service Reserve	11,972,000	25,296,000	25,296,000	25,296,000	25,296,000
Total Cash Balance	\$ 25,823,700	\$ 87,436,225	\$ 87,436,225	\$ 116,553,235	\$ 152,440,470

Investment Metric	
Internal Rate of Return (IRR)	-3.79%

**4. Residential Take Rate Decreases by 5 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 11,715,600	\$ 81,993,180	\$ 81,993,180	\$ 81,993,180	\$ 81,993,180
Total Cash Expenses	11,201,280	30,634,675	32,857,755	35,312,235	38,022,165
Depreciation	13,393,420	38,521,550	29,522,470	29,522,470	29,522,470
Interest Expense	(10,034,000)	(18,930,190)	(13,708,730)	(7,805,840)	(655,630)
Net Income	\$ (23,302,800)	\$ (9,268,835)	\$ 2,728,625	\$ 6,177,035	\$ 10,617,315

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 4,053,940	\$ 9,903,340	\$ 9,903,340	\$ (71,668,860)	\$ (102,858,785)
Depreciation Reserve	-	22,927,720	22,927,720	27,138,090	41,219,900
Interest Reserve	10,034,000	-	-	-	-
Debt Service Reserve	11,855,000	25,140,000	25,140,000	25,140,000	25,140,000
Total Cash Balance	\$ 25,942,940	\$ 57,971,060	\$ 57,971,060	\$ (19,390,770)	\$ (36,498,885)

Investment Metric	
Internal Rate of Return (IRR)	-7.11%

**5. Residential Take Rate Increases by 5 percent (percent of Internet users) and Price Increases by \$5 per month**

Income Statement	1	5	10	15	20
Total Revenues	\$ 12,306,840	\$ 107,379,120	\$ 107,379,120	\$ 107,379,120	\$ 107,379,120
Total Cash Expenses	11,207,190	35,075,855	37,664,185	40,521,915	43,677,075
Depreciation	13,728,030	43,175,270	32,094,290	32,094,290	32,094,290
Interest Expense	(10,127,600)	(19,010,910)	(13,734,220)	(7,833,170)	(697,010)
Net Income	\$ (23,168,580)	\$ 5,958,295	\$ 19,727,635	\$ 22,770,955	\$ 26,751,955

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 4,286,530	\$ 58,342,105	\$ 58,342,105	\$ 157,176,535	\$ 214,651,460
Depreciation Reserve	-	25,676,870	25,676,870	16,053,350	24,512,610
Interest Reserve	10,127,600	-	-	-	-
Debt Service Reserve	11,972,000	25,296,000	25,296,000	25,296,000	25,296,000
Total Cash Balance	\$ 26,386,130	\$ 109,314,975	\$ 109,314,975	\$ 198,525,885	\$ 264,460,070

Investment Metric	
Internal Rate of Return (IRR)	-2.32%

**6. Residential Take Rate Decreases by 5 percent (percent of Internet users) and Price Decreases by \$5 per month**

Income Statement	1	5	10	15	20
Total Revenues	\$ 11,124,360	\$ 76,867,920	\$ 76,867,920	\$ 76,867,920	\$ 76,867,920
Total Cash Expenses	11,195,360	30,583,425	32,806,505	35,260,985	37,970,915
Depreciation	13,393,420	38,521,550	29,522,470	29,522,470	29,522,470
Interest Expense	(10,034,000)	(18,930,190)	(13,708,730)	(7,805,840)	(655,630)
Net Income	\$ (23,865,220)	\$ (14,144,335)	\$ (2,146,875)	\$ 1,301,535	\$ 5,741,815

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 3,491,520	\$ (8,006,790)	\$ (8,006,790)	\$ (138,333,990)	\$ (193,901,415)
Depreciation Reserve	-	22,927,720	22,927,720	27,138,090	41,219,900
Interest Reserve	10,034,000	-	-	-	-
Debt Service Reserve	11,855,000	25,140,000	25,140,000	25,140,000	25,140,000
Total Cash Balance	\$ 25,380,520	\$ 40,060,930	\$ 40,060,930	\$ (86,055,900)	\$ (127,541,515)

Investment Metric  
Internal Rate of Return (IRR) -8.91%

**7. Residential Service Price at \$55 per month, Take Rate at 85 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 9,350,640	\$ 121,554,180	\$ 121,554,180	\$ 121,554,180	\$ 121,554,180
Total Cash Expenses	11,177,630	48,765,820	52,538,440	56,703,720	61,302,510
Depreciation	14,731,850	57,978,090	40,235,120	40,235,120	40,235,120
Interest Expense	(10,408,800)	(19,252,130)	(13,811,790)	(7,919,080)	(828,010)
Net Income	\$ (27,265,750)	\$ (9,149,650)	\$ 10,261,040	\$ 11,988,470	\$ 14,480,750

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 493,410	\$ (16,987,140)	\$ (16,987,140)	\$ 20,382,550	\$ 41,869,560
Depreciation Reserve	-	34,420,740	34,420,740	(18,779,310)	(28,357,470)
Interest Reserve	10,408,800	-	-	-	-
Debt Service Reserve	12,323,500	25,764,500	25,764,500	25,764,500	25,764,500
Total Cash Balance	\$ 23,225,710	\$ 43,198,100	\$ 43,198,100	\$ 27,367,740	\$ 39,276,590

Investment Metric  
Internal Rate of Return (IRR) -4.45%

**8. Residential Service Price at \$65 per month, Take Rate at 73 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 10,533,120	\$ 121,795,500	\$ 121,795,500	\$ 121,795,500	\$ 121,795,500
Total Cash Expenses	11,189,450	43,700,955	47,030,835	50,707,315	54,766,425
Depreciation	14,353,750	52,424,800	37,180,090	37,180,090	37,180,090
Interest Expense	(10,302,800)	(19,161,220)	(13,782,600)	(7,886,820)	(778,850)
Net Income	\$ (25,656,780)	\$ 1,791,385	\$ 19,084,835	\$ 21,304,135	\$ 24,352,995

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 1,986,030	\$ 29,852,970	\$ 29,852,970	\$ 143,006,240	\$ 204,338,795
Depreciation Reserve	-	31,140,440	31,140,440	(5,701,120)	(8,516,390)
Interest Reserve	10,302,800	-	-	-	-
Debt Service Reserve	12,191,000	25,588,000	25,588,000	25,588,000	25,588,000
Total Cash Balance	\$ 24,479,830	\$ 86,581,410	\$ 86,581,410	\$ 162,893,120	\$ 221,410,405

Investment Metric  
Internal Rate of Return (IRR) -2.41%

**9. Residential Service Price at \$85 per month, Take Rate at 27 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 12,898,080	\$ 57,921,720	\$ 57,921,720	\$ 57,921,720	\$ 57,921,720
Total Cash Expenses	11,213,100	23,566,795	25,192,205	26,986,805	28,968,165
Depreciation	12,811,210	31,013,140	25,344,970	25,344,970	25,344,970
Interest Expense	(9,871,200)	(18,788,820)	(13,665,050)	(7,761,060)	(588,440)
Net Income	\$ (21,432,930)	\$ (17,690,345)	\$ (8,523,815)	\$ (4,414,425)	\$ 776,835

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 5,754,090	\$ (8,659,790)	\$ (8,659,790)	\$ (219,482,450)	\$ (312,865,885)
Depreciation Reserve	-	18,491,580	18,491,580	45,322,310	68,369,360
Interest Reserve	9,871,200	-	-	-	-
Debt Service Reserve	11,651,500	24,868,500	24,868,500	24,868,500	24,868,500
Total Cash Balance	\$ 27,276,790	\$ 34,700,290	\$ 34,700,290	\$ (149,291,640)	\$ (219,628,025)

Investment Metric	
Internal Rate of Return (IRR)	-12.46%

**10. Residential Service Price at \$95 per month, Take Rate at 15 percent (percent of Internet users)**

Income Statement	1	5	10	15	20
Total Revenues	\$ 14,080,560	\$ 35,753,700	\$ 35,753,700	\$ 35,753,700	\$ 35,753,700
Total Cash Expenses	11,224,930	18,277,670	19,460,360	20,766,160	22,207,860
Depreciation	12,359,520	25,361,460	22,191,660	22,191,660	22,191,660
Interest Expense	(9,744,400)	(18,678,690)	(13,631,350)	(7,727,130)	(537,720)
Net Income	\$ (19,729,590)	\$ (27,948,860)	\$ (20,914,410)	\$ (16,315,990)	\$ (10,568,280)

Cash Flow Statement	1	5	10	15	20
Unrestricted Cash Balance	\$ 7,314,630	\$ (35,939,410)	\$ (35,939,410)	\$ (383,239,580)	\$ (543,133,420)
Depreciation Reserve	-	15,152,280	15,152,280	59,104,630	88,865,830
Interest Reserve	9,744,400	-	-	-	-
Debt Service Reserve	11,493,000	24,657,500	24,657,500	24,657,500	24,657,500
Total Cash Balance	\$ 28,552,030	\$ 3,870,370	\$ 3,870,370	\$ (299,477,450)	\$ (429,610,090)

Investment Metric	
Internal Rate of Return (IRR)	N/A

**PROJECT ASSUMPTIONS**

**Page Title Information**

Organization	City of Seattle Seattle, Washington
Plan Name	FTTP Network - Data Services Construction in Power Space
Date	June 2015
Power Space	Yes

**Financial Assumptions**

<b>10 Year Bond or Loan</b>	
Finance Rate	4.00%
Period (Years)	10
Principal Repayment Period Start	2
Bond Issuance Cost	1.00% of issue
Debt Service Reserve	5.00%
Interest Reserve	yes

<b>20 Year Bond</b>	
Finance Rate	4.25%
Period (Years)	20
Principal Repayment Period Start	3
Bond Issuance Cost	1.00% of issue
Debt Service Reserve	5.00%
Interest Reserve	yes

<b>Loan</b>	
	Year
Finance Rate	1 2 3 4 5
Period (Years)	3 3 3 3 3
Principal Repayment Start	3 2 1 1 1

<b>Other</b>	
Interest Earned on Available Cash	0.25% only applied to reserve funds in calculation

<b>Source of Funds</b>		Amount Issued	Year									
Cash flow w/o investment funds, grants, bonds, loans, or interest		\$ (462,026,560)	\$ (438,429,340)	\$ (5,001,610)	\$ 44,660,820	\$ 43,004,770	\$ 19,637,610	\$ 21,362,630	\$ 23,860,020	\$ 24,479,530	\$ 25,150,330	\$ 25,842,750
Cash flow after investment funds (no principle payments)		\$ (234,086,960)	\$ (222,514,740)	\$ 4,101,230	\$ 24,651,260	\$ 23,920,290	\$ 19,637,610	\$ 21,362,630	\$ 23,860,020	\$ 24,479,530	\$ 25,150,330	\$ 25,842,750
Unrestricted cash balance (years 1 to 10)		\$ 3,923,040	\$ 6,374,950	\$ 19,452,890	\$ 22,193,260	\$ 23,277,580	\$ 19,115,080	\$ 15,672,740	\$ 13,680,480	\$ 11,216,180	\$ 8,285,030	\$ 8,089,770
Total cash balance		\$ 25,893,940	\$ 40,067,770	\$ 45,879,800	\$ 59,527,230	\$ 72,751,050	\$ 78,973,460	\$ 68,796,990	\$ 40,113,610	\$ 45,385,960	\$ 56,196,210	\$ 63,178,010
Unrestricted cash balance (years 11 to 20)		\$ 8,089,770	\$ 7,351,230	\$ 6,059,110	\$ 4,258,810	\$ 1,894,460	\$ (1,031,400)	\$ (4,554,820)	\$ (8,687,190)	\$ (13,384,190)	\$ (118,240)	

		1	2	3	4	5	
Use Start Up Capital		no	no	no			
Start Up Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	IRR -5.32% Calculated from cash flow w/start-up capital
Start Up Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Grants (infrastructure)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Grants (customer premises)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		0.00%	0.00%	0.00%	0.00%	0.00%	Weighted rate
		89.39%	95.08%	95.07%	100.00%	100.00%	Percent Residential
		10.61%	4.92%	4.93%	0.00%	0.00%	Percent Commercial
10-Year Bond Proceeds	\$ 24,010,000	\$ 18,010,000	\$ 6,000,000	\$ -	\$ -	\$ -	
20-Year Bond Proceeds	\$ 480,000,000	\$ 220,000,000	\$ 230,000,000	\$ 30,000,000	\$ -	\$ -	
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sub-total	\$ 504,010,000						
Total	\$ 504,010,000						

<b>Depreciation (Straight Line)</b>		Years	Annual Rate									
Outside Plant and Facilities	20	5.00%	Sheet D1	If years changed, need to change CA sheet (when replenishments occur)								
Network Equipment	7	14.29%	Sheet D2	If years changed, need to change CA sheet (when replenishments occur)								
Miscellaneous Implementation Costs	5	20.00%	Sheet D3	If years changed, need to change CA sheet (when replenishments occur)								
Last Mile and Customer Premises Equipment	5	20.00%	Sheet D4	If years changed, need to change CA sheet (when replenishments occur)								

Depreciation Reserve (years 1 to 10)	-	-	-	12,133,470	24,272,970	34,657,880	27,923,750	1,232,630	8,969,280	22,710,680
Depreciation Reserve (years 11 to 20)	29,887,740	21,155,050	12,478,180	26,219,580	21,946,730	23,119,040	14,386,350	5,709,480	19,450,880	33,192,280
	1	2	3	4	5	6	7	8	9	10

Funded Depreciation	1	0%	2	0%	3	0%	4	30%	5	30%	6	43%	7	45%	8	45%	9	45%	10	45%
<b>Replacement/Upgrade Costs (Percent of Total Costs)</b>																				

<b>Replacement</b>	
Network Equipment	100%
Miscellaneous Implementation Costs	80%
Last Mile and Customer Premises Equipment	50%

**PROJECT ASSUMPTIONS**

**Revenues**

<b>Property Taxes</b>		246,635	Total taxable properties	N/A	\$ -	per month per property (taxes)
			Will be different mix, needs updating if used	N/A	\$ -	fees per property
					\$ -	average cost (per property)

Annual Assessment	1	2	3	4	5	6	7	8	9	10
	0	0	0	0	0	0	0	0	0	0

Internet Services	Monthly Retail Price						
Dial-up	\$ -	\$ -	\$ -	100.00%	Oversubscription		
R 30 Mbps	\$ -	\$ -	\$ -	100.00%	30		
R 50 Mbps	\$ -	\$ -	\$ -	100.00%	30		
R 100 Mbps	\$ -	\$ -	\$ -	100.00%	30	-5.32%	
R 250 Mbps	\$ -	\$ -	\$ -	100.00%	30		
R 1 Gbps	\$ 75.00	\$ -	\$ 75.00	100.00%	400	Alcatel & others report .5 to .8 Mbps per user at peak demand	
B 30 Mbps	\$ -	\$ -	\$ -	100.00%	400		
B 100 Mbps	\$ -	\$ -	\$ -	100.00%	400		
B 250 Mbps	\$ -	\$ -	\$ -	100.00%	400		
B 1 Gbps	\$ 85.00	\$ -	\$ 85.00	100.00%	400		
10 Gbps	\$ -	only used with enterprise customer					

Unrestricted Cash Balance (yr. 1 to yr. 10)	\$ 3,923,040	\$ 6,374,950	\$ 19,452,890	\$ 22,193,260	\$ 23,277,580	\$ 19,115,080	\$ 15,672,740	\$ 13,680,480	\$ 11,216,180	\$ 8,285,030
Unrestricted Cash Balance (yr. 11 to yr. 20)	\$ 8,089,770	\$ 7,351,230	\$ 6,059,110	\$ 4,258,810	\$ 1,894,460	\$ (1,031,400)	\$ (4,554,820)	\$ (6,687,190)	\$ (13,384,190)	\$ (118,240)

Other Revenues/Services	Annual Retail Price						
Digital Equipment Rental	\$ -	per month per digital customer					
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	(Revenue per year)	
Utility Allocation	\$ -	\$ -	\$ -	\$ -	\$ -	-5.32%	
Provider Fee (open access)	\$ -	- per residential Internet service per month - per business Internet service per month - per residential cable service per month - per business cable service per month - per residential telephone service per month - per business telephone service per month					
Connection Fee (new Internet customer)	\$ 150						
Data Storage Annual Revenue per Space	\$ -	Spaces	Year 1	Year 2	Year 3	Year 4	Year 5+
Late Payment Fee	\$ -	per bill	1.0%	Late			

**PROJECT ASSUMPTIONS**

**Operation and Maintenance Expenses**

Annual Fixed Operating Expense						
	Year 1	Year 2	Year 3	Year 4	Year 5 plus	
Insurance	\$ 200,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	
Utilities	\$ 36,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	
Office Expenses	\$ 36,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	
Facility Lease	\$ 120,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	
Locates & Ticket Processing	\$ -	\$ 280,000	\$ 561,000	\$ 561,000	\$ 561,000	\$ 3,750 per month per 50 miles
Peering	\$ 33,100	\$ 168,100	\$ 302,900	\$ 302,900	\$ 302,900	0.5 Mbps per customer
Contingency	\$ 200,000	\$ 400,000	\$ 600,000	\$ 600,000	\$ 600,000	
Billing Maintenance Contract	\$ -	\$ -	\$ -	\$ -	\$ -	
Fiber & Network Maintenance	\$ -	Annual + 0.5% Fiber Implementation Cost				
Vendor Maintenance Contracts	\$ -	\$ 630,000	\$ 630,000	\$ 630,000	\$ 630,000	Link to Network Sheet
	Year 1	Year 2	Year 3	Year 4	Year 5 plus	
Legal and Lobby Fees	\$ 750,000	\$ 500,000	\$ 250,000	\$ 250,000	\$ 250,000	
Planning	\$ -	\$ -	\$ -	\$ -	\$ -	
Consulting	\$ 500,000	\$ 500,000	\$ 200,000	\$ 200,000	\$ 200,000	
Marketing	\$ 2,400,000	\$ 2,400,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 200,000 \$ 2,400,000
<b>Annual Variable Operating Expense (not including DIA)</b>						
Education and Training	4%	percent of direct payroll				
Customer Handholding	\$ 0.10	per subscriber per month				
Customer Billing (Unit)	\$ 0.05	per bill				
Allowance for Bad Debts	1.00%	percentage of revenues				
Customer Churn (annual)	2.50%	Customer Promotions/Acquisition	\$ 300			
Internet Connection Fee	Year 1 \$ 206,310	Year 2 \$ 958,760	Year 3 \$ 1,710,160	Year 4 \$ 1,710,160	Year 5+ \$ 1,710,160	\$ 0.50 per Mbps per month -5.32%
Minimum BW	2,000	Mbps	\$ 1,000	per month	\$ 0.50	per Mbps per month
<b>Pole Attachment Expense</b>						
Attachment Fees	13,159 poles at	\$ 20.00 per year				3,289,661 feet 250 per span
Charge even if in Power Space - perception						
<b>Taxes</b>						
Franchise Fees	0%	percent of access fee revenue	Starts in year	6	Overhead	1,912.17
City and State Tax	3.8730%	percent of revenue	State	3.8730%	Underground	623.04
Property Tax	0.00%	of outside plant	Starts in year	2		2,535.22
<b>Low Income Assistance</b>						
Assistance Rate	0%	for	0%	of households	based on assessment and access fee	

**PROJECT ASSUMPTIONS**

**Labor Expense**

**Labor (Direct)**

<b>New Employees</b>	Year 1	Year 2	Year 3	Year 4	Year 5+	Labor Cost		
Business Manager	1.00	1.00	1.00	1.00	1.00	170,000	229,500	
Market & Sales Manager	1.00	1.00	1.00	1.00	1.00	120,000		
Broadband Service Engineer	1.00	2.00	2.00	2.00	2.00	120,000		
Headend Technician	-	-	-	-	-	-		
Telephone Technician	-	-	-	-	-	-		
Internet Technician (staff in field tech support)	-	-	-	-	-	-		
Customer Service Representative	5.00	23.00	41.00	41.00	41.00	50,000	2,500	1 Number of Customers per CSR-Number of Sh Based on Wilson
Service Technicians/Installers & IT Support	5.00	23.00	41.00	41.00	41.00	70,000	2,500	1 Number of Customers per Tech Number of Sh Based on Wilson 4 for 7500 cost
Sales and Marketing Representative	10.00	10.00	10.00	10.00	10.00	75,000	with commissions	
Call Center Support (24x7)	14.00	71.00	128.00	128.00	128.00	50,000	750	1 Ratio for 24x7 Based on Wilson Wilson 750
Fiber Plant O&M Technicians	11.00	22.00	22.00	22.00	22.00	120,000	120	Miles of line per technician In power space- lineperson required
TBD	-	-	-	-	-	-	2,535	Miles of line 3 for 350 miles (Wilson)
<b>Total New Staff</b>	<b>48</b>	<b>153</b>	<b>246</b>	<b>246</b>	<b>246</b>		<b>50.00%</b>	<b>In Year 1</b>

  

<b>Existing Employees</b>	Year 1	Year 2	Year 3+	Labor Cost		
Broadband Service Manager	-	-	-	\$ 50,000	Seattle Min Wage	\$ 15.00 per hour
Broadband Technician	-	-	-	\$ 70,000		\$ 31,200 per year
Switch Technician	-	-	-	\$ 75,000		internet 250 calls per month
Customer Service Representative	-	-	-	\$ 50,000		call customers month
Service Technicians	-	-	-	\$ 120,000		dedicated 24X7 10 staff
Sales and Marketing Representative	-	-	-	\$ -		7500
<b>Total Existing Staff</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>		<b>750 customers</b>

  

<b>Service Position Total</b>	Year 1	Year 2	Year 3	Year 4	Year 5+	Year 1 Salary	
Business Manager	1.00	1.00	1.00	1.00	1.00	170,000	
Market & Sales Manager	1.00	1.00	1.00	1.00	1.00	120,000	
Broadband Service Engineer	1.00	2.00	2.00	2.00	2.00	120,000	
Headend Technician	-	-	-	-	-	-	
Telephone Technician	-	-	-	-	-	-	
Internet Technician (staff in field tech support)	-	-	-	-	-	-	
Customer Service Representative	5.00	23.00	41.00	41.00	41.00	50,000	
Service Technicians/Installers & IT Support	5.00	23.00	41.00	41.00	41.00	70,000	
Sales and Marketing Representative	10.00	10.00	10.00	10.00	10.00	75,000	
Call Center Support (24x7)	14.00	71.00	128.00	128.00	128.00	50,000	
Fiber Plant O&M Technicians	11.00	22.00	22.00	22.00	22.00	120,000	\$ 2,640,000
TBD	-	-	-	-	-	-	
<b>Total Existing Staff</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	

  

	Year 1	Year 2	Year 3	Year 4	Year 5+
<b>Total</b>	<b>48.00</b>	<b>153.00</b>	<b>246.00</b>	<b>246.00</b>	<b>246.00</b>
<b>Total Customers</b>	<b>11,024</b>	<b>56,026</b>	<b>100,951</b>	<b>100,951</b>	<b>100,951</b>
<b>Customers per Employee</b>	<b>229.67</b>	<b>366.18</b>	<b>410.37</b>	<b>410.37</b>	<b>410.37</b>

  

Total Salaries	\$ 3,780,000	\$ 10,230,000	\$ 15,240,000
Benefits	35%	of base salary	
Total Direct Labor Cost	\$ 5,103,000	\$ 13,810,500	\$ 20,574,000
Salary Multiplier	2.00%	annual multiplier (i.e. salaries increase by x percent faster than ability to increase fees)	



**PROJECT ASSUMPTIONS**

<b>Operation Support Services</b>			
Help Desk Fee	\$0	set-up fee +	
	\$0.00	per customer per month	outsource avoid
ISP Hosting	\$0	set-up fee +	
	\$0.00	per customer per month	
Billing	\$50,000	set-up fee +	
	\$0.25	per customer per month	
Core Network Monitoring, Installation and Configuration	\$0	set-up fee +	
	\$0.00	per month	

**Market Size**

<b>Residential</b>			
Number of Potential Subscribers	220,725		
Potential Multi-Housing	0	Applies to All Services	
Subscriber Growth Rate	0.00%		

  

<b>Commercial</b>			
Number of Potential Subscribers	25,910	Applies to All Services	
Subscriber Growth Rate	0.00%		

Prices	75			
		From Survey		CPE Funding
City of Seattle	220,725	48.00%	MS Ceiling	0.00%
tbd	-	40.00%	MS Ceiling	0.00%
tbd	-	40.00%	MS Ceiling	0.00%
	220,725	48.00%	MS Weighted	0.00%

  

City of Seattle	25,910	24.00%	MS Ceiling	0.00%
tbd	-	0.00%	MS Ceiling	0.00%
tbd	-	0.00%	MS Ceiling	0.00%
Buiness		50.00%	of residential	

75  
48

**PROJECT ASSUMPTIONS**

**Penetration Rates - Data**

Residential Internet Services						
Existing Dial-up Customers	0					
Number of Potential New Subscribers	220,725					
Initial Data Users	96% From Survey					
Occupancy Rate	93% Census Data					
Projected Market Size	Year 1	Year 2	Year 3	Year 4	Year 5	
	89%	90%	90%	90%	90%	90%
Market Share	Year 1	Year 2	Year 3	Year 4	Year 5	
	5%	27%	48%	48%	48%	
Percentage of Market	Year 6	Year 7	Year 8	Year 9	Year 10+	
	90%	90%	90%	90%	90%	
Market Share	Year 1	Year 2	Year 3	Year 4	Year 5	
	4.5%	23.9%	43.2%	43.2%	43.2%	
Percentage of Market	Year 6	Year 7	Year 8	Year 9	Year 10+	
	48%	48%	48%	48%	48%	
Package Take Rate	Year 1	Year 2	Year 3	Year 4	Year 5	
	0%	0%	0%	0%	0%	
R 30 Mbps	0%	0%	0%	0%	0%	
R 50 Mbps	0%	0%	0%	0%	0%	
R 100 Mbps	0%	0%	0%	0%	0%	
R 250 Mbps	0%	0%	0%	0%	0%	
R 1 Gbps	100%	100%	100%	100%	100%	

Input to Network Cost Estimate 40.93% Take Rate of all households/businesses passed

Residential	43.2%	220,725	95,354
Business	21.6%	25,910	5,597
		246,635	100,951
			100,951
			- Check Sum

Commercial Internet Services						
Number of Potential Subscribers	25,910					
Initial Data Users	95% Estimate					
Occupancy Rate	95% Estimate					
Projected Market Size	Year 1	Year 2	Year 3	Year 4	Year 5	
	90%	90%	90%	90%	90%	90%
Market Share	Year 1	Year 2	Year 3	Year 4	Year 5	
	5%	15%	24%	24%	24%	
Percentage of Market	Year 6	Year 7	Year 8	Year 9	Year 10+	
	90%	90%	90%	90%	90%	
Market Share	Year 1	Year 2	Year 3	Year 4	Year 5	
	4.5%	13.1%	21.6%	21.6%	21.6%	
Percentage of Market	Year 6	Year 7	Year 8	Year 9	Year 10+	
	24%	24%	24%	24%	24%	
Package Take Rate	Year 1	Year 2	Year 3	Year 4	Year 5	
	0%	0%	0%	0%	0%	
B 30 Mbps	0%	0%	0%	0%	0%	
B 100 Mbps	0%	0%	0%	0%	0%	
B 250 Mbps	0%	0%	0%	0%	0%	
B 1 Gbps	100%	100%	100%	100%	100%	
10 Gbps	0%	0%	0%	0%	0%	

yr. 1 1.00 yr. 2 27% yr. 3 48%  
 Market share multiplier for sensitivity analysis

yr. 1 5% yr. 2 15% yr. 3 24% -5.32%

**PROJECT ASSUMPTIONS**

**Capital Additions**

Network Equipment										Grant Funding		
	1	2	3	4	5		1	2	3	4	5	
Headend- Data	\$ 18,014,250	\$ 6,004,750	\$ -	\$ -	\$ -	\$ 24,019,000	75.00%	25.00%	0.00%	0.00%	0.00%	0.00%
TBD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TBD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	75.00%	25.00%	0.00%	0.00%	0.00%	0.00%
TBD	\$ -	per	1 residential subscribers									
TBD	\$ -	per	1 GB business subscribers									
TBD	\$ -	per	1 business subscribers									
Additional Annual Capital	0% (% of turn-key cost)					Starts in year	4					

Outside Plant and Facilities										Grant Funding		
	1	2	3	4	5		1	2	3	4	5	
FTTP OSP (passing)	\$ 169,364,850	\$ 169,364,850	\$ -	\$ -	\$ -	\$ 338,729,700	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%
							50.00%	50.00%	0.00%	0.00%	0.00%	0.00%
							50.00%	50.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Backbone and FTTP	\$ 169,364,850	\$ 169,364,850	\$ -	\$ -	\$ -	\$ 338,729,700						
Additional Annual Capital	0% (% of turn-key cost)					Starts in year	4					

Last Mile and Customer Premises Equipment										Grant Funding		
	1	2	3	4	5		1	2	3	4	5	
CPE Gbps Commercial	\$ 1,141,920	\$ 2,158,910	\$ 2,161,840	\$ -	\$ -							
CPE Residential & Small Commercial	\$ 520	per new subscriber (average)										
CPE Gbps Commercial	\$ 976	per new subscriber (average)										
IP Telephone Adapter (2 telephones)	\$ -	per new telephone subscriber			\$ 2,394	\$ 362,748,700						
Average Drop Cost	\$ 449	per new residential subscriber				\$ 400.00	overhead	75.42%	\$ 400.00	overhead	75.42%	
Average Drop Cost	\$ 449	per new commercial subscriber				\$ 600.00	underground Residential	24.58%	\$ 600.00	underground Business	24.58%	
TBD	\$ -	per	1 residential subscribers									
TBD	\$ -	per	1 residential subscribers									
TBD	\$ -	per	1 residential subscribers									
Digital Set-top Box and CAT-5 Wiring	\$ -	per television	\$ 125	Wiring								
Additional Annual Replacement Capital	0.10% (% of CPE's in service <sup>2</sup> )					Starts in year	4					

Miscellaneous Implementation Costs										Grant Funding		
	1	2	3	4	5		1	2	3	4	5	
Splicing	\$ 250,000	\$ -	\$ -	\$ -	\$ -							
Vehicles	\$ 300,000	\$ -	\$ -	\$ -	\$ -							
Emergency Restoration Kit	\$ 50,000	\$ -	\$ -	\$ -	\$ -							
Work Station, Computers, and Software	\$ 2,000	per employee										
Fiber OTDR and Other Tools	\$ 150,000	\$ -	\$ -	\$ -	\$ -							
Generators & UPS	\$ 100,000	\$ -	\$ -	\$ -	\$ -							
Billing Software	\$ 250,000	\$ -	\$ -	\$ -	\$ -							
Additional Annual Capital	0% (% of Year 1)					Starts in year	4					

<sup>2</sup>Approximate required additional annual capital, set to equal full reinvestment in replacement CPE.

City of Seattle  
 FTTP Network - Data Services  
 Construction in Power Space  
 June 2015  
 Supplemental Tables

	Year 1	Year 5	Year 10	Year 15	Year 20
<b>Operating Expenses</b>					
Insurance	\$ 200,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Utilities	36,000	72,000	72,000	72,000	72,000
Office Expenses	36,000	60,000	60,000	60,000	60,000
Facility Lease	120,000	240,000	240,000	240,000	240,000
Locates & Ticket Processing	-	561,000	561,000	561,000	561,000
Peering	33,100	302,900	302,900	302,900	302,900
Contingency	200,000	600,000	600,000	600,000	600,000
Billing Maintenance Contract	-	-	-	-	-
Fiber & Network Maintenance	846,820	1,693,650	1,693,650	1,693,650	1,693,650
Vendor Maintenance Contracts	-	630,000	630,000	630,000	630,000
Legal and Lobby Fees	750,000	250,000	250,000	250,000	250,000
Planning	-	-	-	-	-
Consulting	500,000	200,000	200,000	200,000	200,000
Marketing	2,400,000	1,200,000	1,200,000	1,200,000	1,200,000
Education and Training	204,120	890,460	983,140	1,085,460	1,198,440
Customer Handholding	13,230	121,140	121,140	121,140	121,140
Customer Billing (Unit)	6,610	60,570	60,570	60,570	60,570
Allowance for Bad Debts	117,160	915,280	915,280	915,280	915,280
Churn (acquisition costs)	82,680	757,130	757,130	757,130	757,130
PSTN Connection Fee	-	-	-	-	-
Internet	206,310	1,710,160	1,710,160	1,710,160	1,710,160
<b>Sub-Total</b>	<b>\$ 5,752,030</b>	<b>\$ 10,664,290</b>	<b>\$ 10,756,970</b>	<b>\$ 10,859,290</b>	<b>\$ 10,972,270</b>
Labor Expenses	\$ 5,186,070	\$ 22,564,250	\$ 24,881,240	\$ 27,439,390	\$ 30,263,790
Attachment Fees	263,180	263,180	263,180	263,180	263,180
<b>Sub-Total</b>	<b>\$ 5,449,250</b>	<b>\$ 22,827,430</b>	<b>\$ 25,144,420</b>	<b>\$ 27,702,570</b>	<b>\$ 30,526,970</b>
<b>Total Expenses</b>	<b>\$ 11,201,280</b>	<b>\$ 33,491,720</b>	<b>\$ 35,901,390</b>	<b>\$ 38,561,860</b>	<b>\$ 41,499,240</b>
Principal and Interest	\$ 10,070,400	\$ 41,920,450	\$ 41,920,450	\$ 38,691,270	\$ 20,151,700
Facility Taxes	389,700	3,544,860	3,544,860	3,544,860	3,544,860
<b>Sub-Total</b>	<b>\$ 10,460,100</b>	<b>\$ 45,465,310</b>	<b>\$ 45,465,310</b>	<b>\$ 42,236,130</b>	<b>\$ 23,696,560</b>
<b>Total Expenses, P&amp;I, and Taxes</b>	<b>\$ 21,661,380</b>	<b>\$ 78,957,030</b>	<b>\$ 81,366,700</b>	<b>\$ 80,797,990</b>	<b>\$ 65,195,800</b>

City of Seattle  
 FTTP Network - Data Services  
 Construction in Power Space  
 June 2015  
 Supplemental Tables

	Year 1	Year 5	Year 10	Year 15	Year 20
<b>a. Revenues</b>					
Internet - Residential	\$ 8,868,600	\$ 85,818,600	\$ 85,818,600	\$ 85,818,600	\$ 85,818,600
Internet - Business	1,193,400	5,708,940	5,708,940	5,708,940	5,708,940
Connection Fee (net)	1,653,600	-	-	-	-
Provider Fee	-	-	-	-	-
Assessments	-	-	-	-	-
Ancillary Revenues	-	-	-	-	-
<b>Total</b>	<b>\$ 11,715,600</b>	<b>\$ 91,527,540</b>	<b>\$ 91,527,540</b>	<b>\$ 91,527,540</b>	<b>\$ 91,527,540</b>
<b>b. Content Fees</b>					
Internet	\$ 206,310	\$ 1,710,160	\$ 1,710,160	\$ 1,710,160	\$ 1,710,160
<b>Total</b>	<b>\$ 206,310</b>	<b>\$ 1,710,160</b>	<b>\$ 1,710,160</b>	<b>\$ 1,710,160</b>	<b>\$ 1,710,160</b>
<b>c. Operating Costs</b>					
Operation Costs	\$ 5,545,720	\$ 8,954,130	\$ 9,046,810	\$ 9,149,130	\$ 9,262,110
Labor Costs	5,186,070	22,564,250	24,881,240	27,439,390	30,263,790
Pole Attachment Expense	263,180	263,180	263,180	263,180	263,180
<b>Total</b>	<b>\$ 10,994,970</b>	<b>\$ 31,781,560</b>	<b>\$ 34,191,230</b>	<b>\$ 36,851,700</b>	<b>\$ 39,789,080</b>
<b>d. EBITDA</b>					
	\$ 514,320	\$ 58,035,820	\$ 55,626,150	\$ 52,965,680	\$ 50,028,300
<b>e. Depreciation</b>					
	13,523,920	40,799,560	30,759,480	30,759,480	30,759,480
<b>f. Operating Income (EBITDA less Depreciation)</b>					
	\$ (13,009,600)	\$ 17,236,260	\$ 24,866,670	\$ 22,206,200	\$ 19,268,820
<b>g. Non-Operating Income</b>					
Interest Income	\$ -	\$ 119,780	\$ 119,780	\$ 117,870	\$ 145,980
Interest Expense (10 Year Bond)	(720,400)	(124,200)	(124,200)	-	-
Interest Expense (20 Year Bond)	(9,350,000)	(13,714,770)	(13,714,770)	(7,936,540)	(821,530)
Interest Expense (Loan)	-	-	-	-	-
<b>Total</b>	<b>\$ (10,070,400)</b>	<b>\$ (13,719,190)</b>	<b>\$ (13,719,190)</b>	<b>\$ (7,818,670)</b>	<b>\$ (675,550)</b>
<b>h. Net Income (before taxes)</b>					
	\$ (23,080,000)	\$ (1,094,540)	\$ 11,777,480	\$ 15,017,530	\$ 19,223,270
<b>i. Taxes</b>					
	\$ 389,700	\$ 3,544,860	\$ 3,544,860	\$ 3,544,860	\$ 3,544,860
<b>j. Net Income</b>					
	\$ (23,469,700)	\$ (4,639,400)	\$ 8,232,620	\$ 11,472,670	\$ 15,678,410

**City of Seattle**  
**FTTP Network - Data Services**  
**Construction in Power Space**  
**June 2015**  
**Supplemental Tables**

	<b>Year 1</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 15</b>	<b>Year 20</b>
Net Income	\$ (23,469,700)	\$ (4,639,400)	\$ 8,232,620	\$ 11,472,670	\$ 15,678,410
Cash Flow	\$ 3,923,040	\$ 1,084,320	\$ (2,931,150)	\$ (2,364,350)	\$ 13,265,950

	<b>Year 1</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 15</b>	<b>Year 20</b>
Principle Payments	\$ -	\$ 22,835,970	\$ 28,081,480	\$ 30,754,730	\$ 19,330,170
Interest Payments	<u>10,070,400</u>	<u>19,084,480</u>	<u>13,838,970</u>	<u>7,936,540</u>	<u>821,530</u>
Total Debt Service	\$ 10,070,400	\$ 41,920,450	\$ 41,920,450	\$ 38,691,270	\$ 20,151,700

	<b>Year 1</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 15</b>	<b>Year 20</b>
Unrestricted Cash Balance	\$ 3,923,040	\$ 23,277,580	\$ 8,285,030	\$ 1,894,460	\$ (118,240)
Funded Depreciation	-	24,272,970	22,710,680	21,946,730	33,192,280
Restricted Cash Balance (Interest Reserve)	10,070,400	-	-	-	-
Restricted Cash Balance (Debt Service Reserve)	<u>11,900,500</u>	<u>25,200,500</u>	<u>25,200,500</u>	<u>25,200,500</u>	<u>25,200,500</u>
Total Cash Balance	\$ 25,893,940	\$ 72,751,050	\$ 56,196,210	\$ 49,041,690	\$ 58,274,540

City of Seattle  
 FTTP Network - Data Services  
 Construction in Power Space  
 June 2015  
 Supplemental Tables

**Capital Additions**

	Year 1	Year 2	Year 3	Total Years 1 to 3
<b>Network Equipment</b>				
Headend- Data	\$ 18,014,250	\$ 6,004,750	\$ -	\$ 24,019,000
TBD	-	-	-	-
Total	\$ 18,014,250	\$ 6,004,750	\$ -	\$ 24,019,000
<b>Outside Plant and Facilities</b>				
Total Backbone and FTTP	\$ 169,364,850	\$ 169,364,850	\$ -	\$ 338,729,700
Additional Annual Capital	-	-	-	-
Total	\$ 169,364,850	\$ 169,364,850	\$ -	\$ 338,729,700
<b>Last Mile and Customer Premises Equipment</b>				
CPE Gbps Commercial	\$ 1,141,920	\$ 2,158,910	\$ 2,161,840	
CPE Residential & Small Commercial	\$ 5,121,720	\$ 22,240,570	\$ 22,198,990	\$ 49,561,280
Enterprise CPE and Drop	-	-	-	-
IP Telephone Adapter (2 telephones)	-	-	-	-
Average Drop Cost	4,951,440	20,212,690	20,178,110	45,342,240
Total	\$ 11,215,080	\$ 44,612,170	\$ 44,538,940	\$ 100,366,190
<b>Miscellaneous Implementation Costs</b>				
Splicing	\$ 250,000	\$ -	\$ -	
Vehicles	300,000	-	-	
Emergency Restoration Kit	50,000	-	-	
Work Station, Computers, and Software	\$ 96,000	\$ 210,000	\$ 186,000	\$ 492,000
Fiber OTDR and Other Tools	150,000	-	-	150,000
Generators & UPS	100,000	-	-	100,000
Billing Software	250,000	-	-	250,000
Additional Annual Capital	-	-	-	-
Total	\$ 1,196,000	\$ 210,000	\$ 186,000	\$ 1,592,000
<b>Total Capital Additions</b>	\$ 199,790,180	\$ 220,191,770	\$ 44,724,940	\$ 464,706,890