Franchisor

Wireless Internet Services Provider

Master Franchise

Business Case Presentation

V1.0 April 11, 2005

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2. EXECUTIVE SUMMARY

Overview of WISP Franchisor Venture

The Wireless Internet Service Provider (WISP) venture consists of two segments, the first a standalone WISP implementation in the Maryland area to serve as proof of concept for the franchise concept, and second the Franchisor segment which creates and promulgates the operating concepts which have been developed to other metropolitan markets in the United States. The core concept is to develop an operational template which provides customer services indistinguishable from Tier 1 Internet Service Providers in the most capital efficient manner, maximizing return on investors' capital.

The WISP implementation involves an acquisition of the existing wireless network assets, manpower, and management deployed by TargetCo. The core management team would transit to the new operating entity and continue to build without the high costs imposed by historic investments.

The Franchise development team would consist of a separate development staff, within the operations of the WISP, who would develop the operational model, procedures, and market the Franchises nationwide. The overall concept is to create a template for WISP creation which eliminates the need for much of the overhead investment required for most telecommunications ventures. The Franchisor organization would provide system design, equipment/network acquisition, vendor master contracts, operations and support systems, billing and customer service systems, product development, marketing collateral, and training to Franchisees on an ongoing basis. The WISP development efforts within WISP CO would be funded by initial franchise fees, equipment surcharges, RF engineering support fees and recurring payments based on Franchisees' revenue.

Background:

Due to the lack of customer demand from the limited number of on-net (fiber deployed) buildings (10) and the high capital cost required to bring additional buildings on-net, TargetCo redirected their efforts in June 2002 to incorporate wireless “last mile” connections to their customers. Wireless offered a much less expensive way to address new customers and widened the potential customers available for the direct sales force. The new approach began to show dramatic improvement in sales growth and much higher average revenue per user (ARPU). A product development strategy introduced ways to upsell existing clients and formed the basis of a proposal to the market for additional funding which was initially approved. Additional manpower was added to the organization (8 persons for a total of 18) to fuel growth.

In the intervening period, sales growth of $4-5K/month of recurring revenue was achieved, but it became obvious that the investment on fiber-based solutions was in vain. More than 90% of the recurring revenue was derived from wireless customers that did not traverse the fiber infrastructure. The business case for TargetCo was still burdened by the sunk cost of the fiber-based assets, and in December 2002, FinanceCo denied approval for continued operations with a revised plan to service existing customers. That plan involved a drastic reduction in headcount, renegotiated office leases, and general monthly liabilities. Unfortunately, the plan is still burdened by the vestiges of the wasted capital.

The opportunity exists to purchase the wireless customer base, operations assets, and management from FinanceCo for a nominal sum. This can be accomplished at a discount and form the basis for a successful master franchise without the pain of operating under the shadow of wasted investment. Wireless circuits represent an extremely capital-efficient way to deliver bandwidth, which will be shown by this case, as it is deployed only after a customer order and pays for the equipment within four months of installation.

Proposed Approach:

WISP CO proposes that a franchise-type approach to building WISPs within markets that are underserved will differentiate the resultant WISPs from the competition by providing a proven blueprint to operational success. This approach contrasts with the wireless competition as follows:

- Tactical operational efficiencies against an ad hoc approach
- Scale achieved (funded) by revenue growth
- Co-op style purchasing arrangements (pooled franchises)
- Tier 1 service portfolio
- Nationally branded franchise with professional marketing collateral

There is a deluge of new startups which are utilizing new inexpensive wireless technologies (such as WI-FI 802.11a/b/g) to serve their customers. Most of these are not positioned to ever scale beyond 100 customers due to lack of capital, professional management and revenues sufficient to support further product development. Often, these companies are extensions of IT/Technology consulting firms which had customers needing broadband Internet access. In the process of serving one customer, then two, three, … etc. they wind up with an unplanned network which has grown without scale efficiencies. Often these firms are paying too much for their Internet transit and equipment. On the other hand, they are usually very network-adept, able to provide personal service to their customer base in excess of that provided by the larger ILEC, DSL, or cable competitor. Such companies provide a thin living for the owners and seldom generate significant profits to drive growth.

Naturally, the WISP CO franchise is positioned differently to deal with incumbent wireline carriers or cable/DSL providers. WISP CO's opportunity is focused primarily on areas which are underserved by such providers, however, in direct competition the model is able to be successful for the following reasons:

- Speed of installation
- Quality of service (bandwidth available to customers)
- Personal service model
- All services delivered via Ethernet interfaces for simplicity
- Competitive pricing

The WISP CO master franchise is currently operating successfully, in a market which includes DSL, cable, and ILEC alternatives, for the above reasons.

Typically, WISP CO can deliver a high bandwidth service to customers within 14 days of contract signing. That compares very favorably with the ILEC delivery of less bandwidth in a 30 to 45 day service turn-up interval. The service quality is superior, due to higher-end wireless equipment and use of Tier 1 service providers for Internet Transit services. By delivering services via Ethernet interfaces, the customer side equipment is less expensive and easier to manage. Finally, since the WISP CO model is based on a very small staff, the customers talk to real people when they call in with service issues. Most, if not all, of the larger players utilize automated customer service systems which are very frustrating to customers. TargetCo is experiencing close to 100% customer satisfaction for these reasons.

WISP CO anticipates that the investment required to open a new market franchise would be less than $1.2 M USD. The incremental capital for provisioning a Business Internet Access circuit is less than $1600 per new installation and yields monthly revenues of $500. All current suppliers of transport hardware are easily able to support 2 week delivery, which supports a customer installation commitment of 4 weeks after receipt of order commitment and reduces the need for a high level of inventory investment for each franchise.

This approach uses capital only as the company needs capacity, greatly reducing investment risk. The network costs to provide reliable service is significantly reduced.

A focus on strictly metropolitan access enables the company to utilize 1st tier established networks, as needed, for product offerings which require national reach, without incurring the cost of building such a network. The core market niche of the company is flexible metro access provision.

The organization model which the Franchisor will recommend is very flat in comparison to the classic ILEC[1] or CLEC[2] model. Total employee count for a mature market franchise will seldom exceed the need for 20 people, and in most cases 10 people would be sufficient. Much of the functional headcount overhead and expertise usually associated with being a telecommunications carrier is provided by the Franchisor and shared by all the Franchisees. It is further anticipated that the Franchisee will also operate the business as a livelihood, i.e. not as a passive investment, and the pro forma financials assumes that the management team will be taking most of the profits as salary, benefits, and bonuses. Section 9 details the organizational structure as it applies to Franchisees, and Section 10 that of the detailed Franchisor relationships to the Franchisees.

The Franchisees will also realize the benefits of purchasing their equipment under national purchasing agreements with vendors which are negotiated by expert Franchisor staff. The combination of specific design packages and the scale of grouped purchases will enable the Franchisee to obtain better vendor support than would be otherwise possible as a standalone business. Franchisees would also be free to negotiate their own arrangements where it is more useful, but doesn't dilute the Franchise brand. Each Franchise would utilize a branded product/services approach, as national branding collateral/campaigns will be made available by the Franchisor.

One key element that is required for success is to focus on building a professional sales force which can deliver the revenue targets on a consistent basis. For that reason,

[1] Incumbent Local Exchange Carrier (ILEC)
[2] Competitive Local Exchange Carrier (CLEC)

staffing of both the WISP CO Franchisor and Franchises will be heavily weighted in sales functionality. Installations are easily outsourced for very nominal fixed price amounts, based on management's experience in several WISP start-ups, key full-time employees will manage the process from the network operations center. The Franchise will be able to draw upon a full suite of products which can be offered to clients as their needs grow, enhancing downstream average revenue per user (ARPU). Again, professional sales staff is the key to upside success.

Capital Requirements:

The capital requirements for the implementation of ten (10) Franchisees and Franchisor development is $13.3 million over a three year period. Each Franchisee should have access to $1.2 million to fund the Franchise through the first 12 months of operation, after which time the operation is self-funding. The Franchisee business case presented is free cash flow positive in month and net profitable in year two onwards. The Franchisor pro forma financials shows 10 franchises implemented over a three year period, each Franchise having implemented only two product modules, Business Internet Access and Premium Business Internet Access.

The capital requirement for the WISP CO is $1.3 million for two years of operation during which the Franchise definition, operations, branding, and all associated intellectual property is created and defined for the Franchisees. WISP CO will be self funded within 18 months.

Regulatory Concerns:

By restricting the initial focus of the Franchises to Internet Data, the primary regulatory concerns will center on local and state business licensing. The fixed wireless transport will occasionally require zoning approvals, but since unlicensed radio frequency spectrum will be utilized for most customers, few regulatory obstacles are anticipated.

In the event that Franchisees elect to provide voice-based services, such as VoIP, it is anticipated that all PSTN interfaces will be provided by licensed voice carriers and that the Franchisees will simply purchase PRIs as needed for this application. This approach should limit the necessary regulatory issues for the franchise itself.

Technology:

The core transmission technology to be deployed is wireless point to multipoint networks in unlicensed frequency bands. This will be augmented by the use of licensed frequency back-haul radios where necessary, and is accounted for in the back-haul installation planning. The Franchisees will deploy services using the methodology detailed in Sections 7 and 8.

Key Personnel:

Further details concerning the WISP CO Franchisor corporate structure and key employees are provided in Section 9.

Summary Details of Projected Returns:

Franchisor Financial Summary	Year 1	Year 3	Year 5
Revenues	1,058,233	2,694,283	4,106,443
Expenses	1,666,846	1,740,752	1,957,791
EBITDA	(608,613)	953,531	2,148,653
Depreciation	74,617	206,290	314,540
Interest Expense	-	-	-
Taxes	-	107,943	641,939
Net Income (Loss)	(683,230)	639,298	1,192,173
ROE, %	-	43%	32%
Net Cash Flow	(1,131,657)	548,485	1,267,782
IRR			34%
Note: 10 Franchises in three years, and only two product modules			

The franchisor results include the operations income of the master franchise as well as income from services provided to franchisees.

Franchisee Financial Summary	Year 1	Year 3	Year 5
Revenues	653,696	2,145,966	2,860,584
Expenses	977,831	1,352,039	1,688,358
EBITDA	(324,136)	793,927	1,172,226
Depreciation	78,576	216,940	326,159
Interest Expense	-	-	-
Taxes	-	133,570	296,123
Net Income (Loss)	(402,712)	443,418	549,943
ROC, %	-78%	55%	76%
Net Cash Flow	(922,111)	335,610	625,269
IRR			17%
Note: Single Franchise results with only two product modules			

Full financial analysis with discussion of assumption base in detailed in Section 12.

Caveats - *Reader is advised to review the entire business plan to fully understand the assumptions made which underlie the financial and market projections contained herein, and the risks of this proposed business venture.*

3. MARKET OPPORTUNITY

Demand:

In general, each Franchise will require separate evaluation of each proposed market rather than a national top-down demand analysis, but some generalizations are useful for consideration of the unfilled demand for broadband Internet and access services in the United States. Arbitor, Inc. will provide specific business cases associated with each prospective franchise including detailed marketing assessments of the target market, to assist the financing effort of each franchise.

Despite the downturn in the telecommunications industry and the recent recession, demand for Internet Access continues to increase at a pace approaching 36% annual growth per year in the United States.[3] Broadband access for residential and SOHO is growing at a faster pace of 116% year over year and reflects the status of the access infrastructure.[4]

Demand for broadband Internet services in the business market show similar strong demand. According to IDC, less than 25 percent of small businesses have broadband connections (greater than dialup) and they project an increase in broadband penetration to 40 percent by the end of 2003.

Work done in the Baltimore and Frederick, Maryland markets suggest that the above broadband penetration projections are ambitious, at least for many markets. In Maryland's largest two metropolitan markets, the only broadband Internet choice is often a T1 from the local telephone company. WISP startups in both markets are seeing excellent demand for an alternative to the ILEC. We expect that is true in other metro markets where fiber penetration is limited.

[3] Regional Broadband Networks, North, Central and South America, Ovum Ltd. 2001
[4] Neilsen Net Ratings, March 2001

Pricing:

The Franchisor has commissioned a study of the rates charged by competing Internet Service Providers for the entire spectrum of anticipated bandwidth offerings. Figure 3.1 shows rates for wholesale Internet in several markets and used as the basis for the Internet transit costs associated with the business case.

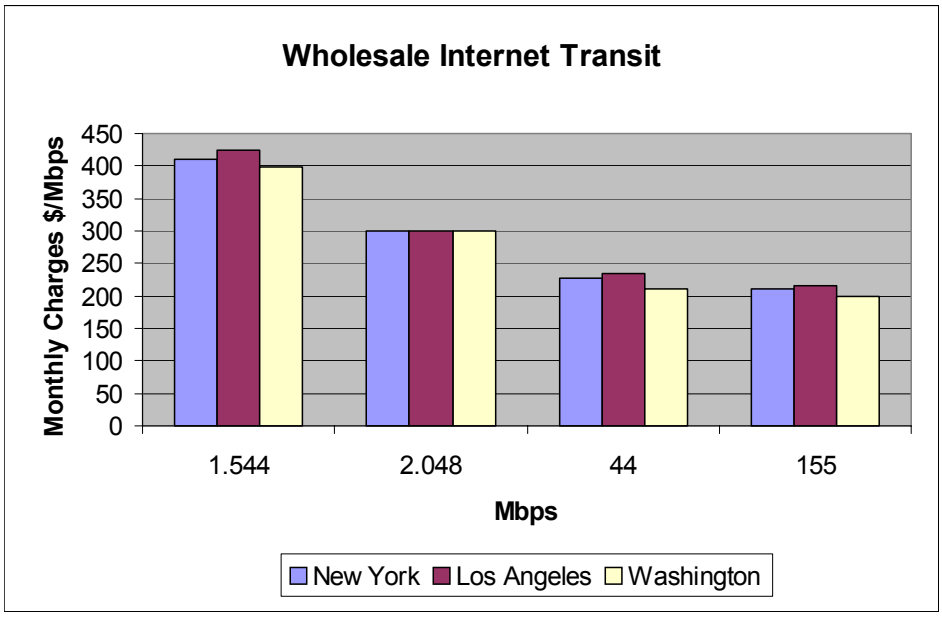

Figure 3.1: Wholesale Internet Transit Rates

The above rates are those that are available on a one-year contract basis. The key things to note is that wholesale pricing is fairly consistent between cities, and that discounts of 10-15% are often approved for multiyear contracts. The case assumption of $200/mbps/month can be easily locked in for a franchise for a multiyear commitment.

Retail rates of established parties in the marketplace compared to the nominal rates proposed for the Franchisees is shown in Figure 3.2 below.

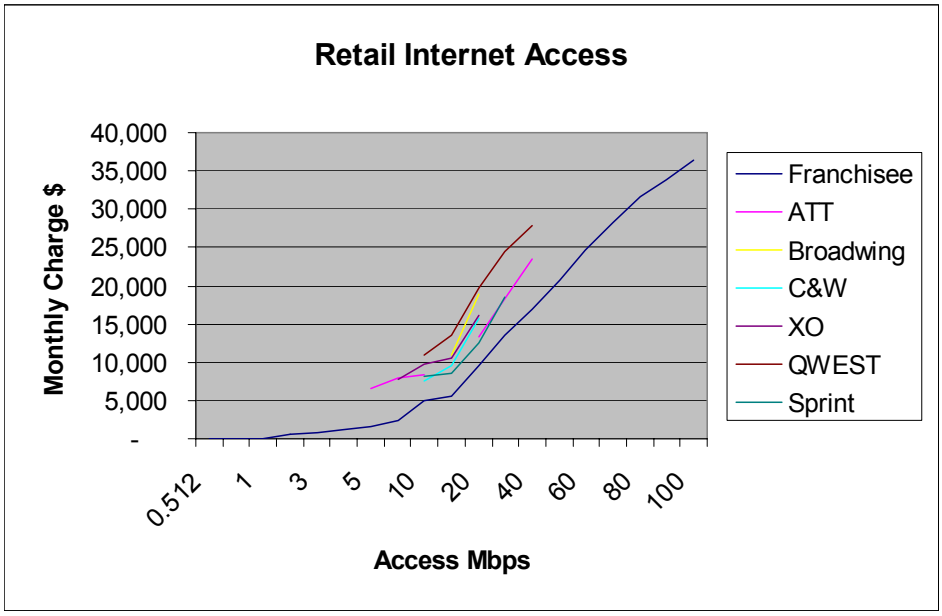

Figure 3.2: Retail Internet Access Rates

The core strategy is that a wider range of options will be offered by the Franchises than that of the traditional competition, at a lower price. Things to note are that prices listed for the companies above are undiscounted retail rates, thus may be actually somewhat lower than the figure indicates. However, it is unlikely to vary by more than 20%, and the Franchise pricing is less than that across the range.

4. COMPETITION ANALYSIS

Overview:

Traditional Carriers:

Traditional carriers include the likes of ATT, WorldCom (UUNet), Level3, Genuity, Williams, XO Communications, and Sprint who define the gold standard for Internet transport. These companies typically own extensive Internet backbone capacity and most U.S. Internet traffic flows through these networks. In fact, these are the very Tier 1 Internet providers which the Franchisees will contract in order to provide Internet Transit.

Strengths:

Traditional carriers have built large support organizations which break down in a functional manner. Pick any discipline and these carriers can throw a small army at the problem. They also have the bulk (more than 80%) of the current marketplace revenue for the types of services being discussed. They have the ability to provide credible gold standard data products and services. Most have excellent monitoring and service level historic data which customers can easily review via web-based interfaces.

Weaknesses:

Traditional carriers have to deal with a much higher cost basis, as they provide voice and data services. In most cases, their technology consists of multiple transport networks which are separate, increasing the cost of everything they try to accomplish. The downside on large headcounts is higher recurring cost base, plus the added effect of longer product life cycles due to the bureaucracy which supports such large organizations. Because of their market share strength, these carriers do not have significant Service Level Agreements[5]. Their networks

[5] "Carrier Confidence Metrics: Internet Access SLA Survey", © Arbitor, Inc. 2nd Qtr 2002

are extremely reliable, but they put little or no revenue at risk pending the performance that is guaranteed.

Traditional carriers also deliver Internet-based services in increments predicated upon classic TDM variants such as T-1, T-3, OC3, etc. While fractional bandwidth offerings are available, the initial equipment cost to customers is higher than that of the Ethernet-based alternatives. Ethernet-based wire-speed routers and switches are an order of magnitude less expensive than that of TDM-based alternatives.

WISP Franchise Strategy:

The WISP Franchise will compete with the established full-line carriers by providing personal customer care, flexible bandwidth offerings with comparable SLA commitments, and target small to medium businesses which have been traditionally underserved by the full-line carriers. The WISP Franchise price points to the end customer will be competitive and furthermore, they will provide SLA commitments which place significant revenues at risk pending performance. This strategy will be compelling to the small to medium business customer base.

Ethernet over Fiber Carriers:

Ethernet-over-fiber Carriers include the likes of Yipes!, Telseon, and Cogent who provide Internet Access primarily through the use of Ethernet over fiber. A good portion of the demand for their services was constrained by the availability of fiber to the buildings. A further comment of note is that these firms purchased their fiber plant at the height of the metro fiber shortage and as a result are experiencing many of the same financial difficulties of the CLECs, several have already been through one Chapter 11 reorganization (Yipes! and Telseon). To date these firms have not implemented a wireless strategy to augment their core services and, given the current state of their balance sheets, will be unlikely to deploy such over the short term horizon. These providers will be a significant

competitor for customers in the market niche served by the WISP, where buildings are serviced by their fiber plant. The WISP franchisee will have several advantages, lower overhead cost and the ability to extend wireless coverage beyond the buildings lit by fiber.

Strengths:

The current crop of fiber-based Ethernet ISPs have developed state-of-the-art customer monitoring and reporting capabilities which allow customers to modify their bandwidth via a simple web-based tool. This is a vast improvement of the classic carrier approach which requires the work of multiple carrier personnel to make any changes to customer circuits. The transport technology of choice is Ethernet over glass, which greatly simplifies customer interfaces and management. Some of the players have the support of equipment providers (example, Cogent and Cisco) with financing, although much of that has diminished in recent months.

Weaknesses:

Most of these providers have overextended themselves with “build-it-and-they-will-come” networks, and many are now operating in Chapter 11 Bankruptcy. The tools they have built, plus the networks may wind up in liquidation. The providers made a conscious choice to limit their business to buildings on-fiber and have not deployed wireless extensions to any meaningful extent.

WISP Franchise Strategy:

The Franchisee strategy will be to provide service which is comparable to the Fiber-based Ethernet ISPs at a lower price, without the underlying costs associated with large network builds and a multi-market national strategy. In fact, the Franchisees may consider purchase of the overbuilt assets of some of these players where liquidations take place in lieu of wireless backhaul. The Franchisees can also make each fiber-lit building more profitable by extending wireless access to surrounding areas to concentrate bandwidth demand into the on-fiber nodes. Return on capital will be greatly improved by increasing the building to building fiber route load factors. The Franchisee will also have the

benefit of in-market staff and customer care which will also help differentiate the firm's services.

Ethernet over Fiber/Wireless Carriers:

The third category of provider, Ethernet-over-Fiber/Wireless, have a great deal in common with the eventual franchises, in that they typically are relegated to single markets, and vary in their wireless modalities utilized. Many of these utilize a point-to-point topology within the licensed LMDS radio frequency spectrum bands instead of lower cost unlicensed band equipment. The advantage of their approach is greater bandwidth (DS3-OC3) to the end points. The disadvantages include much higher hardware costs, single points of failure, routing latencies, and larger antennas. Another issue is that they achieve few scale economies when purchasing equipment, developing products, OSS, and Legal services. As a result, the WISP Franchisees, will have a qualitative advantage with standard designs and support systems.

Strengths:

This group is based on medium to low-cost access and enjoys a comparative advantage to the strictly fiber based access providers. Their low cost approach enables very competitive pricing. These are local businesses and are able to provide personalized customer care and account support. By using licensed spectrum they have few issues with interference, which would require additional engineering resources to remedy.

Weaknesses:

The primary weakness of this approach is that these organizations lack internal support for product development and marketing and typically outsource those resources. Due to the high cost of world-class consultancy, most of these firms are unable to match the product and marketing depth of their competition. Where they do, they spend more to do it. Since the headcounts are comparable to the standard Franchisee's, it is difficult to develop operational best practices while busily selling and installing customers. As a result, these firms can appear

to be somewhat disorganized, which doesn't support much scale. And finally, due to their small scale, equipment providers charge close to list pricing, which drives their costs up accordingly. TargetCo's origin was in this category and eventual found the model to be less effective.

WISP Franchise Strategy:

The WISP Franchise strategy will focus on providing comparable pricing and service to this competitor's while stressing the organizational strengths of the Franchise model. A broader, better documented product set will be presented. The engineering and operating practices are developed for the Franchise, the Franchise operates to the Franchise manual with fully integrated operations support systems. Finally, the Franchisee's costs are lower in almost every instance due to amortization across all Franchisees, including the purchase of capital equipment. These factors will enable the Franchisee to successfully compete with this competitor.

5. MARKET PLAN

Product Standardization:

The core value that the Franchisor organization brings to the Franchise is the use of subject matter experts to define products, technology, services, operational concepts, marketing collateral, regulatory and legal assistance. A key part of the overall concept is the Product Modules, which the Franchisees license for use in their franchise market. The modules are based on both market demand and enabling technologies. Figure 5.1 is an illustration of the concept of enabling technologies.

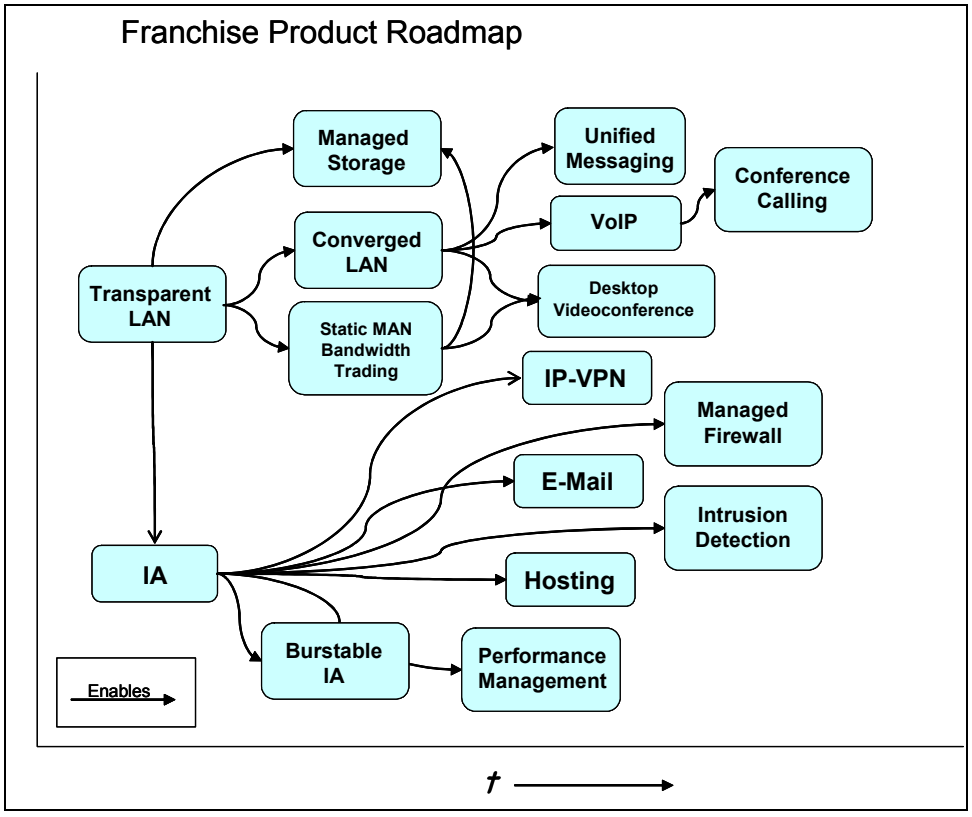

Figure 5.1: Franchise Product Roadmap

Each product module provides everything needed to deploy a particular product within a market, allowing the franchisee to concentrate on execution rather than development. The typical product module includes the following information.

- Defined product characteristics and pricing models
- System design blueprints
- Supporting technical marketing collateral
- OSS module for system
- Operational Handbook (Installation, maintenance, and operation)
- Business case for the specific product
- Marketing print and website module collateral
- Product-specific standard contracts
- Service Level Agreements
- Customer Care dialog scripting

The Franchise will be able to determine which modules fit the needs of their customers and do the most to enhance their revenue/profits. The financial model presented within this document is focused on only two modules, the Business Internet Access (BIA) and Premium BIA products, which enable the background technology to support the downstream product sets. The business case is extremely conservative, because no revenue from the downstream products is assumed. Note that some of the downstream products require no additional capital equipment, just licensing and OSS module additions.

The Franchisor will develop and update product modules as part of their continuing support for the franchise organizations.

Service Levels:

The Franchisor will specify service level standards as well as product specific service level agreements (SLAs) which the Franchisees must honor. The intent is to maintain a uniform standard for all franchises nationally, which will eventually lead to the ability to consistently service enterprise clients across multiple markets. The network design and customer service policies will be designed accordingly.

Marketing Campaign:

The needs of Franchisees are market-based and simpler to implement than a national provider. The Franchisees need professional marketing collateral to support their sales efforts, in-market events, website design, and inexpensive ways to approach their potential customer base.

The Franchisor will provide pre-built marketing packages with blank fields for local customization, website modules, and market event planning guidelines. This will maintain a franchise look and feel which is consistent across all of the franchises. The Franchisor will also support Franchise efforts with local events and trade shows as needed.

The Franchisor also has in-market demand information and market analysis tools which will be made available to the Franchisees as part of the ongoing service provided.

Customer Service:

The Franchisor will provide Customer Service processes with procedures that cover all aspects of Franchise customer service. Detailed telephone scripts will be provided for Tier 1 customer care, both for general topics and product specific dialogs. Escalation procedures and guidelines will also be specified as part of the Franchise Operations manual.

6. NETWORK AND CONCEPT

Overview:

The high level concept is that the Franchisor will design small access networks for it's Franchisees, achieving design economies by the replication of branded products and services across many metropolitan markets. By removing the need for the traditional high-overhead approach of in-house expertise, the Franchisees will be able to achieve cash flow positive operations within one year. Year two is net profitable. Most startup carriers using other approaches project 3-5 years before being EBITDA positive, which is not a sustainable approach in the current financial environment.

Franchisees will build a wireless access network in a metropolitan area, for those with moderate to low bandwidth (less than 10 Mbps) requirements and lack of access to fiber-based transport. Franchisees will sub-contract Internet Transit from Tier 1 Internet Service providers, as well as other services requiring large national backbones, removing the need for a great deal of investment or recurring salaries. A high level look at the general approach is shown in Figure 6.1 below.

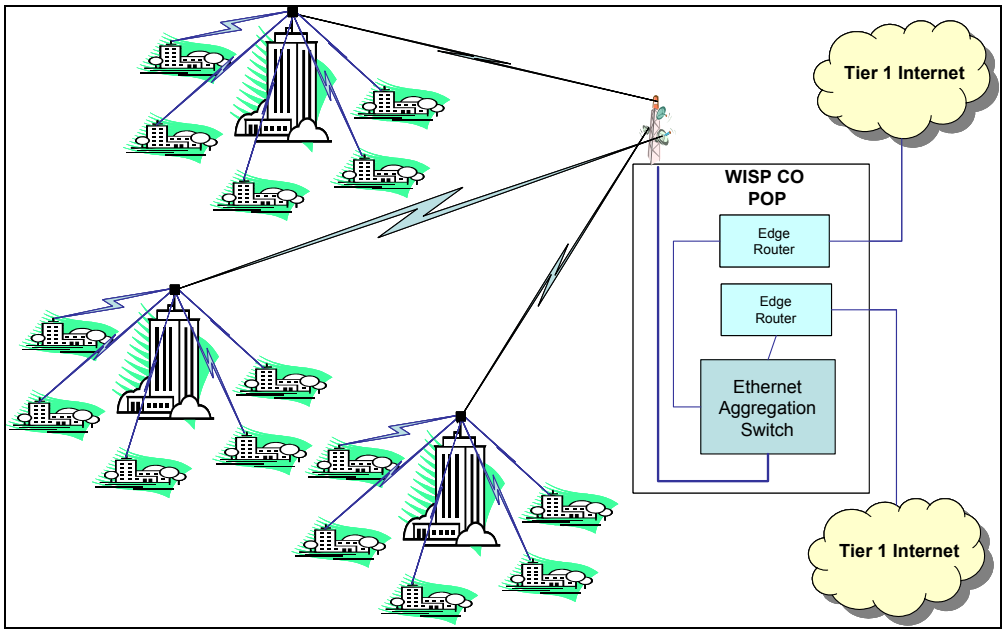

Figure 6.1: Franchise Network Concept

By building the Ethernet access network, certain additional capabilities come with that design which enable the product suites discussed in the market plan discussed in Section 5. By keeping the engineering requirements simple, installation time is reduced, maintenance is less expensive, and customers can save significantly as well.

Franchisee's customers will save in several ways. First, the services offered will be less expensive and more flexible than equivalent services from the same Tier 1 providers on a monthly recurring basis. Second, by offering an Ethernet interface, the customers save significantly in the purchase of their edge switches, routers, and firewalls due to not having to incorporate TDM/WAN interfaces in the equipment. Finally, the recurring cost of maintaining an Ethernet-only LAN/MAN is much less to the customers as well as the Franchisees themselves.

Tier 1 providers have spent billions of dollars creating robust national and international networks, mostly with TDM increments like DS0, DS1, DS3, OC3, etc. As a result, their focus is not aimed at the needs of smaller customers, who might want broadband access, but are unwilling to purchase in the increments

necessary to realize good pricing from the Tier 1 providers. The Franchisee contracts for the Tier 1 transit as required by the demand seen in their markets. By offering Ethernet interfaces to their customers, bandwidth is easily provisioned and modified according to a customer's actual needs. The Franchisee recognizes the revenue benefit of statistical multiplexing (oversubscription) and manages the Tier 1 connectivity in accordance with the overall market bandwidth demand profile. Utilizing Tier 1 transit provides Tier 1 performance for Tier 2/3 pricing, in short a marked improvement for customers.

One of the lesser known, or promoted, savings associated with Ethernet interfaces is that devices using this connectivity are much less expensive than the TDM alternates. For example a DS3 router capable of wirespeed transmission is priced in the $15-30K range while a more capable Ethernet based one is $5-10K. A 100 Mbps Ethernet port is less than $20, and 1000 Mbps Ethernet is about $100 while the TDM alternatives are an order of magnitude more expensive.

Finally, by using an Ethernet based transport technology, customers do not have to maintain expertise in-house for WAN network applications which incorporate other protocols. Most LAN administrators are capable of managing WANs based on Ethernet technology, whereas they are less familiar with the vagaries of TDM, frame relay, ATM, etc. and often need an additional expert to manage such links. This additional headcount cost often exceeds that of the transport itself.

Interface Characteristics

The current design philosophy will be to offer IEEE 100BaseT connections to customers who need from 500Kbps to 100 Mbps access speeds and IEEE 1000BaseX connections for needs between 100 and 1000 Mbps. System design topology and further details are provided in Section 7.

7. SYSTEM DESIGN

System design in this context refers to that of the Franchisees and is illustrated at a high level by Figure 7.1 below.

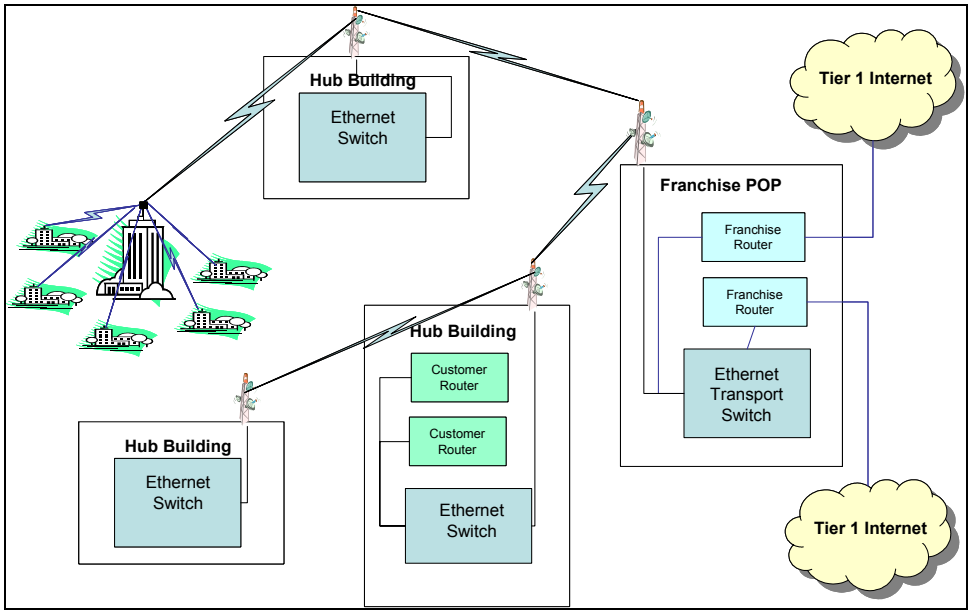

Figure 7.1: Franchise Network Topology

The Franchisee network is built one wireless hub at a time, starting from the Franchisee Central Office point of presence (POP) where a larger scale Ethernet switching platform is deployed, along with the gateways to the Tier 1 Internet Transit Providers.

Adding a new building in such a scenario is as simple as deploying an inexpensive wireless customer subscriber module which is line of sight to an existing hub. In the event a building has multiple customers, the Franchise can add an inexpensive distribution router/switch to distribute services within the building. Other technologies to be used in larger scale in building distributions are available and can be deployed for less than $200 per user port. Operations staff can add additional customer nodes to the network anytime without disturbing the existing customers.

The Franchise operations staff arranges for CAT5/6 cabling to the customer suite and hands a male connection to the customers edge switch or router. In cases where the customer suite exceeds 100 meters from the transport unit (the effective limit of Ethernet copper wiring), a short range fiber optic converter will be provided by the operations staff to bridge the longer spans required.

Customer traffic is secured through the use of port-based VLANs. Each customer can only send and receive to the ports which define their service. Customer bandwidth is controlled and programmed remotely by the Franchise Central Office.

Internet Access services are provided through the use of dual-homed Internet transit from two or more Tier 1 Internet Access providers. Failures of either provider will not bring down the Franchise network, although performance would be affected as all traffic will transit on one instead of two egress points.

One of the largest constraints which prevent deployment of ubiquitous Ethernet-based access services is that Ethernet requires the use of fiber optic cable transport when Gig E bandwidths are involved. That prevents serving customers who are off of the main fiber path, and need less bandwidth. For that reason, the Franchise approach will be to utilize fixed wireless technologies to aggregate surrounding demand onto the buildings served by wireless backhaul. The technology of choice is to use licensed spectrum for the higher bandwidth point to point wireless backhaul radios serving remote unlicensed spectrum mesh (or point to multipoint) wireless networks. Figure 7.2 illustrates the deployment of such a network adjunct.

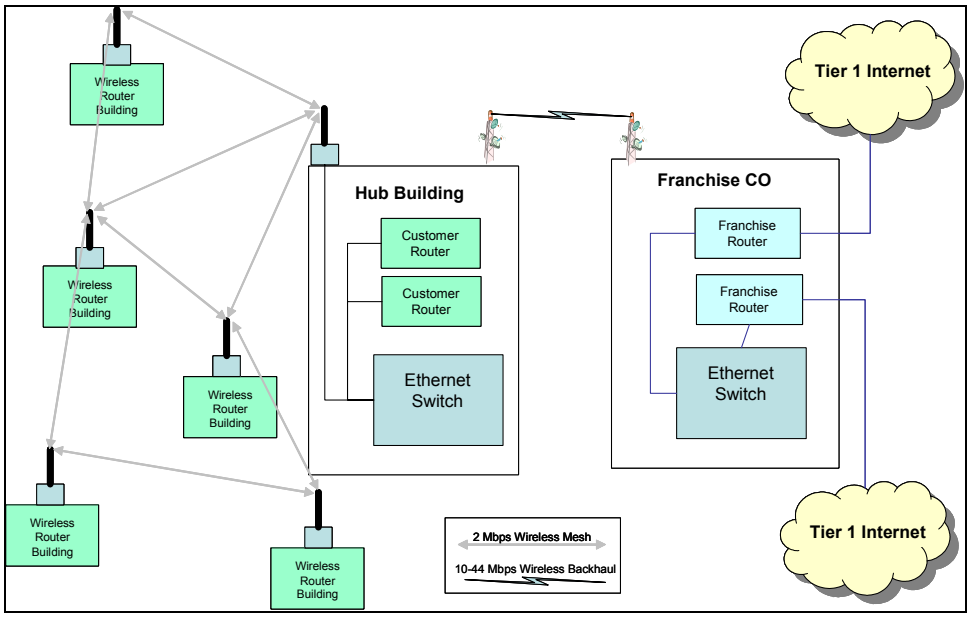

Figure 7.2: Mesh Fixed Wireless Network Extension

The advantage of a wireless mesh network is that the current wireless router networks no longer require line-of-sight to the main hub (in this case the on-fiber building). This was a major obstacle in past attempts to deploy fixed wireless. Each wireless router transmits in an omnidirectional fashion, and as each additional node is added, the wireless network becomes more resilient as multiple paths exist to the fiber egress. The installation is much simplified as well, since no line-of-sight alignments are required, the network immediately sees a new node at power-on and advertises the new alternate path to the entire wireless network.

Depending on the underlying level of interference in the area, the range of the wireless routers is ½ to 2 miles, delivering up to 2 Mbps performance per channel. Typical density limits are 40 routers per 2 Mbps channel, and a maximum of six channels per single location (the on-fiber building). The underlying hardware cost is very inexpensive, and performance to the customer is excellent for customers used to dial-up or ISDN.

Operations and Systems Support:

One of the large savings associated with the Franchise approach is that the underlying back office systems which support asset tracking, circuit provisioning, trouble ticketing, SLA management, customers, revenue accounting, billing, and product profitability measurement can be provided without the need for massive scalability. In an environment where one thousand customers is an exceptional result, systems do not need Oracle, SQL, or DB2 underlying applications, or the licensing costs that come with them. In fact, Access 2002 is far more robust than needed and provides a simple low cost platform for development of the necessary modules.

The Franchisor will provide fully functional Access-based systems as part of the initial capitalization of each Franchise. The typical Franchisee operations network operations topology is shown in Figure 7.3 below.

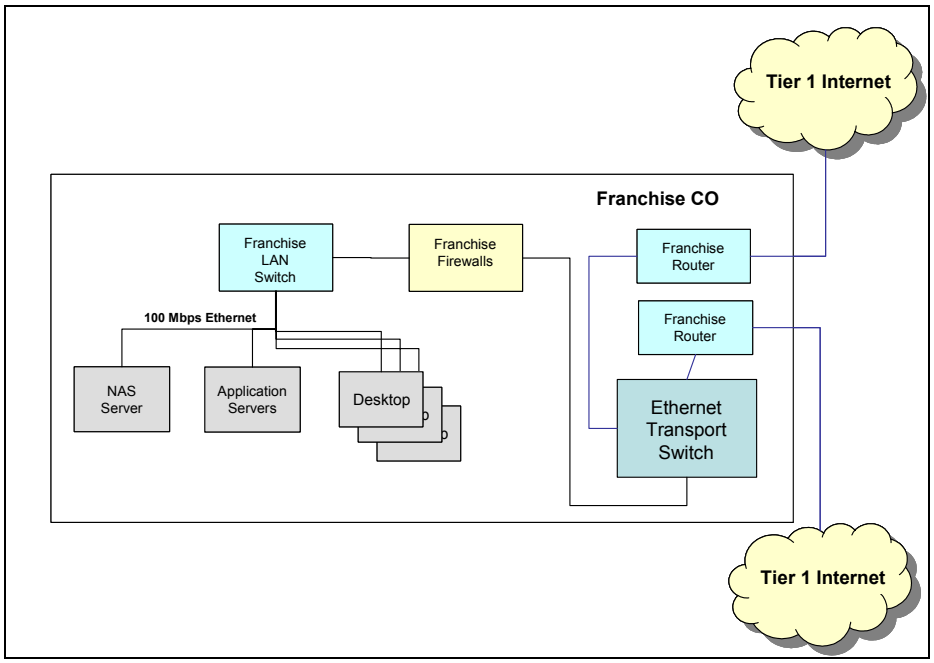

Figure 7.3: Franchise LAN Topology

The Franchisor will provide the template and bill of materials to create the Franchise LAN and Central Office networks. In most cases, the Franchisor can

supply the pre-configured hardware and software systems for Franchise turn-key operation.

8. OPERATIONS PLAN

Overview:

The core premise of the operations planning for the Franchise is the concept of owner-operators. The staffing and early growth of the enterprise is predicated on multifunctional work process, i.e. the officers get their hands dirty building a business for themselves. The WISP CO model offers a unique opportunity to provide a community service which is in demand, as well as making a rather handsome stipend in the process. One of the core lessons-learned from the recent CLEC industry debacle, is that a small growing revenue base does not support an organizational structure with complete functional separation. Figure 8.1 details the functional roles required. During the early growth phase of the Franchise organization it is expected that all parties will contribute to any functional area that is impacted. In the event that additional manpower is needed to work a temporary installation backlog, the executive team would be expected to roll up their sleeves and help out. Of course, if a backlog is chronic, more installation staff would be hired to amortize it. Maintaining a short book-to-bill time cycle will be very important to promote the profitability and cash flow of the franchise.

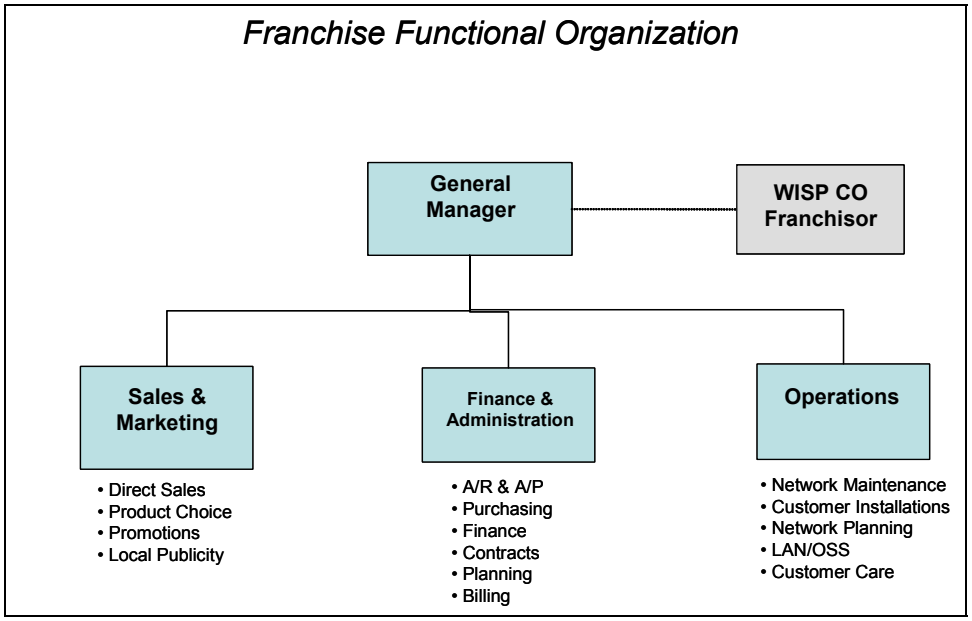

Figure 8.1: Franchise Functional Responsibilities

The startup staffing plan requires less than 10 people, as shown in Figure 8.2, but the officers play a key role in the success, as they build the initial revenue base which supports the growth of the franchise.

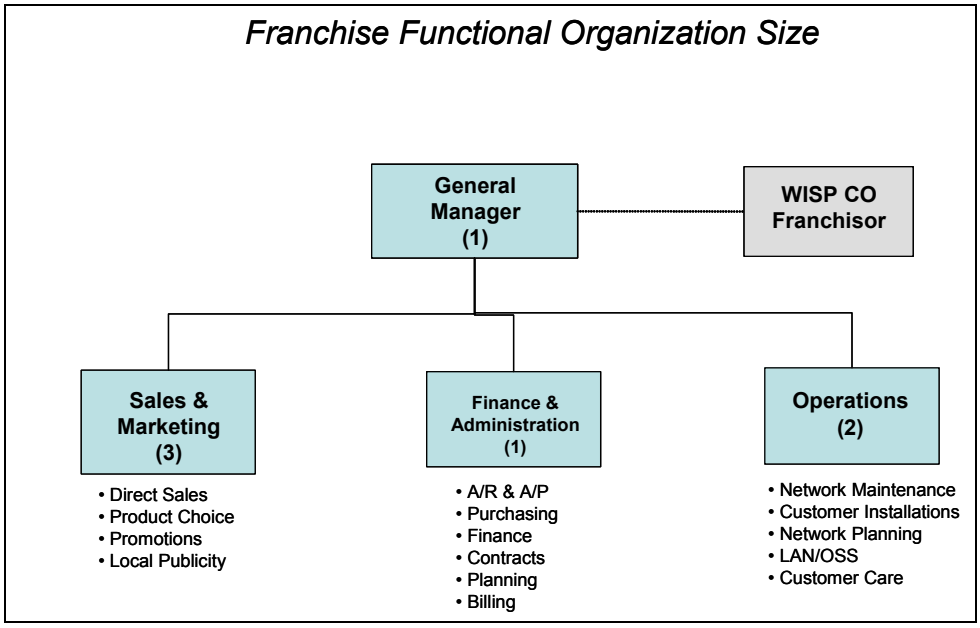

Figure 8.2: Initial Franchise Headcount (7)

Each officer in this model must have an entrepreneurial bent, and not be old-school executive telecom staff. It is anticipated that the executive team will likely be owner-operators, similar to most franchises offered in other industries. The staff can found in the middle management layers of existing and failed telecommunications companies, people who know how an operation functions and still get their hands dirty. The success of a franchise will depend on tactical execution of the WISP CO Franchise model, not grand strategy.

The added value that the Franchisor brings to the arrangement is the telecom expertise embedded within the Franchisor organization. That expertise would require significantly more investment, if each franchise had to develop it on their own. Product, Operations, Legal, Regulatory, and Engineering are all functions which can support many franchises.

The WISP CO Franchisor has the following organizational structure, shown in Figure 8.3, part engaged in the operation of the master Franchise and part in operation of the Franchisor functions.

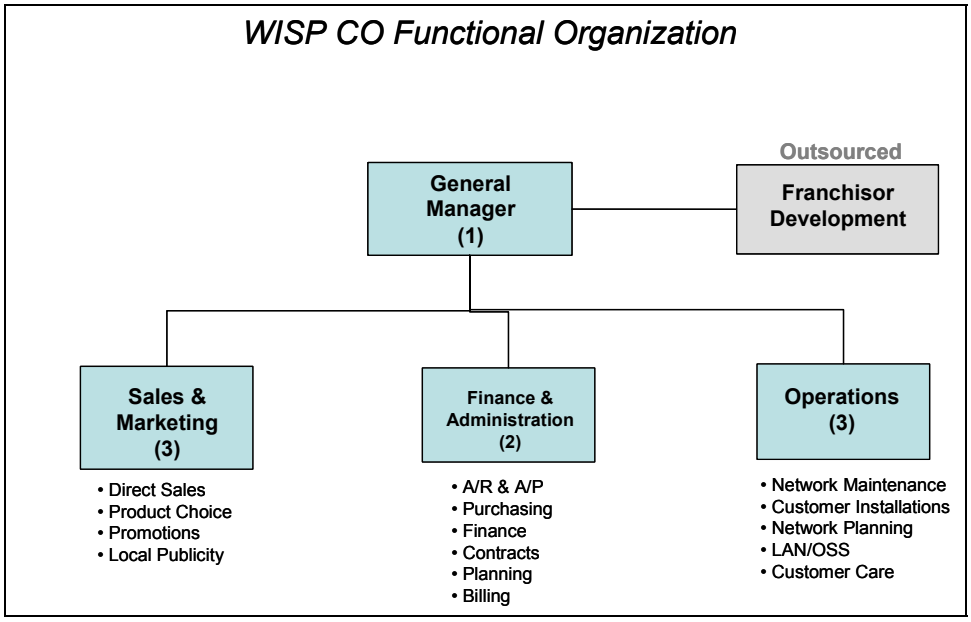

Figure 8.3: WISP CO Franchisor Organization

Facilities:

The facility needs for a franchise is easily definable and quite modest when compared to the usual telecommunications service provider model. Essentially, the network central office can be deployed within three to four 7' racks in an air conditioned space of less than 100 sq. feet. Office space should be coincident with the central office, for ease of access.

The factors needed for successful deployment include the following requirements:

- Access to the fiber plant for the market
- Access to Tier 1 Internet Service providers in optical increments
- 100 sq. ft. air conditioned and controlled access central office room

- 500 sq. ft. to store and configure installation hardware
- Sufficient office space to support future growth projections

The financial analysis assumes that 2000 square feet is sufficient for the needs of most franchise operations. In some cases, it will be more efficient to locate the CO in a collocation facility both for access to fiber and Internet Service providers, but the same space metric is applicable.

Customer Service Facilities:

Since the Franchise is providing a niche service operation within a single metropolitan area, it will be very rare to exceed 1500 customers in most settings. That many customers can be serviced with in-house service representatives and the operations staff themselves (as discussed in the market plan) for a modest cost profile. Should a Franchise attain scale which necessitates a different approach, outsourcing of a private label customer care service will be explored and facilitated by the Franchisor expertise.

Sales Personnel:

Sales personnel will have several functions, sales account management, new account acquisition, and market research. The compensation package is designed to reduce or eliminate the common 25-50% per year churn of sales personnel. Sales staff have an incentive to stay engaged with their customers and to up-sell when possible.

The market research portion of their duties enable the Marketing and Sales Director to better determine which of the product modules should be obtained for the franchise. The pay package is designed to be competitive with the large telecommunications firms because the success of the Franchise is mostly attributable to the ongoing performance of the sales staff.

Telecommunications Costs:

The current model assumes a standard rate for the access to Internet Transit services. In most markets, the assumed price is supportable, modulated somewhat by what method is utilized to access the contracted services. In some cases, the most economical approach will be the collocation approach (Ethernet) while in other markets the only option available will be denominated in TDM increments. Regardless of approach, the model is constructed in a conservative manner, with significant service factor allocated for operational cost adjustments to the specific situation.

Billing & Collections:

Billing and Collections will be handled in-house using the MS Access-based OSS tool modules. Billing of data services is done one-month in advance, and as a result service terminations can be done without significant risks. The OSS model accounts for all deployed equipment and services provided, and an aggressive reclamation regime for unused equipment is endemic to the operational model.

Legal Support:

The Franchisor provides standard sales contracts and supporting information to the Franchisees. When it becomes necessary for local legal support, outside legal will be utilized with the support of the Franchisor in-house Legal expertise. In many cases, the Franchisor can establish local legal support for the Franchise operator.

Case Assumptions:

Section 12 details the operational assumptions underlying both the business of WISP CO Franchisor and prospective Franchisees.

9. CORPORATE DESCRIPTION

WISP CO Franchisor:

The WISP CO Franchisor corporation has yet to be formed and will be upon funding of the business plan going forward.

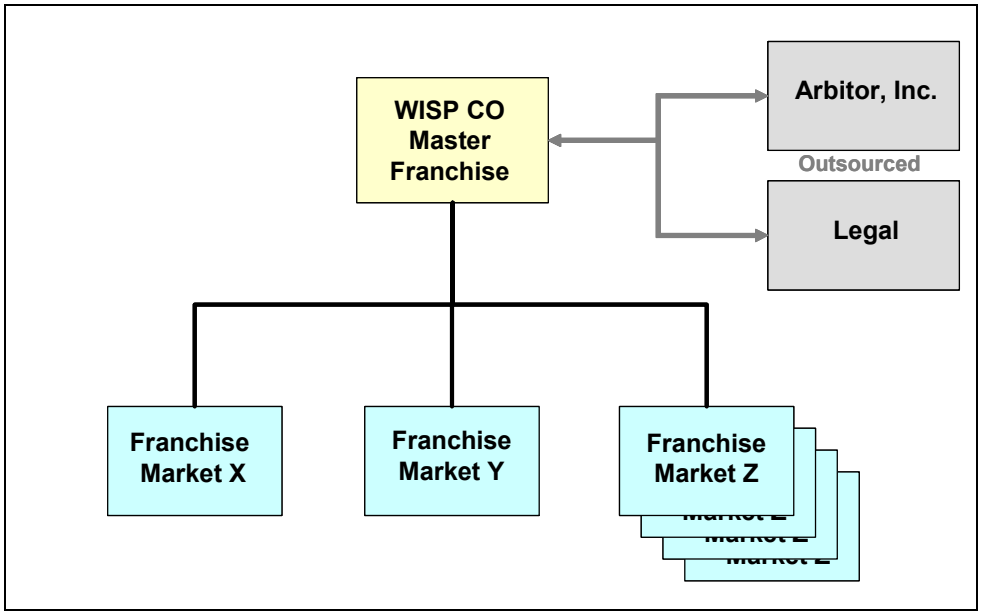

Figure 9.1: WISP CO Corporate Relationship

Arbitor, Inc.:

The primary consulting SME necessary to the completion of the Franchise packages and product modules is Arbitor, Inc. (Arbitor). Arbitor would be responsible for producing the Product Development, Marketing, System Engineering, and OSS application modules. Arbitor, Inc. is primarily a Telecommunications and IT Consultancy with extensive experience in product development, IT application development, market analysis, marketing communications and economic analysis relating to telecommunications operations. The overall concept of a franchised WISP and this business case

were developed by Arbitor, Inc. and includes proprietary business and product concepts. (www.arbitor.com)

Key Arbitor personnel for this effort include the following parties.

Dan M. Kalin, President:

Mr. Kalin is Co-Founder of Arbitor, Inc. and serves as the Principal Consultant for the Telecommunications and IT Consulting Practices of Arbitor, Inc. In the course of serving Arbitor's clients, Mr. Kalin has designed and implemented product portfolios for a number of WISP startup firms, including serving Eduro Technologies (a Frederick, MD WISP startup) as Vice President Operations from startup to more than 100 customer circuits installed.

Mr. Kalin has also developed various economic demand and provider financial performance models, as well as being the author of numerous articles and white papers on telecommunications issues.

Mr. Kalin comes to Arbitor, Inc. from L. E. Peabody and Associates, Inc. and occasionally supports that firm on a sub-contract basis for Arbitor. Prior to that, he served as Senior Broadband Product Manager for XO Communications, Inc. During his tenure with XO, Mr. Kalin developed and launched the XO Gigabit Ethernet product line in more than 60 metropolitan markets nationwide as well as the Intercity Ethernet product. Mr. Kalin was also involved in the initial development of products such as Metro Wavelength, burstable Internet Access, private IP, and wireless private data networking.

Previous roles include WorldSpace Inc. where he served as Product Development Director, Space Programs and System Development which led to the Satellite Radio systems deployed by XM Satellite Radio and Sirius. Prior to WorldSpace, Mr. Kalin served as Principal, Business Development for Lockheed Martin Telecommunications space-based telephony/IP systems in Asia, Africa, Central Asia, and Eastern Europe.

Mr. Kalin has negotiated international telecommunications licenses with regulatory authorities and formulated business plans for start-up telecommunications projects ranging in size from $3-5 million to more than $1.2 billion USD. Mr. Kalin also served as contracts program manager on several large (more than $400M USD each) commercial telecommunication satellite production contracts, INTELSAT VIII and EchoStar 1-7.

Prior to his record in telecommunications, Mr. Kalin spent 13 years at Dresser Industries in various Sales Engineering management roles in the power plant (conventional and nuclear) and refining/chemical industry in the United States and Northeast Asia.

Mr. Kalin received his BA from University of California, San Diego in 1980, a MBA Finance from Pepperdine University, Malibu California in 1993 and is a current member of American Mensa, Ltd.

Michele L. Kalin, Director Marketing:

Ms. Kalin is Director of Marketing for Arbitor, Inc. She comes to the firm from Teleglobe Communications, where as Manager of Market Research, she developed customer and competitor intelligence sources for this International Carrier.

Prior to Teleglobe, Ms. Kalin managed the Network Forecasting/Planning function for Winstar Communications in their multi-city wireless broadband services expansion. In this role, she defined the addressable markets with associated demand analyses for the major U.S. cities which defined deployment schedule of central office switching resources, led market entry planning, and developed telecommunications services demand forecasts for all multi-tenant buildings within the U.S.

Ms. Kalin came to Winstar Communications from COMSAT Corporation, the U.S. signatory to the INTELSAT and INMARSAT international treaty organizations, which specialize in international satellite-based telecommunications services.

Ms. Kalin developed and managed the market research team for COMSAT International and served as market manager for operations in Argentina, Brazil, India, Turkey, Peru and Guatemala. Ms. Kalin also coordinated and wrote the 1999 strategic business plan for COMSAT International.

In many of the markets being served by COMSAT, telecommunications demand data is less available than in the industrial nations. In order to provide better planning tools for the corporation, Ms. Kalin developed custom econometric tools which could be utilized to predict demand for ATM, Frame Relay and bandwidth services for markets without a history of reliable demand trending information.

Ms. Kalin started at COMSAT in the Marketing Communications group, and led efforts to position, differentiate, and promote new satellite-based telecommunications services. Her efforts culminated in COMSAT winning Best of Show Award at the 1996 Network+Interop trade show, plus having more than 30 industry magazine articles published in support of the product launch. Ms. Kalin also wrote 25 press releases for COMSAT World Systems that resulted in press coverage of more than 400 published articles.

Ms. Kalin received a BA in Business from National-Louis University, McLean Virginia and a Masters Degree in International Business from Johns Hopkins University of Baltimore, Maryland in 1996.

10. REGULATORY ISSUES

The regulatory issues which the WISP CO Franchisor and Franchisees will face can be divided into two primary categories, U.S. Federal and local. Due to reliance on data technologies it is much simpler to start and operate an Internet Service Provision company, as evidenced by the thousands of small ISPs with thin capital bases. The Federal regulatory burden is relatively light, and continued oversight is not required as it would be for businesses providing regulated voice services.

United States Federal

The WISP CO Franchisor expects little difficulty in obtaining the necessary permissions to operate as a Franchisor of data telecommunications service companies as anticipated by this plan. In the event that regulated services (such as voice services) are provided, significant obstacles would have to be addressed prior to providing that service and for that reason are not currently considered as appropriate to this business model.

Local Requirements

Significant local regulatory issues concerning permitting, licenses, and the like will need to be addressed by each Franchisee as it applies specifically to the market addressed by that Franchisee. The Franchisor's Legal and Regulatory SME will provide assistance both in identification of the applicable requirements and compliance planning. This is one of the significant support benefits of the Franchisor model.

Environmental Regulations

Telecommunications regulations are generally being eased while environmental regulations are increasingly being tightened. However, since the telecommunications sector does not impact the environment in a significant manner, we do not expect any major hurdles in this regard. The only regulations

that would need to be met will relate to new construction, including building of network control centers. Given the nature of the project, WISP CO Franchisor is confident of securing all necessary clearances.

11. INVESTMENT RISK

OVERVIEW

Success of WISP Franchisor is dependent on several important factors. This section lists some of the more prominent items that might have a material impact on any investment's return. For example, the WISP CO Franchisor Network and overall business is currently at an early deployment stage. WISP Franchisor will have no source of revenue supporting the Franchise development until the WISP Franchisee Networks are in operation. During such time, the WISP Franchisor project will be subject to risks and factors beyond management's control which may entail potentially significant costs.

This section reviews several potential investment risks that could be faced by WISP CO and its investors. This section, however, does not represent a complete discussion of all of the possible risks that could be faced by WISP CO and its investors. As a result, prospective investors are urged to undertake their own evaluation of risks inherent in this type of project and to obtain such legal, tax, financial and investment advice as they deem appropriate.

Given its early stage of organizational and technical deployment there may be problems, delays and costs relating to the WISP CO franchise development that are not now foreseen by WISP CO. These problems, delays and expenses may relate to (i) technical development of components of the WISP Franchisor System, (ii) the manufacturing, assembly and testing of those components, (iii) the receipt of regulatory approvals and other regulatory matters, and (iv) customer acceptance of the WISP CO Network.

TECHNICAL CONSIDERATIONS

With the production of any complex network, there is always the possibility of schedule delays driven by part/software failures, vendor/supplier problems, and latent design flaws to name a few. Such delays could cause the WISP CO System to lose some portion of its projected returns. In the case of the WISP CO System, Management has recruited subject matter experts in all critical disciplines, as well as choosing multiple reputable suppliers and partners.

Furthermore, WISP CO has chosen to minimize single points of failure in its core network design. The WISP CO network design will be available and reliable, as no single failure will shut down the entire system.

IP transport providers pose a risk, should some of their network go down. Most providers today provide redundant line carriage to eliminate much of that concern. However, the reader should remember 1999's MCI outage which inconvenienced some users more than 48 hours. Even the biggest providers can occasionally have problems. For that reason, WISP CO requires the use of a minimum of two Tier 1 Internet transit providers in all market franchises.

Success of this venture is significantly dependent on appropriate expertise being available in the firm and its partners. WISP CO Franchisor has chosen to acquire talented subject matter experts and partner with firms that provide case-by-case expertise.

Technical risks should be expected to arise over the course of implementing any high technology product/service. These risks may be material. Prospective investors are cautioned not to rely solely on the above described technical risks in making an investment decision.

FINANCIAL CONSIDERATIONS

Although WISP Franchisor expects to complete the initial franchise development by the 3rd quarter of 2003, delays in implementation may materially affect the returns to the investor.

WISP CO Franchisor's largest single recurring expense will likely be telecommunications charges associated with transport both to the system and interconnection to the Internet. Unforeseen increases in cost will have a significant impact on expected returns. WISP CO Franchisor, will be able to mitigate this risk with increased size, as larger ISPs are much better able to control costs in this area. Prospective investors are cautioned not to rely solely on these cost projections in making an investment decision.

There is some financial risk in the billing/collection methods. To mitigate that risk, company policy would be to close delinquent accounts after 20 business days, with penalty charges applicable for reactivation, and require monthly payment in advance for data services.

The financial projections included in this business plan represent WISP CO's estimates as of the date of the analysis of operations for the years 2003 through 2007. The projections are based upon a number of assumptions, some of which may not materialize. Also, unanticipated events may occur which could adversely affect the actual results achieved. Consequently, actual results should be expected to vary from the projections. These variations may be material. While the Financial Analysis section of this business plan estimates the impact of several of theses risk factors, prospective investors are cautioned not to rely solely on these financial projections in making an investment decision.

MARKETING CONSIDERATIONS

The market analysis conducted by WISP CO Franchisor and summarized herein is based upon a number of assumptions which may or may not materialize. Unanticipated events may occur which could materially affect the marketplace these services during the period covered by the analysis. Consequently, actual results may materially vary from the estimates set forth in the market analysis. Several types of service needs or customers could fail to materialize. Prospective investors are cautioned not to rely solely on the market analyses contained herein when making their investment decision.

Competition may come from other well-funded similar groups. We believe that there is room in the marketplace for more than one WISP franchisor service, but actual demand may vary from our assessment. Prospective investors are cautioned not to rely solely on the competitive analyses contained herein when making their investment decision.

Governmental risks may arise over the course of implementing the WISP Franchisor System. Sovereign rights of governments could jeopardize the on-ground investment and access to markets. These risks may be material. WISP Franchisor is attempting to mitigate these risks by choosing the location of the central office facilities with an emphasis on political and social stability. Prospective investors are cautioned not to rely solely on the above described governmental risks in making their investment decisions.

12. Financial Analysis

General Case Assumptions:

Products & Pricing	MRC	NRC
BIA Premium		
1 Mbps	$ 500	$ 750
2 Mbps	$ 850	$ 1,065
3 Mbps	$ 1,150	$ 1,450
4 Mbps	$ 1,400	$ 1,750
5 Mbps	$ 1,700	$ 2,125
6 Mbps	$ 1,980	$ 2,475
7 Mbps	$ 2,240	$ 2,800
8 Mbps	$ 2,480	$ 3,100
9 Mbps	$ 2,750	$ 3,450
10 Mbps	$ 2,900	$ 3,650
BIA Standard		
300 Kbps	$ 169	$ 350
600 Kbps	$ 209	$ 350
900 Kbps	$ 269	$ 350

BIA Standard Install	
Subscriber Module	650
Mounting Bracket	-
Power Supply/Suppressor	50
Misc. Hardware	100
Labor	200
Total:	1,000.0

BIA Premium Install	
Subscriber Module	925
Mounting Bracket	75
Power Supply/Suppressor	125
Misc. Hardware	100
Labor	300
Total:	1,525.0

Hub Install	
Backhaul Antenna/Radio	13000
Mounting Bracket	250
Power Supply/Suppressor	125
Router/Switch	2500
Misc. Hardware	500
Labor	1000
Total:	17,375.0

Sector Install	
Sector Electronics	3600
Mounting Bracket	250
Power Supply/Suppressor	125
Misc. Hardware	500
Labor	750
Total:	5,225.0

Franchisor Assumptions and Results:

Master Franchise Assumptions	
Equipment Discount Offer	50%
TBD	-
Interest Rate Against LT Loans	12%
Corporate Tax Rate	35%
Starting Internet Transit/Month	$ 5,000
Incremental Internet Transit $/Mbps	$ 125
Yearly Salary Increases. %/Year	4%
GM Salary Attributable to Sales	30%
Target Sales %/Revenue	20%
Target Operations % of Revenue	20%
Target Overhead % of Revenue	10%
Sales Bonus Structure (Salary %)	60%
Operations Bonus Structure (Salary %)	70%
Overhead Bonus Structure (Salary %)	80%
Benefits Cost (% of Salary)	20%
Yearly Subscriber Churn (% of Revenue)	5%
SLA Cost (% of Revenue)	2%
Receivables (Days outstanding)	60
Payables (Days outstanding)	45
Alternate bonus plan? (Yes/No)	No
BIA Oversubscription Factor	20
BIA Premium Oversubscription Factor	10
Starting Revenue Metric	35,000
Accounting Support (Monthly)	1,500
Installation Technicians (Monthly)	1,500
RF Engineering Outsource (Monthly)	1,500
Legal Support (monthly)	1,500
Recruiting Expenses (monthly)	200
Bank Fees (Monthly)	525
Insurance (monthly)	1,000
Office Space (Monthly)	4,000
Postage/Freight	100
Telephone (Monthly)	800
Travel, Meal, and Entertainment	1,000
Marketing Outsourcing (Monthly)	3,000
Office Consumables (Monthly)	1,500
Equipment Price Reduction/Year %	10%
Utilities	250
BIA Premium Leases ($125/Mo)	5%

Master Franchise Financial Results	
IRR (5 Years)	34%
NPV (12% Discount Rate)	753,335
Investment Capital Required	1,300,000
Purchase Offer	$ 172,894
End Number of Subscribers	1,120
End ARPU	$ 204.66

Equipment/Install CAPEX	
Hub Package	$ 17,375
Sector Package	$ 5,225
BIA Premium Install (Cust)	$ 1,525
BIA Standard Install (Cust)	$ 1,000

Products & Pricing	MRC	NRC
BIA Premium		
1 Mbps	$ 500	$ 750
2 Mbps	$ 850	$ 1,065
3 Mbps	$ 1,150	$ 1,450
4 Mbps	$ 1,400	$ 1,750
5 Mbps	$ 1,700	$ 2,125
6 Mbps	$ 1,980	$ 2,475
7 Mbps	$ 2,240	$ 2,800
8 Mbps	$ 2,480	$ 3,100
9 Mbps	$ 2,750	$ 3,450
10 Mbps	$ 2,900	$ 3,650
BIA Standard		
300 Kbps	$ 169	$ 350
600 Kbps	$ 209	$ 350
900 Kbps	$ 269	$ 350

Franchisor Assumptions	
Franchise Fee (Initial Non-recurring)	35,000
Franchise Fee (Recurring % of Franch	5%
Equipment/Services Over-ride (% of c	10%
Legal Support (Monthly)	5,000
Franchise Development (Monthly)	12,000
Franchise Marketing (20 hours/week)	6,500
Franchise Commission (% of NR fee)	50%

Operating Revenue (Embedded Bonus)	2003	2004	2005	2006	2007
BIA Charges	789,475	1,382,647	1,832,904	2,299,177	2,673,563
BIA Installation Charges	126,825	156,390	167,940	209,640	209,640
Subscriber Churn	(34,985)	(66,944)	(90,031)	(112,787)	(132,541)
Franchise Revenue	176,918	565,836	783,471	1,260,392	1,355,781
Gross Revenue	1,058,233	2,037,928	2,694,283	3,656,423	4,106,443
Operating Expenses					
Internet Transit	60,000	79,932	121,219	173,442	235,317
Operating Salaries/Benefits	342,000	355,680	369,907	384,703	400,092
Utilities	3,000	3,000	3,000	3,000	3,000
Insurance	12,000	12,000	12,000	12,000	12,000
SLA Costs	21,165	40,759	53,886	73,128	82,129
Building Leases	60,931	88,650	101,400	110,888	120,788
Franchise Expenses	257,000	130,500	113,000	130,500	78,000
Total Operating Expense	756,096	710,521	774,412	887,661	931,325
Operating Income	302,137	1,327,407	1,919,871	2,768,761	3,175,119
Sales, General & Admin					
Sales Salaries/Benefits	446,133	463,979	482,538	501,839	521,913
Sales Bonuses	-	-	-	-	-
Office Lease	48,000	48,000	48,000	48,000	48,000
Office General Expenses	37,500	37,500	37,500	37,500	37,500
Travel, Meal, & Entertainment	12,000	12,000	12,000	12,000	12,000
G&A Salaries/Benefits	235,117	244,521	254,302	264,474	275,053
G&A Bonuses	-	-	-	-	-
Operations Bonuses	-	-	-	-	-
Accounting (Outsourced)	18,000	18,000	18,000	18,000	18,000
Legal (Outsourced)	78,000	78,000	78,000	78,000	78,000
Marketing (Outsourced)	36,000	36,000	36,000	36,000	36,000
Total SG&A	910,750	938,000	966,340	995,814	1,026,466
EBITDA	(608,613)	389,407	953,531	1,772,948	2,148,653
Depreciation/Accrual	72,950	143,343	204,624	261,243	312,874
EBIT	(681,564)	246,065	748,908	1,511,705	1,835,779
Interest Expense	-	-	-	-	-
Taxes	-	-	109,693	529,097	642,523
Net Earnings	(681,564)	246,065	639,215	982,608	1,193,256
Carryforwards:					
Old carryforwards	-	(681,564)	(435,499)	-	-
New carryforwards	(681,564)	-	-	-	-
Used carryforwards	-	246,065	435,499	-	-
Net carryforwards	(681,564)	(435,499)	-	-	-

	2003	2004	2005	2006	2007
Net Income	(681,564)	246,065	639,215	982,608	1,193,256
Increase in Receivables	(18,763)	(20,453)	(634)	(12,968)	(5,780)
Increase in Payables	16,918	2,067	(1,166)	1,372	1,297
Add Depreciation/Depletion	72,950	143,343	204,624	261,243	312,874
Cash flow from Operating	(610,459)	371,022	842,038	1,232,254	1,501,648
Less Capital expenditures	523,044	338,085	297,104	276,716	238,932
Cash Flow from Operations & CAPEX	(1,133,502)	32,937	544,935	955,538	1,262,716
Acquisition Premium	-	-	-	-	-
Total Cash Available from Operations	(1,133,502)	32,937	544,935	955,538	1,262,716
Cash from Financing Activities					
Debt					
Bank Loan/Bonds					
Proceeds	-	-	-	-	-
Repayment	-	-	-	-	-
Capitalized Interest	-	-	-	-	-
Change in debt balance	-	-	-	-	-
Debt Balance	-	-	-	-	-
Equity					
Common Stock	1,300,000	-	-	-	-
Cash flows from financing	1,300,000	-	-	-	-
Payment of dividends	-	-	-	-	-
Net cash flow from Financing	1,300,000	-	-	-	-
Change in cash balance	166,498	32,937	544,935	955,538	1,262,716
Cumulative Balance	166,498	199,434	744,369	1,699,907	2,962,623

IRR	34%

Operating Cash Flows					
Operating Income after tax	(681,564)	246,065	639,215	982,608	1,193,256
Depreciation	72,950	143,343	204,624	261,243	312,874
Capital Expenditures	(523,044)	(338,085)	(297,104)	(276,716)	(238,932)
Total OCF	(1,131,657)	51,322	546,735	967,135	1,267,198

	2003	2004	2005	2006	2007
Assets					
Cash/Equivalents	166,498	199,434	744,369	1,699,907	2,962,623
Receivables	18,763	39,216	39,850	52,819	58,598
Other	-	-	-	-	-
Short Term Assets	185,261	238,650	784,219	1,752,726	3,021,221
Gross Property, Plant and Equipment	523,044	861,129	1,158,232	1,434,948	1,673,880
Accumulated Depreciation	72,950	216,293	420,917	682,160	995,034
Net Property, Plant and Equipment	450,093	644,835	737,315	752,788	678,846
Intangibles/Goodwill/Licenses	-	-	-	-	-
Accumulated Depletion	-	-	-	-	-
Net Intangibles/Goodwill	-	-	-	-	-
Total Assets	635,354	883,485	1,521,534	2,505,514	3,700,067
Liabilities					
Payables	16,918	18,984	17,819	19,190	20,487
Short Term Debt	-	-	-	-	-
Short Term Liabilities	16,918	18,984	17,819	19,190	20,487
Long Term Debt	-	-	-	-	-
Shareholder Equity	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Retained Earnings	(681,564)	(435,499)	203,716	1,186,324	2,379,580
Net Shareholder Equity	618,436	864,501	1,503,716	2,486,324	3,679,580
Total Liability	635,354	883,485	1,521,534	2,505,514	3,700,067

General Manager	TBD	**Monthly**	**Alt Monthly**
Salary	130,000	10,833	10,833
Benefits	20%	2,167	2,167
Bonus (60/40)	86,667	7,222	-
		20,222	13,000
Data Aps Manager	TBD		
Salary	70,000	5,833	5,833
Benefits	20%	1,167	1,167
Bonus	46,667	3,889	-
		10,889	7,000
Data Aps Manager	TBD		
Salary	65,000	5,417	5,417
Benefits	20%	1,083	1,083
Bonus	43,333	3,611	-
		10,111	6,500
Alternate Channels	TBD		
Salary	65,000	5,417	5,417
Benefits	20%	1,083	1,083
Bonus	43,333	3,611	-
		10,111	6,500
IP Engineer	TBD		
Salary	75,000	6,250	6,250
Benefits	20%	1,250	1,250
Bonus (80/20)	32,143	2,679	-
		10,179	7,500
Technician	TBD		
Salary	45,000	3,750	3,750
Benefits	20%	750	750
Bonus	19,286	1,607	-
		6,107	4,500
RF Engineer	TBD		
Salary	90,000	7,500	7,500
Benefits	20%	1,500	1,500
Bonus	38,571	3,214	-
		12,214	9,000
Admin	TBD		
Salary	45,000	3,750	3,750
Benefits	20%	750	750
Bonus	11,250	938	-
		5,438	4,500

Equipment	Qty	Value	Total
Cisco 6500 Router	1	65,000	65,000
Cisco 7200 Router	1	23,000	23,000
Cisco Big Brother Service Manager	1	7,623	7,623
Cisco PIX Firewall	2	7,243	14,486
Sun Ultra 5	1	1,000	1,000
Sun Ultra Enterprise	1	9,000	9,000
Dell PowerEdge 1500SC	1	5,000	5,000
Dell Optiplex GX10	1	900	900
Interjack Firewall	1	1,200	1,200
PC Clones	2	800	1,600
WS-2924 XL Switch	3	500	1,500
3000XL Smart UPS & Ext Batteries	2	3,000	6,000
WS-3550 Switch	1	2,000	2,000
Proxim Base Station Sector Electronics	10	4,500	45,000
NT Servers	4	1,000	4,000
Antenna	40	50	2,000
Cabinet with UPS (DC Power)	20	1,000	20,000
Battery Backups	3	657	1,971
UPS with b/u batteries (AC Power)	1	2,300	2,300
Stratex 11 GHz DS3 Radios	2	12,500	25,000
Stratex 18 GHZ DS3 Radios	10	3,250	32,500
Cisco 3512 Router	3	2,017	6,051
Cisco 2900 (DSLAM)	2	3,978	7,956
Cisco 575 DSL Modems	13	180	2,340
Ceragon OC3 18GHz Radio	2	17,000	34,000
Gabriel 4 Foot Antenna	2	2,000	4,000
Cisco 3550 Router	1	4,100	4,100
Netopia Routers	7	180	1,260
Proxim Wireless Subscriber Modules	15	1,000	15,000
		Total	345,787

Cumulative CAPEX/Demand	2003	2004	2005	2006	2007
BIA Standard Customers	84	181	289	397	505
BIA Premium Customers	111	231	351	483	615
HUB	5	7	7	7	7
Sector	12	16	22	26	26
WISP CO MASTER FRANCHISE					

Franchise Assumptions and Results:

Franchise Assumptions	
Interest Rate Against LT Loans	10%
Corporate Tax Rate	35%
Equipment Price Reduction/year	10%
Starting Internet Transit/Month	$ 2,000
POP Bldg Lease	$ 2,000
HUB Bldg Lease Each	$ 750
Incremental Internet Transit $/Mbps	$ 200
Yearly Salary Increases. %/Year	3%
GM Bonus Structure (Salary %)	80%
Sales Bonus Structure (Salary %)	70%
Operations Bonus Structure (Salary %)	90%
Overhead Bonus Structure (Salary %)	95%
Benefits Cost (% of Salary)	25%
Yearly Subscriber Churn (% of Revenue)	5%
SLA Cost (% of Revenue)	3%
Receivables (Days outstanding)	60
Payables (Days outstanding)	45
BIA Oversubscription Factor	20
BIA Premium Oversubscription Factor	10
Accounting Support (Monthly)	1,000
Legal Support (monthly)	1,000
RF Engineering (Monthly)	4,000
Marketing (Monthly)	1,000
Bank Fees (Monthly)	525
Insurance (monthly)	1,000
Office Space (Monthly)	4,000
Travel, Meal, and Entertainment	1,000
Office Consumables (Monthly)	1,500
Utilities	1,050
BIA Premium Leases ($125/Mo)	5%

Franchise Financial Results	
IRR	17%
NPV (12% Discount Rate)	127,536
Investment Capital Required	1,200,000
End Number of Subscribers	980
End ARPU	$ 243.25

Operating Revenue	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
BIA Charges	533,606	1,424,352	2,046,700	2,530,113	2,792,799
BIA Installation Charges	141,675	166,440	194,440	200,040	200,040
Subscriber Churn	(21,586)	(65,177)	(95,174)	(119,121)	(132,255)
Gross Revenue	653,696	1,525,615	2,145,966	2,611,032	2,860,584
Operating Expenses					
Internet Transit	36,170	101,392	182,409	276,978	371,701
Franchise Fee	32,685	76,281	107,298	130,552	143,029
Operating Salaries/Benefits	163,333	169,867	176,661	183,728	191,077
Utilities	12,600	12,600	12,600	12,600	12,600
Insurance	12,000	12,000	12,000	12,000	12,000
SLA Costs	19,611	45,768	64,379	78,331	85,818
Building Leases	43,313	73,875	105,819	133,013	146,513
Total Operating Expense	319,712	491,782	661,166	827,201	962,737
Operating Income	333,984	1,033,833	1,484,800	1,783,831	1,897,846
Sales, General & Admin					
Sales Salaries/Benefits	335,714	345,786	356,159	366,844	377,849
Office Lease	48,000	48,000	48,000	48,000	48,000
Office General Expenses	24,300	24,300	24,300	24,300	24,300
Travel, Meal, & Entertainment	12,000	12,000	12,000	12,000	12,000
G&A Salaries/Benefits	202,105	208,168	214,413	220,846	227,471
Accounting (Outsourced)	12,000	12,000	12,000	12,000	12,000
Legal (Outsourced)	12,000	12,000	12,000	12,000	12,000
Marketing	12,000	12,000	12,000	12,000	12,000
Total SG&A	658,120	674,254	690,873	707,990	725,621
EBITDA	(324,136)	359,579	793,927	1,075,841	1,172,226
Depreciation/Accrual	78,576	152,226	216,940	275,292	326,159
EBIT	(402,712)	207,353	576,987	800,550	846,066
Interest Expense	-	-	-	-	-
Taxes	-	-	133,570	280,192	296,123
Net Earnings	(402,712)	207,353	443,418	520,357	549,943
Carryforwards:					
Old carryforwards	-	(402,712)	(195,359)	-	-
New carryforwards	(402,712)	-	-	-	-
Used carryforwards	-	207,353	195,359	-	-
Net carryforwards	(402,712)	(195,359)	-	-	-

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income	(402,712)	207,353	443,418	520,357	549,943
Increase in Receivables	(15,482)	(9,146)	(8,358)	(4,697)	(2,538)
Increase in Payables	10,809	1,841	2,012	1,735	1,521
Add Depreciation/Depletion	78,576	152,226	216,940	275,292	326,159
Cash flow from Operating	(328,808)	352,274	654,011	792,686	875,085
Less Capital expenditures	597,975	333,405	324,747	266,461	250,833
Cash Flow from Operations & CAPEX	(926,783)	18,869	329,264	526,225	624,252
Total Cash Available from Operations	(926,783)	18,869	329,264	526,225	624,252
Cash from Financing Activities					
Debt					
Bank Loan/Bonds					
Proceeds	-	-	-	-	-
Repayment	-	-	-	-	-
Capitalized Interest	-	-	-	-	-
Change in debt balance	-	-	-	-	-
Debt Balance	-	-	-	-	-
Equity					
Common Stock	1,200,000	-	-	-	-
Cash flows from financing	1,200,000	-	-	-	-
Payment of dividends	-	-	-	-	-
Net cash flow from Financing	1,200,000	-	-	-	-
Change in cash balance	273,217	18,869	329,264	526,225	624,252
Cumulative Balance	273,217	292,086	621,350	1,147,576	1,771,827

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Cash/Equivalents	273,217	292,086	621,350	1,147,576	1,771,827
Receivables	15,482	24,628	32,985	37,683	40,221
Other	-	-	-	-	-
Short Term Assets	288,699	316,714	654,336	1,185,258	1,812,048
Gross Property, Plant and Equipment	597,975	931,380	1,256,127	1,522,588	1,773,422
Accumulated Depreciation	78,576	230,802	447,742	723,034	1,049,194
Net Property, Plant and Equipment	519,399	700,578	808,385	799,554	724,228
Intangibles/Goodwill/Licenses	-	-	-	-	-
Accumulated Depletion	-	-	-	-	-
Net Intangibles/Goodwill	-	-	-	-	-
Total Assets	808,098	1,017,292	1,462,721	1,984,812	2,536,276
Liabilities					
Payables	10,809	12,651	14,662	16,397	17,918
Short Term Debt	-	-	-	-	-
Short Term Liabilities	10,809	12,651	14,662	16,397	17,918
Long Term Debt	-	-	-	-	-
Shareholder Equity	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Retained Earnings	(402,712)	(195,359)	248,058	768,415	1,318,358
Net Shareholder Equity	797,288	1,004,641	1,448,058	1,968,415	2,518,358
				-	
Total Liability	808,098	1,017,292	1,462,721	1,984,812	2,536,276

General Manager		Monthly
Salary	100,000	8,333
Benefits	25%	2,083
Bonus	25,000	2,083
		12,500
Data Aps Sales Manager		
Salary	70,000	5,833
Benefits	25%	1,458
Bonus	30,000	2,500
		9,792
Data Aps Sales Manager		
Salary	65,000	5,417
Benefits	25%	1,354
Bonus	27,857	2,321
		9,092
Alternate Sales Channels Manager		
Salary	65,000	5,417
Benefits	25%	1,354
Bonus	27,857	2,321
		9,092
IP Engineer		
Salary	65,000	5,417
Benefits	25%	1,354
Bonus	7,222	602
		7,373
Technician		
Salary	55,000	4,583
Benefits	25%	1,146
Bonus	6,111	509
		6,238
RF Engineer		
Salary	-	-
Benefits	25%	-
Bonus	-	-
		-
Admin		
Salary	40,000	3,333
Benefits	25%	833
Bonus	2,105	175
		4,342

Startup Equipment	Qty	Value	Total
Aggregation Router	1	65,000	65,000
Transit Router	1	23,000	23,000
Transit Firewalls	1	6,000	6,000
Servers	4	1,500	6,000
Software Licenses	1	20,000	20,000
Management Server	1	9,000	9,000
Monitoring Platform Appliance	1	10,000	10,000
Office PCs	8	1,500	12,000
Office LAN Switch	2	500	1,000
Printers	3	500	1,500
3000XL Smart UPS & Ext Batteries	3	3,000	9,000
Aggregation Switch	1	3,000	3,000
UPS/Battery Backups	10	130	1,300
		Total	166,800

Cumulative CAPEX/Demand	Year 1	Year 2	Year 3	Year 4	Year 5
BIA Standard Customers	24	48	72	96	120
BIA Premium Customers	154	322	500	680	860
HUB	2	4	6	7	7
Sector	5	9	15	17	24
FRANCHISE					