

a. Peninsula Fiber Networks, LLC (PFN) is a partnership of two companies: Baraga Telephone Company (BTC) and Hiawatha Communications Inc. (HCI). HCI is the holding company for Hiawatha Telephone, Ontonagon County Telephone, Midway Telephone and Chippewa County Telephone. Each of these companies built their network using RUS funds. Most of these five operating companies have been serving the Upper Peninsula (U.P.) for over 100 years. The companies created PFN in 2004 to leverage their expertise and assets by creating a middle mile network that is more reliable, cost efficient, and reaches beyond the individual companies' historical service areas. PFN now seeks to extend that network to increase reliability by completing fiber-optic rings and to extend service offerings to additional areas in the U.P. that currently have little or no access to affordable broadband. These areas are familiar to PFN, and are adjacent to its member companies' service areas. PFN's market contacts have shown a demonstrated demand for reliable and affordable broadband services to businesses, households and Critical Community Facilities (CCF).

The U.P. is an economically disadvantaged area. Per capita income levels in U.P. counties range from 48% to 60% of Michigan's, which is 92% of the US per capita income. Each county in the U.P. has at least 9% of their residents below the poverty level, with the highest level at 16.8%. The unemployment rate for the U.P. is over 13%, with Baraga County experiencing 28%. PFN wants to counter this economic data with a network expansion that will add to the economic viability of existing businesses and encourage new sources of employment by providing reliable/affordable broadband to most of the U.P. PFN's network expansion will enhance the effectiveness of the community anchor institutions and CCF by providing these entities a direct fiber connection to PFN's network and access to the Internet at rates that reflect cost savings from BIP funding.

b. PFN will use the funds from BIP to extend economically critical service availability in thirteen of the fifteen counties in the U.P.

c. & d. This BIP-funded middle mile will make broadband obtainable to [REDACTED] additional households. Projections show that PFN's broadband products will serve [REDACTED] of these households by the end of Year 3 and [REDACTED] by the end of Year 5. Similarly, the additional businesses that can obtain broadband under this BIP-funded project are [REDACTED] with approximately [REDACTED] served by PFN's broadband products at the end of Year 3 and approximately [REDACTED] served by the end of Year 5. The existing providers in these areas currently offer only scattered high-speed broadband outside of the more highly populated areas. Many customers do not consider these service providers reliable or affordable. Some of these areas can get marginal wireless broadband from small providers, generally at less than the advertised speeds and typically far below the 768 KBps minimum defined by the NOFA. A significant number cannot access a wireless tower, and therefore cannot receive any wireless service. These providers' charges are significantly higher than those considered affordable in urban areas.

Many CCF in rural areas are without reliable/affordable broadband access. State of Michigan and local information indicate the proposed route will pass [REDACTED] CCF.

e. The proposed facilities will provide broadband backbone services offered at speeds up to 1 GB/sec, with plans to deploy 10 GB/sec and additional wavelengths. PFN's offerings include point-to-point broadband connections; wholesale Internet bandwidth to non-affiliated ISPs, CCF and community anchor institutions (spur and loop build-out to the latter two are included in this project); and individual broadband access to businesses.

PFN will offer broadband directly to CCF. 100% of PFN's network constructed with the BIP

funds will be capable of delivering 100 megabits per second to all end-points in PFN's network. The services offered will mirror PFN's current rates and terms for broadband. PFN will continue to offer term and volume discounts.

PFN will provide community anchor institutions services at rates discounted [REDACTED] below the affordable rates offered to residential and business subscribers. To the extent PFN builds loops and spurs to CCF and community anchor institutions with BIP funding, PFN will pass [REDACTED] of the BIP funding savings to these entities through reduced charges. Without PFN passing on these savings, we expect that many CCF and community anchor institutions will find critical broadband services beyond their budget.

PFN has an understanding with [REDACTED] to provide six fibers for over two hundred miles including related maintenance. [REDACTED]

[REDACTED]. The discussed rate is [REDACTED] less for fiber and [REDACTED] less for maintenance than an arrangement PFN and [REDACTED] reached three years ago.

f. PFN's network adheres to the FCC's Internet Policy Statement. It is the policy of PFN not to favor any lawful Internet application and/or content over any another. PFN provides wholesale broadband to multiple last mile providers and ISPs. PFN's network has multi-homed connections to the public Internet backbone. Any new network infrastructure, built with BIP funding, will expand and improve PFN's existing open network. Through PFN's offerings, customers can choose public Internet access or managed point-to-point connections.

g. PFN's existing broadband fiber network is based on optical-fiber transport technologies including DWDM equipment with latest releases capable of transporting SONET and Ethernet, and EtherNet/IP based equipment. This application is based on the continuation and extension of this forward-looking next-generation optical broadband Ethernet/SONET network solution into the BIP-funded area. PFN will use standards-based technology allowing for competitive bidding from several qualified vendors.

h. BTC was the first ISP in the U.P. offering dial-up service in 1995 and DSL service in 2001. Currently, BTC serves [REDACTED] broadband households including [REDACTED] fiber-to-the-home subscribers. BTC services most of Baraga County and parts of Houghton and Iron Counties. HCI's operating companies began providing Internet Services about 1997 and now provides broadband to approximately [REDACTED] households in nine counties. PFN currently provides [REDACTED] other broadband providers that directly provide broadband to an estimated [REDACTED] customers. PFN was formed in 2004 and today manages one of the largest fiber-optic networks in the U.P. PFN has constructed approximately 300 miles of fiber and can currently access a network of nearly 600 miles. PFN uses the experience and personnel of their partners' operating companies to help serve PFN's customers. As the need for personnel increases due to expansion of the network, PFN or one of its partners will add personnel to maintain the reliability of the network and the quality of service our customers expect.

The application shows PFN is a financially stable entity with a proven business model. PFN plans to carry out the same model and principles with all future endeavors.

i. PFN is requesting [REDACTED] to build 511 miles of fiber-optic cable. These funded assets will complete the planned ring architecture that will ensure the reliability customers expect and extend affordable broadband to additional areas of the U.P. PFN will spend BIP monies to connect CCF and anchor institutions, \$[REDACTED] non BIP-funded. PFN has currently invested [REDACTED] M in plant (mostly middle mile) and has access to approximately another [REDACTED] of its partners' plant. It is PFN's plan to leverage this investment with BIP-financed plant to bring

affordable and reliable broadband to the U.P. through an integrated system. PFN is capable of ensuring completion within the three-year requirement. PFN's original network construction of nearly 200 miles of similar fiber came in on time and on budget. PFN's parent companies completed construction projects of similar size (some RUS) and have addressed the challenges of obtaining rights-of-way, managing contractors, and staying on budget. PFN also has experience in managing a broadband network. PFN will use part of the BIP funds for network monitoring and trouble diagnostics. With the completed ring architecture, this equipment will significantly increase network reliability. PFN has proven its ability to sell services that support its operations. PFN currently has [REDACTED] in revenue, with [REDACTED] in the sales pipeline. PFN has received interest from CCF and last mile providers that want to purchase broadband from PFN.

j. PFN estimates that the requested BIP funds will allow it to provide broadband access directly or through a third party to an additional [REDACTED] CCF, [REDACTED] additional households, and [REDACTED] additional businesses during the next five years. Without the requested BIP funds, PFN does not believe these facilities to be economically viable during the next three years due to distances between communities, sparse population, and current economic conditions in the U.P.

k. It is essential that every business have access to reliable high-speed broadband. Without such access, it is unlikely a business will thrive. PFN estimates it will create or save [REDACTED] jobs internally or for one of its partners. PFN will hire people from the local area. Further, PFN estimates its broadband offering will create or save [REDACTED] jobs at CCF and ISP purchasing services from PFN. Finally, PFN estimates the broadband it provides (directly or indirectly) will create or save an additional [REDACTED] jobs.