Attachment Letter G – Business Plan

Applicant: Midstates Data Transport, LLC d/b/a Stealth Broadband

Project: Meadow Grove

Project Total Cost: \$719,473

NBBP Requested Funds: \$359,736.50

Description: Fiber to the Home build in Meadow Grove and Rural South of Meadow Grove.

- Fiber Optic Middle Mile consisting of 4.12 miles connecting Meadow Grove back to the Stealth Broadband network
- 13 underserved rural locations in census blocks adjacent to new middle mile fiber route included in application
- 168 underserved locations in Meadow Grove, NE included in application

Useful Life of Facilities:

As this project is 100% fiber optic, the useful life of the physical fiber plant is 20+ years. Electronics being proposed in this application will support speeds up to 10 Gig data rates. With the current minimum standard set at 100 Mbps, the electronics will have a 10+ year useful life.

Legal Challenges:

• No legal challenges have been identified for this project

Permitting / RoW Challenges:

- Applicant has worked with the following entities on other projects and does not expect any challenges:
 - o State of Nebraska
 - o Madison County
 - Union Pacific Railroad
- Applicant will meet and work with the following entities to avoid any unexpected challenges:
 - Village of Meadow Grove

Capability to maintain network:

Stealth Broadband began ISP operations in January of 2016. Since that time, the fiber optic network has grown to over 260 miles and provides Internet and data transport services in 26 communities. Midstates has been able to successfully grow our staff to match the needs of our network and customer base. Stealth Broadband has business offices located in Neligh, Norfolk, and Blair to directly interface with customers.

Employee resources are as follows:

- Billing / Customer Service 2 employees
- Installation, repair & locating 6 employees
- Outside Plant Manager 1 employee
- Engineering & locating 3 employees
- Helpdesk / Technical 6 employees

- Project Management 1 employee
- Direct Sales 1 employee

Since inception, Stealth Broadband has used Bauer Underground and Turnkey Telecom Solutions for construction and engineering services. Stealth's strong relationship with these two companies has resulted in sustained growth, quick customer turn-ups and expedited responses to fiber outages.

This project is a natural extension to our existing network. The technicians that are serving the Madison County area today can efficiently service this adjacent area.

Stealth employees along with Turnkey Telecom engineers have extensive experience working with all State, County, and local authorities on fiber relocation projects.

Financial capability to maintain the network over the long run:

Stealth Broadband began operations in January 2016. In 2021, our fifth year in business, the company generated \$3.5M in revenue serving 2,450 customers across 26 communities in Northeast Nebraska. Based on year-to-date information, revenue in 2022 should hit \$4M, now servicing over 2,900 customers in Nebraska.

From an overall financial strategy standpoint, Stealth Broadband has two related sister companies who provide broadband engineering and fiber splicing services, as well as managed IT services. Combined, these two sister companies generated \$3.68M of revenue in 2021, contributing \$1M in positive EBITDA, and thus positive cashflow to support the growing Stealth Broadband network and customer base.

Stealth Broadband and their sister companies have maintained their banking relationship with Elkhorn Valley Bank of Norfolk since inception and have operated in compliance with all terms and covenants throughout their history. A letter of reference from Elkhorn Valley Bank is attached.

Financial analysis for the project, including a description of how project costs and expected revenue will result in financial viability of the project over the expected useful life of the facilities:

<u>Annual Revenue – once target take-rate achieved:</u>

Residential Broadband revenue	\$ 81,000
Business Broadband revenue	16,000
Other Service revenue	14,000
Total Annual revenue	<u>\$111,000</u>
Average Annual Operating expenses (NOT included in Grant Application)	\$ 12,500
Annual Debt Service Years 1 – 10	\$ 45,800

Positive cash flow on this project is achieved in year two post-installation. During the years leading up to positive cash flow, the company will need to supplement operations with cash generated from other business activities or a bank operating line of credit. At peak, this project will require \$25,000 cash which is well within the capability of the current operations and banking relationship noted above.