

Association of Communication Engineers/USDA Rural Development Seminar

Lighting It: FTTH Financing Trends

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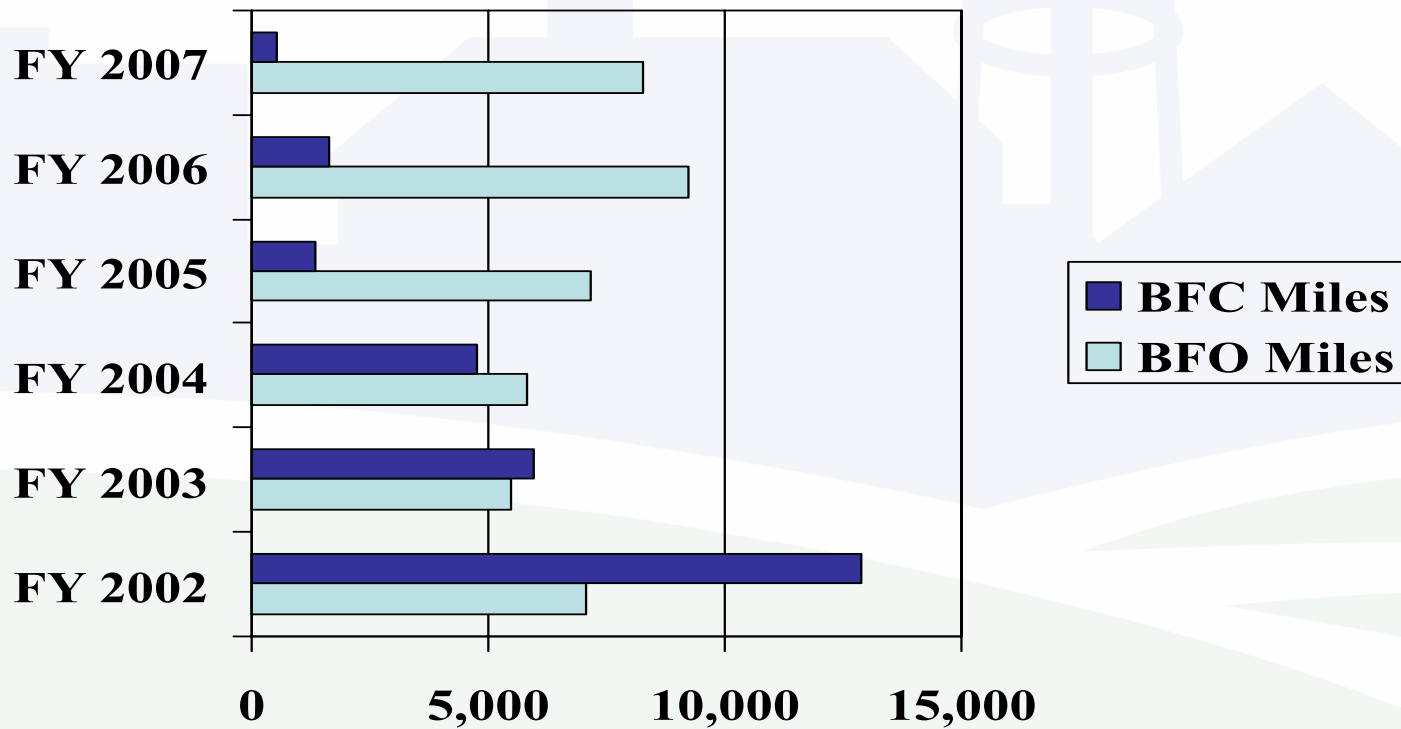
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Loan Application Mileage: BFC vs BFO



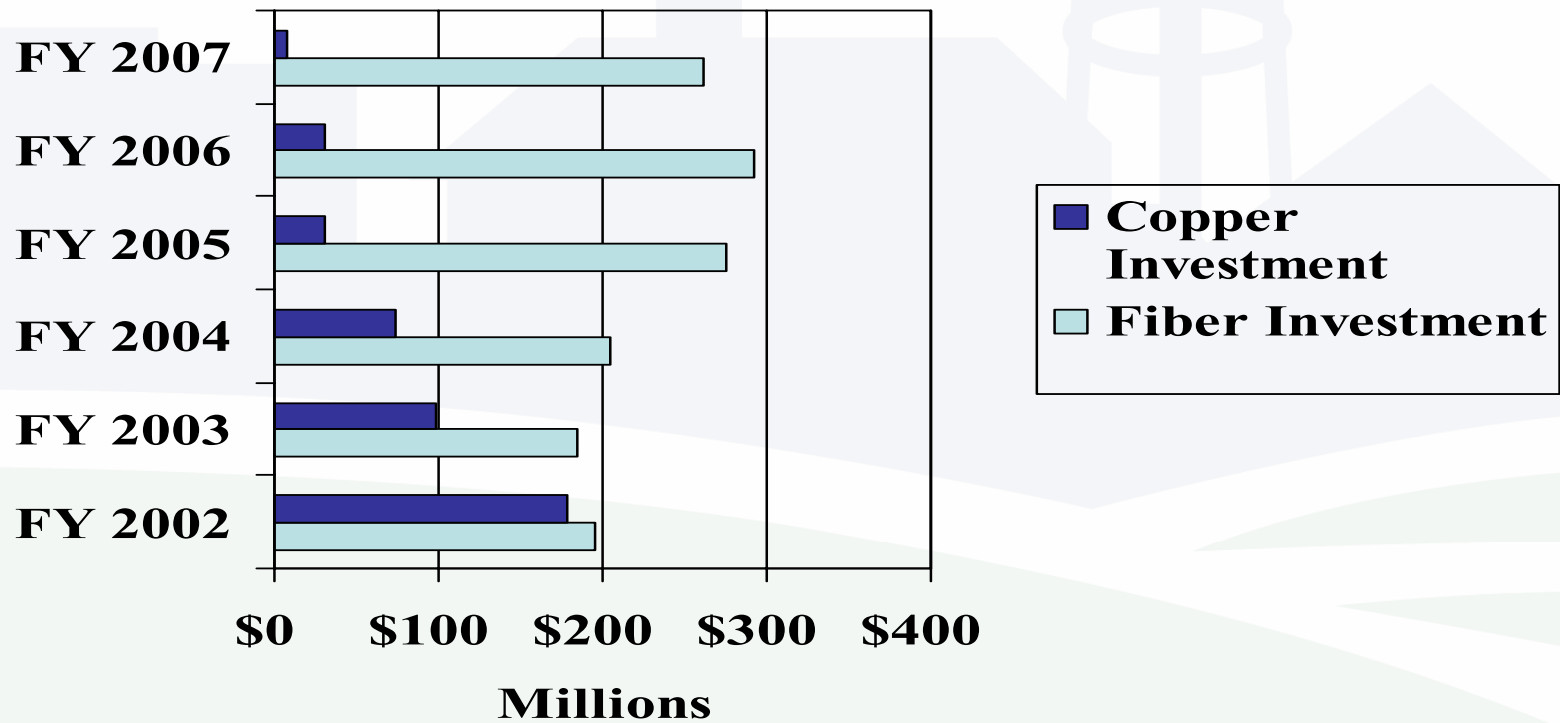
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Loan Application Mileage: BFC vs BFO

Year	BFO Miles	BFC Miles
FY 2002	7,084	12,891
FY 2003	5,496	5,966
FY 2004	5,835	4,770
FY 2005	7,186	1,347
FY 2006	9,224	1,630
FY 2007	8,293	532

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Loan Application Investment: Buried Copper vs. Fiber Facilities



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Wireline Construction Loan Statistics

- FY 2006
 - Telecom Loans FTTH 20 of 29: **69%**
 - Broadband Loans FTTH 9 of 13: **69%**
- FY 2007
 - Telecom Loans FTTH 22 of 30: **73%**
 - Broadband Loans FTTH 6 of 10: **60%**
- Overall for 2 years - 57 of 82: **~ 70% FTTH**

FTTH Implementation Strategies

- **New Loans**
 - “Town” area overbuild
 - Rural area overbuild
 - Exchange-by-exchange
 - Full System overbuild
- **Existing Loans – Change In Design**

Loan Application Considerations

- **System Design Discussion (FTTH)**
 - Implementation Strategy: Why this method?
 - Cost Comparisons and Economic Studies
 - Service Offerings (Voice, Data, *Video)
 - Competition Factors

Loan Application Considerations

- **System Design Discussion (DLC)**
 - Evidence of Consideration of FTTH
 - Cost Comparisons and Economic Studies (DLC vs FTTH)
 - Narrative Discussion

Loan Application Considerations

- **Video Concerns**
 - No concrete video plans – then don't include video revenue projections
 - How Are Services Provided?
 - Through Subsidiary or Affiliate
 - Directly From the company

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Loan Application Considerations

- Video Provided via Affiliate or Subsidiary:
 - Include Revenue Figures in Non-regulated net income
 - Include Service Agreement between the Affiliate/Subsidiary and the Company (Borrower)
- Video Provided Directly through the Company:
 - Service Rates – Details on Different Plans to be offered
 - Video Subscriber Projections and Assumptions
 - How are you getting your video signals? Include Video Service Agreements and provider if applicable.

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Conclusions

- Trending toward FTTH
- We will encourage FTTH designs
 - FTTH is not currently required
 - Evidence of FTTH consideration in System Design (Cost Analysis and Narrative)
- Questions?