

Broadband USA Applications Database

Applicant Name: Big Island Broadband/Aloha Broadband Inc

Project Title: Aloha Broadband South Kona

Project Type: Last Mile Remote

Executive Summary

The Big Island of Hawaii is one of the most remote and geographically diverse locations on the planet. This presents a significant barrier to the delivery of broadband internet service to the entire community. Broadband services tend to be extremely localized along our only major highway and not divergent or contiguous. This tends to leave a significant percentage of the local population excluded from these services. Because we broadcast our broadband internet signal, we feel our Wireless Internet Service Provider strategy is the most efficient, expeditious and cost effective available for this area. The South Kona community has a total of 2,701 households and 65 businesses according to the 2000 census data. The population has grown significantly since then. Within this market, our company has deliberately chosen census blocks that are not served by any broadband internet service providers. This puts the total number of households and businesses passed well above 600 subscribers. Since there is no access to broadband in these areas, we feel take rates will be relatively high. Because of the extreme rural nature of The Big Island, there are only a few community anchor institutions located within our target area. However; as infrastructure becomes available, we look forward to more institutions being moved into these communities. Our company offers terrestrial based wireless broadband internet service exclusively. This means that our customer base does not have to purchase additional services in order to subscribe to broadband. Our customers have all of the benefits of the World Wide Web and can choose Voice Over Internet Protocol for telephone service and, or, Netflix, Hulu, or any one of the many internet services for television or video type entertainment. We feel that this approach gives the consumer the greatest freedom of choice within this marketplace. The Aloha Broadband South Kona project will be consistent with the following Nondiscrimination and Interconnection Obligations: Adhere to the principles contained in the FCC's Broadband Policy Statement: Not showing favoritism to any lawful Internet applications and content over others; This requirement ensures neutral traffic routing Displaying any network management policies in a prominent location on the service provider's web page and providing notice to customers on any changes to these policies. Connecting to the public Internet directly or indirectly, such that the project is not an entirely private closed network. Offer interconnection, where technically feasible, without exceeding current or reasonably anticipated capacity limitations, on reasonable rates and terms to be negotiated with requesting parties. This includes both the ability to connect to the public Internet and physical interconnection for the exchange of traffic. The management of Aloha Broadband has a great history of non-discrimination. Our technical systems and infrastructure do not allow for any type of discrimination to lawful Internet applications or content over others. We feel that we are currently in compliance with the FCC's Broadband Policy Statement. In addition, our management team has, and will make every effort to exceed NOFA's

nondiscrimination and interconnection obligations. Aloha Broadband will be using a terrestrial Wireless Internet Service Provider strategy to bring broadband services to this area. Because we broadcast our broadband internet signal, we feel this system is the most efficient, expeditious and cost effective solution available for this rural community. The basic structure of our network is simple. We use a series of strategically located access points which connect to a central traffic server. That in turn, feeds to fiber optic cable. End users, (customers), are connected to the access points via radios operating on 2.4 or 900 MHz. There is a web server that administers the customer account data. We can comfortably achieve speeds as high as 10Mbps with this technology. Our company has already located, tested and secured the access point sites required to enter this market. Big Island Broadband/Aloha Broadband has been servicing the rural Hawaiian community since 2003. We have a proven track record of profitability and excellence in service. Our management team has added significantly to our customer base, improved service levels and made successful expansions into other markets. Based upon past performance, we feel that the plan to enter the South Kona marketplace is sustainable and profitable. The overall cost of entering the South Kona Marketplace is \$193,908.59. Big Island Broadband/Aloha Broadband will be contributing \$87,404.50, which is 46% of the total project cost. Funds leveraged for capital expenditures will be \$106,504.59. Since the majority of our corporate infrastructure allowing us to expand into this market is already in place; that means we will be profitable with as few as 90 subscribers. Because there is no access to broadband in these areas, we feel this profit point should be exceeded within the first two months of operations. As mentioned above, total number of households and businesses passed in our target area is well above 600 subscribers. Since there is no access to broadband in these areas, we feel subscribership will be relatively high. Our projections show over a 50% take rate within the first 18 months of operations. We hope to achieve close to a 90% subscriber rate within the first 60 months, but due to the extreme rural nature of our community and the demographic composition, we have used a very conservative 75% take rate for our projections over that period. Our company should also pick up some subscribers from outside our target areas because of the nature of our radio signatures. However, that data has not been included in our forecasts. The expansion into the South Kona District should create 5 full time jobs over the forecast time period. There should also be additional employment created as our company expands into other markets as a result of this program. The loans made available by the RUS Broadband Initiatives Program may appear to be small, (around \$100,000 per application area), but the synergies they create cannot be understated. The proposed areas to be served will quickly pay for their infrastructure with customer generated revenues. This will allow our company to pay off our BIP loans, employ more community members, but most importantly expand to other remote areas without the need for additional government capital.