Applicant Name: ZITO MEDIA COMMUNICATIONS II, LLC

Project Title: Central Pennsylvania Fiber Ring Project

Project Type: Comprehensive Community Infrastructure

Executive Summary

The thirty-three rural communities in Central Pennsylvania that will be served by this fiber ring project are economically distressed with high unemployment and poverty rates, low average family incomes and low population densities. This 935 mile fiber ring project will offer connectivity to 1,535 community anchor institutions, including hospitals and health care facilities, public safety entities and other community anchor institutions and will include by Zito a donation of twelve 10 gigabit dim wavelengths over 386 miles of existing fiber (value of $1,728,000). These community anchor institutions and areas are most in need of high-speed, efficient low cost broadband infrastructure but are unserved and underserved. Economic research indicates that: (i) broadband has a positive and significant effect on growth in employment and a positive effect on growth in total payroll, (ii) migration from dial-up to broadband Internet access tends to increase growth in employment and total payroll, (iii) with increased use of broadband, new jobs are created and productivity rises, both of these changes will have a positive effect on total payroll growth and (iv) a 1% increase in broadband penetration can increase in employment between 0.075 and 1.4%. See Economic Effects of Increased Broadband Use in California by Sacramento Regional Research Institute, which also references a Department of Commerce 2006 Study attached in the Supplemental Information Upload. The bandwidth available through the project will enable a variety of applications from very high speed internet to high capacity point-to-point connections to voice services including sip trunks for inbound and outbound voice as well as for hosted PBX services. We have implemented similar projects in rural Pennsylvania with very positive results which we believe will translate for this project. Zito Media Communications II, LLC (‘Zito’) has found that by offering a converged network of both voice and data services, we can both lower customer expenditures as well as providing them far superior fiber optic data connections. The ability to provision a number of services over a single fiber optic connection has allowed Zito to provide data connections with bandwidth and reliability far exceeding previous customer connections as well as providing these customers savings on their total telecommunications bill. One rural hospital in our original network area has six outlying facilities. Previously, those facilities were tied together through a VPN tunnels operating through a series of DSL or cable modem connections. The Zito network is now providing fiber optic connections to all of those outlying facilities with network speeds ranging from 100 megabits per second to one gigabit per second and IP phones and hosted PBX service to all of the outlying locations as well as SIP trunks to the PBX at the main hospital. The network is designed to both (i) directly serve community anchor institutions, including educational and medical facilities, public safety agencies and businesses and (ii) to provide the middle mile connections that can be used by Zito and other last mile providers along the network. This network can efficiently provide bandwidth to cable television operators,
wireless companies, and other competitive telecommunications businesses. The network is designed so that other providers can purchase bandwidth capacity and dark fiber. The per capita income of the areas served by the proposed project is $15,343 which is 71% of the national average per capita income of $21,587, and the unemployment rate for the areas served by the proposed project is 10.9% which for the most recent 24 month period is 1.7% greater than the national average unemployment rate of 9.2%. The unemployment rates for these areas range from a low of 9% and a high of 16.4%. 91% of such communities have populations below 10,000 people. Also, 67% of these communities are above the national average for families below the poverty level (9.2%) with the average for these communities at 13.2% and 73% of these communities are above the national average for individuals below the poverty level (12.4%) with the average for these communities at 19.1%. The project will serve rural areas with average household and family incomes $28,352 and $36,871, respectively that are well below the national household and family average incomes of $41,994 and $50,046, respectively. The total population of these areas is 141,875 with 62,869 households. The network will offer connectivity to (i) 1,535 community anchor institutions, including 177 schools, 18 colleges, 131 public safety entities, 39 libraries, 529 medical and healthcare providers, 366 government facilities, 43 public housing facilities and 232 community support organizations and (ii) 17,210 businesses. The project will provide the following telecommunication services: INTERNET ACCESS: ' Delivered through fiber optics ' Symmetrical speeds ' Low latency ' Redundant connections available ' Speeds up to one gigabit per second available ' BGP supported for larger projects VOICE: ' Local, Long Distance, Toll Free, and International ' Inbound and outbound ' SIP trunking as well as legacy connections ' E911, 411, and CNAM POINT TO POINT DATA: ' LAN or WAN connections ' 10, 100, or 1,000 megabits per second ' Redundant connections available VIRTUAL PBX: ' Option to replacing premised based telephone system ' Turnkey advanced telephone system ' Management through web interface ' IVR, hunt groups, call queues, fax to email, conference bridges, online reporting ' Multiple sites can be configured as one telephone system ' Trunking limitations disappear OTHER SERVICES ' Co-location and data backup ' Email and web hosting ' Professional services ' Dark fiber and wavelength services Zito shall follow the FCC's Internet Policy Statement and not favor any lawful Internet applications and content over others and will display any network management and nondiscrimination and interconnection policies in a prominent location on the service provider's web page and provide notice to customers of changes to these policies. Zito shall negotiate in good faith with all parties making a bona fide request for interconnection. Technically, the Zito network will be configured as follows: ' Ring based for redundancy ' Layer 3, MPLS enabled ' 10 gigabits per second capacity ' Access switch for local connections at one gigabit ' Transport with xfp's and sfp's Zito has a well qualified management team which is particularly well qualified to provide advanced services to rural communities and extensive experience in: ' Construction and operation of fiber networks ' Regional and national IP backbones ' Commercial and residential high speed internet ' Voice systems'legacy and IP based ' Converged services over common IP network Major cost components of the network are summarized as follows: ' 525 miles of fiber optics at $20,000 per route mile=$10,500,000 ' 25 hubs sites at $25,000 per hub=$825,000 ' 13 small hubs sites at $20,000 per hub=$260,000 ' 240 miles of fiber coax upgrade at $2,000 per mile=$480,000 ' 10 miles of new coaxial build at $10,000 per mile=$100,000 ' Miscellaneous servers, test equipment, and vehicles After eight years of operation, Zito expects on the commercial side that each building served will generate an average of approximately $750 per month of revenue. Based on revenue of approximately $318,000 per
month at the end of year 8 of the projections, this means that approximately 424 buildings will be served by the network. On the residential side, Zito estimates that approximately 20% of homes passed by the upgraded network will subscribe to high speed internet service and 10% of homes passed will subscribe to residential voice service. Since the upgraded network will pass about 4,200 homes, this leads to estimates of 840 high speed internet customers and 420 residential voice customers. This project will create with very high certainty an estimated 162 direct jobs immediately based assumption of one man year per $55,000 spent on the direct labor category. This project will create with high certainty an estimated 18 indirect jobs in the short-term based on the assumption of one man year per $200,000 spent on the equipment or material category. This project will create with moderate certainty an estimated 103 multiplier effect jobs in the medium-term based on the assumption for each dollar spent on project, $.45 will be spent on unrelated labor due to the multiplier effect. This project will create with low certainty an estimated 835 infrastructure enhancement jobs in the long-term based on the assumption of local jobs increasing by 1% over ten years due to the infrastructure enhancement.