

**Before the
DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration
and the
DEPARTMENT OF AGRICULTURE
Rural Utilities Service
Washington, DC**

In the Matter of)
)
Broadband Initiatives Program and Broadband) Docket No. 0907141137-91375-05
Technology Opportunities Program)
)

To: The Assistant Secretary of Commerce for Telecommunications and Information and the
Under Secretary of Agriculture for Rural Development

COMMENTS OF JOHN STAURULAKIS, INC.

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EXECUTIVE SUMMARY

John Staurulakis, Inc. (“JSI”) is a consulting firm that assists over one hundred independent incumbent local exchange carriers (“LECs”) throughout the United States in the preparation and submission of jurisdictional cost studies and Universal Service Fund data to the National Exchange Carrier Association (“NECA”). Additionally, JSI offers regulatory, financial and business development services to these LECs and their affiliate which include competitive LECs, video/cable companies, Internet Service Providers and wireless companies. In most cases, these LECs and their affiliates provide broadband services to certain portions of the rural communities within their service areas.

JSI has been working with many of these companies to try and secure funding through the American Recovery and Reinvestment Act (the “ARRA”)¹, in many cases, to expand broadband coverage throughout existing rural LEC service territories, as well as to make broadband services available to other unserved and underserved communities. To support NTIA and RUS efforts to make broadband available in as many areas as possible and to encourage sustainable adoption, JSI offers the following recommendations to NTIA and RUS in response to the Joint Request for Information.

¹ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) (“ARRA”).

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John Staurulakis, Inc. (“JSI”) submits these comments in response to the Joint Request for Information² in the above-captioned proceeding to present recommendations regarding the implementation of the Broadband Initiatives Program (“BIP”) and the Broadband Technology Opportunities Program (“BTOP”) through the American Recovery and Reinvestment Act (the “Recovery Act”).³ JSI provides recommendations so as to inform the second round funding and to help the agencies improve the broadband programs.

² Department of Commerce, National Telecommunications and Information Administration; Department of Agriculture, Rural Utilities Service, Docket No. 0907141137-91375-05, Joint Request for Information, 74 Fed. Reg. 58940-44 (November 16, 2009) (the “Request for Information”).

³ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009 (“Recovery Act”).

I. BACKGROUND

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (“ARRA”)⁴, which aims to, among other things, promote economic recovery through the creation of jobs and investments in transportation, environmental protection, and infrastructure. As part of this recovery, the ARRA directs NTIA and RUS to fund grants and loans to be used for the development of broadband infrastructure and initiatives for the provision of broadband services to areas in need.

On July 7, NTIA and RUS jointly released the first Notice of Funds Availability setting out rules, procedures, and guidance to be followed for completing the first round of applications for ARRA funding. In the first round, approximately 2,200 applications were submitted and are currently under review. Many lessons were learned in the first round, some through trial and error. Now, the agencies request the public to comment on recommended changes to the rules and procedures for the second round of applications. JSI’s recommendations changes are provided herein below.

II. RESPONSES TO JOINT REQUEST FOR INFORMATION

A. The Application and Review Process

1. *Streamlining the Applications:*

- a) **What ways should RUS and NTIA *streamline the applications* to reduce the burden on applicants, while still obtaining the requisite information to fulfill the statutory requirements set forth in the Recovery Act?**

⁴ American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 115 (2009).

- i) **Issue: View Entire Application with Attachments/Uploads.** Applicants should have the ability to view a *.pdf version of the applications with all application content, attachments, supplemental uploads and certifications.

In the first round, it was difficult to confirm that particular attachments and supplemental information had uploaded to the application and were correctly formatted. It was also very difficult to ascertain whether the right attachment or supplemental information file had been uploaded and to ensure that there were no duplicates existing in the application. The difficulty lay in the fact that the applicant could not open and view or print the entire application, including attachments, supplemental information and certifications, from a single document file. So, although the applicant could view the application and then view each attachment/supplemental information file independently, the applicant was disadvantaged by not being able to view everything put together as it would be seen by the reviewer.

Recommendation: RUS and NTIA should enable the consolidation of all application contents, attachments, supplemental information and certifications such that the applicant is able to view all such information in a single *.pdf document file before submitting the application to the respective agency(ies) for review.

ii) **Issue: Deletion of Duplicates.** If an applicant uploads a document as an attachment, a separate written essay response to a particular question or as supplemental information into a designated slot in the application, the system should have a “replace” feature that would automatically delete the previous version of documents with the same designation.

In round one, the electronic application system allowed an applicant to upload multiple versions of the same attachment, separate written essay responses or other supporting and supplemental information. While this process allowed applicants to make modifications to that document, if the applicant did delete the previous version of the document, duplicate documents were filed with the application when it was submitted. There were also instances where an applicant could have two or three versions of the same attachment or other document uploaded to the application. If the applicant, at a later time, wanted to delete the earlier/incorrect versions of the document, it was difficult to determine which version should be deleted.

Recommendations: (1) The electronic application system should have a “replace function”. The user should be able to click on the document to be replaced, verify that the document will be deleted, then upload the replacement document. This would eliminate multiple versions of the same document. (2) The system should confirm that the total number of documents designated for upload has been received.

iii) Issue: Clearer Labeling in the Application. When you are within the online application, each page should have the applicant's name and Proposed Funded Service Area ("PFSA") name as a header.

In Round 1, for applicants with multiple PFSAs or representatives filing applications for multiple applicants, it was difficult to keep track of which application or PFSA you were in when using the online application system.

Recommendation: The system should include a caption containing the applicant's name and the applicable PFSA on each page of the electronic application online.

iv) Issue: Electronic Document Conversion to *.pdf. The system should not perform redundant document format conversions.

In Round 1, the system automatically converted uploaded documents to *.pdf for final processing. However, if a document was already in *.pdf format, the system still performed an automatic conversion, which was redundant and unnecessary. The redundancy also caused further delay in processing the applications especially when a *.pdf document was queued for conversion ahead of other non-*.pdf documents awaiting conversion.

Recommendation: If the applicant has uploaded a document in *.pdf format, the system should not attempt another unnecessary conversion to *.pdf.

b) Are there other recommendations for streamlining applications?

- i) Issue: List of Applications Created by Authorized Individuals.** The list of applications created by a United States Department of Agriculture (“USDA”) e-authorized individual did not contain enough detail to differentiate between applications.

In the first round, under each USDA e-authorization ID login, the system would automatically generate a list of applications started by that individual. The list would contain the date created and the PFSA name. However, since many USDA e-authorized individuals may be managing the applications of multiple applicants, this was not enough information to adequately distinguish between the applications. As a result, an authorized individual might have to open multiple applications before retrieving the correct application in which to make changes. This caused an additional burden and further delays to completing applications.

This issue also applies to the Public Filing Notice responses. All the responses should list the applicant name, PFSA name and respondent’s name on each page of the response.

Recommendations: (1) The list of pending applications associated with a USDA e-authorization should contain additional information to help an authorized individual distinguish between applications. Additional information should include at least the name of the applicant PFSA name and respondent name on the application; (2) in the Public Filing Notice phase, additional detail such as the name of the applicant should also be included in the list of pending responses.

(ii) **Issue: Additional Information in the Application Mapping Tool.** It was often difficult to ascertain and accurately represent the census blocks that were included in a PFSA.

The NOFA required an applicant seeking grant or loan funds to create a PFSA consisting of contiguous census blocks comprising either unserved or underserved areas. In round one, the electronic mapping system did not provide visual assistance to the applicant in determining the census blocks contained in the PFSA as the applicant was drawing the map. Once the applicant had drawn the PFSA map, the system derived the census blocks contained in the area drawn, however, many blocks in different census tracts were identified by the same number. The only way to distinguish between two blocks with the same number was to determine the census tract which was associated with each block. Since the system did not provide census tract information an applicant was forced to go to a census map to determine which census tract each of the census blocks were in to make a distinction. This was very burdensome.

During the public notice filing phase, the mapping tool used by responders provided census block and census tract information, which was very helpful.

Recommendations: (1) The application mapping tool should provide a census block overlay in the application mapping tool so that an applicant has a visual aid to identifying census blocks as it is drawing its PFSA maps. This information will help the applicant ensure that it is including contiguous census block areas in the PFSA. (2) The application mapping tool should provide the list of the census tracts and the blocks within the tract as provided in the public notice filing response phase.

iii) **Issue: Discrepancy between Mapping Tool and Manual Census Block Counts.** In the application, an applicant was required to draw a PFSA map in the mapping tool after which, the tool would derive a list of the census blocks included in the PFSA. The applicant was also required to derive a list of the census blocks that made up the PFSA. At times, the mapping tool list and the manual list derived by the applicant were different.

Sometimes, the mapping tool would not pull enough census blocks into the count for the drawn PFSA map and would sometimes pull too many. When the applicant's list did not match the mapping tool's list, this would cause great

concern for the applicant for fear of being disqualified for having incomplete or inaccurate information.

Recommendations: In round 2, NTIA and RUS should ensure that discrepancies between census block counts from the mapping tool and from the applicant do not result. This can be accomplished in the following ways: (1) the agencies might only rely on the mapping tool count or only rely on the applicant's count; (2) the agencies could provide a manual override to the applicant providing the ability to change the mapping tool count in the case of a discrepancy; or (3) the agencies could provide a way for the applicant to give an explanation for why a discrepancy has occurred, i.e., the applicant could explain that the mapping tool has included too many census blocks in its count and that some of the census blocks included by the mapping tool are not actually in the polygon drawn by the applicant.

iv) **Issue: 2000 Census Has Outdated Data.** There were many discrepancies between the 2000 census data for the number of households, population, etc. and figures resulting from direct local knowledge of the applicant.

The NOFA and application guidelines required the use 2000 census data and the mapping tool pulled census data like population, number of households from the 2000 census. In many cases the applicant had direct local knowledge that this data was either too high or too low, and out of date, but the applicant felt

obligated to use the 2000 census data anyway. In many cases, if the census data was wrong, it negated the applicant's subscriber counts or percentages in other parts of the application.

Recommendation: In round 2, NTIA and RUS should provide a place in the application where the applicant can add updated data that it has collected or already has knowledge of that would give a more accurate picture of the demographics and households passed.

- v) **Issue: Additional Identifying Information in Mapping Tool.** When creating and submitting multiple applications, it was sometimes difficult to ensure a map was associated with the correct application.

In round one, there was not enough identification listed on each individual map to ensure the right map was with the correct application. It would be helpful if the map screen contained information identifying the particular application for which the map was being drawn.

Recommendations: (1) In the application, the mapping tool should include application identifying information on the map screen, to include the applicant's name, the area name, and state; (2) in the response phase, the response maps should also include the responder's name.

2. *Specification of Service Areas.*

a) **What level of data collection and documentation should be required of applicants to establish the boundaries of the proposed funded service areas?**

i) **Issue: Standardize the Unit of Measure for Data Collection.** Service providers are required to use different metrics to collect and store broadband demographic data. Currently, all broadband providers, including rural LECs, are required to gather their broadband subscriber and other demographic information according to census tracts for purposes of filing the FCC Form 477. However, the NOFA required these same providers to gather the information according to census blocks for the purpose of filing a grant application for ARRA funding. Additionally, the NOFA required all incumbent broadband providers that provide service in areas where applicants proposed to provide service to provide to the agencies their broadband subscriber and other demographic information according to the PFSA set forth in the applications in filing responses to the Public Notice Filings. Requiring rural LECs and other broadband providers to collect and store the same information according to different metrics and often with different results is not only very burdensome but results in data that is unreliable and potentially inaccurate.

Recommendation: While JSI recognizes the agencies' desire to provide funding at the census block level, it urges the agencies in the application and Public Notice Filing response processes to utilize existing data in that

incumbent broadband providers have already provided to the FCC on Form 477 since currently, the Form 477 process is the only comprehensive and consistent process for collecting data regarding the provision of broadband services.

- ii) **Issue: Application Maps were Difficult to Draw and Interpret.** At times, it was difficult to draw accurate boundaries for a PFSA.

There were too few reference locations on the mapping tool to help in drawing boundaries resulting in imprecise drawings. If the same map were to have been drawn twice, it is very likely that the population, households and businesses would be different on the two maps due to this imprecision. This causes further difficulties in matching a business plan and penetration rates based on homes counts that are not accurate.

Recommendation: NTIA and RUS should provide more detail on the mapping tools to help in drawing more precise maps. Additional detail should include additional geographic reference points down to the streets, parks, and other community landmarks. More reference information will allow an applicant to draw more precise and consistent maps.

- iii) **Issue: Validation of Census Block Information.** There were some inaccuracies in the census block information represented for some applicants' maps.

In the application, if an area of an applicant's PFSA covered only a portion of a census block but not the centroid of the block, the block did not appear in the map and was not included in demographic calculations. Thus, demographics such as household counts were skewed because some blocks were excluded from the PFSA incorrectly.

In the public notice response phase, responders, at times, found that some applicants' census blocks were not even in the same state as the application.

Recommendations: (1) The mapping tool should allow an applicant to draw a portion of a census block even if the centroid portion of the block is not included. The applicant will have to provide justification in other parts of the application as to why the entire block is not served. (2) The mapping tool should perform a check on the accuracy of the census block information formulated from the PFSA maps.

iv) **Issue: Consistency of the Mapping Tool.** The mapping tool included all business from the zip code(s) associated with the PFSA.

Although households were calculated per census block, businesses associated with a PFSA were calculated using all businesses from the associated zip

code(s). This resulted in gross overstatements, in some cases, of the businesses in the area.

Recommendation: The mapping tool should calculate the total number of businesses consistent with how it determines the total population or total number of households, by census block, not by zip code.

- v) **Issue: Consistency with How Maps Are Drawn.** There were several inconsistencies between PFSAs and how applicants chose to represent their proposed service areas.

One example of some inconsistencies existing between maps in first round is that maps were discovered in the public notice challenge process where some applicants with proposed service areas covering multiple states had drawn one large map and had not properly accounted for unserved and underserved areas. Applicants should be required to separate maps/service areas between the states. Also, applicants must be required to distinguish specifically between unserved and underserved areas on their maps.

Recommendation: The mapping tool should perform a check on the consistency and accuracy of how applicants draw maps using the tool.

3. Relationship between BIP and BTOP.

a) **What are some of the *other considerations* relating to the BIP and BTOP funding programs?**

- i) **Issue: BIP versus BTOP Funds Availability.** The amount of grant money available in BTOP is much greater than in BIP.

BTOP is an 80% grant with a 20% contribution by the applicant, while BIP with the exception of remote areas requires a minimum of 50% contribution by the applicant and provides additional points if the applicant can make a higher contribution. This requirement seems contrary to the goal of providing broadband service to all premises. Essentially, the cost of reaching the last few customers typically is not economically feasible. If an applicant is required to make a minimum 50% contribution to build the infrastructure, this is not enough incentive in many cases to build to the most rural areas.

Recommendation: The ability to receive an 80%/20% split of grant versus contribution of an application should be the same for both the BIP and BTOP programs. Scoring will allow the most rural areas and applications with high contribution percentages to be differentiated.

- ii) **Issue: Burden of Providing Two Financial Analyses.** Under the current arrangement, if a company found it feasible to build to the last few customers

and requests a 80%/20% grant/contribution funding it would have to perform two financial analyses.

Applicants that apply for BIP & BTOP funding are required to provide one financial analysis for BIP demonstrating that the corporation as a whole cannot support a 50% contribution. Since these financials would show that the BIP criteria was not met, then the application could then be considered by NTIA. For the NTIA application, the applicant is required to provide a second financial analysis showing it could make the 20% contribution. Producing the time and resources it takes to perform multiple financial analyses very costly and burdensome for the applicant.

Recommendation: The applicant should be allowed to produce only one financial analysis to demonstrate that it can not support a 50% contribution to a project, but is able to provide a 20% contribution.

4. *Transparency and Confidentiality.*

a) Should the public be given greater access to application data submitted to BIP and BTOP?

i) Issue: Public Access to Application Data. How much application data should be made available for public disclosure?

Recommendation: The amount of information that NTIA and RUS has made available to the public is adequate. Applicants should not be required to disclose proprietary information where competitors are able to access the applicant's broadband development and growth plans.

b) Which data should be considered confidential or proprietary?

- i) Issue: Treatment of the Executive Summary, financial and network information.** Should the Executive Summary, financial and network information be treated as confidential or proprietary?

Recommendations: 1) The Executive Summary should not necessarily be treated as confidential or proprietary, but applicants should have the ability to extract certain confidential or proprietary information from the public accessible version of the Executive Summary. For example, if the Executive Summary will include sensitive information such as subscriber growth estimates and market share, this information should be able to be extracted from the public version of the Executive Summary. 2) All financial and network information that an applicant believes is sensitive information should be treated as confidential.

5. *Outreach and Support.*

- a) What should be done differently in the next round of funding to best assist applicants?**

i) **Issue: Help Desk Changes.**

When calling the Help Desk, prompts were not targeted to certain issues such as electronic system use issues or questions regarding the online application or maps.

Recommendations: (1) The Help Desk should include prompts that better target issues likely needing greater priority during the application process. For example, there should be separate telephone prompts for specific system use issues such as login and password or completing forms, questions or issues with the online application, and prompts for questions on the mapping tool. (2) There should be separate prompts for BIP and BTOP. (3) The Help Desk personnel / subject matter experts should be organized in the same manner.

ii) **Issue: Help Desk Hours.**

The Help Desk did not open until 9am. Although the Help Desk hours were eventually extended to be open later, they were never extended to open earlier.

Recommendation: The Help Desk should open earlier than 9am to allow applicants to pose questions earlier, such as from 7am or 8am EST.

iii) Issue: Help Desk Email Responses.

Questions that were emailed to the Help Desk were often provided answers that were very vague. Sometimes a question that was asked was actually provided as the response, only reworded without further elaboration. This is very frustrating for the applicant and does not leave the applicant with any more information than before the question was asked.

Recommendation: NTIA and RUS should provide an escalation process such that questions that are not clearly or completely answered may be escalated to a Level 2 or supervisor. In the case of an escalation, the Level 2 personnel or supervisor should be more knowledgeable than the Level 1 customer service representative and should be able to provide more information.

iv) Issue: Application Guide Changes.

The application guide was often quite vague, without elaboration on the information requested and required for answering the questions. The guide also did not clearly define all of the terms used to determine the information required to answer questions. For example, the guide did not clearly define whether broadband “penetration” is based on the number of premise/housing units or the number of households?

Recommendations: (1) More detailed information should be included in the application guide, including more examples. (2) The definitions in the application guide should be made clearer and the process of how to make certain calculations such as calculations for “penetration” should be clarified.

B. Policy Issues Addressed in the NOFA

1. Middle Mile “Comprehensive Community” Projects.

i) Issue: No Credit for Proposals that Would Duplicate Existing Infrastructure

In Round one, some applicants proposed Middle Mile projects that would serve critical community facilities already being served by existing infrastructure. Some of the proposed middle mile projects did not provide the same speeds to the anchor institutions that are currently available in the existing infrastructure. Since applicants that proposed to serve critical community facilities received higher scores on their applications, these applicants were given credit for proposing to duplicate or overbuild existing infrastructure. This is not consistent with the goals of the NOFA.

The NOFA in the first round acknowledged the ARRA’s goal of appropriating funding for broadband initiative in unserved and underserved areas.⁵ The NOFA also made it a priority for applicants proposing Middle Mile projects in the BTOP

⁵ Notice of Funds Availability, 74 Fed. Reg. 33104 (Jul. 9, 2009).

program to demonstrate an impact on the area by encouraging the execution of “end-points and points of interconnection” to community anchor institutions and public safety entities, among others.⁶ If infrastructure already exists (especially fiber to the anchor institution to serve any such community anchor institution or public safety entity), however, NTIA should not allow an applicant to receive credit for proposing to overbuild or duplicate existing facilities. Such credit does not comport with the ARRA’s goals of providing broadband service to unserved and underserved areas.

Recommendation: NTIA & RUS should not provide additional credit for proposing a middle mile project that will duplicate or overbuild existing facilities.

2. *Equal Priority for Last Mile and Middle Mile*

i) **Issue: Exclusion of Last Mile Projects Would Favor Wireless Carriers.**

In the Joint Request for Information, the agencies have asked whether they should “focus on or limit” funding to middle mile infrastructure projects in round two.⁷ JSI strongly discourages excluding last mile projects from eligibility because to do so would unfairly favor wireless carriers.

⁶ *Id.* at 33120.

⁷ Joint Request for Information, 74 Fed. Reg. 58940, 58942 (Nov. 16, 2009).

Many wireless providers have complained that the cost to backhaul traffic from their towers to their wireless switch on the public switched telephone network over the middle mile as being prohibitively expensive.⁸ Wireline carriers typically do not have the same issue with transport between the last mile and the switching facility or to the public Internet because they have invested in facilities to rural areas. Wireline carriers have more issues building or upgrading their last mile facilities to high speed bandwidth service. Accordingly, the wireless carrier has much more to gain if funding in the second round of BTOP and BIP is limited to, or disproportionately focused upon, middle mile projects. Any selection method that favors one technology over another is unfairly discriminatory and is not consistent with NTIA's expressed goal of issuing "awards on a technologically neutral basis. . . [while] employing a range of technologies. . ." ⁹

Recommendation: NTIA & RUS should not focus exclusively on middle mile projects in the second round. In order to properly consider the needs of wireline broadband providers, NTIA and RUS must not give priority to middle mile projects in the second round.

3. Program Definitions.

- a) Should definitions such as "unserved," "underserved," "broadband," and "remote" be modified?**

⁸ See Federal Communications Commission, Bringing Broadband to Rural America: Report on A Rural Broadband Strategy, DOC-291012A1, ¶ 149 (May 22, 2009).

⁹ Federal Communications Commission, Bringing Broadband to Rural America: Report on A Rural Broadband Strategy, DOC-291012A1, ¶ 149 (May 22, 2009).

i) Issue: (1) BIP 80%/20% Only Allowed for Remote PFSA. (2) ‘Remote’ Not the Best Determinant for Rural Penetration

In round one, applicants under the BIP program could not request a grant/contribution ratio of at least 80%/20% unless the PFSA containing the proposed project was ‘Remote’ as defined in the NOFA. Any applicant with a PFSA in a rural, non-remote area and in need of grant funding but not in a position to provide more than 20% contribution was required to take on the added expense of submitting two applications, one to NTIA for BTOP and the other to RUS for BIP. The expense of submitting two applications was compounded by the need to produce two pro forma financial reports, one for each agency, along with the determination that criteria for both applications were met. This two step process discouraged applicants from submitting applications for ARRA funding.

Requiring areas to be remote in order to qualify for an 80% grant under RUS is too limiting. Further, requiring an applicant to submit a second application in order to seek an 80% grant from NTIA is too burdensome.

The definition of ‘remote’ is also too limiting. There are many rural sparsely populated areas in the United States, and particularly on the eastern seaboard, which are within 50 miles of a non-rural area. For example, most mountain regions on the East Coast will contain areas that are outlying or even isolated but

may also be within 50 miles of an urban area. There are also areas with physical barriers, such as coastal islands that prevent carriers from providing service. It is unfair and discriminatory to effectively exclude regions on the East Coast of the United States and other rural areas within 50 miles of a city, from the definition of 'remote' and effectively from seeking an 80% grant with RUS.

Recommendations: (1) RUS should allow all rural applicants the opportunity to request a grant of 80%/20% without regard to remoteness. RUS can still encourage applicants to fund the project through loan vs. grant using the scoring system as in the first round of applications. (2) RUS should discontinue the use of "remote" at all as criteria for any ARRA funding and instead use a standard of "less dense" to rate applicants eligibility for a grant. RUS should rank applicants with the least dense areas higher than applicants with more dense areas. RUS should use a standard for density that is similar to its current standard for 'rurality,' as that term is defined under its Community Connect Broadband Program.

III. CONCLUSION

In summary, JSI has highlighted individual areas of the application process in the first round that have created issues for many of its client applicants and has sought to offer recommendations to NTIA and RUS on ways to streamline the application process, make use of the mapping tool more user friendly, as well as other recommendations for the

application process. JSI has also offered some recommendations with respect to some of the policy issues raised by the agencies for comment. Overall, JSI's policy positions are that NTIA & RUS should retain eligibility for last mile projects in the second round and that RUS should eliminate the definition of remote and adopt a "less dense" standard for ranking eligibility for grants.

Respectfully Submitted,

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