Broadband USA Applications Database

Applicant Name: Pine Telephone Company, Inc.

Project Title: Broadband Grant for Isolated Southeastern Oklahoma/Choctaw Nation - Rural/Remote Areas

Project Type: Last Mile Remote

_____Executive Summary_____

OPPORTUNITY THAT PINE TELEPHONE'S PROJECT ADDRESSES The broadband stimulus program was designed precisely for the portions of Southeastern Oklahoma covered by this application -- entirely remote, rural, unserved and severely economically disadvantaged. The area also falls entirely within the boundaries of the tribal lands of the Choctaw Nation. In the service area, commerce and jobs are almost non-existent, sub-standard average household incomes and pervasive poverty prevail. This project should create about 474 jobs. The broadband stimulus program was designed for an applicant like Pine Telephone Company, Inc. ("PTC"). PTC has been an integral part of Southeastern Oklahoma history for nearly 100 years, providing critical landline telephone service, then cellular and now wireless broadband service. Unlike some providers that take direction from a distant headquarters, PTC is a true partner in its communities, not simply providing free service to schools, libraries, and first responders but sponsoring community programs and volunteering in those communities. PTC has long stated that: "We will only do as well as the customers we serve so it is our job to help the community prosper." In fact, PTC is so well regarded in Southeastern Oklahoma that when it approached the Choctaw Nation for its support for this application, the Nation asked PTC to work towards expanding the scope of the application and its service to include all 10 counties of the Nation. The broadband stimulus program was designed to support plans like PTC's that will deploy innovative yet proven and viable technology. PTC has a proven track record of bringing innovative services to this region. After confirming that WiMAX technology would not work in the rugged and isolated terrain of this region, PTC spent several years investigating different technologies. The 3G universal mobile telecommunications system ("UMTS") technology it chose has a proven track record in areas with similar isolation and terrain. In fact, PTC is currently deploying it in portions of Southeastern Oklahoma where it is commercially viable. Unfortunately, the initial capital costs preclude viable commercial deployment of that technology in the application's service area. Thus, this grant application. The broadband stimulus program was designed to trigger investment beyond the grant dollars. In keeping with its sustained presence and social commitment to the area, PTC will forego much of the financial benefit from the grants by: operating the system initially at near break-even levels and committing to reinvest free cash flow that the grant dollars produce for the public good, thereby effectively multiplying the grant dollars. Specifically, it will reinvest every dollar of free cash flow generated from the grant-funded portion of the project during the first five years into expanding the system's reach into neighboring rural areas and upgrading grant-funded facilities as technology advances. As highlighted in this summary and detailed in the accompanying application, PTC has not only met the minimum required elements, but goes far beyond them in its

commitment as a steward of public grant money. DESCRIPTION OF PROPOSED FUNDED SERVICE AREA The project service area is comprised of contiguous Census blocks in Southeastern Oklahoma that are all remote, rural, unserved and severely economically disadvantaged. These Census blocks number 2,782 and cover 1,922 square miles of often rugged and isolated terrain – areas that can only be served wirelessly. The area is so isolated that it contains only seven Census-recognized communities. Commerce and jobs are almost non-existent in the service area as evidenced by county household incomes ranging only from $22,127 to $28,679, with 17.2% to 24.7% below the poverty line and many unemployment rates nearly tripling recently. Moreover, the project area is included entirely within the tribal lands of the Choctaw Nation. NUMBER OF HOUSEHOLDS AND BUSINESSES PASSED The project would make broadband service available to 4,996 households, based on 2000 Census data, in which about 13,430 people reside as of 2008. The service offered would also benefit smaller and home-based businesses, of which PTC estimates there are about 84 in the project area. While PTC will not offer a business class of service, it will make its residential service available to these small businesses. Because of the area's isolation, there simply are not any large businesses to serve. NUMBER OF COMMUNITY ANCHOR AND SIMILAR INSTITUTIONS PTC will make broadband service available at no cost to the twelve volunteer fire/ambulance departments that provide first responder service in the project area. At least nine home health providers will benefit from the ability to transmit real-time patient information from the field. Ten public school districts serving about 2,200 students and an estimated 325 home schooled students will benefit from broadband service to facilitate learning at home. Moreover, the Choctaw Nation reunions that draw more than 20,000 persons annually and overload all communications facilities will benefit from the availability of wireless broadband. PROPOSED SERVICES PTC will focus on the most essential services from a community service and economic development perspective – high speed broadband. Although it will offer voice services, customers can also use over-the-top VoIP services anytime. It will offer an entry level broadband service of 1.0 Mbps service at the same price that it currently offers dial-up service. Two additional service tiers will be offered: 1.5 Mbps and 3 Mbps. PTC plans to offer portable wireless voice service using its experience in the cellular business to tailor its initial service plan. NONDISCRIMINATION AND INTERCONNECTION In addition to offering its own branded Internet access service, PTC will make its service available so that any Internet service provider can brand, price and market the service to residents of the project area. Moreover, with respect to network management practices, PTC will strictly adhere to the non-discrimination principles articulated in the Federal Communication Commission's Broadband Policy Statement. TYPE OF BROADBAND SYSTEM TO BE DEPLOYED The system will use advanced 3G UMTS technology, deployed to cell tower sites via microwave with fiber backhaul where warranted. This technology has proven viable in isolated areas with similar geographic characteristics. PTC is currently deploying this technology in smaller communities within its local exchange area where it is commercially viable. Moreover, the system is designed to be scalable to easily and cost-effectively accommodate technology upgrades so that it will remain viable and sustainable for the foreseeable future. QUALIFICATIONS THAT DEMONSTRATE THE ABILITY TO IMPLEMENT AND OPERATE THE INFRASTRUCTURE PTC remains family-owned and for nearly 100 years has compiled a rich history of building, operating and providing communication service in rural Oklahoma. The core management group is comprised of family members holding degrees in engineering, business administration and law, coupled with over ten decades of collective experience running the business. This team, comprised entirely of local residents, has undertaken successful

expansions that have included building and operating a cellular telephone business and commencing construction of a wireless broadband system. This management team has frequently worked with RUS and is known as a responsible and accountable partner with the federal government. In fact, the strength of this team permits PTC to submit this plan that calls for immediate commencement of construction and completion in only 24 months, well shorter than the maximum allowed construction time. OVERALL INFRASTRUCTURE COST OF THE BROADBAND SYSTEM The total infrastructure cost associated with the project is approximately $14.06 million. The portion of this amount funded through requested grant proceeds will be $9.48 million. PTC will cover the remaining cost through investment in-kind ($2.21 million) and available cash ($2.37 million). With a population of about 13,430, that equates to a per-person cost of $1,047. Moreover, with PTC's commitment to reinvest free cash flow generated by the project grant funds during the first five years into upgrading the system and building new towers to expand the geographic scope into adjacent areas, the per-person cost based on initial government grant funding will only decrease over time. OVERALL EXPECTED SUBSCRIBER PROJECTIONS FOR THE PROJECT PTC expects a high initial number of broadband subscribers, as many of its dial up-customers should convert to the high-speed wireless broadband as the PTC cost will be well below the total cost of dial-up plus second line service. Moreover, PTC expects that take rates will remain strong over the project period. PTC estimates 2,089 subscribers at the end of five years. NUMBER OF ESTIMATED JOBS CREATED OR SAVED The project will be responsible for creating about 474 jobs. This includes not only those involved with construction and operations, but those who will have employment in businesses as a direct result of having high-speed Internet access and those that benefit from enhanced access to education and thus the ability to train or retrain themselves for employment. 4180863.4