

November __, 2010

To: All Arrow Launch Service Customers

Arrow Launch Service, Inc. (“Arrow”) last applied to the Washington Utilities and Transportation Commission (“WUTC”) for a rate adjustment in the fall of 2008. As I have discussed with many of you, since that rate filing, the costs to provide 365-day a year, 24-hours a day staffing and equipment availability to your company have increased significantly. For instance, the price of fuel, parts, moorage, health benefits and maintenance have all increased since our last rate filing and importantly, business volumes have declined due to the national economy and other circumstances beyond Arrow’s control which have caused the incremental cost of providing 24-hour a day service availability to substantially increase while revenues have declined.

Because of these circumstances and most importantly in order for us to continue to provide you with the level of responsiveness and reliability that you have come to expect, we find it necessary to request approximately a 26% rate increase to our tariff. Enclosed is our proposed revised tariff schedule to become effective January 1, 2011 that has now been filed with the WUTC for review and approval.

The Commission has the authority to set rates higher or lower than the company’s request, depending on the results of its investigation. Commission staff will make a recommendation to the commissioners at an open meeting in Olympia, which is scheduled for 9:30 a.m. on Thursday, December 30, 2010. You will have an opportunity to comment in person at this meeting. If you are unable to attend the open meeting, the Commission has a bridge line which enables you to participate or listen by telephone. Call 360-664-1234 the day before the open meeting for instructions and to sign in. You can also comment by using the comment form at the Commission’s web site at utc.wa.gov/comment, or by using the contact information below:

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250, Olympia, WA 98504-7250
E-mail: comments@utc.wa.gov
Telephone: 1-888-333-9882

DRAFT December 1, 2010

While we regret having to request an increase in our rates to serve you, we hope that you, as our loyal customer, endorse our desire to maintain the highest quality of on-demand, round-the-clock reliable service that we have offered you over the past two decades and look forward to partnering with you in the months and years to come.

Sincerely,

Arrow Launch Service, Inc.

Jack L. Harmon, Jr., President