



Comments to RUS Proposed Rules

Rural Broadband Access Loans and Loan Guarantees

Background

Main Street Broadband LLC (“MSB”) is the parent company of Broadband South LLC (“BBS”), a borrower under the RUS broadband loan program. The markets chosen by MSB in the BBS loan application are largely unserved or underserved markets, and MSB concurs with the Agency’s objective to ensure that RUS loan funds are used primarily in these non-urban environments. We believe that many of the changes proposed by the Agency are positive, but are concerned by added complexity and the manner in which Urban Areas are defined. We are available to discuss any of the comments below. Please contact Michael Mies at 404-760-5343.

Comments

§1738.2 Definitions. We believe that the inclusion of Urbanized Cluster (UC) in the definition of **Urban Area** removes many rural (and thus unserved and underserved) communities. For example, many of the BBS markets, which are in general extremely rural, have significant populations that are within an Urban Cluster. According to our analysis, for example, approximately half of the households covered by our proposed service area in Cuthbert, GA and Perry, FL are in Urban Clusters. However, no one would ever confuse Cuthbert or Perry as urban areas. There are many similar examples from our 64 communities. In our view, the definition of Urban Area should be limited to the census definition of Urbanized Area.

§1738.31 Equity Requirement and §1738.32 Additional Cash Requirements. The reduction in the equity match from 20% to 10% for start-up companies is not meaningful in light of the Additional Cash Requirement, which is determined based on a financial model that includes only 50% of projected revenues. In our view it is highly unlikely that a start-up would not require additional equity if only half of revenues are included, unless the revenue forecast originally was unrealistic. We believe that Agency has missed a significant opportunity to greatly improve the program by modifying the timing of the equity requirement. The current structure penalizes large applications by requiring the full 20% match up-front, even though only a fraction of the loan amount will be drawn down in the first year, or even the second year. We believe that the new regulations should allow borrowers to have on deposit 20% of the first year’s proposed draw down, with evidence of the ability to provide additional equity for subsequent years’ draws.

§1738.21 Service Requirements for Proposed Projects. We believe the Agency underestimates the difficulty in determining availability of Broadband Service. As a wireless broadband provider, our service area would typically cover 200 square miles or more from a given location. The competitive technologies (cable modem and DSL) cover service areas on a linear basis (i.e. wherever fiber, coaxial cable or copper lines are laid or strung). It is extremely difficult to match up the coverage areas of wire-line and wireless operators to determine overlap. Even if Existing Service Providers provide the Agency with the information requested by §1738.33 (Legal Notice), i.e. their coverage areas, subscribers, etc., it will be extremely difficult for the Agency staff to match that information with the coverage area of other competitors. We believe the 40% unserved or underserved requirement, while important to the objectives of the Agency, will create the unintended consequence of adding tremendous complexity in the loan review process. We believe this would require significant staff time and resources that, based on our experience, will result in significant delays.

§1738.38 System Design. For large projects, such as BBS', we believe that completion of the project in 3 years will not always be feasible. If there is an arbitrary three year deadline, we believe that the most rural communities, which are likely the last to be built in a large project, may end up not being deployed.