

**Before the
Rural Utilities Service
Washington, D.C. 20250**

In the Matter of)	
)	
Rural Broadband Access Loans and)	Docket No. RUS-06-Agency-0052
Loan Guarantees)	
)	

**COMMENTS
of
MONTE R. LEE AND COMPANY**

I. INTRODUCTION

On Friday, May 11, 2007 the Federal Register Vol. 72, No. 91 released Proposed rules for comment for the Rural Utilities Services, USDA for the Broadband Access Loans and Loan Guarantees Program. RUS proposes rule changes in four areas: Funding in competitive markets, new equity requirements, new market survey requirements and new legal notices requirements.

Monte R. Lee and Company (MRL) is a consulting engineering firm which has assisted several applicants through the loan and specification process. MRL through our experience submits these comments to RUS to insure the best possible methods are used to broadband service a reality in the rural areas. The comments are as follows:

II. FUNDING IN COMPETITIVE MARKETS:

MRL is opposed to the proposed rule that eliminates many communities or areas within an urban area that meet the current population rules. Many communities today served by the larger telephones or cable-operating companies may

only have broadband service through a substandard interference burden wireless network or through a high cost satellite service for much of their area. Directly limiting these communities because of their location to an urban area is against the initial principles of the program to establish broadband to all America. In cases where facilities based services exist; MRL proposes that RUS should follow the guidelines as proposed to limit the number of Existing Broadband Service Providers.

MRL is opposed to limiting the submission of additional loans by an existing borrower currently serving urban areas originally accepted in the broadband program. Limiting the borrower to a single loan should they need to improve service to expand or meet the demand placed on them by competition is not acceptable. With a first lien on the property, a borrower would have no place to turn to get financing to expand their services with out first paying off the entire RUS debt.

MRL is opposed to limiting the submission of additional loans by an existing borrower serving areas when four Existing Broadband Service Providers are present. Restricting an existing borrower to no future RUS loans would reduce the company's value. An existing borrower would be required to go to a second source to obtain financing to improve service or expand area to meet the demands placed on them in the market place. With this proposed rule a borrower would be required to look into purchasing an existing service provider as part of the loan in order to maintain eligibility.

III. NEW EQUITY REQUIREMENTS:

The equity requirements for all borrowers should be lowered to 15 percent with the addition of lowering the equity requirements to 5 percent if the applicant proposes servicing an area wherein at least 40 percent of the households have no broadband access

or service from only one provider. If RUS is unwilling to reduce the equity percentage then the definition of equity needs to be changed to allow for the appraised value to be used in determining the equity of the firm. Many operators of existing network which do not require much reinvestment in plant see significant drop in equity over a period of time due to high depreciation rates and aggressive tax planning. These companies can be worth more than the book value, therefore they may be limited or don't even qualify for use of the program. The rules as proposed are based on book value. They are designed for companies which continually add investment in plant to maintain a high ROR or for companies who have recently completed construction and don't need a new loan.

Additional Cash Requirements:

Monte R. Lee and Company agrees with RUS rules to require a new start up or applicants which do not have positive cash flow for the two previous years to be required to make contributions to meet cash requirements. RUS in the calculation of cash requirements should not include revenues or costs paid to content providers for subscribers use. Any payments made to a third party as part of the subscribers use of the system will only occur if the customer has service. In the event RUS assumes only half the revenue for Cash Flow calculations, it is obvious that the expenses on the marginal services in turn should be removed. Including the full expense with only half revenues for margin services should not be considered since it places added hardship for additional cash requirements on the applicant.

Financial Information:

Monte R. Lee and Company is against the requirement to provide financial information for affiliated companies providing service to the applicant. Affiliated companies in most cases provide the services at a reasonable cost and therefore should be treated as any other service provider. Monte R. Lee and Company recommends to RUS as an option to have the applicant's affiliate sign a statement that states the services provided would be sold at the same rate to an outside entity as they are being sold to the affiliate. If they are unwilling to provide the document in the application, then and only then require the applicant to submit the affiliate's financials.

System Design:

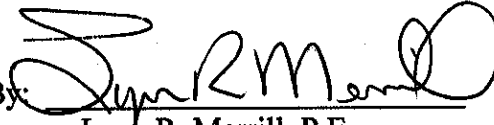
RUS is requiring the applicant to start the construction process within six months of the sign date of the loan documents by the Administrator. It has been our experience in the past, that if a BER is required on the project followed by the plans and specifications, six months have already passed. RUS should change the requirement to require borrowers to submit documentation indicating the status of construction at the six month window and every six months thereafter until the project is complete. This will give RUS an update on the project.

Respectfully submitted,

By: _____
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CERTIFICATE OF SERVICE

I, Lynn R. Merrill, hereby certify that a copy of the comments by Monte R. Lee and Company were sent by Fed Ex/Over Night Delivery, First Class United States mail, postage prepaid, and via electronic mail, on this, the 10th day of July, 2007, to those listed on the attached sheet.

By: 
Lynn R. Merrill, P.E.
Monte R. Lee and Company

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RUS-06-Agency-0052

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