Business Plan | Rural Connect Ltd.

CONNECT

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Executive Summary

The broadband market in rural and regional communities throughout Canada is suffering from a classic market failure in economic terms. These communities are demanding a quantity and level of broadband internet service that the market cannot fulfill due to a lack of modern broadband infrastructure in these communities. The private sector, including investor-owned telecommunication and internet providers such as TELUS and Shaw, have not invested in these rural and regional communities because the lack of residential and business density means these communities do not meet the required rates of return on their private capital investments.

These are limitations that every community investing in broadband will face, and independently are ill-equipped to overcome. In order for this type of rurally-funded broadband network to reach its maximum potential in operational efficiency and fiscal value it needs to grow beyond regional geographic borders, as well it must function in a competitive market while retaining the core rural values with which it was established.

Rural Connect Ltd. ("**CONNECT**") is being established to meet these community-built broadband internet market failures head on. CONNECT is structured as an open-access, wholesale 'broadband utility' that builds and operates broadband infrastructure in these rural and regional communities through partnerships of local governments. CONNECT is built upon four pillars that are specifically designed to address the structural state of broadband in these rural and regional communities.

The four foundational pillars of CONNECT are:

1. **Wholesale** – CONNECT will not own the commercial relationship with its end-consumers. It will leverage the existing regional Internet Service Providers (ISPs), Electricity Retailers and purpose-build ISPs to provide broadband services on top of its infrastructure.

2. **Open-access** – CONNECT will offer its wholesale services to all requestors. CONNECT will offer a combination of active services (i.e., broadband internet) and passive services (i.e., dark fibre) depending upon the specific conditions in a particular network segment.

3. **Not-for-profit** – CONNECT will be operated on a not-for-profit basis in order to enable the offer of broadband services in these rural and regional communities at the lowest possible cost. All revenues over and above operating and financing costs will flow back to the community owners of CONNECT.

4. **Community-owned** – Rural and regional broadband networks typically require public capital in order to make them viable. If public capital is going to be utilized, then it only follows that the public sector has ownership of the network. CONNECT will be owned by the communities (i.e., municipalities, counties, municipal districts, etc.) that partner with it to build broadband networks in their communities.

These four pillars directly address the most significant hurdles that communities encounter when contemplating an investment in broadband infrastructure. CONNECT will enable rural and regional communities to build broadband infrastructure, and ensure modern broadband services are offered without the community having to operate the infrastructure or become broadband specialists.

CONNECT will offer all the services necessary to assess, scope, design, construct, and operate fibre optic and wireless broadband infrastructure in its member communities.

CONNECT plans to engage linear utility expert, EQUS REA Ltd. ("**EQUS**"), as its business operations partner. EQUS has over $250 million in electric utility assets under management. Additionally, EQUS is Canada's largest member-owned utility and has a rich history in operating on a not-for-profit basis with its primary purpose being at-cost service delivery and excellence in community service.

CONNECT plans to engage broadband network expert, Valo Networks Ltd. ("**VALO**"), as network operations partner. VALO brings significant fibre wholesale network operations expertise to CONNECT and allows the company to minimize the time from conception and design to operational network.

CONNECT will offer its broadband services anywhere in Alberta and in doing so, it will create the economies of scale required to build and operate its broadband network efficiently and professionally, while ensuring accessibility throughout the province. Through the vision of its shareholders, CONNECT will provide the critical broadband services that these rural and regional communities need to thrive in a modern, digital economy and society.

1 Business Description

1.1 Value Proposition

The CONNECT value proposition is to provide Alberta communities (i.e., municipalities, counties, municipal districts, etc.) with a means to ensure that modern broadband services are available to the citizens and businesses within their communities. Outside of major metropolitan centers, rural and regional communities are drastically underserved by existing telecommunication companies and internet service providers. The private sector has not made the necessary investments in these communities because these communities do not have the population or commercial density to earn a sufficient return on private capital that is necessary to deploy new broadband infrastructure.

CONNECT is specifically structured to address the needs and challenges of rural and regional communities. Each of the founding pillars discussed in the executive summary is designed to offer a solution to the unique challenges that face local governments as they work to ensure that critical broadband services are available in their communities. The CONNECT value proposition enabled by these pillars is described in the following sections.

1.1.1 *Modern Broadband Infrastructure*

The key challenge facing rural and regional communities is that modern broadband infrastructure is not being built to serve these communities. In most cases, there are existing Internet Service Providers (ISPs) offering broadband internet services, but the speed and quality of the offered services do not meet the current need of residents and businesses in the area. If modern and high-capacity broadband infrastructure was available, then the market would utilize such infrastructure to provide high-speed services. Therefore, many of these rural and regional communities are prepared to fund and facilitate the creation of broadband infrastructure, however they lack the expertise and internal resources to address this need.

CONNECT offers these communities the expertise to engineer, procure, and construct (EPC) high-speed broadband infrastructure. The communities define their priority areas, and CONNECT will provide designs and implementation options that meet their public policy goals. Given the rural and remote nature of many of these communities, the broadband design will utilize both fibre-optic cable and wireless towers. The fibre is pushed as far as feasible into the community and then modern wireless infrastructure is utilized to connect those 'hard-to-reach' residents and businesses.

CONNECT's long-term vision is to build fibre-to-the-premise service for all rural communities, farms, businesses, and residents.

1.1.2 *Operational Expertise and Economies of Scale*

While many local governments believe that there is a role for them to facilitate the creation of new broadband infrastructure in their communities, they may not want to become broadband network operators or internet service providers. This is why CONNECT will operate and maintain the infrastructure on behalf of the communities they partner with. CONNECT will leverage the utility business and operations experience of its shareholder, EQUS, to provide business support, and its contractor VALO to provide 24/7 operations and maintenance services.

CONNECT is structured to provide this operational expertise across many regional community networks, increasing the overall value of the network for its shareholders. This structure allows CONNECT to build operational and network economies of scale that would not be available to a single community network. The economies of scale in turn enable CONNECT to increase service levels while decreasing costs on a per-community basis, achieving greater value for shareholders than would be possible should they operate strictly within their geographic boundaries.

1.1.3 *Competitive Broadband Services*

While rural and regional communities want to ensure that high-speed broadband services are available in their communities, they also want to encourage innovation and competition in broadband services available to their residents. It is for this reason that CONNECT operates these community networks on an open-access and wholesale basis.

'Open Access' means that any access seeker that wishes to purchase wholesale services is welcome to do so. The wholesale nature of CONNECT's services allow existing Internet Services Providers (ISPs) in a community to maintain their existing client base, while leveraging the new broadband infrastructure to provide a better quality of service. At the same time, the open-access network encourages new ISPs to enter and provide pricing and service competition that will drive value for consumers.

1.1.4 *Community Ownership and Governance*

Under the CONNECT business model, CONNECT owns the network infrastructure that it constructs on behalf of its member communities. However, CONNECT acknowledges that, where public capital is used to build infrastructure, there should be public ownership and governance of this infrastructure. It is for this reason that CONNECT offers communities shared ownership of CONNECT that is equivalent to the network infrastructure that they have contributed to or funded through other means.

In addition to becoming a CONNECT shareholder, participating communities may hold a seat on the CONNECT Board of Directors.

It is assumed that EQUS, as a founding shareholder of CONNECT, will start with 20 percent of the shares of CONNECT. The remaining 80 percent of CONNECT's shares will be held by the public sector communities/governments that join CONNECT to build and operate broadband infrastructure in their communities.

Each member community will own a proportionate share of the 80 percent based on the value of the network assets that they have contributed to or built utilizing other means.

It is envisioned that CONNECT will be structured as a Municipally-Controlled Corporation (MCC) as defined under Section 75.1 of the Government of Alberta's *Municipal Government Act*. Therefore, participating communities will maintain ownership of governance over the broadband infrastructure built through CONNECT by owning the company itself.

1.2 Business Model

With the fundamental value proposition of CONNECT being the creation and operation of broadband infrastructure as defined above, there are three key elements

to the CONNECT business model: CONNECT will be a not-for-profit entity, it will engage in a CCRA (defined in section 1.2.2 below) with each of its member communities, and CONNECT will provide infrastructure financing to its member communities to fully leverage the funds they have available to them.

1.2.1 *Not-for-profit*

While key elements of CONNECT's value proposition enable it to directly address the public policy mandates of Alberta municipalities, municipal districts, and counties, the business model leveraged by CONNECT is also designed to align with the priorities and requirements of these local governments.

CONNECT will endeavor to structure itself as a not-for-profit corporation. As a result, CONNECT's shareholders can be assured that any public funds that they contribute to build necessary broadband infrastructure are not being used to fund private-sector returns. Furthermore, all excess revenues (revenue greater than operating and financing costs) will be available for re-investment or return to the public-sector shareholders of CONNECT.

1.2.2 *Community Commercial Reconciliation*

Given the not-for-profit nature of CONNECT, and the fact that it is providing wholesale broadband services similar to a broadband utility, the company will leverage a common utility business model. That is, CONNECT will enter into a Community Commercial Reconciliation Agreement (CCRA) with each of its members/owners.

The Community Commercial Reconciliation model is structured to balance operating and financing costs against the revenues generated from a community's network in a zero-sum equation. If the costs are greater than revenues, there is an infrastructure adjustment fee payable by the community to bring it into balance. If revenues are greater than operating and financing costs, then the community is paid a franchise fee that amounts to a return on the broadband infrastructure investment they have made in their community. The Community Commercial Reconciliation Agreement (CCRA) is summarized below:

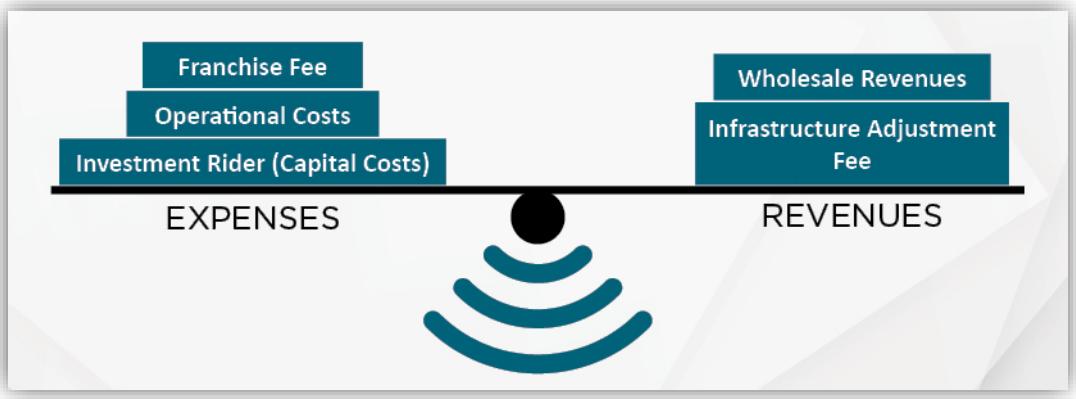


Figure 5.2: Community Commercial Reconciliation Formula

The CCRA formula is applied on a community-by-community basis for each of the owner/member communities within CONNECT. As such, each community is only responsible for the operating and capital costs that are attributable to its own community network. A more complete definition of each of the elements of the CCRA formula is as follows:

Operational Costs consist of the total annual expenses for CONNECT to operate and maintain a community's network once it is constructed and commissioned. The costs of construction are not included in the reconciliation calculation.

Investment Rider is the annual capital financing costs for the community network. The investment rider only applies if a community has financed some portion of the capital cost of its network through CONNECT.

Franchise Fee is an annual fee charged by the community to CONNECT for the use of the network infrastructure in its community. If a community network is not generating sufficient wholesale revenues to cover operational and investment rider costs, then the franchise fee would typically be zero. The franchise fee provides an opportunity for a community to generate revenue on the infrastructure it builds with CONNECT.

Wholesale Revenues are the revenues generated from services on a community's network infrastructure.

Infrastructure Adjustment Fee is an annual fee that makes up any shortfall of wholesale revenues covering the left-hand side of the equation (operational costs, investment rider, and franchise fee). If wholesale revenues are greater than the operational costs and investment rider, then the infrastructure adjustment fee is zero.

As per the definitions above, the franchise fee and the infrastructure adjustment fee are variable fees that are used to balance the CCRA formula so that it is a zero-sum total. In other words, on an annual basis, the left-hand side of the equation must always equal the right-hand side of the equation.

The CCRA is applied on a community-by-community basis. Therefore, the operational costs for a community are only those CONNECT costs that are attributable to the community and the revenue generated on the community's network is only applied to offset the operational costs of that same community's network.

In the early stages of a broadband network rollout, while market penetration numbers are low, it is not unusual for wholesale revenues to be less than operating and capital costs. During this period there would be an infrastructure adjustment fee levied against the member community. However, after the initial start-up period, it is expected that by the joint CONNECT and community design of the network, the wholesale revenues on a community network will more than cover the operating and capital costs of the network.

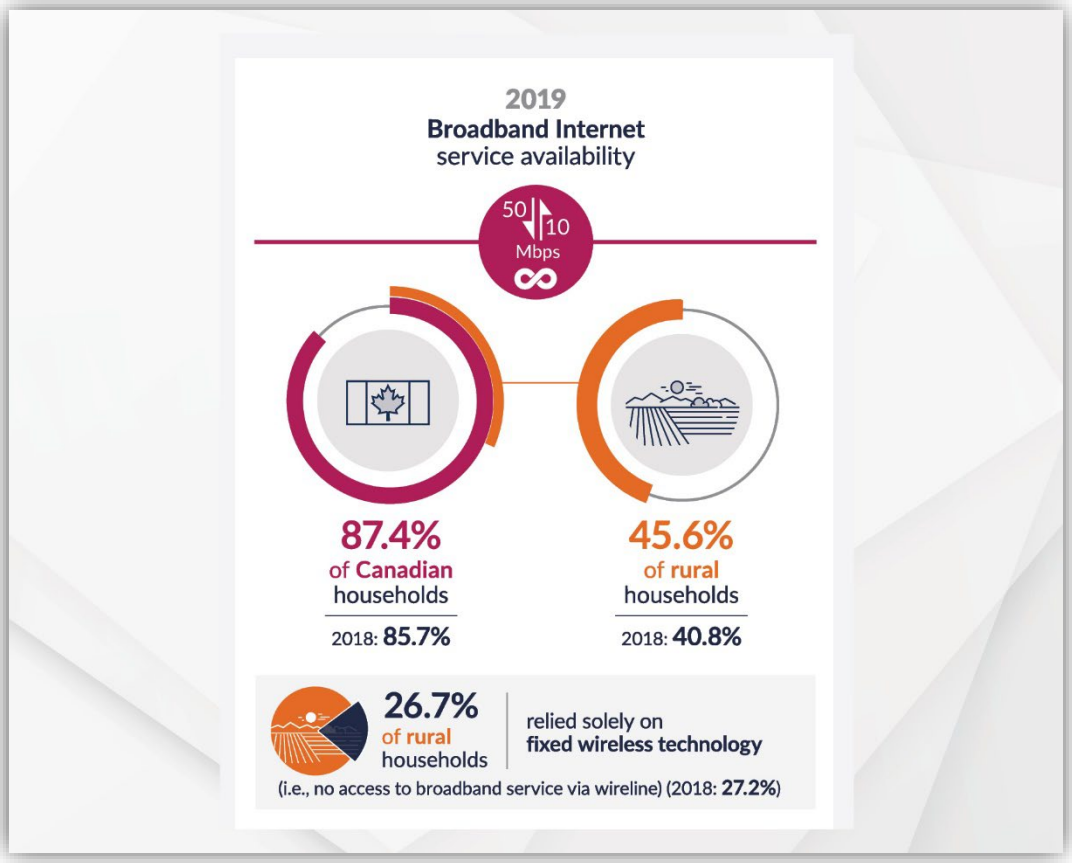
2 Market Analysis

2.1 State of Broadband in Canada's Rural Markets

In 2019, the Canadian Government published a plan to extend high-speed broadband access to all Canadians. The plan, "*High Speed Access for all: Canada's Connectivity Strategy*", recognized that there is an ever-growing 'Digital Divide' between metropolitan communities and rural communities in which metropolitan communities have access to competitive and high-speed broadband services, whereas rural communities lack access to those same high-speed broadband services.

As part of its plan, the Canadian government set the minimum target speed for all Canadians to be 50 Mbps download and 10 Mbps upload, which is known as the Universal Service Objective (USO). It is widely accepted that the 50/10 USO is the absolute minimum standard to measure any future broadband infrastructure project against.

The graphic below indicates that size of the digital divide for rural households. In 2019, only 46 percent of rural households had access to broadband services that met the USO. Many would say that the real-world availability of these services for rural residents is actually much lower than this number.



Source: Canadian Radio-television and Telecommunications Commission, 2020 Communications Monitoring Report

This digital divide is the primary driver for the creation of CONNECT. In economic terms,

a 'market failure' is a state of disequilibrium in which the quantity supplied of a good or service does not equal the quantity demanded by the market. This is exactly the state that rural and regional markets throughout Canada are experiencing with high-speed broadband internet. The demand for high-quality, high-speed, and affordable broadband services by rural residents and businesses is simply not being met by the market.

The services that are available in most rural markets either don't meet the speed and quality demands of the market and/or the cost of these substandard services are higher than services or comparable quality in metropolitan markets.

2.2 Competitive Landscape

Current service providers in Canada's rural and regional markets generally fall into two categories: national ISPs, or local or regional ISPs. A significant portion of the national ISPs are either the regional incumbent telephone company (i.e., TELUS or Bell Canada) or the regional incumbent cable company (i.e., Shaw or Rogers).

In the majority of rural markets, only the largest towns or cities would have cable television infrastructure. Where cable infrastructure does exist, it rarely extends past municipal boundaries into rural areas. There are other national ISPs providing services in rural communities, an example being Xplornet that has grown its business by buying up local ISPs and building its own wireless infrastructure.

A brief summary of these various providers is found below:

2.2.1 *Incumbent Telephone Company ISPs*

- Providers: TELUS, Bell Canada, Bell Aliant
- Technologies:
    - Digital Subscriber Line (DSL) - In towns and municipalities, telcos may offer DSL services over the twisted pair copper telephone lines. In practice, most DSL services typically do exceed 15 Mbps download and 1 Mbps upload. DSL services typically do not extend past town boundaries.
    - Wireless - Where DSL is not available, telcos offer wireless ISP services utilizing their mobile phone infrastructure. Where these wireless services are offered to residential users it is referred to as 'Fixed Wireless'. The majority of these services utilize 4G mobile phone services also known as LTE. While the services are sometimes marketed as 50 Mbps download and 10 Mbps upload, the practical experience of subscribers is that they realize much lower performance than what is sold. TELUS Smart Hub is TELUS' fixed wireless solution, and it offers a 25 Mbps download service in rural markets.
- Cost: DSL services, where available, are priced at the mid-tier ($70-$100 per month). Fixed wireless services are priced at the upper tier ($100-$150 per month), with a fixed download cap which, when exceeded, results in additional download charges.

2.2.2 *Incumbent Cable Company ISPs*

- Providers: Shaw, Rogers, etc.

- Technologies:
    - Cable Modems - In towns and municipalities, cable companies may offer ISP services utilizing the coaxial cable line that delivers cable TV. The coaxial cable is a comparatively better technology than telephone cables, enabling many services to reach 50 Mbps download and 10 Mbps upload. However, cable infrastructure is relatively uncommon in most rural communities, so accessibility is very limited.
    - Wireless - Some cable companies also offer wireless ISP services utilizing their mobile phone infrastructure. Similar to other Fixed Wireless services, the majority of these services utilize 4G mobile phone services also known as LTE. While the services are sometimes marketed as 50 Mbps download and 10 Mbps upload, the practical experience of subscribers is that they realize much lower performance than what is marketed.
- Cost: Cable ISP services, where available are priced at the mid-tier ($70-$100 per month). Fixed wireless services are upper tier ($100-$150 per month), with a fixed download cap which, when exceeded, results in additional download charges.

2.2.3 *National Wireless ISPs*

- Providers: Xplornet
- Technologies:
    - Wireless - Xplornet has built and acquired wireless internet infrastructure across Canada. The majority of these services utilize 4G mobile phone services also known as LTE. Xplornet offers ISP packages at 10 Mbps, 25 Mbps and 50 Mbps downloads. Similar to other wireless service offerings, these rates are “up to” services, and the practical experience of users is that the actual speeds delivered are much lower than the advertised speeds.
    - Satellite - In very rural markets, Xplornet offers a “first-generation” satellite internet service. The download speeds do not exceed 10 Mbps and the upload speeds do not exceed 1 Mbps.
- Cost: Xplornet’s wireless services are upper tier ($85-$110 per month), with a fixed download cap which, when exceeded, results in additional download charges. Xplornet’s satellite internet services run from $80 - $130 per month for the same speed, but with different amounts of data downloads.

2.2.4 *Regional ISPs*

- Providers: Missing Link, Netago, etc
- Technologies:
    - Wireless - The majority of regional ISPs offer a wireless internet service utilizing either a ‘line-of-sight’ wireless technology, such as Cambium Canopy by Motorola, or an LTE wireless option. The Canopy services typically max out at 15 Mbps, whereas the LTE services can offer up to 50 Mbps but only under the most optimal conditions.
    - DSL – In some rural towns and municipalities, regional ISPs may offer DSL services over the twisted pair copper telephone lines. These ISPs would wholesale the service

from the incumbent telco, such as TELUS, and resell it under their own branding. As with the telco service, these DSL services typically do exceed 15 Mbps download and 1 Mbps upload.

- Cost: Regional ISPs will offer introductory services for $50 per month but typically these are slow, line-of-sight services running at 5-7 Mbps. Their wireless services go up to $100 - $150 per month for LTE wireless services.

2.2.5 *Low-Earth Orbit Satellite (LEO) ISPs*

- Providers: Starlink
- Technologies:
    - Satellite - Starlink utilizes a constellation of hundreds of satellites in low-earth orbits to provide high-speed broadband to ground stations. The fact that the satellites are in relatively low orbits means the download speeds and latency of the signal is much better performing than the first generation of satellite-based internet services. The Starlink service is currently in 'beta-testing', where limited numbers of residential services are available to the public. The median download speed experienced by Canadian customers is approximately 80 Mbps with speeds of up to 300 Mbps theoretically possible.
- Cost: The satellite dish is $740, and the monthly cost is $129 per month.

2.3 Customer Segments

CONNECT is a rural and regional data utility. As such, its customer segments will include residential and business customers that range from the very rural communities, to more densely populated residential areas and subdivisions, and light industrial business parks. The targeted customer segments include:

1. **Residential** – This segment is defined by customers that are purchasing internet services for home use. The residential segment includes all premises from single-family homes, to condominiums and multiple dwelling units (MDUs). Residential services may be delivered via fibre-to-the-premise and wireless. Many residential users will use their services to work or attend school from home. This segment typically does not require technically advanced or differentiated services.

2. **Small and Medium Enterprise (SME)** – The SME segment is defined by businesses that are acquiring internet services to support their business operations. SME customers typically require a higher level of service than residential customers, and are often looking for defined Service Level Objectives (SLOs) like uptime and response time expectations.

3. **Enterprise Services** – The Enterprise segment is the most technically demanding customer segment for active broadband services. This segment has sophisticated technical requirements and tightly-defined service level requirements.

4. **Carrier Services** – The Carrier segment is defined by other telecommunications companies that purchase access to CONNECT's infrastructure. Carriers are typically looking for transport services at Layer 1 (i.e., dark fibre) or Layer 1.5 (i.e., wavelength services). The Carrier segment is not a significant target segment for CONNECT during its initial operations, however, as the company expands its network and connectivity between its geographic regions,

it is likely demand for Carrier Services will grow.

2.4 Regulatory Environment

As CONNECT will provide its customers with telecommunications services, it must register with the Canadian Radio-Television and Telecommunications Commission (CRTC). According to the CRTC, telecommunications services include, but are not limited to, local voice services, Voice over IP (VoIP) services, internet services, long distance services, wireless services, and/or payphone services.

As CONNECT will own fibre-optic and wireless transmission infrastructure, it must register in one of the CRTC's Facilities-Based-Provider categories. CONNECT will not be providing traditional telephone services through a local exchange, therefore it will register as a Non-Dominant Carrier.

Most telecommunications service providers are considered to be more than one type of provider under the CRTC's categories. CONNECT may be required to register as a Wireless Carrier and obtain a Basic International Telecommunications Services (BITS) License, dependent on specific criteria that will be confirmed with the CRTC.

3 Execution Plan

CONNECT's execution plan shall define the specific products that it plans to offer to the communities that become members and owners. Furthermore, the execution plan will outline how CONNECT plans to market these services, and how it will operate to ensure it provides high-quality broadband services to its target market. Finally, the execution plan will outline CONNECT's staffing model and approach.

3.1 Products and Services

CONNECT's broadband service offerings have been designed to meet the requirements of different customer demographics, and provide the flexibility to scale up or down based on the customer's immediate requirements. The services below are wholesale broadband services that will be purchased by CONNECT's Retail Service Providers (RSPs) and sold to their residential, SME and Enterprise Customers.

Summary of Broadband Product Offerings:

	Residential	Small and Medium Enterprise (SME)	Enterprise Service
Description	Consumer grade service to be delivered either as Fibre-to-the-Premise or via a wireless service.	Business class internet service to be delivered via a Fibre-to-the-Premise service or via a wireless service.	Enterprise service is CONNECT's highest class of service, providing symmetrical committed information rates (CIR) in Gbps increments.
Service Speeds	100 Mbps - 1 Gbps	100 Mbps - 2.5 Gbps	250 Mbps - 10 Gbps
IP Addressing	Dynamic	Fixed	Fixed
Data Limits	Uncapped	Uncapped	Uncapped
Service Levels	Best Efforts	Service Level Objectives	Service Level Objectives and/or Service Level Agreements

Table 8.4.2: Broadband Service Details

3.1.1 *Proposed Product Pricing*

Redacted-Commercially Sensitive Information

3.1.2 *Details to Wholesale Services*

CONNECT's approach to wholesale bandwidth products will essentially enable a 'Retail-Service-Provider-in-a-Box' approach for RSPs on the network. CONNECT will provide the opportunity for an interested party to start and operate an RSP business providing service to both Residential and SME customers, without having to scale up a telecom business from scratch. Services that will accompany CONNECT's wholesale broadband products include:

- Order Administration
- White Label Billing/Invoicing
- Payment Collection
- Branded Customer Portal
- Level 1 Support (Self-Service and Chatbot)
- 24/7 Network Operations Centre
- Electronics (Core to Edge)

3.1.3 *Additional Service Offerings*

To keep operations simple and cost-efficient, the initial products and services that CONNECT will launch with will be limited to internet services. However, as its operations grow, CONNECT is open to working with partners towards the development of products and services tailored to meet the specific requirements of the various communities in which service is being provided. Although presently all services run on Layer 3, the possibility of developing Layer 2 services such as Ethernet WANs (Wide Area Networks) has not been ruled out.

A WAN is a telecommunications network that extends over a large geographic area for the primary purpose of computer interconnectivity. Businesses, as well as schools and government entities, use WANs to relay data to staff, students, clients, buyers, and suppliers from various locations. This mode of telecommunication allows a business to effectively carry out its daily functions regardless of location.

WANs allow companies to expand their networks through plug-in connections over varied locations, and boost interconnectivity by using gateways, bridges, and routers.

VLAN (Virtual Local Area Network) has become more important as network complexity has exceeded the capacity of typical local area networks. VLAN is a group of devices on one or more LANs (Local Area Networks) that are configured to communicate as if they were attached to the same wire, when in fact they are located on a number of different LAN segments. VLANs circumvent the physical limitations of a LAN through their virtual nature, allowing organizations to scale their networks, segment them to increase security measures, and decrease network latency. VLANs are based on logical instead of physical connections, making them extremely flexible. VLANs can help reduce IT costs, improve network security and performance, and provide easier management.

CONNECT is also willing to provide select dark fibre services on a wholesale basis.
The rural and regional character of the proposed network does not have the economies of scale to offer dark fibre services directly to the residential or commercial premise.
However, it is feasible to consider dark fibre in the transport portions of the network to facilitate other access providers.

3.1.4 *Retailer Services*

CONNECT will not provide retail service directly to customers, but will provide wholesale/lit service to retailers, who will provide their retail services to end customers.

CONNECT will offer a lit service that will allow retailers to enter the market quickly. The CONNECT website will guide all potential retailers through the process of becoming a retailer on our network and provide the terms and conditions of service.

CONNECT will also be able to leverage the experience of its operations team that has extensive experience negotiating with retailers in a comparable business relationship.

3.2 Sales Plan

Redacted-Commercially Sensitive Information

3.3 Marketing Plan

Since CONNECT is a wholesale provider of broadband products and services, its marketing plan will primarily be targeted at the existing Internet Service Providers (ISPs) and other utility retailers that already operate within the markets that CONNECT will serve. It is these ISPs and utility retailers that will be referred to as Retail Service Providers (RSPs) and that will own the commercial relationship with the end-users of CONNECT's services. CONNECT's marketing efforts will be divided between these RSPs and general market brand awareness of the CONNECT brand, as this will be important to drive RSP and end-user adoption of the services to be provided.

3.3.1 *Wholesale Marketing*

As part of the initial design and engineering that CONNECT will do with new communities that join its network, it will perform a market study to identify the ISPs and electricity retailers that operate within the new community.

Wholesale customers will then be targeted with in-person visits during network construction. Further to these in-person visit, CONNECT will leverage trade shows and industry events to recruit retail service providers. Part of CONNECT's wholesale marketing efforts will be to create marketing collateral, including websites, digital and printed product brochures, and information circulars that our RSPs may use to perform their own marketing and advertising.

3.3.2 *Brand Awareness*

In addition to its wholesale marketing efforts to Retail Service Providers, connect will invest in building awareness of the CONNECT brand and service offerings in the markets that it serves. Increasing overall CONNECT brand awareness will ultimately serve to drive adoption of the network by driving residential and business users to seek out RSPs that sell services on CONNECT's networks.

CONNECT will work with each of the local governments (i.e., municipalities, counties, etc.) that join CONNECT to collaborate in joint efforts to build awareness of the network and the services offered. This collaboration may take the form of joint marketing initiatives

when this is both possible and appropriate. In the interest of fairness and integrity, CONNECT and these communities will promote the network as a whole, and not promote any one retailer over another.

3.4 Operations Strategy

The key element to CONNECT's operations strategy at launch will be to contract a network operations partner to provide essential operating expertise and capacity. This approach means that CONNECT does not have to spend the time and investment to build an internal capacity to provide these network operating services. Contracting a third-party operator enables CONNECT to enter the market faster while minimizing the amount of start-up capital that is required to launch the business.

VALO is the network operations partner that CONNECT will contract as its third-party operator. VALO is a specialty telecommunications provider that was specifically formed to operate next-generation fibre-optic and wireless networks on a wholesale and open-access basis. VALO has made significant investments in its Operational Support Systems and Business Support Systems (OSS/BSS). These specialized OSS/BSS systems enable to VALO to offer highly efficient operational services by fully leveraging modern computer systems that minimize the staff required to operate these networks, while maximizing the level of service and performance of the network.

3.4.1 *Operating Services Provided*

The categories of services that will be provided by CONNECT together with its network operations partner, VALO, include:

1. Network Engineering (Wireless + Fibre)
    a. Logical network design
    b. Evaluation, selection, and procurement of electronics within parameters set by future broadband entity on elements of the services to be provided on the networks
    c. Vendor management (technical relationship)
    d. Provisioning of broadband services
    e. Network monitoring and troubleshooting
    f. Network capacity management
    g. Carrier relationships for third-party backhaul and middle-mile transport services
    h. Network security
    i. Technical support on bids/new network proposals

2. Network IT & Systems
    a. Integration of device Element Management System (EMS) into Network Management Systems (NMS)
    b. Integration between OSS + BSS + service provider systems (may form part of a service provider onboarding)

3. Product Management
    a. Technical Product Management: Product configuration of standard services in OSS/BSS for the sale, provisioning, and support of services

b. Lifecycle management and refresh planning of electronics
c. Development of Service Level Agreements or Objectives for middle-mile and last-mile services
d. Service Provider management (technical support)

4. Customer Support
    a. Tier 1: first instance customer support will be performed by the RSP
    b. Tier 2: troubleshooting, investigation, and resolution
    c. Tier 3: trouble ticketing, dispatch
    d. Facilities management (i.e., access, certifications, tower loads)

5. Outside Plant (OSP) and Inside Plant (ISP)
    a. Change management and update of design documents
    b. Customer installation coordination

6. Business Support System (BSS) Functionality
    a. White-label billing
    b. White-label portal
    c. Order management
    d. Standard integration to service provider systems (i.e., CRM, accounting)

7. Operational Support System (OSS) Functionality
    a. Network monitoring
    b. Service delivery
    c. Service fulfillment
    d. Performance management & service assurance
    e. Customer care
    f. Trouble ticket creation and dispatch (used by Tiers 1, 2, 3)
    g. Virtual Network Operations Centre (NOC)

8. Operational Administration
    a. Inventory management for electronics
    b. Regulatory support – technical. Ex: spectrum in use

3.4.2 *Professional Consulting Services*

In addition to the operational services defined above, CONNECT, with the support of its network operations partner, VALO, will provide its member communities with a series of professional services. These services will enable the search for and start-up of new networks in new communities. The professional services include:

1. OSP and ISP design and engineering on new networks or extensions
    a. Design of the network (logical and physical)
    b. Fibre/Shelter/POP/WIC design and configuration
    c. Materials requirement for budgeting and procurement
    d. CAD drawings and red-line design

e. Permitting
f. Locates
g. Select procurement

2. Product Management

   a. Product configuration for non-standard services
   b. Non-standard integrations

3. New Middle-Mile Network Set-Up

   a. Activities required for a new project or substantial extension of an existing network. For example: project execution, coordination, activation of core network, installation, testing, new product development, and required integrations

3.5 Management Team and Staffing

The CONNECT management team will be, by design, a small, focused team at the launch of the company and through its initial growth phase.

Upon approval from the CONNECT Board of Directors, CONNECT will leverage key business resources on a contract basis from EQUS. As outlined above, CONNECT will also contract key operational roles and departments from VALO as its network operations partner.

As need develops, CONNECT will work to establish its own dedicated resources.

3.5.1 *Organizational Structure*

One of the fundamental objectives of CONNECT is to build a hybrid organization that is fully functional to serve its shareholder municipalities, while minimizing the number of resources that must be hired into full-time roles before the organization has the business to justify a full-time role. Leveraging key resources from EQUS and VALO will allow CONNECT to accomplish this objective under the direction and approval of CONNECT's Board of Directors.

The organizational structure of CONNECT, utilizing CONNECT's resources as well as contract resources from EQUS and VALO, is as follows:

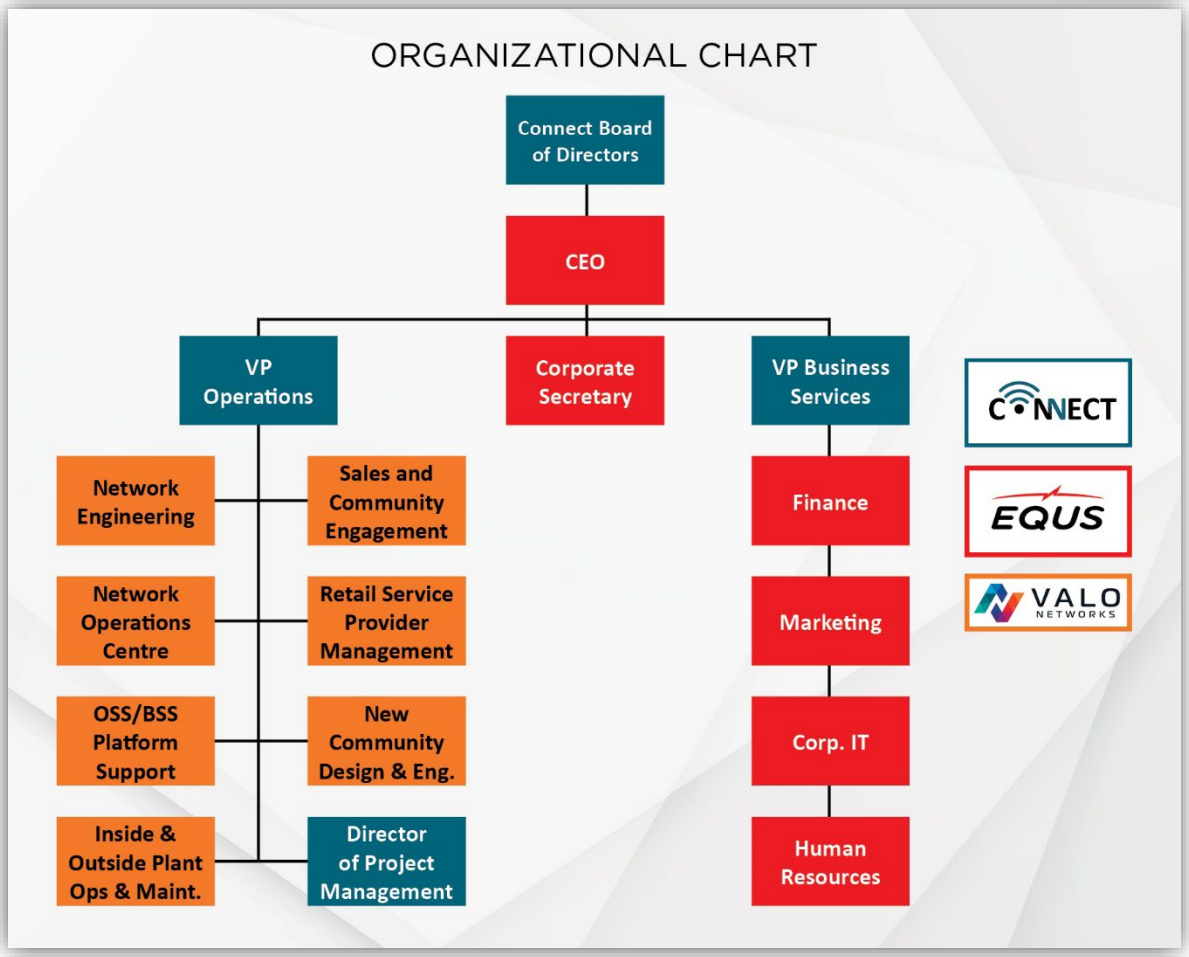


Figure 4.1: CONNECT Org. Chart

3.5.2 *CONNECT Board of Directors*

The CONNECT Board of Directors will be formed initially by a single elected and independent Chairperson, to be elected in accordance with a procedure prescribed in the By-laws. Two directors will be appointed by EQUS, two directors will be appointed by Red Deer County, and two directors will be appointed by Paintearth County No. 18.

Upon one or more additional municipalities joining CONNECT, future rights to appoint directors to the Board of Directors will be determined by a procedure prescribed in the Unanimous Shareholders' Agreement.

3.5.3 *Core CONNECT Management Team*

CONNECT proposes to structure its senior management team as follows:

Chief Executive Officer (CEO) – The EQUS CEO will serve as the CONNECT CEO during initial operations. The CEO will report to the CONNECT Board of Directors, and will have the following responsibilities and obligations:

- Overall operating and financial accountability for CONNECT.
- Lead efforts of CONNECT start-up team in the formation of CONNECT and early negotiations with prospective member communities.
- Provide guidance and direction to the CONNECT management team.

Vice-President, Operations –The VP, Operations will be responsible for delivering the day-to-day operations of the organization and will have the following responsibilities and obligations:

- Responsibility for the day-to-day operations and performance of CONNECT.
- Working with the CONNECT CEO to assess goals, direction, plans, strategies, and regulatory compliance.
- Overseeing operations to ensure goals are met through established strategies.
- Creating and revising plans to improve the company's service performance and growth.
- Work in collaboration with CEO and Director of Project Management to identify and develop new business opportunities, partnerships, investors, and alliances.

Vice-President, Business Services – The VP, Business Services will be responsible for delivering key services required for the operations of the company. The VP, Business Services will have the following responsibilities and obligations:

- Oversee all aspects of accounting operations, including payables, receivables, payroll, and tax preparation, with the assistance of services and resources provided by EQUS REA Ltd. and Valo Networks Ltd.
- Be responsible for the timely and accurate reporting of financial information to appropriate groups, including board of directors, government regulators, and outside agencies.
- Manage the other key business services contracted to EQUS, including Marketing, IT, and Human Resources.
- Co-ordinate the preparation of annual, quarterly, and monthly reports.

General Counsel & Corporate Secretary – EQUS General Counsel will provide Corporate Secretary and General Counsel services to CONNECT during initial operations. The General Counsel will have the following responsibilities and obligations:

- Provide legal advice and guidance to the CONNECT start-up team.
- Lead drafting efforts and coordination of external legal resources in the creation of CONNECT Ltd.
- Lead legal negotiations on behalf of CONNECT with prospective municipalities and the integrated operator.

Director of Project Management – The Director of Project Management will be responsible for providing oversight and project management for key initiatives within the company. The Director of Project Management will have the following responsibilities and obligations:

- Overall project management and oversight of key projects taking place within CONNECT.
- Providing project management methodology for all key initiatives in the company.
- Working with existing communities to coordinate activities between the community and CONNECT.
- Managing active projects taking place between CONNECT and its network operations partner, VALO.

3.5.4 *Contracted Resources from EQUS*

During the initial start-up phases of CONNECT, it will contract certain key resources from EQUS on an hourly 'as-needed' basis, with contract approval from the CONNECT Board of Directors. Leveraging EQUS expertise and capabilities within EQUS. EQUS will support CONNECT's strategy of minimizing workforce size and costs by not having to invest in full-time equivalents while in a start-up mode.

It is proposed that EQUS resources would be made available to CONNECT on an "as-needed" basis.

3.5.5 *Valo Network Resources*

CONNECT will engage VALO as its contracted integrated operator. Under this engagement, VALO will provide key functions and fulfill key operational roles within the CONNECT organization. An overview of the operating services that VALO will provide is outlined in section 3.4.

While this is not an exhaustive listing of resources that VALO will provide under its integrated operator contract, key duties to be fulfilled by VALO include:

- Network Engineering
- Network Operations Management
- Call Center/Help Desk
- Product Management
- OSS/BSS Support
- Retail Service Provider Management/Portal
- Network Design
- Outside Plant/Inside Plant Management/Maintenance

4 Financials

The CONNECT business model assumes that multiple communities (i.e., municipalities, counties, municipal districts, etc.) will eventually join and become members and owners of CONNECT. The model is designed to create the economies of scale that are required to make rural and regional broadband networks commercially viable and sustainable over the long-term. However, for the purposes of this business plan, it is assumed that three communities will become members and shareholders at the launch of CONNECT.

The financial modelling in this section will present the long-term forecast of revenues and expenses based on the original two communities. In practice, it is very likely that additional communities will join CONNECT in the initial few years of operations. For clarity and simplicity, these additional communities have not been modeled in the pro-forma statements below.

4.1 Contracted Operator Cost Structure

The fundamental challenge with building new broadband networks in sparsely populated rural and regional communities is that the capital required to construct the network either requires very long payback periods, or in some cases, it will not be paid back by the profits generated by the network.

However, if we separate the capital cost of the network from the operating cost of the network, it is then possible to build rural broadband infrastructure and profitably cover the operating expenses of the network over time. This dynamic is at the core of the CONNECT business plan. The municipalities pay for the capital cost of the network as an investment in essential infrastructure within their communities. Then, CONNECT operates the network on a not-for-profit basis to ensure affordable, high-quality broadband services are available in the community.

As discussed above, CONNECT will maximize staffing efficiencies by utilizing contracted labour from VALO as the network operations partner. Management and back-office resources will be provided by EQUS on an hourly "as-needed" basis. A professional services contract will govern the relationship with EQUS for hourly labour and will require approval from the CONNECT Board of Directors.

The fundamental drivers of CONNECT's costs then become the integrated operator contract and the management services contract. The integrated operator contract will include a variable-cost component that will recover the minimum operating fee that VALO requires to have their software platform and service infrastructure deployed for CONNECT, as well as variable monthly fees which are based on service tiers to cover incremental service costs as the number of subscribers grow.

The elements of CONNECT's cost structure include:

- EQUS Professional Services Agreement
- CONNECT Salaries and Benefits
- Office Rental
- Other Sales, General Administrative Costs
- Backhaul Transportation and Internet Peering Costs
- Tower and Facility Rental Expenses

- Professional Services (i.e. legal and accounting services)

4.2 Start-up Capital

The start-up capital that CONNECT requires will be defined by the operating costs, exclusive of subscription-based third-party operating charges, incurred to start-up the company, These costs include defining this business plan and negotiating with the first community or communities to join CONNECT at start-up.

As outlined in the business model section of this plan, CONNECT will be operated as a not-for-profit and it will reconcile all its third-party network operator operating costs against the gross revenues generated by CONNECT, the difference of which will be CONNECT's net revenues. EQUS' financial investment in CONNECT is a working capital investment of $2,000,000. Any operating costs incurred by CONNECT not covered by its net revenues will be charged first from the working capital contribution. Once the working capital contribution is exhausted, any operating costs not covered by CONNECT's net revenues will be charged on a pro-rated basis back to each of its member communities.

4.3 Projected Financial Statements

INCOME STATEMENT	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
REVENUE											
Residential	$ -	$ 2,890,014	$ 4,094,834	$ 4,909,745	$ 5,684,508	$ 6,076,520	$ 6,173,987	$ 6,303,352	$ 6,434,768	$ 6,568,100	$ 6,703,537
Small and Medium Enterprise (SME)	-	1,343,457	1,908,158	2,350,354	2,787,575	3,226,496	3,468,560	3,544,930	3,621,603	3,699,456	3,779,398
Enterprise	-	67,872	105,274	136,000	184,811	220,292	239,479	251,309	259,886	262,484	265,993
Wireless Residential (Vacation)	-	386,098	719,017	945,121	1,157,880	1,319,543	1,469,913	1,593,729	1,669,603	1,720,094	1,748,313
Transit	-	-	-	-	-	-	-	-	-	-	-
Other Services	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
	$ -	$ 4,687,440	$ 6,827,284	$ 8,341,219	$ 9,814,774	$ 10,842,850	$ 11,351,939	$ 11,693,319	$ 11,985,859	$ 12,250,134	$ 12,497,242
COST OF SALES											
Internet Primary	$ -	$ 323,335	$ 388,876	$ 450,993	$ 520,492	$ 567,931	$ 597,083	$ 617,002	$ 637,433	$ 663,840	$ 691,530
	$ -	$ 323,335	$ 388,876	$ 450,993	$ 520,492	$ 567,931	$ 597,083	$ 617,002	$ 637,433	$ 663,840	$ 691,530
GROSS PROFIT	**$ -**	**$ 4,364,106**	**$ 6,438,408**	**$ 7,890,226**	**$ 9,294,282**	**$ 10,274,919**	**$ 10,754,856**	**$ 11,076,317**	**$ 11,348,426**	**$ 11,586,293**	**$ 11,805,712**
EXPENSES											
Valo Operations Charge	-	$ 385,864	$ 719,445	$ 941,902	$ 1,155,665	$ 1,298,408	$ 1,359,408	$ 1,393,024	$ 1,418,862	$ 1,440,384	$ 1,458,764
Platform Fee	-	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Annual Network Maintenance	-	1,000,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Connect Corporate Staff	480,000	487,409	497,157	507,100	517,242	527,587	538,139	548,901	559,879	571,077	582,499
EQUS Professional Sevices	286,250	290,668	296,482	302,411	308,459	314,629	320,921	327,340	333,886	340,564	347,375
Office Lease	150,000	152,315	155,362	158,469	161,638	164,871	168,168	171,532	174,962	178,462	182,031
General and Admin	120,000	121,852	124,289	126,775	129,311	131,897	134,535	137,225	139,970	142,769	145,625
Service Fee	-	77,174	77,174	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Bad debts	-	23,437	34,136	41,706	49,074	54,214	56,760	58,467	59,929	61,251	62,486
	$ 1,036,250	$ 5,238,719	$ 5,754,045	$ 6,028,363	$ 6,271,389	$ 6,441,605	$ 6,527,930	$ 6,586,489	$ 6,637,489	$ 6,684,507	$ 6,728,780
OTHER INCOME (EXPENSE)											
Infrastructure Adjustment	-	$ 474,055	$ 234,529	$ 54,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Franchise Fee	-	563,191	918,892	1,916,785	3,022,893	3,833,314	4,226,926	4,489,829	4,710,937	4,901,787	5,076,932
Amortization of deferred contribution	1,036,250	963,750	-	-	-	-	-	-	-	-	-
EBITDA	-	$ -	$ -	$ -	$ -	$ 0	$ -	$ (0)	$ -	$ 0	$ 0
Depreciation - PPE	$ 75,958	$ 741,498	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,331,079	$ 1,323,733
EBIT	**$ (75,958)**	**$ (741,498)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,323,733)**
Interest on long term debt	-	-	-	-	-	-	-	-	-	-	-
NET INCOME	**$ (75,958)**	**$ (741,498)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,331,079)**	**$ (1,323,733)**
BEGINNING RETAINED EARNINGS	$ -	$ (75,958)	$ (817,456)	$ (2,148,536)	$ (3,479,615)	$ (4,810,694)	$ (6,141,774)	$ (7,472,853)	$ (8,803,933)	$ (10,135,012)	$ (11,466,091)
ENDING RETAINED EARNINGS	**$ (75,958)**	**$ (817,456)**	**$ (2,148,536)**	**$ (3,479,615)**	**$ (4,810,694)**	**$ (6,141,774)**	**$ (7,472,853)**	**$ (8,803,933)**	**$ (10,135,012)**	**$ (11,466,091)**	**$ (12,789,825)**

Figure 10.2.1: Projected Income Statement

	2023	2024	2025	2026	2027	2028	2029	2030	2030	2031	2032
BALANCE SHEET											
	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total	Consolidated Total
ASSETS											
Current											
Cash	$ 963,750	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	5,174,042	45,182,544	43,851,464	42,520,385	41,189,306	39,858,226	38,527,147	37,196,067	35,864,988	34,533,909	33,210,175
TOTAL ASSETS	**$ 6,137,792**	45,182,544	43,851,464	42,520,385	41,189,306	39,858,226	38,527,147	37,196,067	35,864,988	34,533,909	33,210,175
LIABILITIES											
Deferred contribution	$ 963,750	-	-	-	-	-	-	-	-	-	-
	963,750	-	-	-	-	-	-	-	-	-	-
NET ASSETS											
Retained earnings (unrestricted)	$ (75,958)	(817,456)	(2,148,536)	(3,479,615)	(4,810,694)	(6,141,774)	(7,472,853)	(8,803,933)	(10,135,012)	(11,466,091)	(12,789,825)
Share Capital	$ 5,250,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000
	$ 5,174,042	45,182,544	43,851,464	42,520,385	41,189,306	39,858,226	38,527,147	37,196,067	35,864,988	34,533,909	33,210,175
TOTAL LIABILITIES PLUS NET ASSETS	**$ 6,137,792**	45,182,544	43,851,464	42,520,385	41,189,306	39,858,226	38,527,147	37,196,067	35,864,988	34,533,909	33,210,175

Figure 10.3.1: Projected Balance Sheet

STATEMENT OF CASH FLOWS	2023	2024	2025	2026	2027	2028	2029	2030	2030	2031	2032
OPERATING ACTIVITIES											
Cash from customers											
Revenues	2,000,000	$ 4,687,440	$ 6,827,284	$ 8,341,219	$ 9,814,774	$ 10,842,850	$ 11,351,939	$ 11,693,319	$ 11,985,859	$ 12,250,134	$ 12,497,242
Infrastructure Adjustment Fee	-	474,055	234,529	54,922	-	-	-	-	-	-	-
Cash paid to suppliers and employees	-	-	-	-	-	-	-	-	-	-	-
Cost of Sales	-	(323,335)	(388,876)	(450,993)	(520,492)	(567,931)	(597,083)	(617,002)	(637,433)	(663,840)	(691,530)
Expenses	(1,036,250)	(5,238,719)	(5,754,045)	(6,028,363)	(6,271,389)	(6,441,605)	(6,527,930)	(6,586,489)	(6,637,489)	(6,684,507)	(6,728,780)
Franchise Fees	-	(563,191)	(918,892)	(1,916,785)	(3,022,893)	(3,833,314)	(4,226,926)	(4,489,829)	(4,710,937)	(4,901,787)	(5,076,932)
Cash paid for interest	-	-	-	-	-	-	-	-	-	-	-
Cash paid for taxes	-	-	-	-	-	-	-	-	-	-	-
Cash from Operations	$ 963,750	$ (963,750)	$ (0)	$ -	$ -	$ 0	$ -	$ (0)	$ -	$ 0	$ 0
INVESTING ACTIVITIES											
Capital additions	-	-	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FINANCING ACTIVIITES											
Capital Contribtion	-	-	-	-	-	-	-	-	-	-	-
EQUS Debt Advanced	-	-	-	-	-	-	-	-	-	-	-
EQUS Debt Repayment	-	-	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE (DECREASE) IN CASH FLOW	$ 963,750	$ (963,750)	$ (0)	$ -	$ -	$ 0	$ -	$ (0)	$ -	$ 0	$ 0
BEGINNING CASH	$ -	$ 963,750	$ -	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)
ENDING CASH	$ 963,750	$ -	$ (0)	$ (0)	$ (0)	$ 0	$ (0)	$ (0)	$ (0)	$ 0	$ 0

Figure 10.4.1: Projected Statement of Cash Flows

5 Proposed Corporate Framework

The following agreements and legal structures will define the relationship between the parties, the ownership of CONNECT and the rights and obligations of the parties. Note, this list is not an exhaustive list of agreements that will exist between the parties, but it is the relevant list for the purposes of the elements of the corporate framework presented below. The exact assignment of elements of the corporate framework across the various agreements may change during the course of negotiations.

Proposed Agreements:

- Art. – Share Structure to Articles of Incorporation of 2403744 Alberta Inc. (Draft Provided)
- USA – CONNECT Unanimous Shareholders Agreement (Draft Provided)
- Sub. – CONNECT Shareholder Subscription Agreement (Draft Provided)
- CCRA – Community Commercial Reconciliation Agreement (Draft Provided)
- CICA – Community Infrastructure Construction Agreement (Draft in progress)
- OPA – Operator Platform Agreement (Draft in progress)
- EPSA – EQUS Professional Services Agreement (Draft in progress)
- CROWA – Community Right-of-Way Agreement (to be supplied by Subscribing Municipality)

Framework Elements to be finalized in Definitive Agreement(s)	Agreement where element is addressed	Description
Transaction Structure for Broadband Entity	Art Art Art USA USA	• EQUS has incorporated a subsidiary corporation 2403744 Alberta Inc. ("CONNECT") • CONNECT would serve as the operating entity for the purposes of the proposed venture • CONNECT will be operated as a limited private corporation with municipalities offered to join CONNECT as a shareholder by way of subscription agreement • CONNECT will operated as a Municipally Controlled Corporation as that term is defined under the Municipal Government Act • CONNECT will be subject to a unanimous shareholders agreement directing the business, governance and operations of CONNECT and enumerating the structure and powers of the Board of Directors
Conditions Precedent to Definitive Agreement(s)	Art OPA EPSA	• Approval of regulation proposed by the Government of Alberta, Department of Agriculture (Rural Utilities Branch) permitting EQUS REA Ltd. to own shares in and operate CONNECT • Operating agreement between CONNECT and Third-Party Operating Partner for supply of construction and operating third-party contractor • Professional services agreement between EQUS and CONNECT for supply of management and operations services

	(Due Diligence; Indep. Legal Advice) (Due Diligence; Indep. Legal Advice)	• Municipal entrants to confirm through due diligence and legal review compliance with Municipal Government Act and Income Tax Act and represent to other parties such compliance with Transaction Documents • EQUS to confirm through due diligence and legal review compliance with Rural Utilities Act and Income Tax Act and represent to other parties such compliance with Transaction Documents
Contributions and Interests	Sub, USA USA, CCRA USA USA	• At the initial closing of one or more inaugural member communities, EQUS will subscribe for and hold a 20% equity share in CONNECT and the inaugural communities will hold the balance on a pro-rated basis. • At closing, CONNECT and the one or more inaugural communities will enter into a shareholder agreement directing the business, governance and operations of CONNECT and enumerating the structure and powers of its Board of Directors • The inaugural community or community's interest in CONNECT will be diluted proportionately with the new capital built or contributed by new participating municipalities • EQUS' initial equity share in CONNECT will be reduced on further municipality participation or on specified capital thresholds set out in the USA

Financing Structure	USA, Sub, CCRA Sub. Sub. Sub., CCRA Sub., CCRA Sub.	• A participating municipality may decide how much total new capital, if any, they want to contribute to the build of infrastructure in their municipality, subject to the 25% minimum required contribution. • EQUS anticipates being able to make available to CONNECT an initial working capital allotment of $2MM • EQUS anticipates being able to make future capital advancements until CONNECT is able to self-sustain such investments through third party financing • All member municipalities engaging with CONNECT may access CONNECT capital loans up to a maximum of 75% of their individual capital installation costs, at CONNECT's discretion • Municipalities must directly contribute at least 25% of total capital installation costs • Municipalities are free to elect to pay the entire capital installation costs for passive fibre infrastructure within their incorporated and annexed boundaries
Security for EQUS Advancements	Sub. CCRA CCRA	• EQUS will take, as of the shareholder agreement effective date, general security agreements over all current and future constructed fibre-optic telecommunication assets within the annexed and incorporated boundaries of the subscribing municipality owned by the subscribing municipality or CONNECT • The EQUS security will secure the performance by the granting municipality of its performance under the Community Commercial Reconciliation Agreement (CCRA)
Management and Governance	USA USA EPSA	• CONNECT Board of Directors will vote on terms of acceptance of new municipality entrants to CONNECT • CONNECT management will initially consist of one dedicated CONNECT executive, the EQUS executive and staff (as required) to supplement, and will also work with third-party contractors • EQUS will charge CONNECT a management fee equal to the actual internal and third-party costs of providing CONNECT management and operations services
Objects and Purposes	Art., CCRA Art., CCRA Art., CCRA CCIA	• Overarching purpose to deliver fibre-based open-access broadband internet to Rural Albertans, to be achieved by: ○ CONNECT will operate all network infrastructure from the customer demarcation point to the connection gateway, including the municipalities' distribution network; ○ CONNECT will facilitate access for and grant access to retail service providers; ○ CONNECT will either directly own or contract for data backhaul capacity to the global gateway; ○ CONNECT will design-build and own all last mile connections from the distribution network to the customer demarcation point in accordance with municipality specifications

Term	**USA, CCRA**	• **Indefinite, subject to exit right restriction in operating years 1-5**
Geographic Scope	**Art.** **CICA**	• **CONNECT intends to operate in all rural areas across Alberta** • **Each member community will have primary discretion as to the broadband infrastructure that is constructed and operated within their community.**
Compliance Requirements	**(Due Diligence; Indep. Legal Advice)** **(Due Diligence; Indep. Legal Advice)** **CROWA**	• **Municipal entrants to confirm through due diligence and legal review compliance with Municipal Government Act and Income Tax Act and represent to other parties such compliance with Transaction Documents** • **EQUS to confirm through due diligence and legal review compliance with Rural Utilities Act and Income Tax Act and represent to other parties such compliance with Transaction Documents** • **CONNECT will enter into right-of-way agreements with subscribing municipalities to permit installation and operation of broadband assets prior to subscription**
Exit Rights	**USA** **USA** **USA**	• **Municipalities may exit from CONNECT at any time on 180 days prior written notice upon surrendering and transferring all rights and obligations to installed assets to CONNECT** • **Subscribing municipalities will be restricted from departure except in events of default within 5 years of subscription** • **In the case of dissolution of CONNECT, subscribing municipalities will be granted rights in assets within their municipality on the basis of an extraordinary shareholder's resolution**
Competition	**USA**	• **Any subscribing municipality will be restrained from entering direct competition with CONNECT with a competitive provider within 5 years of the subscription date** • **EQUS is expressly permitted to continue to promote, offer, and negotiate the CONNECT proposal on identical terms with other municipalities within the Province of Alberta**
Tax Issues	**(Due Diligence; Indep. Legal Advice)** **(Due Diligence; Indep. Legal Advice)**	• **Prior to completing the Transaction Documents each Party will seek and receive tax advice, and make representations to the other parties prior to closing that, among other things, municipality and association not-for-profit status under Income Tax Act is preserved by entering CONNECT as contemplated** • **The parties will confirm an acceptable legal vehicle for CONNECT prior to formation of the Broadband Entity**

6 Conclusion

CONNECT offers an opportunity to rural and regional communities in Alberta that are faced with the challenge of developing the necessary infrastructure to provide high-quality broadband service for residents, business, and government. CONNECT's business model provides a solution to the community-built broadband internet market failures that have left many communities without access to modern broadband infrastructure.

Through partnerships with local governments, CONNECT will enable rural and regional communities to develop broadband infrastructure, ensuring that modern broadband services are offered to the community. With CONNECT available to operate and maintain the infrastructure on behalf of partner communities, local governments can provide access to this essential service, while defining their priorities for service development and delivery and working towards their public policy and service goals through their shared ownership of CONNECT.

It is through the vision of CONNECT's shareholders that rural and regional Alberta communities will receive the critical broadband infrastructure and services they require to thrive and grow into the future of a modern, digital economy and society.