

Broadband USA Applications Database

Applicant Name: Consolidated Enterprises, Inc.

Project Title: Consolidated Enterprises, Inc. Broadband Infrastructure Project

Project Type: Last Mile Remote

Executive Summary

Executive Summary Consolidated Enterprises, Inc. (“CEI”) provides competitive local exchange carrier (“CLEC”) wireline telecommunications services, cable TV and Internet access services to a service area which encompasses two rural communities, Belfield and Dickinson, in sparsely populated areas in western North Dakota. CEI has deployed fiber-to-the-home (“FTTH”) in certain areas of the more populated portions of its service area. However, in the most sparsely populated areas, which include the five proposed funded service areas set forth in this application, it has been cost prohibitive to deploy FTTH (and in some cases, even DSL). To address this situation, CEI hereby submits this Broadband Initiatives Program (“BIP”) application in which it proposes to deploy FTTH in order to provide tiered broadband services to individuals and businesses in these five proposed funded service areas which are underserved. The amount of BIP loan and grant combination funding that is sought is \$3,777,381. Awarding a BIP loan/grant combination to CEI will also fulfill the objective of the American Recovery and Reinvestment Act (“ARRA”) to fund shovel-ready projects. If awarded, CEI will move immediately to advance a project that has already been planned. CEI has already completed the build out of FTTH construction in some of the other portions of its CLEC service area and has already done a full assessment of what is required for build out of its expansion project under a BIP loan/grant. Accordingly, CEI’s project proposal to expand its FTTH broadband network to the most sparsely populated rural areas in its western North Dakota CLEC service area is shovel-ready. Further, awarding a BIP loan/grant combination to CEI will fulfill the ARRA objective of job creation and spurring economic development. There is a new industry embarking in part of CEI’s service area in Dickinson. The oil industry is moving in with rapid and expansive growth. Providing higher bandwidth speeds in these rural areas will enable this new industry to more effectively conduct business and contribute to the economic growth in these areas. 1. Opportunity Proposed System Seeks to Address CEI is proposing to address opportunities: a) to raise broadband penetration levels in rural areas by offering bandwidth speeds comparable to those available in more urban communities and towns; b) to spur economic development in existing rural communities such as with farmers and ranchers that have long been virtually locked out of such online commerce opportunities as auctions and video merchandising that require higher bandwidth speeds; and c) to accommodate economic development in new pioneering industries in North Dakota such as the new oil conglomerate coming to Dickinson that will require access to higher speeds of broadband to conduct business. 2. Description of Proposed Funded Service Areas CEI’s proposed project will provide infrastructure to support the provision of new high-speed broadband services in the outlying rural areas of the communities of Belfield and Dickinson, North Dakota. The planned broadband expansion project will enable extreme rural portions of North Dakota to access the same broadband services available to

residents in more urban areas in North Dakota. Broadband expansion is a key component in the economic development of rural communities, businesses, and farms in North Dakota. The total population of the proposed funded service area is 860. As demonstrated in this application, the proposed service areas qualify as underserved areas due to the fact that the rate of broadband subscribership for the census designated community or "other area" is 40 percent of households or less.

3. Number of Households and Businesses Passed Households passed: 324 Businesses passed: 32 4. Number of Community Anchor Institutions, Public Safety Entities, and Critical Community Organizations Passed and/or Involved with Project Critical Community Organizations passed: 1 5. Proposed Services and Applications for Proposed Funded Service Areas and Users CEI will provide IP video and Broadband Data services over a FTTH system with Internet browsing speeds of between 4 Mbps & 20 Mbps download and between 1Mbps & 5 Mbps upload. 6. Approach to Addressing the Non-Discrimination and Interconnection Obligations CEI is committed to meeting all non-discrimination and interconnection obligations established in the NOFA and pursuant to the FCC's Internet Policy Statement (FCC 05-151), adopted August 5, 2005. CEI will promote the openness and interconnection of the public Internet, encourage broadband deployment and will not use BIP funding toward any entirely private closed network. CEI will offer interconnection to parties requesting access when technically feasible on reasonably negotiated rates, terms and conditions. CEI will not favor any lawful Internet applications or content over others and will take steps to ensure that all of its consumers have access to the lawful Internet content of their choice without unfair or discriminating bandwidth restrictions. In addition, CEI is committed to displaying all of its network management policies prominently on its website and will notify its Internet subscribers in writing via email if there are any changes made to these policies. 7. Qualifications of the Applicant Demonstrating Ability to Implement and Operate Broadband Infrastructure or Be a Sustainable Broadband Provider CEI is supported by a strong management team with decades of experience operating data networks. The eight members of the management team and the seven Board of Directors boast of over 200 years of telecommunications experience. CEI and its parent company, Consolidated Telcom, together employ over 100 dedicated and trained employees. As demonstrated below, the company is highly experienced in this type of work and if awarded this grant, will be able to provide broadband to these sparsely populated areas in CEI's service territory in North Dakota. CEI was started in 1998 to serve the city of Dickinson which is a Qwest serving area. The company provides service to residential and business customers using its Hybrid Fiber Coax and FTTH facilities. The company currently serves approximately 80% of the community with its service and the remaining 20% are still Qwest customers. In 2008, CEI partially overbuilt the community of Belfield which is a Qwest serving area and did so with a FTTH system to provide voice, video and broadband to a community that has only access limited services. CEI has invested over \$10 million over the past 11 years to bring state of the art voice, video and broadband services to our customers. In addition to the deployment of FTTH by CEI, CEI's parent company, Consolidated Telcom, has completed construction of FTTH to 18 of its rural communities. The company started construction of these FTTH build-outs in 2006 and will be completed by the end of 2009. Overall, the company has spent over \$20 million to build out its Sonet Network and FTTH to rural communities in its service area. 8. Overall Infrastructure Cost of Broadband System The overall infrastructure cost of the broadband system for this project is \$3,777,381. 9. Overall Expected Subscriber Projections for the Project The subscribership projections for the project are as follows: Households: 193 Businesses: 2 Community Anchor Institutions: 0 10. Number

of Estimated Job to be Created or Saved as Result of Project CEI will encourage the creation of jobs by spurring economic development in areas served by the project. Its broadband expansion will deliver higher bandwidth speeds to rural areas of North Dakota and this will allow businesses and industries to leverage existing Internet resources that require faster network capabilities. In rural areas of North Dakota, CEI recognizes that Broadband Data has not previously been maximized because of existing facilities and loops. This has resulted in lower bandwidth and lower Internet penetration in rural areas while cities and towns in North Dakota have already deployed higher bandwidth speeds and are achieving 50-60% penetration. CEI expects to raise penetration levels in rural areas with its broadband expansion project. CEI had build FTTH to the more densely populated area and want to provide the same high level to the rural areas. CEI also aims to improve commerce for such industries as farming and ranching. Higher bandwidth speeds will allow farms to take advantage of additional commerce options such as online auctions. In online auctions, farmers can purchase and sell farming equipment and supplies. They can also use video media to sell inventory. But, with lower bandwidth speeds auction participants are often unable to execute bidding online and farmers trying to sell inventory are unable to produce quality video representation and can thus lose opportunities to purchase and sell equipment. In addition, there is a new industry embarking in part of CEI's service area in Dickinson. The oil industry is moving in with rapid and expansive growth. This industry will require higher bandwidth speeds to conduct business and contribute to the economic growth in rural areas. If CEI is awarded loan and grant funding and is allowed to move forward with its project, it will promote the creation of jobs through the economic development and growth of businesses and industries in the community.