

8. Executive Summary: Smith Bagley, Inc.

SBI's proposed project has been designed in response to information gathered during outreach efforts made to leaders of the Navajo, Hopi, and White Mountain Apache tribal areas, and to officials of Navajo and Apache Counties in Arizona. Over three quarters of the proposed funded service area represents tribal lands, and the remainder consists of the rural areas of the White Mountains. SBI's proposed service offerings have been designed to directly address the unique challenges of this geographic area as reported to SBI representatives by tribal and county officials.

Service Area. SBI's intended broadband service area is its entire licensed service area in northeastern Arizona. In order to be overly conservative, when defining its proposed *funded* service area SBI has "carved out" the towns where a claim of broadband service availability has been advertised (at a speed of "at least 3 mbps" for downloads). SBI is committing to serve the area within these towns as a part of this project, but is only seeking funding for the facilities used to provide service outside of the towns. On tribal lands, much of the area outside of these chapters and villages (over 99% of the geographic area) is accurately characterized as literally "unserved." Beyond the tribal areas, service within towns represents less than 10% of the geographic area that SBI proposes to serve. By making the necessary investments at each of its cell sites, SBI will be able to offer broadband service to all households throughout the area.

Primary Advantage of SBI's Proposal. SBI's proposed construction plan consists of upgrades to switching equipment, backhaul facilities, and cell sites. The primary advantage of SBI's proposal is that broadband data services can be provided throughout the area quickly and economically by upgrading infrastructure that is already in place or that will be constructed over the next three years independently of this proposal. **NO OTHER CARRIER HAS THE INFRASTRUCTURE IN PLACE TO MAKE SUCH A PROPOSAL FOR THIS GEOGRAPHIC AREA.** Because none of the requested funds will be needed to deploy the underlying infrastructure, 100% of the project funds can go to the "overlay" of the incremental equipment and facilities necessary to provide high quality broadband services throughout the area.

This overlay approach will permit SBI to provide 3G coverage to a rural and geographically challenging area consisting of almost 27,000 square miles for a construction budget of \$10,486,769; a cost of [REDACTED] per household covered. For an area with only 2.4 households per square mile, such an approach represents a highly efficient use of funds.

Network Technology. The technology of the overlay will be UMTS (Universal Mobile Telecommunications System), HSDPA (High Speed Packet Downlink Access), consistent with 3GPP (Third Generation Partnership Project) standards. The system will utilize existing frequencies and a bandwidth of 5 MHz. For each of the [REDACTED] cell sites expected to be operational by 2012, SBI is proposing to install the antennas and related equipment, additional backhaul capacity necessary to carry high-bandwidth traffic, and upgrade its switching hardware and software as necessary. 86% of the cell sites will be 3G operational by the end of year two, and 100% will be 3G operational by the end of the third quarter of year 3. The technology chosen will permit all nondiscrimination and interconnection obligations to be met.

SBI Qualifications. In addition to its existing network infrastructure, SBI has additional unique qualifications. First, SBI's management team has a proven track record. In 14 years, SBI

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has grown from a startup to a financially sound company serving almost 90,000 customers, over 60,000 of which are low income subscribers on reservation or near reservation lands. For many of these customers, voice service from SBI was their first opportunity to obtain telephone service of any kind.

Second, SBI has developed successful strategies for developing and maintaining a satisfied base of customers. SBI operates 11 company stores in Arizona, 7 of which are located on tribal lands, and also utilizes 2 additional sales agents in the tribal areas. The company also has a full time employee dedicated to assisting businesses and public institutions within the Navajo nation. In order to provide service to economically disadvantaged customers whose ability to travel is limited, the company operates two mobile sales and customer service teams. Customer satisfaction is high; SBI experiences a churn rate of only 1.57%.

Third, SBI is culturally aligned with its customer base. Over half of the company's sales agents speak their native language (Navajo, Zuni, Hopi, or Apache). In order to resolve customer problems effectively, two of the company's customer service representatives speak Navajo and Hopi. In addition, SBI provides over \$330,000 annually to support scholarship funds, health programs, cultural events, and youth sports programs in tribal and non-tribal areas.

Community Involvement in Project Design. Meetings were held with officials at the counties and tribal agencies within the proposed project area, including the County Managers, County Supervisors/Commissioners, Law Enforcement (Sheriff Offices), and their immediate staff. Additionally, meetings were held at offices within the Navajo Nation and Hopi Reservation to discuss the project with the designated health agency (IHS/PHS), law enforcement (Department of Public Safety), emergency services (Navajo Nation Fire Department), and the Office of the Navajo Nation President.

Based on the feedback received, network coverage plans were fine-tuned, discounted service offerings were developed, and determinations were made regarding the availability of handset features in order to address the identified needs as fully as possible. SBI expects to provide broadband service to [REDACTED] customers in the area [REDACTED] within five years.

Public Benefits. The design of the project fully supports the following objectives:

Provide access to broadband service to consumers residing in "unserved" areas. While sufficient data is not available for SBI to make a demonstration of "unserved" pursuant to the definition in the NOFA, the reality is that much of the proposed funded service area is literally unserved. Prior to the build out of SBI's existing wireless network for voice services, it is estimated that only 30% of the residents of the Navajo and Hopi tribal areas had access to telephone service of any kind. Today, SBI is the telephone voice service provider to 70% of these households.

Provide improved access to broadband service to consumers residing in "underserved" areas. Within the few towns inside SBI's proposed funded service area where DSL is available, the service operates at relatively low speeds (less than 1 mbps for downloads) and, as described above, is extremely limited in geographic scope. These areas are accurately described as

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underserved. SBI is proposing to provide service of 3.6-7.2 mbps throughout this entire area through the necessary investments made possible by a combination of BIP or BTOP funds and its own capital resources.

Improve access to, and use of, broadband service by public safety agencies. Prior to developing its service offerings, SBI representatives conferred with public safety organizations in order to identify their unmet needs. Implementation of SBI's proposed project will permit public safety officials to utilize fully-featured handsets to upload and download information needed for real-time response to emergencies, to use computer air cards for additional "in the field" data availability, and to use air cards and portable wireless routers to create virtual "hot spots" as needed – and do so at even the most remote portions of SBI's licensed service area.

Improve the quality of Education. Both tribal and county officials report that increasing the quality of education is an essential part of improving the economic conditions of the area. Several of the school districts have been able to initiate programs to provide laptop computers to students. Unfortunately, students in the majority of SBI's proposed funded service area do not have internet access once they leave the school. SBI has worked with officials to develop discounted prices for air cards and affordable monthly service plans in order to address this issue.

Improve the quality of Health Care. SBI has met with representatives of the IHS/PHS on both the Hopi and Navajo Nation reservations. The size and challenging geographic characteristics of the area means that important health services must be provided at a number of IHS field locations throughout the area. Officials report that the ability to link field locations with computers in IHS's larger facilities will have an immediate impact on the quality of health care provided.

Stimulate the demand for economic growth and job creation. The need for economic development in tribal areas is significant. The most recently-available data indicates that the Navajo Nation is experiencing unemployment of over 12%, and 42.9% of its residents live below the federal poverty level. According to the tribal and county organizations contacted, the widespread availability of broadband services will further economic development efforts. For example, with access to broadband services Native American craftsmen – even those who live in remote areas – will have the ability to provide a "virtual display" of their products, giving them access to a much broader geographic market. In response to this need, SBI is offering discounts on handset prices and monthly service plans.