



# The New Reality:

How the FCC's Regulations Will  
Fundamentally Change Your Business

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46

PU-11-697  
Exhibit 3


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Midcontinent Communications

**Exhibit**  
**3**

Midcontinent Communications v.  
Missouri Valley Communications  
Case No. PU-11-1697



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## WHY ARE THE ICC/USF RULES CONSIDERED OUTDATED?

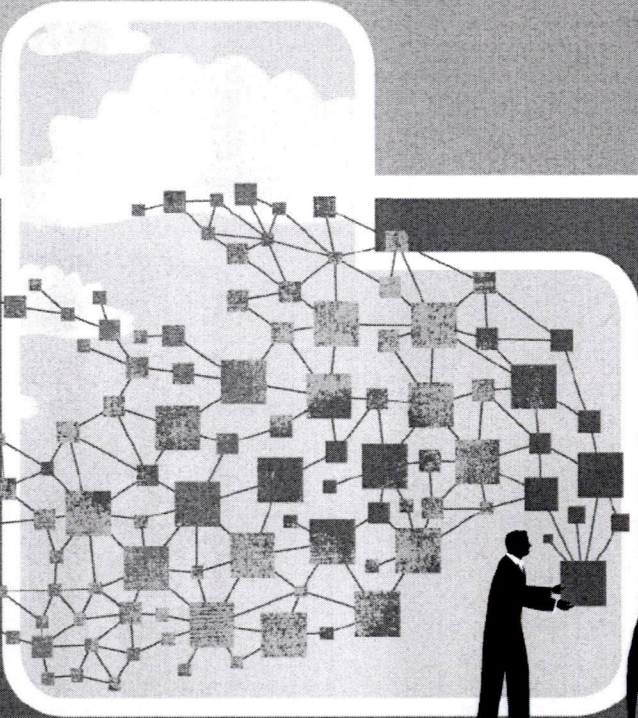
- Part 69 – Access Charges was added to the CFR in February of 1983
  - 29 Years Ago
- The foundation for today's USF was laid in 1984
  - 28 Years Ago



## WHAT WAS GOING ON IN 1983 & 1984?

- Ronald Reagan was president
- Camcorders & compact discs were introduced
- U.S. invades Grenada
- HIV/AIDS is discovered
- Cost of a gallon of gas - \$1.20
- Average price of a new car - \$11,375
- 1<sup>st</sup> Megabit chip is produced at Bell Labs
- 1<sup>st</sup> infomercials on TV due to de-regulation by the FCC
- Apple Computer releases the Macintosh personal computer
- 1<sup>st</sup> cell phone introduced by Motorola
- Internet still not available for commercial use...No DSL

# CAF & ICC REFORM ORDER



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# CAF & ICC REFORM ORDER

- Connect America Fund (CAF) and Intercarrier Compensation (ICC) Reform Order and FNPRM
  - Approved October 27, 2011
  - Released November 18, 2011
  - Order primarily addresses long term ICC and interim USF reform
    - Proposed effective dates beginning in 2012
  - FNPRM primarily addresses long term USF reform



# CAF & ICC REFORM ORDER

- Identifies 5 Goals
  - Preserve & enhance universal availability of voice
  - Universal availability of networks capable of providing voice and broadband
  - Universal availability of networks capable of providing mobile voice and broadband
  - Ensure that rates for voice and broadband are reasonably comparable across the U.S.
  - Minimize USF burden on consumers



# CAF & ICC REFORM ORDER

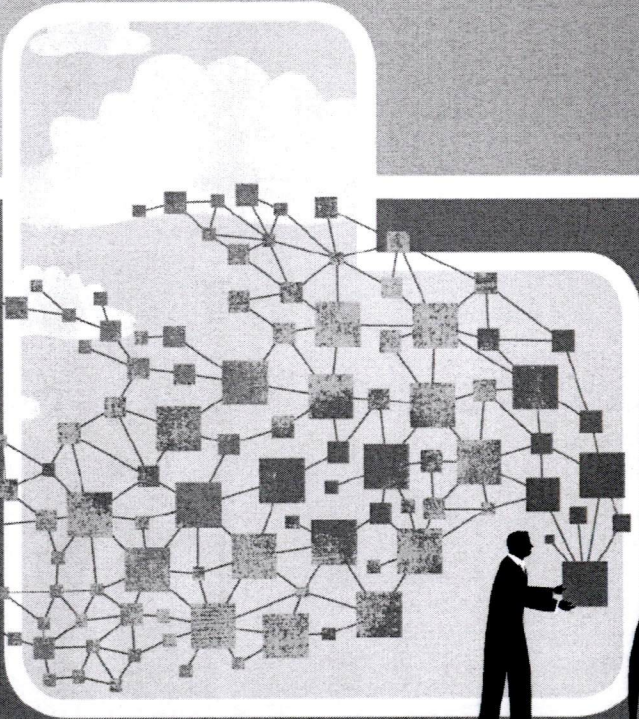
- Guided by 4 Principles
  - Modernize USF & ICC for Broadband
  - Fiscal Responsibility – control the size of the fund
  - Accountability – for recipients and government administrators
  - Incentive Based Policies



# CAF & ICC REFORM ORDER

- Budget
  - Up to \$4.5B each year
    - \$1.8B for Price Cap carriers
    - \$500M Mobility Fund
    - \$100M Remote Areas Fund
    - \$2.0B for Rate of Return carriers
      - Includes HCLS, ICLS, SNA, SVS, and ICC CAF
  - Funding in a given year could be more or less
    - Contribution will not exceed \$4.5B + expenses

# USF REFORM



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# USF REFORM

- Voice Service Requirements
  - Similar requirement as today, with one exception:
    - Voice must be offered as a standalone service
- Broadband Service Requirements
  - Rates reasonably comparable to urban rates
  - 4 Mbps download/1 Mbps upload
  - Latency sufficiently low to enable real time applications
    - Generally less than 100 milliseconds



# USF REFORM

- Rate of Return Carriers
  - Limitations on capital and operating expenses
    - Implemented no later than 7/1/2012
    - Additional comment as part of FNPRM
      - Regression analysis using publicly available cost, geographic and demographic data
      - Comparison of costs to similarly situated companies
    - Annual publication of capped costs that will be used in place of actual costs that exceed the cap
    - Focused initially on HCLS, but FNPRM directs similar benchmarks for ICLS



# USF REFORM

- Rate of Return Carriers
  - Extends Corporate Operations Expense limitation to ICLS
    - Effective 1/1/2012
    - Minor updates to the formula
      - Loops  $\leq$  6,000 Loops – monthly per loop expense = greater of
        - »  $\$42.337 - (.00328 * \text{working loops})$
        - »  $\$63,000/\text{working loops}$
      - $6,000 \geq \text{Loops} \leq 17,887$  – monthly per loop expense =
        - »  $\$3.007 + (117,990/\text{working loops})$
      - Loops  $\geq 17,887$  – monthly per loop expense =
        - »  $\$9.56$
    - Adjusted by change in GDP-CPI, beginning 1/1/2013



# USF REFORM

- Rate of Return Carriers
  - Reduces HCLS for carriers with artificially low voice rates
    - 3 step phase in beginning 7/1/2012
      - 7/1/2012 – 6/30/2013 = \$10.00
      - 7/1/2013 – 6/30/2014 = \$14.00
      - Thereafter, determined by WCB annual survey of voice rates
        - » 2008 national average = \$15.62
      - Includes state SLC, state USF fees and mandatory EAS
    - Dollar for dollar reduction in HCLS
    - Requires annual submission of rates and fees to USAC



# USF REFORM

- Rate of Return Carriers
  - Safety Net Additive grandfathered or phased out
    - Effective 1/1/2012
    - Eligibility a result of 14% increase in TPIS
      - Support grandfathered for the remainder of eligibility period
      - No new support for costs incurred after 2009
    - Eligibility as a result of loss of access lines
      - Support phased out over 2 years
        - » 50% of calculated support in 2012
        - » Support eliminated in 2013



# USF REFORM

- Rate of Return Carriers
  - Eliminate LSS as a separate support mechanism
    - Effective 7/1/2012
    - Ongoing recovery through ICC recovery mechanism
      - 5% annual reduction
    - Support frozen at 2011 support levels for 1/1/2012 – 6/30/2012
      - Subject to true up based on actual 2011 operating costs



# USF REFORM

- Rate of Return Carriers
  - Adjusted HCLS Cap
    - Effective 1/1/2012
    - Elimination of HCLS for Price Cap carriers requires that the overall size of the fund be reduced
      - Includes Rate of Return study areas affiliated with Price Cap carriers
      - NECA required to submit revised cap within 30 days



# USF REFORM

- Rate of Return Carriers
  - Cap per line support at \$250 a month
    - Effective 7/1/2012
    - Applies to both ETCs and CETCs
    - Applies to all High Cost Support, excluding CAF ICC support
    - 3 year phase in of cap
      - 7/1/2012 – 6/30/2013 = \$250/line + 2/3 of difference
      - 7/1/2013 – 6/30/2014 = \$250/line + 1/3 of difference
      - 7/1/2014 = No more than \$250/line
  - Carriers may file a petition for waiver or adjustment



# USF REFORM

- Rate of Return Carriers
  - Unsubsidized Competition
    - Effective 7/1/2012
    - Eliminates support where unsubsidized competitor(s) offer voice and broadband to 100% of the study area
    - Incumbent support phased out over 3 years
      - Support frozen at the lesser of 2010 support or \$3,000/line
      - Support reduced by 33% each year
    - FNPRM seeks comment on process for determining support in study areas with less than 100% overlap



# USF REFORM

- Waivers
  - Waiver process to seek relief from some or all USF reforms
    - FCC does not expect to grant waivers routinely
    - Subject to a total company earnings review
  - Carrier must demonstrate that reduction in existing support would put voice service at risk
    - No mention of broadband at risk
  - Consideration given if reform would cause a provider to default on existing loans or become insolvent



# USF REFORM

- Accountability and Oversight
  - ETCs to provide annual reports and certifications by April 1<sup>st</sup> of each year, starting in 2012
    - Underlying support for annual ETC certification (10/1)
    - Extends current federal reporting requirements to all ETCs
  - Reporting Requirements
    - Speed and Latency – annual performance results (2013)
    - Capacity – certify comparable to urban areas (2013)
    - Build-out/Service – new 5-year build-out plan by 4/1/2013, updated annually



# USF REFORM

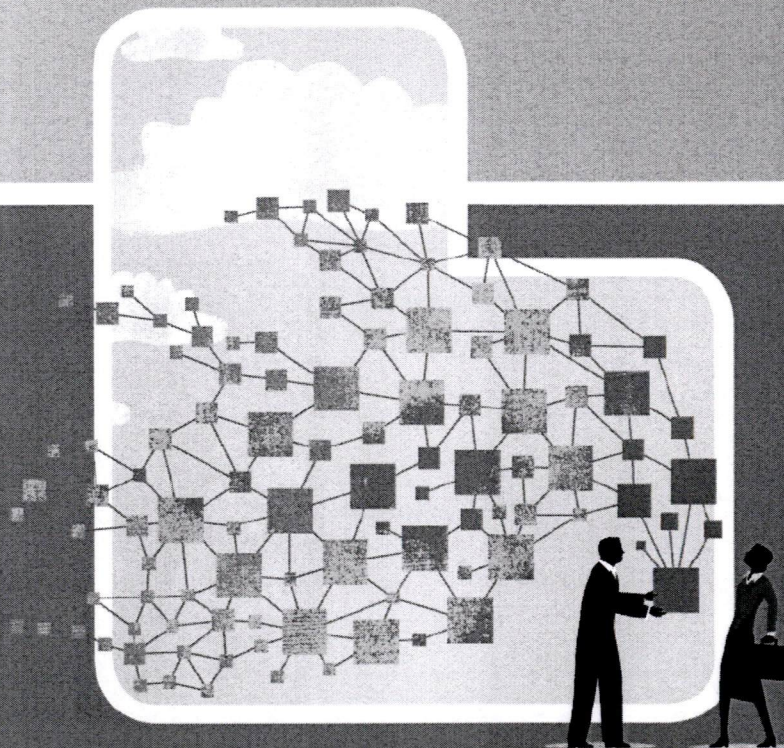
- Accountability and Oversight
  - Reporting Requirements
    - Rate of return carriers must self-certify that they are taking reasonable steps to offer broadband at requirements
    - Pricing
      - All ETCs must self certify that their voice service is priced no more than 2 standard deviations above the national average
      - Annually submit pricing information for voice and broadband



# USF REFORM

- Accountability and Oversight
  - Reporting Requirements
    - Annual Financial Reporting
      - Privately held, rate of return carriers must submit audited financial statements annually
        - » RUS borrowers may submit RUS financial report
      - Financial disclosures to be made publicly available
    - Annual Ownership Information
      - Holding company, operating companies, affiliates, and DBAs
      - Report USF identifiers for each study area code

# ICC REFORM



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# ICC REFORM

- Underlying Principles
  - Phase out of per minute ICC charges
  - Migrate to bill and keep
  - Promote the transition to IP networks
  - Provide a more predictable path for the industry and investors
  - Eliminate hidden subsidies in current system



# ICC REFORM

- Rate of Return Carriers
  - Transition terminating switched access to bill and keep
    - Cap all interstate switched access rates
      - Effective 12/29/11
      - Originating and terminating
        - » End Office Access Service
        - » Tandem Switched Transport Access Service
        - » Dedicated Transport Access
        - » Other interstate switched access rate elements
          - Carrier Common Line, as applicable
          - Information Surcharge



# ICC REFORM

- Rate of Return Carriers
  - Transition terminating switched access to bill and keep
    - Cap intrastate switched access rates
      - Effective 12/29/11
      - Terminating only
        - » End Office Access Service
        - » Tandem Switched Transport Access Service
      - Includes reciprocal compensation
      - No adjustment required/allowed if intrastate is already lower than interstate



# ICC REFORM

- Rate of Return Carriers
  - Transition terminating switched access and reciprocal compensation to bill and keep
    - Step 1 (July 1, 2012) – 50% transition to interstate
      - May maintain intrastate switched access rate structure; or
      - Apply interstate rate structure for intrastate rates
        - » Immediately migrate to interstate rates
        - » Apply a transitional rate equal to 50% of the difference
    - Step 2 (July 1, 2013) – 100% transition to interstate



# ICC REFORM

- Rate of Return Carriers
  - Transition terminating switched access and reciprocal compensation to bill and keep
    - Step 3 (July 1, 2014) – 1/3 of difference between interstate and \$0.005
    - Step 4 (July 1, 2015) – 2/3 of difference between interstate and \$0.005
    - Step 5 (July 1, 2016) – \$0.005



# ICC REFORM

- Rate of Return Carriers
  - Transition terminating switched access and reciprocal compensation to bill and keep
    - Step 6 (July 1, 2017) – 1/3 of difference between \$0.005 and \$0.0007
    - Step 7 (July 1, 2018) – 2/3 of difference between \$0.005 and \$0.0007
    - Step 8 (July 1, 2019) – terminating switched end office access rates @ \$0.0007
    - Step 9 (July 1, 2020) – bill and keep
      - Tariff filings to remove charges for Terminating End Office Access Charges



# ICC REFORM

- Rate of Return Carriers
  - Other Issues
    - Reforms do not automatically replace existing contracts or interconnection agreements
      - Left to “change of law”, renegotiation and termination clauses in agreements
    - Originating Access left to FNPRM, beyond cap
    - Transport (originating and terminating) left to FNPRM, beyond cap
    - Other rate elements left to FNPRM, beyond cap



# ICC REFORM

- Rate of Return Carriers
  - Eligible Recovery
    - Rate of Return Baseline
      - 2011 Interstate Switched Access Revenue Requirement\*
      - + 2011 Intrastate Switched Access Revenues
      - + 2011 Net Reciprocal Compensation Revenues
      - 5% annual reduction
    - Recovered from 3 sources
      - Intercarrier Compensation Revenues
      - Access Recovery Charge (ARC)
      - Connect America Fund (CAF)

\* Revenue requirement submitted to NECA for 2011 tariff filing



# ICC REFORM

- Rate of Return Carriers
  - Access Recovery Charge (ARC)
    - Residential & SLB = \$0.50/year for up to 6 years for a max of \$3.00
    - MLB = \$1.00/year for up to 6 years for a max of \$6.00
      - SLC + ARC may not exceed \$12.20
    - Local Rate + SLC + EAS + Surcharges + ARC  $\leq$  \$30.00
      - Residential, no benchmark for SLB & MLB



# ICC REFORM

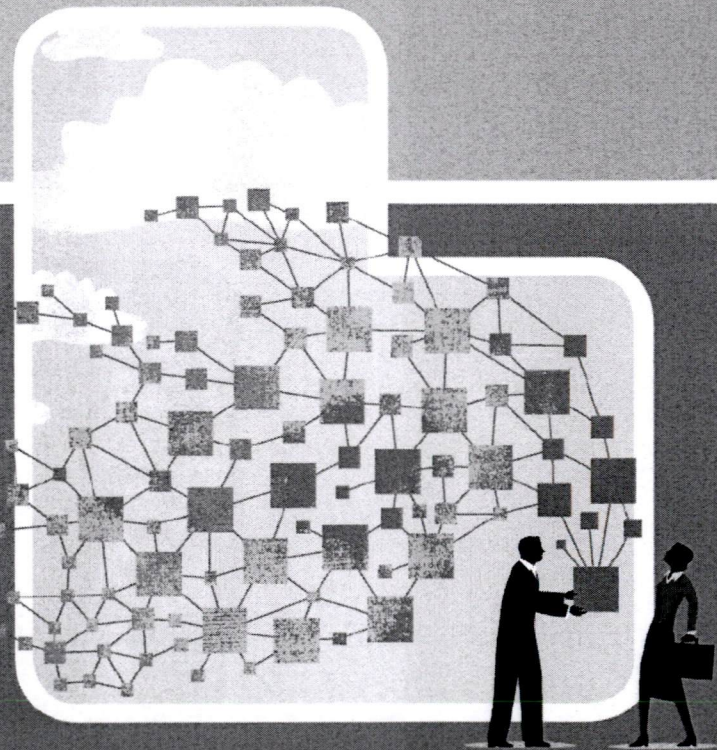
- Rate of Return Carriers
  - Connect America Fund (CAF) support
    - Eligible Recovery
      - Intercarrier Compensation Revenues
      - Access Recovery Charge Revenue
    - = CAF Support
  - Eligible Recovery is reduced by 5% each year
  - Obligation to deploy broadband upon reasonable request as a condition of ICC CAF



# ICC REFORM

- Monitoring Compliance
  - Annual filing of the following data
    - ICC Rates
    - Revenues
    - Expenses
    - Demand for the preceding fiscal year
- Waiver Requirements
  - Similar to USF Reform waiver requirements
    - Total Cost and Earnings Review, including non-regulated
    - Carriers face a “heavy burden”

# IMPACTS ANALYSIS



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## IMPACTS ANALYSIS

- 65 Cost Company Study Areas
- 309,435 Access Lines (2012 Est.)
  - 4,761 – Average
- ≈ \$200M in 2012 USF (Est.)
- ≈ \$75M in 2012 IS SW Revenue Req. (Est.)
- ≈ \$ 35M in 2012 ST SW Revenue (Est.)
- ≈ \$900M in 2012 Rate Base (Est.)

## AVERAGE TELEPHONE COMPANY - USF

| USF Reform Impacts - Average<br>(65 Companies) | Implementation<br>Date | Annual Impact    |                  |                  |
|--|------------------------|------------------|------------------|------------------|
|  |                        | 2012             | 2013             | 2014             |
| \$3,000 Total USF Cap                          | 1/1/2012               | (1,644)          | (301)            | (446)            |
| "Loop" SNA Phase Down                          | 1/1/2012               | (18,128)         | (31,562)         | (30,921)         |
| HCLS Corporate Cap                             | 1/1/2012               | (15,152)         | (12,122)         | (11,018)         |
| ICLS Corporate Cap                             | 1/1/2012               | (45,408)         | (40,768)         | (39,884)         |
| Artificially Low Local Rates                   | 7/1/2012               | (1,770)          | (7,726)          | (20,182)         |
| CapX/OpX Caps HCLS                             | 7/1/2012               | -                | (130,623)        | (106,507)        |
| CapX/OpX Caps ICLS                             | 7/1/2012               | (21,227)         | (34,059)         | (27,685)         |
| <b>Total USF Impacts</b>                       |                        | <b>(103,329)</b> | <b>(257,160)</b> | <b>(236,642)</b> |

# AVERAGE TELEPHONE COMPANY - USF

| USF Reform Impacts/Line/Month<br>(Average Access Lines) | Implementation<br>Date | Annual Impact |               |               |
|---|------------------------|---------------|---------------|---------------|
|   |                        | 2012          | 2013          | 2014          |
| \$3,000 Total USF Cap                                   | 1/1/2012               | (0.03)        | (0.01)        | (0.01)        |
| "Loop" SNA Phase Down                                   | 1/1/2012               | (0.32)        | (0.57)        | (0.57)        |
| HCLS Corporate Cap                                      | 1/1/2012               | (0.27)        | (0.22)        | (0.20)        |
| ICLS Corporate Cap                                      | 1/1/2012               | (0.79)        | (0.73)        | (0.74)        |
| Artificially Low Local Rates                            | 7/1/2012               | (0.03)        | (0.14)        | (0.37)        |
| CapX/OpX Caps HCLS                                      | 7/1/2012               | -             | (2.35)        | (1.97)        |
| CapX/OpX Caps ICLS                                      | 7/1/2012               | (0.37)        | (0.61)        | (0.51)        |
| <b>Total USF Impacts/Line/Month</b>                     |                        | <b>(1.81)</b> | <b>(4.63)</b> | <b>(4.38)</b> |

# AVERAGE TELEPHONE COMPANY - USF

| USF Reform Impacts/Line/Month<br>(Impacted Companies) | Implementation<br>Date | Monthly Impact |                |                |
|---|------------------------|----------------|----------------|----------------|
|   |                        | 2012           | 2013           | 2014           |
| "Loop" SNA Phase Down                                 | 1/1/2012               | (1.76)         | (3.31)         | (3.60)         |
| Companies Impacted                                    |                        | 12             | 11             | 9              |
| Lines Impacted  |                        | 55,876         | 51,667         | 46,562         |
| HCLS Corporate Cap                                    | 1/1/2012               | (0.47)         | (0.44)         | (0.44)         |
| Companies Impacted                                    |                        | 27             | 22             | 21             |
| Lines Impacted  |                        | 173,393        | 150,921        | 136,713        |
| ICLS Corporate Cap                                    | 1/1/2012               | (1.13)         | (1.14)         | (1.11)         |
| Companies Impacted                                    |                        | 31             | 26             | 27             |
| Lines Impacted  |                        | 217,451        | 194,432        | 194,426        |
| Artificially Low Local Rates                          | 7/1/2012               | (0.27)         | (0.65)         | (0.94)         |
| Companies Impacted                                    |                        | 9              | 20             | 27             |
| Lines Impacted  |                        | 35,768         | 64,340         | 116,560        |
| CapX/OpX Caps HCLS                                    | 7/1/2012               | -              | (6.09)         | (5.70)         |
| Companies Impacted                                    |                        | -              | 23             | 19             |
| Lines Impacted  |                        | -              | 116,092        | 101,155        |
| CapX/OpX Caps ICLS                                    | 7/1/2012               | (1.25)         | (2.03)         | (1.68)         |
| Companies Impacted                                    |                        | 18             | 18             | 18             |
| Lines Impacted  |                        | 92,041         | 90,807         | 89,455         |
| <b>Impacts/Line/Mo. (x \$3K Cap)</b>                  |                        | <b>(4.88)</b>  | <b>(13.66)</b> | <b>(13.46)</b> |

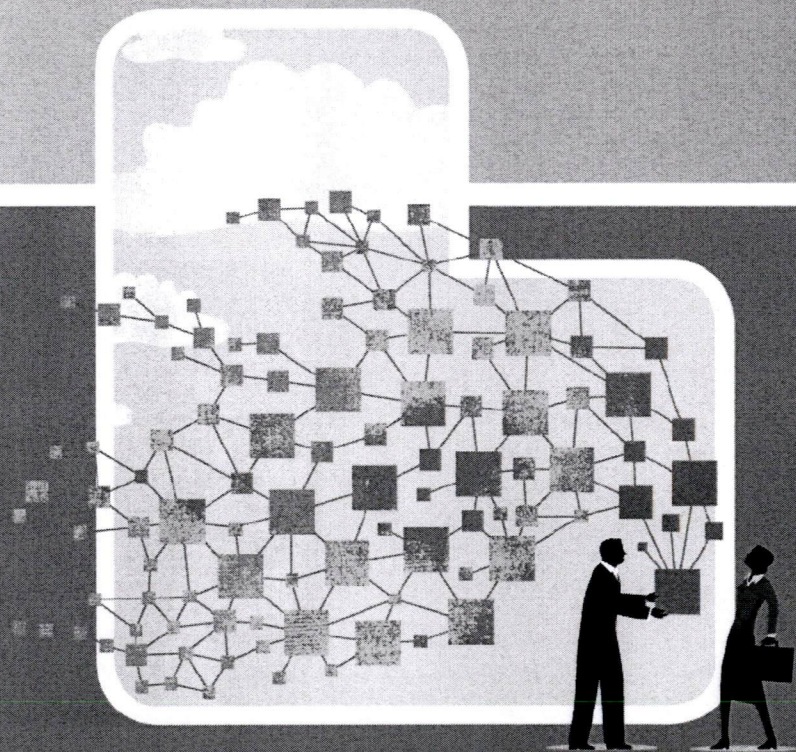
# AVERAGE TELEPHONE COMPANY - ICC

| ICC Reform Impacts - Average<br>(65 Companies) | Implementation<br>Date | Annual Impact   |                  |                  |
|--|------------------------|-----------------|------------------|------------------|
|  |                        | 2012            | 2013             | 2014             |
| Intrastate Terminating ICC Reductions          | 7/1/2012               | (41,533)        | (90,920)         | (154,344)        |
| Interstate Terminating ICC Reductions          | 7/1/2014               | -               | -                | (15,887)         |
| Access Recovery Charge (ARC)                   | 7/1/2012               | 17,002          | 50,078           | 81,323           |
| Connect America Fund                           | 7/1/2012               | 222,966         | 479,887          | 496,532          |
| Interstate TS Settlement Reductions            | 7/1/2012               | (186,906)       | (401,656)        | (411,144)        |
| <b>Total ICC Impacts</b>                       |                        | <b>11,529</b>   | <b>37,389</b>    | <b>(3,521)</b>   |
| <b>Total USF &amp; ICC Impacts</b>             |                        | <b>(91,800)</b> | <b>(219,771)</b> | <b>(240,163)</b> |

# AVERAGE TELEPHONE COMPANY – INCOME & RETURN ON INVESTMENT

| Average Telephone Company  | Consolidated     | Regulated        | Adjusted<br>Regulated | Adjusted<br>Consolidated |
|----------------------------|------------------|------------------|-----------------------|--------------------------|
| Regulated Revenue          | 4,160,000        | 4,160,000        | 3,919,837             | 3,919,837                |
| Non-Regulated Revenue      | 1,024,000        |                  |                       | 1,024,000                |
| Non-Operating Revenue      | 302,000          |                  |                       | 302,000                  |
| <b>Total Revenue</b>       | <b>5,486,000</b> | <b>4,160,000</b> | <b>3,919,837</b>      | <b>5,245,837</b>         |
| Regulated Expense          | 3,610,000        | 3,610,000        | 3,610,000             | 3,610,000                |
| Non-Regulated Expense      | 1,155,000        |                  |                       | 1,155,000                |
| Non-Operating Expense      | 257,000          |                  |                       | 257,000                  |
| <b>Total Expense</b>       | <b>5,022,000</b> | <b>3,610,000</b> | <b>3,610,000</b>      | <b>5,022,000</b>         |
| Pretax Income              | 464,000          | 550,000          | 309,837               | 223,837                  |
| Income Tax Expense         | 157,760          | 187,000          | 105,344               | 76,104                   |
| Net Income                 | 306,240          | 363,000          | 204,492               | 147,732                  |
| Rate Base                  | 5,294,602        | 4,993,130        | 4,993,130             | 5,294,602                |
| <b>Return on Rate Base</b> | <b>5.78%</b>     | <b>7.27%</b>     | <b>4.10%</b>          | <b>2.79%</b>             |

# FUNDING REFORM



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# FUNDING REFORM

- \$2B Annual Budget for Rate of Return
  - Approximate size of current fund
    - High Cost Loop Support
    - Interstate Common Line Support
    - Local Switching Support
    - Safety Net Support
    - Safety Valve Support
  - Supports the universal availability of voice services



# FUNDING REFORM

- Connect America Fund supports
  - Voice Services
  - Intercarrier Compensation Reform
    - Terminating Switched Access
      - Interstate and Intrastate
    - Originating Switched Access?
  - Broadband
    - Subscriber Loop
    - 2<sup>nd</sup> Mile and Middle Mile?

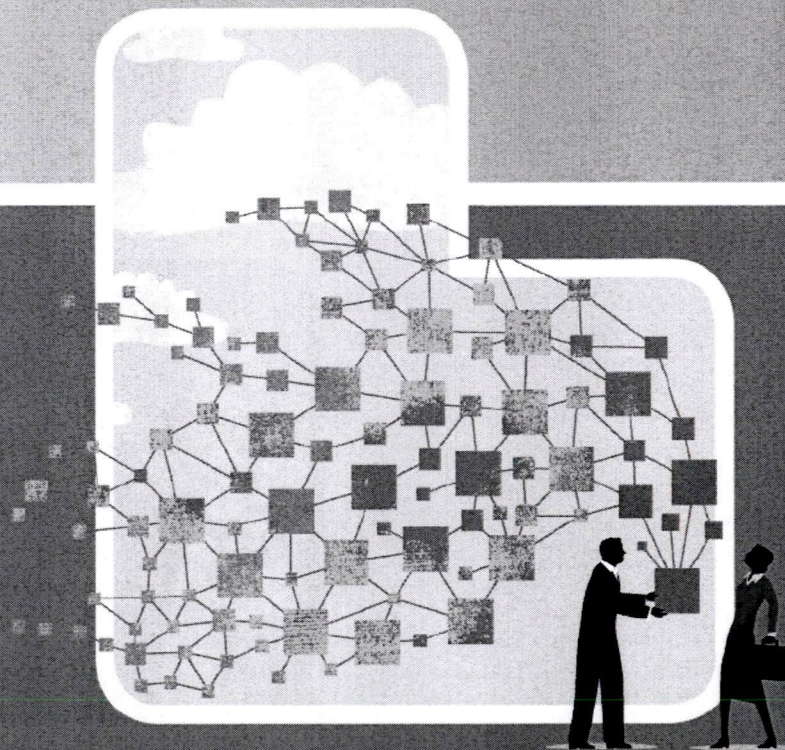


# FUNDING REFORM

- How Do Additional Services Get Funded?
  - Overall cap on the size of the fund
    - Similar to current HCLS
    - Artificial cap on costs to maintain cap
  - Limitation of costs included in support
    - FCC's proposed regression analysis
    - Corporate operating expense limitations
    - Reduce support factors (65%/75% for HCLS)
  - Rate of Return represcription
    - Reduced return on investment

# WHAT CAN BE DONE?

Business Opportunities &  
Best Practices



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# OPPORTUNITIES & BEST PRACTICES

- 4 Principles to Consider
  - Planning is more critical than ever
    - Generally not a strong suit in the industry
  - Cost Efficiency
    - Get used to looking for ways to cut costs
  - Need to get creative & competitive
    - Again, not typically a strong suit
  - Become a strong broadband provider
    - Best connection
    - Well delivered



# PLANNING FOR THE NEW FUTURE

- Strategic Management Planning
  - Develop a few core strategies
    - Keep it simple
    - Plans must be in alignment
      - Strategic plan
      - Departmental plans
      - Annual budget
  - Measure your results
    - Financial metrics and benchmarking
    - Scorecard of department and employee performance
  - Without structure you will not have a good result



## COST EFFICIENCY: NETWORK

- Future proof/efficient network
  - Cuts down on future CapEx
- Fiber capacity, switching agreements, facility leases, etc.
  - Avoids large one-time costs
- Collapse multiple networks
  - Reduces maintenance and operating costs.
- Mergers, combinations & joint operations
  - Economies of scale to be gained (# of switches, etc)?



## COST EFFICIENCY: CAPEX

- Critical/targeted capital budgeting
  - Drive customers or services
  - Avoid spending to maintain rate base
- Business case for non-regulated activities
  - May pursue break-even services for competitive reasons
- Implement a Project Management Process
  - Reduce cost increases and project “creep”
- Tighten inventory controls
  - Avoids waste and tying up cash



## COST EFFICIENCY: OPEX

- Challenge your current and future head-count
  - Attrition without replacement
  - Targeted reductions
  - Robust performance management process
- Evaluate productivity & efficiency
  - Less customers/revenues = less cost in business?
  - Review processes and systems – automate & eliminate redundancies
- Outsourcing
  - Analyze full time employees vs. contract labor



## COST EFFICIENCY: OPEX

- Restructure benefit packages – remove excess
  - Cease new entrants to pension & retiree medical plans.
  - Adjust benefit programs to be in line with market
- Consolidation/elimination of subsidiaries
- Cost sharing - merge or partner with others
  - Share costs -call/data centers, back office, executives, etc.
- Rate renegotiations with vendors & contractors



## CREATIVE/COMPETITIVE: FOCUS ON SALES, MARKETING & SERVICES

- Make sales & revenue replacement a priority
  - Someone's core focus – measure & hold accountable
  - Use commission structure to reward behavior
  - Focused data mining and prospect "pipeline"
    - Retention & win back strategy
- Need a dynamic & creative bundling process
  - Constantly reassess and reengineer bundles and packages
    - Listen to the market



# CREATIVE/COMPETITIVE: FOCUS ON SALES, MARKETING & SERVICES

- Look for creative new sales channels
  - Examples
    - CSR's
    - I&R Technicians
    - Service Center Technicians
    - Home builders
  - Look for opportunities to diversify revenues
    - Study financial and technical viability of services
    - Not all services will make sense
      - Beware the trap of “we have to do it or we will lose out”
      - Must fit strategically and financially
    - Focus on utilization of your broadband network/loops



# CREATIVE/COMPETITIVE: SALES, MARKETING & SERVICES

- Sales funnel & innovation roadmap
  - IPTV/Cable
    - Customer/competition driven
    - Drives broadband requirements
    - Local content can be a differentiator
    - Capital, marketing and content intensive
    - New revenue stream, but appears to be a breakeven at best
  - Over the top video
    - Evolving market
    - Partner with equipment providers
    - Drives broadband usage
    - Where are the incremental revenues?



# CREATIVE/COMPETITIVE: FOCUS ON SALES, MARKETING & SERVICES

- Sales funnel & innovation roadmap
  - Alarm/monitoring services
    - Utilizes the local loop
    - New investment driven by customers
    - Existing & outsourced staff
  - Smart home services
    - Evolving market
    - Drives broadband usage
    - Equipment sales and installation



# CREATIVE/COMPETITIVE: FOCUS ON SALES, MARKETING & SERVICES

- Sales funnel & innovation roadmap
  - Wireless Opportunities
    - 4G/LTE partnership opportunities
      - Partner with the competition to keep them out
      - Alternate voice/broadband network
      - Edge out opportunity
    - Tower Space & Fiber Builds
      - Make wireless carriers a preferred customer
      - Significant revenue streams today
    - Wireless ISP
      - Alternate voice/broadband network
      - Potentially a lower cost alternative to physical loops
      - Edge out opportunity



# CREATIVE/COMPETITIVE: FOCUS ON SALES, MARKETING & SERVICES

- Sales funnel & innovation roadmap
  - Outsourcing existing resources
    - Outsourced CIO & tech support
    - Data center
    - Customer service
    - Finance & accounting
    - Construction crew & equipment
    - Warehouse & cable yard (storage)
    - Etc.