

Core South Bay Fiber Network (SBFN) Fiber Development Agreement
Summary of Terms Agreed to by the South Bay Cities Council of Governments
("SBCCOG" or "COG") and American Dark Fiber ("ADF")
(Version 2)

Proprietary & Confidential (Permissible use by SBCCOG Board, Counsel)

June 26, 2019

Purpose of the Agreement	The terms described herein outline the general terms, conditions, pricing, routing, and timelines associated with the South Bay Fiber Network (SBFN) RFP and subsequent ADF design and cost proposal to provide a dedicated fiber-optic network that interconnects COG member cities, certain affiliates, and two data-center internet supply nodes. The terms outlined herein are intended to form the basis of a binding Letter of Intent ("LOI") to be executed by the parties.
Fiber Route	Please see the attached map of the general route to be provided by ADF
Fiber Route & Route Description	The route includes nearly 100 route miles of fiber miles that will be able to interconnect the nodes requested by the COG that have touch points to, minimally, all city halls, certain member city data centers, other critical buildings, and an additional two (2) data centers (located in El Segundo and Hawthorne). There are additional buildings identified which must be connected. (See "Contract Site Lists", "Other Metro/LADPW Buildings", below.)
Diverse Ring System	The system provided by ADF will include an underlying "ring" that serves as a protection against potential system outages in the event of network cuts or other catastrophic events that protect the availability of the network via diverse routing so that maximum availability of the network is attained.
System Capital ("NRC") Core Ring Development Costs (\$2,541,315.20)	The fiber network is comprised of two "capital cost" categories as revised by ADF on 1/22/19 (upon completion of site survey project): 1. \$2,541,315.20 : The Core SBFN system (ring, POPs, and buildings). 2. Final NRC costs for four (4) buildings will be determined by June 21, 2019. (see "Other Metro / LADPW Buildings", below.)
System Capital ("NRC") Lateral Development Costs (\$1,305,155.69)	<ol style="list-style-type: none"> 1. Only actual lateral construction costs to connected buildings, and related electronics costs, will be included here. For each phase, these costs will be defined in advance. (See "Anticipated NRC Progress Payment Timing Schedule", below.) 2. Not to exceed \$1,305,155.69: The building lateral connections which are the extensions required to interconnect each building to the SBFN system that has an in-building termination point (as estimated from the detailed site surveys conducted from 12/19/18-1/21/19). 3. Estimates of NRC lateral costs for buildings specified in "Other Metro / LADPW Buildings", below, was provided on June 21, 2019. 4. In addition, there may be additional NRC for these Metro / LADPW sites. 5. During contract negotiations, protocols will be defined to address when available NRC funding is exhausted. May be additional MRC for these sites.
Anticipated Deployment Interval	ADF anticipates an approximate 9-month construction interval (subject to permitting, hidden construction conditions, etc.), assuming an executed contract, measured from notice to proceed for the project to be deployed. For example, a Sept 1, 2019 contract execution date would expect a June 1, 2020 system delivery.
Anticipated NRC Progress Payment Timing Schedule	<p>Upon a formal contract being executed by the parties, ADF will require progress payments to be made at the following intervals:</p> <ul style="list-style-type: none"> - Executed Agreement: 33% of core SBFN ring NRC, or \$838,634.04; - Project Mid-Point: 33% of core SBFN ring NRC or \$838,634.04; - Core ring completion: 34% of core SBFN ring NRC or \$864,047.20 to be paid upon ADF providing core ring project close-out packages and acceptance testing documentation. <p>After contract signing, joint planning (between SBCCOG, ADF) for phased laterals will drive work orders, and specific lateral construction costs. Those construction costs for each set of laterals connected to the SBFN backbone will follow the same progress payment structure as the backbone (at 33%/33%/34%). Appropriate product closeout and acceptance testing documentation will be required.</p>
Deposit Needed to Secure Current Pricing	ADF requires a \$100,000 deposit from the COG to extend current pricing beyond June 30, 2019. This is a non-refundable deposit made to allow ADF to obligate itself to certain cost outlays to secure contractual construction rates, fiber segment acquisition pricing, engineering expenses, etc. that pertain to the proposed system. The deposit allows for pricing to be maintained through August 31, 2019, during which time the parties agree to make best efforts to finalize and execute a formal contract memorializing terms described herein this LOI and for other standard contract requirements. The deposit will be credited against the first core SBFN ring progress payment. The deposit will be invoiced upon approval of the LOI which is anticipated to be no later than June 30, 2019. The payment will be due within 10 days of receipt of the invoice.
Initial Term Length and Lower Price Adjustment	3-Years with 4x 3-year Renewal Options. ADF will provide modified (lower) initial pricing so that the previous 5-year/55-building pricing thresholds offered will be provided on the three-year contract term length.
Pricing	ADF/RACE team will offer the basic service of 1Gbps of IP (internet) bandwidth for \$1,000.00 per month. Other service levels are available per our RFP response (i.e., \$2,000 at 2Gbps, \$2,750 at 10Gbps, or similar speed transport services).

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	<p>After a monthly revenue level of \$55,000.00 is obtained the basic service of 1Gbps will be reduced 5%, to an effective rate of \$950.00 per month. Likewise, MRC costs for 2Gbps, 10Gbps service and transport services will be reduced 5%.</p> <p>The effective price points above include a Core SBFN backbone (and IP POP) cost of \$20,000/month which is currently split amongst the initial pool of thirty-five (35) buildings and is a component of the monthly circuit rates provided to the SBCCOG.</p> <p>In addition, upon reaching \$55,000 in monthly revenue, ADF/Race will revisit effective MRC rate pricing with SBCCOG at all bandwidth speeds within ninety (90) days of receiving notice by SBCCOG. Any revised circuit pricing provided by ADF/Race will include the base Core SBFN backbone and IP cost of \$20,000/month as a pro rata component of any reduced circuit costs to be provided.</p> <p>Additionally, for entities seeking transport-only circuits, ADF/Race will offer a transport circuit rate at a discount that results in transport circuit cost that is at least ten percent (10%) less than that of the cost of a comparable speed IP circuit, assuming any applicable minimum revenue threshold is met.</p> <p>ADF requires a guaranteed minimum of \$35,000 in revenue per month upon delivery of the system.</p>
<u>NRC Billing</u>	ADF will bill SBCCOG for NRC costs.
<u>MRC Billing</u>	ADF will bill individual cities and sites for lit services once services are turned up. Monthly billing summaries for site services, sorted by member city and/or other entity, will be sent by SBCCOG.
<u>New Revenue Source to COG for Non-COG Building Connections</u>	ADF anticipates selling circuits to others that fall outside of the COG membership pool and/or COG-affiliates (i.e., anchors, quasi-government agencies, approved NGO's, etc.). ADF/Race will charge all non-COG – affiliate customers a monthly \$50.00 "recovery fee" that will be paid out by ADF/Race to the COG monthly. This recovery fee would be in addition to the revenue share fee defined in the RFP. The COG could use funds generated as it deems fit.
<u>Static IP</u>	ADF will provide a minimum of 64 static IP addresses, up to 128, to the SBCCOG (and/or one or more of its members) as part of the \$35,000/month minimum revenue threshold required. If additional static IP beyond 128 count are required, IP pricing will be passed through without markup.
<u>SBCCOG Revenue Share Start Point</u>	The 1.5% revenue share percentage shall commence once fifty-five (55) buildings are connected to the Core SBFN backbone and billing in good-standing.
<u>Network Augmentation</u>	<p>ADF shall work with SBCCOG on any required external sales opportunities that could result in additional strands of fiber being procured and integrated as part of the designed Core SBFN system.</p> <p>ADF will coordinate with the SBCCOG on pricing of any such opportunities (e.g. Mox) so that the SBCCOG may receive an "equitable share" of any tangible economies of scale benefits that would result from a new revenue opportunity separate from the "recovery fee" process. (SBCCOG portion of "equitable share" would be a monthly credit to the \$55,000 threshold.)</p>
<u>Contract Site Lists</u>	SBCCOG will provide ADF with a tentative initial site list by June 30, 2019. Subsequently, the SBCCOG will provide a complete initial site list of addresses to be connected to the ring by not later than September 1, 2019. Final initial service site list will be set by March 1, 2020, after SBCCOG and ADF sales efforts complete.
<u>Sales Support</u>	ADF will support sales efforts to SBCCOG member cities and other entities from the date of the Letter of Intent minimally through January 1, 2020. Counts of committed sites, and resultant revenues from those sites as a result of these sales efforts, will be accounted toward committed monthly site and revenue goals.
<u>Other Metro / LADPW Buildings</u>	<p>SBCCOG has identified four (4) building nodes that will, or likely will be, interconnected to Core SBFN system to support Metro and LADPW. Those locations are:</p> <ul style="list-style-type: none"> • One Gateway Plaza (729 Vignes Street, Los Angeles, CA) (Metro); • 900 S Fremont Avenue, Alhambra, CA (LADPW); • 2000 East Imperial Highway, El Segundo, CA (Metro; optional, TBD); • 2901 West Broadway, Los Angeles, CA (Metro LARTMC; optional; TBD); <p>ADF will develop a plan for interconnecting these nodes in a manner that provides for dedicated lit transport at thresholds equal to the minimum speeds (1 Gb) offered to the SBCCOG.</p> <p>Final NRC and MRC costs associated with these four buildings were estimated by ADF and provided on June 21, 2019. SBCCOG will provide guidance on how MRC charges will be paid by Metro and LADPW.</p> <p>Any NRC needed to create the physical connections will be funded <u>through</u> the SBCCOG.</p>