

Broadband USA Applications Database

Applicant Name: The World Company d/b/a Sunflower Broadband

Project Title: Fiber to the Prairie

Project Type: Last Mile Non-Remote

Executive Summary

Project Overview & Objective Sunflower Broadband's "Fiber to the Prairie"(FTTP) project is a Last Mile project serving rural underserved areas of Douglas and Leavenworth counties in Northeastern Kansas and includes a Middle Mile component. It seeks to address the problem that users in these areas today must primarily rely on satellite or dial-up service to access the Internet. After the FTTP project is completed, users would gain access to educational resources, job postings, public safety and health information. This project would also close the rural digital divide by virtue of its state of the art fiber network and will also close the economic digital divide through its Lifeline Internet program. The proposed funded service area covers 7,876 homes, businesses and community institutions. According to primary market research conducted by Sunflower, only 1.3% of respondents have access to DSL or Cable modem Internet service. This limited access was reinforced by a take rate of only 0.5% for landline broadband. Only 9% of respondents reported they use fixed wireless broadband with an additional 19% using mobile wireless service. In sum, survey results show the proposed service area is underserved since less than 40% of households currently subscribe to a broadband service. While less than 30% of households have a qualifying broadband service, almost 80% said they would sign up for a 10 Mbps service if it were available, showing a clear need within the proposed service area. The focus on an underserved area with almost no access to wireline services, combined with Sunflower's proven track record of success, and its significant financial commitment make this project a sound investment for tax payers. Company Profile Sunflower Broadband is a multi-service operator that provides digital cable television, high-speed cable modem Internet access, and local and long distance telephone services to six northeast Kansas communities: Lawrence, Eudora, Basehor, Tonganoxie, Piper and Linwood. It has operated for 40 years under continuous local ownership by the family-owned World Company who encourage new technology implementation on a faster timetable than many larger operators. Project Service Area Sunflower's proposed service area consists of a single proposed funded service area made up of contiguous census blocks and will primarily serve the unincorporated rural areas, including the rural townships of Lecompton, Clinton, Marion, High Prairie, Palmyra, Willow Springs, Reno, Kanwaka, Tonganoxie, Stranger, Fairmont, Eudora, Grant and Wakarusa. The Last Mile portion of the project includes 827 census blocks in Douglas County and Leavenworth County and covers a total of 436 square miles. Census 2000 data shows a population of 14,892 and 5,547 households. Today, the proposed service area has grown to include 7,048 homes and 790 businesses. Many of the businesses appear to be farm operations or small businesses operating from homes. The Middle Mile component serves the Last Mile end-users with 20 interconnection points to which other service providers may connect. See Supplemental Info. 3 for interconnection points in Question 30. Network Diagram upload. Network

Sunflower's proposed network uses fiber-optic cables delivered from its facilities in Lawrence, Kansas. This technology was chosen for its high level of reliability, bandwidth capacity and available speeds. This technology significantly reduces maintenance requirements when compared to traditional cable or phone networks, making it ideal for rural deployment. Additionally, the fiber installation will allow for cost-effective future network and design upgrades well beyond the next decade. Team Expertise Sunflower is well positioned to implement and manage an expansion with resources in place to manage sales, operations and billing of a new service area. Operations exist today to support customer service, customer premise equipment, installations, outside plant, inside plant, network operations control, contracts, sales, business services and accounting. Sunflower's management team has a track record of successfully rolling out new technologies. The company was one of the first in the cable industry to launch broadband and to deploy DOCSIS modems in 1998. Sunflower is currently deploying DOCSIS 3.0 technology. In 2001, Sunflower deployed circuit-switched telephony. In 2007, Sunflower began launching fiber-to-the-home technology. Today, Sunflower's plant contains 859 miles of coaxial cable and 323 miles of fiber-optic cable with over 62,000 homes passed in 6 communities in northeast Kansas.

Network Construction Plan & Timeline The overall cost of the proposed FTTP project is \$29,213,000. Of that, \$25,911,000 qualifies as broadband infrastructure under BTOP and \$28,963,000 of the project qualifies under BIP. Sunflower will invest \$11,205,000 in the total project with a grant request of \$18,008,145. This represents a 31% qualifying contribution under BTOP and a 38% contribution under BIP. Sunflower is aware this exceeds the grant parameters of BIP but is required to submit to BIP as this is a rural project. This is the minimum grant amount that was determined to be necessary to make the project sustainable. Sunflower requests that either the BIP parameters be modified or that the project will be passed to BTOP for funding. Per the attached timeline, this project should be more than 50% complete by the end of 2010 with total completion projected by the end of 2011.

Services and Pricing Sunflower offers a full complement of residential and business Internet, video and phone products, including its own local news and weather channel. Sunflower's Internet products offer speeds up to 21 Mbps, the fastest in the area, with plans to deploy a 50 Mbps service shortly. With broadband options less than \$20 per month and services at 10 Mbps or faster for less than \$50, Sunflower's prices represent a significant value even for customers in competitive urban areas. Sunflower will provide a Lifeline Internet service of 768 Kbps at a minimum discount of 50% to all residential customers that meet federal Lifeline Phone requirements. Primary market research indicates about 200 residential customers in the new proposed service area would qualify. Sunflower also provides discounted Internet access to not-for-profits, schools and community outlets. Similar programs would be made available in the proposed service area.

Subscriber Projections Sunflower expects connections to 5,700 homes and 70 businesses within five years. Projections assume that many residential farms will take residential service despite being classified as businesses.

Project Viability Sunflower's capital project is based on a complete network design with labor bids and a detailed bill of materials based on actual vendor pricing. The project's operating pro-forma is based on years of experience with bundled voice, video, and data networks. Sunflower expects the project to reach positive cash flow in year three and reach a positive net return in year seven. This provides a reasonable return as well as capital for growth and new technology investments without additional government assistance. This sustainable model could be replicated across the country to provide advanced broadband in rural areas and close the rural digital divide through future government programs.

Non-Discrimination and Interconnection Sunflower

currently operates in an open and interconnected environment with multiple connections to the public Internet that are readily available, proven reliable and scaled for future growth. Sunflower connects to a number of other fiber-optic networks to provide as much access to content for its subscribers and partners as is technically and economically feasible. This allows for redundant routes to minimize any loss of services. Sunflower operates a network where end-users enjoy freedom to connect to its network, access content, run applications and use services without restrictions and without deep packet inspection. Sunflower's consumption-based billing model is completely nondiscriminatory and allows any and all lawful and non-publicly detrimental use of its network. To promote access to the proposed "Fiber-to-the-Prairie" network and maximize revenue from the project, Sunflower will offer excess fiber capacity to any entity based on non-discriminatory terms and conditions and at a rate lower than market rates.

Job Creation The project will create 47 FTE positions that will last for the duration of the project and fully comply with the Davis-Bacon prevailing wage rules, including plant construction jobs, management, quality control technicians, administration and accounting positions. In addition, 17 permanent FTE positions will be created at Sunflower's Lawrence office including customer service, direct marketing, installers and managers.

Community Anchors and Key Partnerships The Last Mile project passes 38 community anchor and critical community facilities. 28 letters of support from school and education partners, elected officials, government and non-profit representatives have been written in support of the project. Community anchors qualify for discounted Sunflower services. The Center for Business and Economic Outreach at the University of Kansas, Lawrence has signed a letter of intent to partner with Sunflower on a study of the economic impact of the rural broadband expansion. Funding for the study would be jointly established through a separate future grant.