



...In partnership with the Michigan Broadband Development Authority, the Michigan Economic Development Corporation and the Michigan State Housing Development Authority

Request for Proposals

Digital Divide Investment Program



**DIGITAL DIVIDE INVESTMENT PROGRAM
Muskegon County
Request for Proposals**

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**Digital Divide Investment Program (DDIP)
Muskegon County Request for Proposals (RFP) Response Form**

The DDIP is intended to mobilize broadband investment in geographic regions where high-speed Internet service may not be available or where such service is unaffordable for the average low to moderate income (LMI) household. Lowering end-user monthly service costs will increase broadband adoption rates in LMI communities. Increasing broadband adoption rates in LMI communities is the ultimate goal of the DDIP.

1.0 Funding Opportunity Description

This Request for Proposals is intended to solicit applications from for-profit broadband service providers for Muskegon County (*the “investment area”*) including the following local communities: The Townships of Cedar Creek, Egelston, Holton, and Moorland as well as the Village of Lakewood Club (*the “eligible grant communities”*). Proposals should address broadband network plans for the entire investment area (i.e., the entire county) as well as for each of the *eligible grant communities* within the county. Failure to include plans for the entire *investment area* will disqualify applicants.

1.1 Program Summary and Background

The State of Michigan is using a portion of its statewide CDBG allocation for the implementation of this new Digital Divide Investment Program (DDIP). Muskegon County has been selected as one of the first locations for program implementation. DDIP awards encompass two connected elements. First, a Michigan Broadband Development Authority (MBDA) loan will be provided to support the winning vendor’s costs for installation of their broadband network in the entire *investment area*. A vendor is subject to all MBDA underwriting standards. Loan qualification will be made at the sole discretion of the MBDA. There is no cap on the size of the loan that can be obtained from the MBDA for qualifying vendors, so long as the business plan and financial well being of the applicant can support it. Second, once the network is up and running in the *eligible grant communities*, a grant for the expenses associated with the *eligible grant communities* therein will be provided in a lump sum payment to the vendor. The size of this grant is based on the percentage of low and moderate income (LMI) households likely to subscribe to the selected vendors service. The State has completed a survey of the *eligible grant communities* for this purpose. Results of this analysis are provided below and in *Appendix A* to this solicitation.

1.2 Grant Size Determination

To determine the maximum grant available to the winning vendor, the number of likely LMI subscribers identified in the aforementioned survey is multiplied by the average expenditure associated with connecting a household in the *eligible*

grant community. The maximum multiplier (connection expense) is \$2,000. All such expenses must be documented and verified in written format. These expenditures can include last mile and customer premise equipment expenses as well as an allocable portion of local loop and/or backhaul fees that support service in the **eligible grant communities.**

Based on the survey of **eligible grant communities** for this solicitation, 1,108 LMI households indicated they would be likely to purchase broadband service if offered at \$25. An even larger number indicated they would subscribe if offered at lower prices, but this number was utilized for determining grant size (see explanation below in section 1.4).

The maximum grant available for this solicitation is \$2,216,000 (1,108 households x \$2,000). If, however, the winning vendor's average customer expenditure is \$500 per subscriber in these communities, the actual grant would equal \$554,000 (1,108 households x \$500). Said another way, the grant amount will vary and the specific amount will depend upon the technology used by the winning vendor and the geography and density of the **eligible grant communities.** The results of the aforementioned survey are attached as **Appendix A** to this solicitation.

1.3 The “Investment Area” for this solicitation:

Muskegon County in its entirety.

1.4 The “Eligible Grant Communities” for this solicitation:

There are five “5” eligible grant areas within Muskegon County. They are: the Townships of Cedar Creek, Egelston, Holton, and Moorland as well as the Village of Lakewood Club. There are 6,855 households in these communities. Given the fact that 52.1 percent of these households are defined as being LMI, roughly 3,574 can be defined as low to moderate income. 31 percent of the households in the **eligible grant communities** indicated they would purchase broadband if offered at \$25 per month. Therefore, for purposes of determining the grant size for this solicitation, the State has concluded that 1,108 LMI households will subscribe to the winning vendor's broadband service.

Note: This in no way assumes that the winning vendor will offer service at \$25 per month. The winning vendor may very likely offer service below this price threshold. In fact, the attached survey indicates that 58 percent of all households will subscribe to broadband service if offered at \$15 per month. However, to establish a conservative estimate of LMI impact and to better ensure that LMI households would account for an allocable proportion of program expenditures, the State chose these higher price/lower penetration numbers to determine grant size

parameters. Also, this pricing is for residential customers only. Market pricing for business customers is left up to the discretion of the service provider.

1.5 Program Funding Priorities

Vendors are asked to identify their expenditures and outline the type of connections and new investment necessary for them to extend broadband service to households in the *investment area*—breaking out and allocating separate costs for the *eligible grant communities*. Selection, in part, will be determined by the proposed monthly end user charges along with estimated quality of service, marketing plans for LMI households and total project investment among other factors. Selected vendors must also guarantee a monthly user price ceiling to residential customers only for at least 3 years (from the date service is activated in the entire investment area). Failure to maintain such a residential price ceiling will result in breach and require the vendor to return all grant and loan monies in full.

2.0 Loan Application

To qualify for this grant program, an MBDA loan application (for the capital needs of the *investment area*) must be received by the MBDA. A copy of the Investment Area Loan Application can be found in *Appendix B*. It can be accessed electronically at www.broadbandauthority.org.

<p>NOTE: Applicants must submit an application for MBDA financing in addition to submitting the DDIP proposal to the County.</p>

To assure confidentiality, the Investment Area Loan Application should be sent separately to the Michigan Broadband Development Authority—see Section 4 below.

3.0 Award Information

One hundred percent of the connection expenses associated with bringing service into an *eligible grant community* and LMI residences are potentially reimbursable. These expenditures can include last mile and customer premise equipment expenses as well as an allocable portion of local loop and/or backhaul fees that support service in the *eligible grant communities*. A lump sum reimbursement will be made based upon the survey information for these communities as outlined above.

3.1 Grant Award Amount/Loan Award Amount

The maximum eligible grant award shall not exceed \$2,216,000. The anticipated loan amount would, at a minimum, equal the amount proposed by the vendor as

new investment in the entire *investment area*. However, since the MBDA has the ability to lend for other purposes (refinancing etc.) the loan amount could be higher. There is NO cap on the loan amount a vendor may receive.

3.2 Type of Funding Instrument(s)

The funding instrument will be in the form of an MBDA “*Investment Area*” loan and subsequent CDBG reimbursement for “*Eligible Grant Communities*” that lie within the “*Investment Area*.”

3.3 Eligibility Information

Eligible applicants include for-profit telecommunications providers of any kind, including but not limited to local exchange carriers, cable companies, satellite companies, wireless Internet service providers, or broadband over power-line carriers.

3.4 Cost Sharing

Grant recipients under this program will be required to secure initial capitalization via an MBDA loan (which may also require an appropriate equity contribution depending upon the financial condition of the borrower) for all costs associated with constructing or upgrading their broadband network in the *investment area* and *eligible grant communities*. See MBDA loan application for additional loan eligibility requirements with regard to financial requirements (e.g., owner equity and other balance sheet items).

4.0 DDIP Proposal AND Loan Submission Information

Applicant Submission:

Completed DDIP Proposals (original, signed and in hard copy) must be received at the following address no later than 3:00p.m. Eastern Standard Time on Friday, January 14, 2005:

Lynn Zatalokin
Muskegon County Purchasing Office
Central Services Building
141 East Apple Avenue
Muskegon, MI 49442
231.724.6520

NO LATE DDIP PROPOSALS WILL BE ACCEPTED

and

Completed Loan Applications (original, signed and in hard copy) must be received at the following address no later than 3:00p.m. Eastern Standard Time on Friday, January 14, 2005:

Robert Filka
Chief Operating Officer
MBDA
735 E. Michigan Avenue
Lansing, MI 48912
517.241.2121

NO LATE LOAN APPLICATIONS WILL BE ACCEPTED

Please note: We cannot ensure protection of sensitive loan application information unless the loan application is sent separately and directly to Robert Filka at the address above.

DEADLINE: Both proposals and loan applications must be received at the above addresses no later than 3:00p.m. Eastern Standard Time on Friday, January 14, 2005. NO LATE PROPOSALS OR LOAN APPLICATIONS WILL BE ACCEPTED.

4.1 Vendor Inquiry Mechanism

All questions must be submitted electronically. They must be e-mailed to the following address: digitaldivide@co.muskegon.mi.us no later than December 10, 2004. All questions and answers will be posted at:

www.co.muskegon.mi.us/digitaldivide

5.0 Content and Form of DDIP Proposals:

All proposals must be submitted in hard copy form. Please submit one (1) original and three (3) copies of materials as outlined above. Each proposal must contain the following required elements:

- I. Company Name (signature of company officer authorizing submission)
- II. Company Address
 - Street:
 - City:
 - State:
 - Zip Code:
 - Phone:
 - Fax:

- III. Company Lead Contact
Name:
Title:
Direct Phone:
Email:
Fax:
- IV. Detailed Project Description—this should include:
- Executive Summary/Project Narrative
 - Company background
 - Map
 - Detail type of technology to be used
 - Equipment vendors
 - Specific equipment list for proposed project grid
 - Speeds/capacity of services to be provided
 - Detailed network architecture
 - Continuing support and maintenance
- V. Estimated Project Budget -- A standardized budget form (*Appendix D*) is attached.
- Provide estimates for entire *investment area*.
 - Breakout specific information pertaining to costs associated with *eligible grant communities*.
 - In instances where backhaul or other costs are supporting both *eligible grant communities* and non-eligible grant areas, allocate or distinguish the portion of such costs associated with each.
 - Provide timeline for completion, assuming award notification in mid-to late-February '05. Detail any constraints or timing issues that could impact installation.
- VI. Pricing
- Describe end-user pricing plans for the entire investment area and how long you are willing to make service available at these prices if you are awarded a grant and loan via DDIP.
- VII. Describe plans for LMI customer marketing and retention.

NOTE: If applicant does not submit a complete loan application to the MBDA, the applicant's DDIP Proposal will be rejected.

5.1 Confidentiality Request—FOR LOAN APPLICATION ONLY

Because of the high level of public interest in projects supported by the CDBG program, the MBDA anticipates receiving requests for copies of successful applications. Applicants are hereby notified that the applications they submit are subject to the Michigan Freedom of Information Act (FOIA). To apply for confidentiality protection from the MBDA in accordance with the provision of section 6 (7) of the Michigan Broadband Development Authority Act for “trade secrets, commercial, financial or proprietary” information submitted to the Authority, you must complete the form (*Appendix C*) to specifically identify all information sought to be protected. Requests that identify the “entire application or proposal” will not be granted protection.

If an entire document is requested to be granted confidentiality (such as an audit report or pro forma financial statements) it is not necessary to highlight or mark the entire record, however, the document should be specifically listed below and the category of its confidentiality indicated.

If the project is approved, and the financing is provided through either the issuance of taxable or tax exempt bonds offered through a public offering or a private placement, certain information may be deemed material and will be required to be disclosed in order to successfully market the offering.

Applicants should also note that the above process applies only to confidentiality requests and FOIA requests submitted to the MBDA. These requests made to the applicable unit of general local government, other state agencies and the federal government will likely be responded to in a manner that differs significantly from the above. **Therefore, your loan application should only be submitted to the MBDA.**

6.0 Proposal Review Criteria

A selection committee comprised of representatives from the designated county, MEDC, MBDA and MSHDA will analyze and rate each proposal using the following criteria.

- Monthly end user rates
- Quality of service in terms of capacity and speeds to end users
- Plan for marketing services to LMI households
- Project feasibility
 - proposed technology solution/network capacity for the region
 - financial viability of the vendor and ability to pay back MBDA loan
- Project budget
 - ability to allocate and clearly distinguish eligible grant area costs
- Total investment leveraged by grant

7.0 Award Notices and Timeline

The selected vendor(s) will be notified in writing by the Michigan Broadband Development Authority and Muskegon County. It is anticipated that such notification will be provided in February 2005.

RFP Issued	November 1, 2004
Questions Due	December 10, 2004
DDIP Proposal and Loan Application Due	January 14, 2005
Vendor Selected	February 11, 2005

8.0 Final Review Process

Dependent upon the nature of responses to this RFP, the DDIP Review Team may include a verification process with applicants before making a final vendor selection.

8.1 Right to Accept/Reject Proposals

The Board of Commissioners of Muskegon County reserves the right to accept or reject any or all proposals, or to withdraw or cancel this RFP at its discretion at any time prior to the execution of a contract, or to waive any minor or technical deviations as it may deem fit and proper. It also reserves all rights granted to it by law, reserves the right to waive formalities and to take such action as it deems necessary in the best interest of Muskegon County.

9.0 Administrative and National Policy Requirements

Standard rules governing the use of Community Development Block Grant (CDBG) will be followed. These include but are not limited to those listed below.

9.1 Environmental Review

Prior to the commitment of any project funds, incurring any project costs, and state disbursement of grant funds, the Grantee (Muskegon County) shall submit to the State CDBG Grant Administrator (MBDA) a copy of the complete Environmental Review Record (including the Environmental Assessment), and secure written approval by the Grant Administrator of the Request for Release of Funds and Certification. The Request for Release of Funds and Certification represents local completion of the environmental review procedures and requirements as set forth in 24 CFR Part 58, "Environmental Review Procedures for Title I Community Development Block Grant Program," issued by the U.S. Department of Housing and Urban Development. Project costs include costs to be paid by grant funds or other local, public or private funds.

9.2 Federal Labor Standards

If the project involves construction activities using grant funds, the Grantee shall provide for approval by the Grant Administrator a copy of all bidding documents or other evidence of compliance with federal labor standards for all construction activities financed in whole or in part with CDBG funds. Such approval must be secured prior to state disbursement of grant funds for relevant construction activities.

If the project involves the installation of machinery and/or equipment purchased with CDBG funds, and the cost to install the machinery and equipment is more than incidental (13% or more of the cost of the equipment), then federal labor standards will apply to the installation. Prior to disbursement of CDBG funds, the Grantee shall submit documentation indicating whether the cost of equipment installation is more than incidental. If the cost to install equipment is more than incidental, the Grantee shall provide evidence of compliance with federal labor standards. Please see www.access.gpo.gov/davisbacon/ for prevailing wage rates.

9.3 Uniform Relocation Act

If the project involves acquisition of private real estate, permanent easements or right-of-ways, or the relocation of persons, families or farms, the Grantee shall provide for approval by the Grant Administrator documentation of compliance with the Uniform Relocation and Real Property Acquisition Policies Act of 1970. Such approval must be secured prior to state disbursement of grant funds for acquisition or relocation.

9.4 Certification Regarding Debarment, Suspension, Ineligibility, Voluntary Exclusion Lower Tier Covered Transactions

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 20 CFR Part 98, Section 98.510, Participants' Responsibilities. The regulations were published as Part VII of the May 26, 1988, Federal Register (pages 19160-19211).

- (1) The prospective recipient of federal assistance funds certifies, by submission of this proposal, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency.
- (2) Where the prospective recipient of federal assistance funds is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

9.5 Equal Opportunity/Affirmative Action

Muskegon County operates on an equal opportunity/affirmative action basis in its quoting policy (Title VII of Civil Rights Act of 1964, Equal Opportunity Clause, Executive Order 11246, Chapter 60, Subpart A, 60-1.4, Revised Order No. 4). Quoting is open to all interested parties in compliance with National, State and Local Laws.

APPENDIX A

Telephone Survey

A telephone survey was developed by Public Policy Associates, Incorporated (PPA) and administered by Team Telcom, a contractor in East Lansing. The survey was very brief, lasting less than five minutes. Survey participants were selected via random digit dialing. Using the area code and prefixes of targeted townships within each county, the final four digits of working telephone numbers were selected at random. Of the 800 responses to the telephone survey:

- + Fifty percent were located in Muskegon County and the other fifty percent were in Marquette County.
- + In Muskegon County, the townships targeted were Cedar Creek, Egelston, Holton, Lakewood Club, and Moorland.
- + In Marquette County, the townships targeted were Ewing, Michigamme, Republic, Wells, and West Branch.
- + Survey results for Marquette and Muskegon were virtually identical. No survey items showed significant statistical or practical differences between counties. Therefore, results for most survey items are presented “overall.” A breakdown of survey results by county is provided in Appendix A.

First, survey participants were asked whether they had computers and access to the Internet at home. Their responses are shown below in Figure 1.

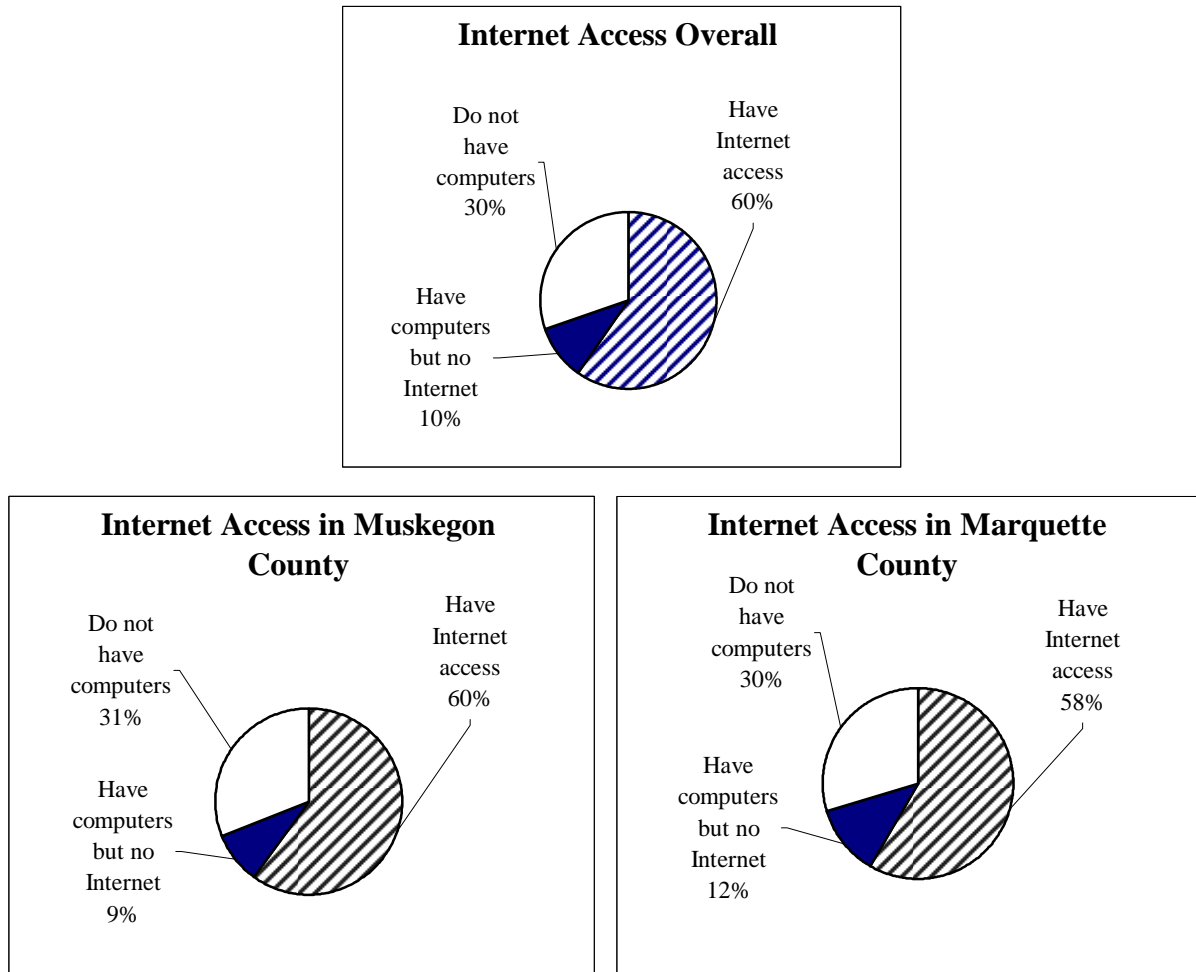


Figure 1

- + Overall, 60% reported having Internet access (60% in Muskegon, 58% in Marquette).
- + Ten percent reported having computers, but no Internet access (9% in Muskegon, 12% in Marquette).
 - Among those who did not have Internet access, 47% plan to get a connection in the next year. Of those, 33% plan to get high-speed Internet, 23% plan to get dial-up connections, and 36% are not sure.
- + Thirty percent reported having no computers (31% in Muskegon, 30% in Marquette).
 - Among those who did not have computers at the time of the survey, 17% plan to get computer sometime in the next year. Of those, 33% plan to get high-speed Internet, 15% plan to get dial-up connections, and 48% are not sure.
- + As Figure 1 illustrates, results for Muskegon and Marquette were nearly identical.

Next, those participants who reported having Internet access were asked what type of connections they had, and how much they currently pay for Internet service. Their responses are shown in Figure 2, below.

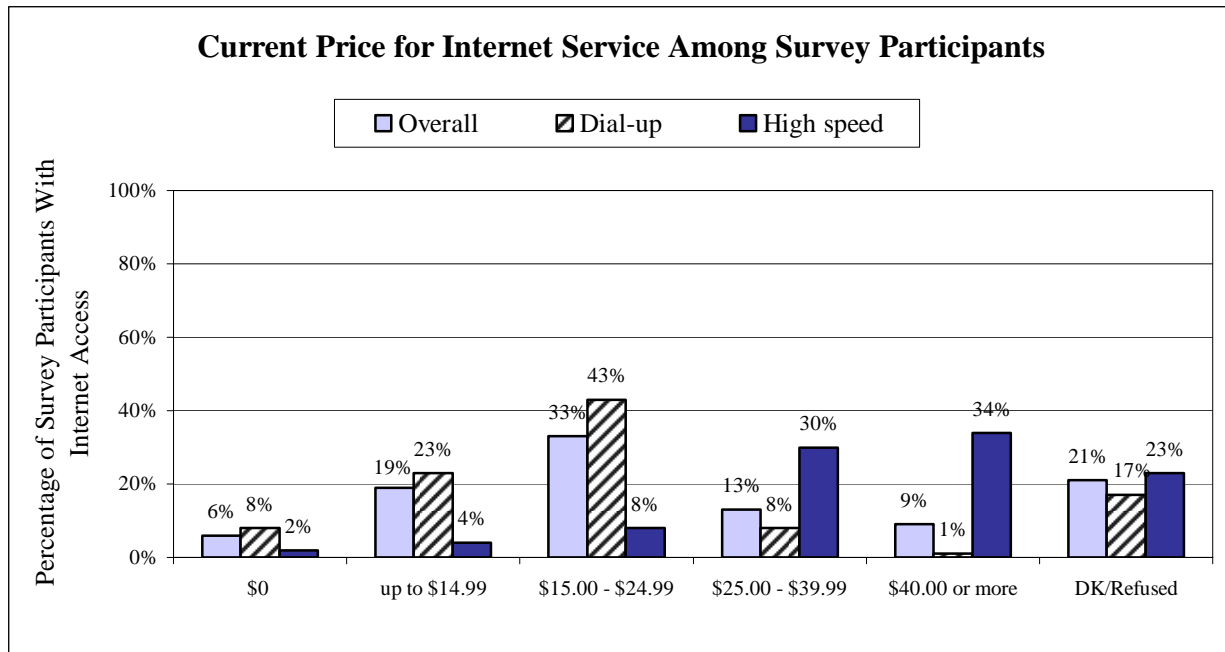


Figure 2

Note: Totals may exceed 100% due to rounding.

- + Overall, most of the respondents who told surveyors the current price of their Internet service pay between \$15.00 and \$24.99 (33%), \$14.99 or less (19%), or \$25.00 to \$39.99 (13%).
- + Survey participants with high-speed connections paid more than those with dial-up; most were either \$40.00 or more (34%), or \$25.00 to \$39.99 (30%).
- + Dial-up customers most often paid between \$15.00 and \$24.99 (43%), or \$14.99 or less (23%).
- + Twenty-four percent of participants overall reported having high-speed connections (27% in Muskegon and 21% in Marquette), meaning DSL, cable, T1, satellite, or wireless service.

Survey participants were asked if they would be likely to subscribe to broadband Internet service if it cost \$15.00, \$25.00, or \$35.00 per month. Their responses are shown in the following

graphs in aggregate form, and are broken down by participants who currently have Internet access, those who have computers but no Internet connections, and those without computers.

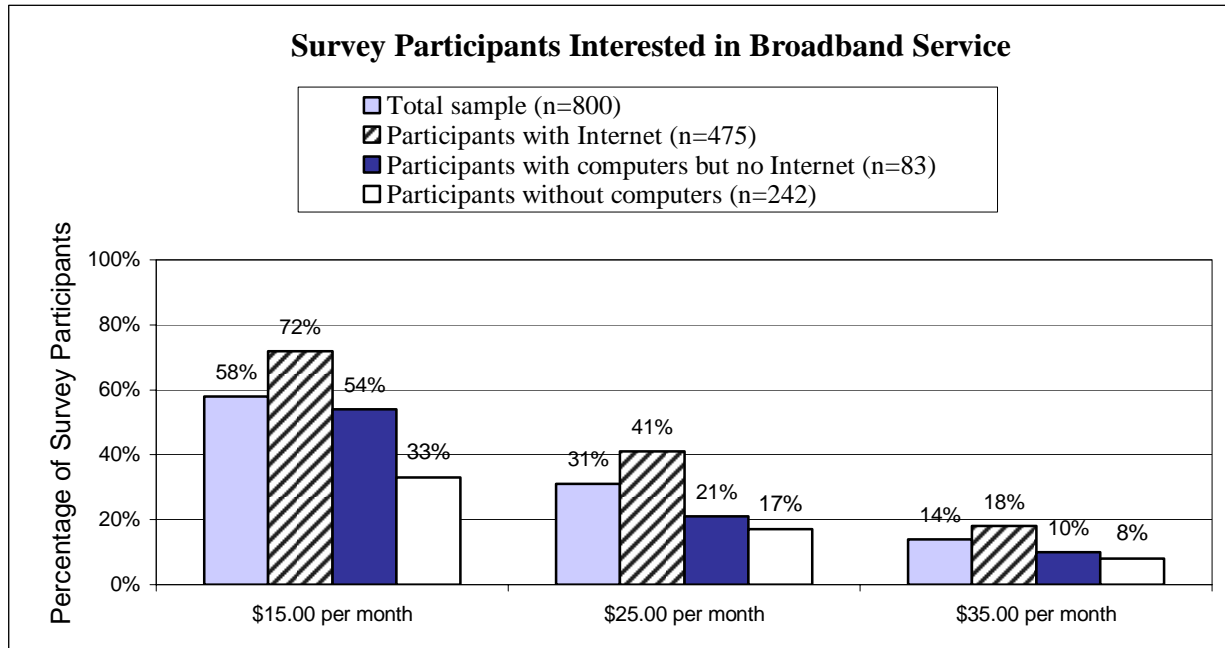


Figure 3

Note: Totals may exceed 100% due to rounding.

- + Overall, survey participants were most likely to report that they would be interested in broadband service if it cost \$15.00 per month.
- + Participants who already subscribe to Internet service were the group most likely to be interested in Broadband service at any price. However, over half of those with no Internet (54%) and a third of those with no computers (33%) would be interested in broadband service that cost \$15.00 per month.
- + Thirty-one percent of the total sample reported that they would be interested in broadband service if it were offered at \$25.00 per month (41% of those with Internet, 21% of those with computers but no Internet, and 17% of those with no computers).
- + Only 14% of the total sample reported that they would be interested in broadband service if it were offered at \$35.00 per month (18% of those with Internet, 10% of those with computers but no Internet, and 8% of those with no computers).

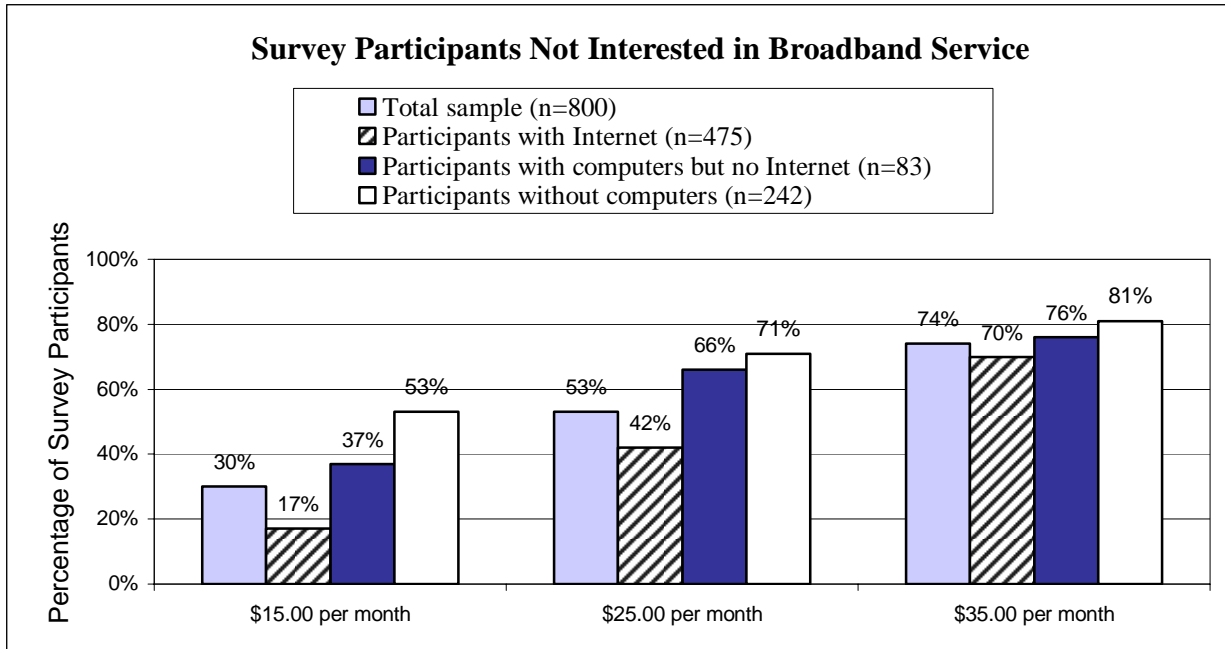


Figure 4

Note: Totals may exceed 100% due to rounding.

- + Similarly, survey participants were most likely to report not being interested in broadband service that cost \$35.00 per month.
- + Again, although current Internet users were the most likely to be interested in broadband service, participants without current Internet connections or computers also showed significant interest if the service were offered a low enough price.
- + Note that among the survey participants who did not indicate interest in broadband service (i.e., failed to provide a “yes” or “probably” response on the survey) not all reported that they would explicitly *not* be interested.

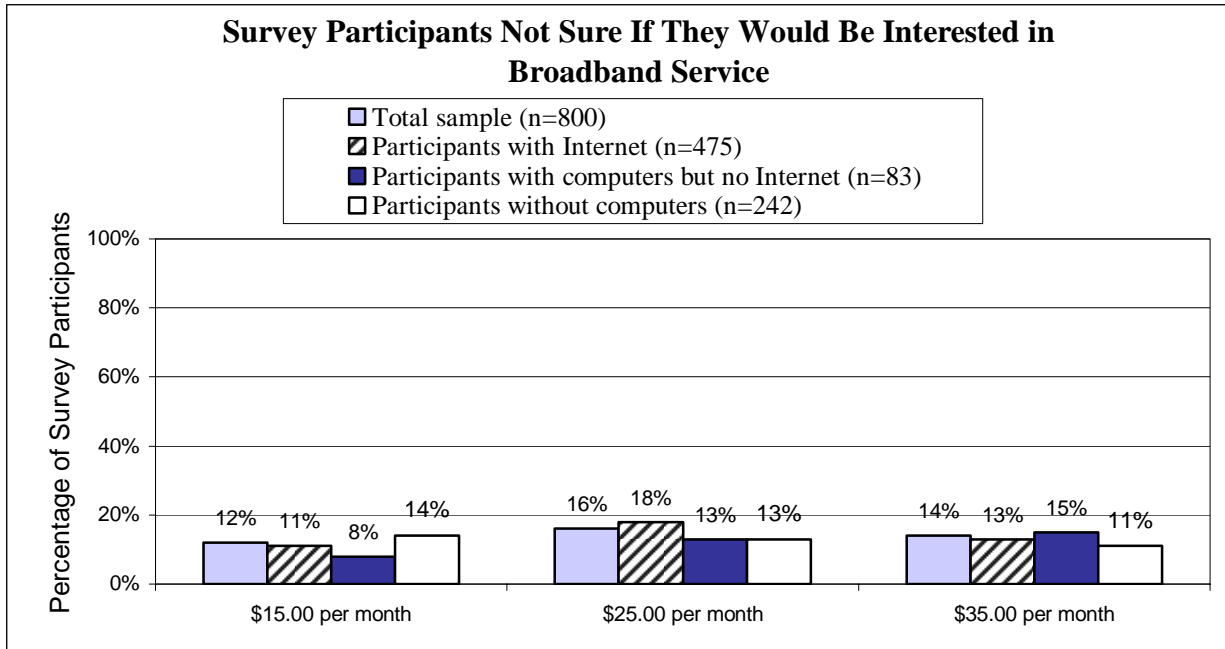


Figure 5

Note: Totals may exceed 100% due to rounding.

- + An average of 14% of participants overall were not sure whether they would be interested in broadband. This figure did not vary much, regardless of the price suggested or the participant’s current level of available technology.
- + It is possible that the “not sure” group responded this way because they were wary of telemarketers or not very familiar with broadband (although surveyors were armed with definitions and examples to provide when necessary).

In order to avoid bias based on the order of prices read to participants, surveyors were instructed to rotate the order in which they asked the questions. That is, on the first call the surveyor would ask the price questions in ascending order (\$15.00, \$25.00, \$35.00) then on the subsequent call the surveyor would ask the price questions in descending order (\$35.00, \$25.00, \$15.00). Surveyors also marked whether they had asked the price questions in ascending or descending order so that comparisons could be run later in order to account for any differences. The similar proportions of ascending and descending surveys (46.5% and 53.5%, respectively) balance the bias that may have occurred had the order been uniform in the survey.

- + Those who were read the prices in ascending order were somewhat more likely to report that they would be interested in broadband for \$15.00 or \$25.00 per month than were those who were read the prices in descending order (there was no difference in interest for \$35.00 service). It appears that, in this case, starting with a low price is more attractive to potential customers than presenting a high price and working downward.

Conclusions

Succinctly, the survey results do establish that there is interest in discounted broadband Internet service in Muskegon and Marquette Counties. Not surprisingly, interest increases as the service gets cheaper. Indeed, 58% of the total sample reported interest in broadband at a cost of \$15.00 per month. Higher priced service evokes lesser interest. It appears that the greatest contingent of potential broadband customers are those who already have Internet connections; however, significant proportions of those without Internet or computers also showed interest in \$15.00 and \$25.00 broadband service.

According to U.S. Census data, in 2000 there were approximately 63,300 households in Muskegon County and 25,767 in Marquette County. Table 1 shows the number of potential new broadband customers that could result if all of the customers who expressed interest in broadband actually paid for the service when it was available (assuming that the survey participants accurately represent the regions).

		\$15.00 Broadband Service	\$25.00 Broadband Service	\$35.00 Broadband Service
Muskegon (63,300 households)	Percentage interested	56%	30%	13%
	Number of potential new customers	35,448	18,990	8,229
Marquette (25,767 households)	Percentage interested	61%	33%	15%
	Number of potential new customers	15,718	8,503	3,865

APPENDIX B



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
MICHIGAN BROADBAND DEVELOPMENT AUTHORITY
LANSING

JAMES W. BUTLER III
VICE PRESIDENT

Financing Application Form

(Form MBDA-5: Investment Area Loan)

This request for proposals is intended to solicit grant applications from for profit broadband service providers as designed by the **Digital Divide Investment Program** for a pre-determined “*investment area*” and the “*eligible grant communities*” therein. Proposals should address broadband network plans for the entire *investment area* (i.e., the entire county) as well as for each of the *eligible grant communities* within the county. Eligible applicants include telecommunications providers of any kind, including but not limited to local exchange carriers, cable companies, satellite companies, wireless Internet service providers, or broadband over power-line carriers.

General credit requirements

MBDA uses much the same credit criteria as any private lender. The primary tests of credit worthiness are:

1. Repayment Ability: Borrowers should demonstrate their organization's ability to cover expenses and repay the loan.
2. Management: Borrowers must show their capability to manage the business or project. For a startup, experience in the same industry is critical.
3. Equity: Borrowers must demonstrate their confidence in the project with an equity contribution of approximately 30%, but this varies according to the risk profile of the borrower.
4. Collateral: Borrowers should offer collateral commensurate with the amount of the loan whether it be in the form of company assets, personal assets or government guarantees.
5. Credit History: Borrowers must agree to personal and/or organizational credit reviews.

Completed applications and questions about Broadband Authority financing programs should be forwarded either electronically via e-mail or printed and sent to:

Michigan Broadband Development Authority

Attention:

Robert Filka, Chief Operating Officer

735 E. Michigan Avenue

Lansing, Michigan 48912

E-mail: filkar@michigan.gov

Phone: 517.241.2121

Confidentiality request

If you would like to request confidential treatment for any or all of the information provided with your application, you will need to fill out the Broadband Authority's Confidentiality Request .

Please provide all of the information requested in the form below. Please highlight confidential information if you plan to submit a confidentiality request.

COMPANY NAME:

PROJECT NAME:

APPLICATION DATE:

COMPANY ADDRESS:

Street Address:

City:

State:

Zip Code:

Phone:

Fax:

LEAD CONTACT:

Name of lead contact:

Title:

Direct Phone:

Fax:

E-mail:

1. How much financing are you seeking from the Broadband Authority?

\$ _____ Requested term of loan _____ years

s

2. When would you like to close on this loan?

3. Provide a drawdown schedule for the loan.

4. Provide a detailed description of your project.

5. Describe your existing broadband business.

6. Describe how this project fits into your overall business plan.

7. Describe the technologies used in the project.

8. Describe features that distinguish your project from competitor programs/offerings.

9. Describe the major risks associated with the project.

10. How might the project be affected by government laws or regulations now or in the future?

Right-of-way issues:

Environmental issues:

FCC and/or PSC regulations:

Other:

11. Describe the market that is being served and your target customers (how large is the market, demographics, business/residential/government/other).

12. Describe your pricing and how it compares to competitors.

13. What is your projected penetration into the market (take rate)?

14. Describe in detail the benefits of your project to the state of Michigan.

15. How much debt does the corporation have outstanding?

16. What is the corporation's debt rating?

17. Describe where a Broadband Authority loan would fit into the corporate debt structure.

Application Checklist

Please provide the items requested below as attachments to your application.

We prefer electronic submissions. If submitted electronically via e-mail, all attachments should be combined into a single Adobe Acrobat PDF *or* Microsoft Word document with each attachment clearly identified. Attachments 3 and 4 should be submitted in Excel format, and be thoroughly documented.

If sent in hard copy, all attachments should be combined into a single document with each individual attachment identified. Attachments 3 and 4 should be submitted in Excel format on electronic storage media (e.g. floppy disk, CD).

Attachments will be provided via:

E-mail with attached files

Hard copy + electronic storage media with Excel files

Required materials:

- Completed loan application**
- Attachment 1:** Detailed timeline for the project
- Attachment 2:** Summary of project costs (hard and soft costs)
- Attachment 3:** Financial projections for the proposed project over term of loan
- Attachment 4:** Corporate financial statements for the most recent three years
- Attachment 5:** Corporate pro-forma financial statements over term of loan
- Attachment 6:** Description/illustration of corporate debt and ownership structure
- Attachment 7:** Corporate credit information, including published reports
- Attachment 8:** Loan agreements/covenants associated with outstanding corporate debt
- Attachment 9:** Participation plan for small and minority owned businesses
- Attachment 10:** Community outreach plan to educate the public of the availability of broadband services in relation to this project

Release Form

Please fill in the spaces below then print, sign and fax this page back to the Broadband Authority at (517) 373-3150.

I certify for the purpose of obtaining credit that I am authorized to submit this loan application on behalf of the organization, and that the information and representations contained in this application and any supplementary information are true, complete, accurate and current to the best of my knowledge. The Michigan Broadband Development Authority and its contractors are authorized to make any credit investigations necessary to process this application and to respond to any inquiries regarding its credit experience with Applicant.

APPLICANT:
(Name of Sponsor Organization)

BY: _____
(Authorized Signature)

TITLE:

DATE:

APPENDIX C



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
MICHIGAN BROADBAND DEVELOPMENT AUTHORITY
LANSING

JAMES W. BUTLER, III
VICE PRESIDENT

Confidentiality Request and Questionnaire

Instructions: To apply for confidentiality protection in accordance with the provision of Section 5 (7) of the Michigan Broadband Development Authority Act for "trade secrets, commercial, financial or proprietary" information submitted to the Authority you must complete this form and specifically identify all information sought to be protected. Requests that identify the "entire application or proposal" will be rejected.

You must identify specifically the document or record that contains a trade secret, commercial, financial or proprietary information. In addition, you must specifically identify the material, information or data within that document you consider to be confidential by highlighting or other method of marking so as to clearly indicate each portion of the record you are requesting to be held confidential with a marginal note designating which category is applicable to each item such as "trade secret", "commercial data", "financial data", or "proprietary information".

If an entire document or exhibit is requested to be granted confidentiality (such as an audit report, or pro forma financial statements) it is not necessary to highlight or mark the entire record, however, the document should be specifically listed below and the category of its confidentiality indicated.

Notwithstanding any grant of confidentiality, if the project is approved by the Authority and financing is provided through either a public offering or private placement, certain information will be deemed material and required to be disclosed in order to successfully market the offering.

Any questions regarding the utilization of this form and the confidentiality provisions of the Act should be directed to Chris LaGrand, Director of Legal Affairs at (734) 214-1387.

Application

A. The undersigned company, business or individual is applying to the Authority for financing assistance and requests confidentiality for the records, documents and information recited below. The individual signing this application has reviewed the documents attached hereto and submitted to the Authority and is familiar with their content.

Applicant: _____
DBA (if different): _____
Contact Person: _____
Title: _____
Business Address: _____
Phone: _____
Fax: _____

B. Identify each individual record that you assert contains trade secrets, commercial, financial or proprietary material, information or data. If the entire document (such as a customer list or financial statements) is claimed to be confidential you must indicate that fact and list the category applicable. If the entire document does not contain confidential information you must highlight or mark those portions you believe to be confidential and list the applicable category of confidentiality.

	Document	Description of Material	Category
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

C. Is this information submitted in connection with an application for Authority financing?

Yes ___ No ___

D. Has this information or any of the records or documents listed in paragraph B been released, filed for record or otherwise disseminated to the public?

Yes ___ No ___

If Yes, please describe the organization to which the document has been disseminated by placing the document number next to the appropriate body and indicate whether or not it was submitted to that body on a confidential basis.

Document Number		Confidential	
		Yes	No
_____	Securities & Exchange Commission	___	___
_____	MI. Department of Treasury	___	___
_____	MI. Department of Consumer & Indus. Services	___	___
_____	Credit Reporting Agencies	___	___
_____	Credit Rating Agencies	___	___
_____	Financing Prospectus	___	___
_____	Other	___	___
	Specify: _____	___	___

E. Is this information or any of the records or documents listed in paragraph B available from other public sources?

Yes ___ No ___

If Yes, please indicate which information is available and from what public source?

Document	Source
_____	_____
_____	_____
_____	_____

F. Might the release of the information, records or documents listed in paragraph B cause significant competitive harm to your business?

Yes ___ No ___

G. Do you expect to submit any of the types of documents listed in paragraph B repeatedly during the pendency of your application or the term of the loan, grant or other financing assistance for which you have applied? Yes ___ No ___

If Yes, specify by number the information, record or document to which this applies and the reason (or category) for continuing confidentiality.

Document	Reason/Category
_____	_____
_____	_____
_____	_____
_____	_____

The undersigned individual represents and warrants that he/she is authorized to submit this application for confidentiality on behalf of the applicant and acknowledges that in return for any grant of confidentiality pursuant to this application, neither the President of the Authority, the Authority, the State Treasurer, any state official, nor any Authority or state employee shall be liable to the applicant for any disclosure of records, documents, information, material or data provided to the Authority notwithstanding any grant of confidentiality.

Authorized Signature: _____
Printed Name: _____
Title: _____
Date: _____

APPENDIX D

Digital Divide Investment Program Project Budget for Loan and Grant Application

Broadband Distribution Equipment - Equipment and infrastructure used to transmit broadband to the customer premises. Could include spectrum licenses, cable, wireless broadband base stations, DSLAMs, Cable Modem Transmission systems, etc.	Project Total		Grant Request	MBDA Loan Request
Site A	-		-	-
Site B	-		-	-
Site C	-		-	-
Site D	-		-	-
Total Broadband Distribution Equipment	-		-	-
Capital and Direct Labor - labor associated with building the broadband infrastructure. Please break labor out by different tower / headend / central office / NOC sites if appropriate.				
Site A	-		-	-
Site B	-		-	-
Site C	-		-	-
Site D	-		-	-
Total Capital and Direct Labor	-		-	-
Customer Premise Equipment (e.g., cable modems, DSL modems, wireless broadband customer radios/modems)				
Item 1 (e.g., 2000 modems @ \$xxxx)	-		-	-
Item 2 (e.g., cabling)	-		-	-
Item 3 (500 antenna @ \$xxx each)	-		-	-
Total Customer Premise Equipment	-		-	-
Network Operations Center - equipment and infrastructure related to management of the network. Included but not limited to items like routers, switchers, multiplexers, mail servers, network management software, etc.				
Item 1 (e.g., 3 routers)	-		-	-
Item 2 (e.g., 2 multiplexers)	-		-	-
Item 3 (e.g., network management software)	-		-	-
Total NOC Equipment	-		-	-
Backhaul Infrastructure - infrastructure and/or equipment to transmit broadband back to the NOC and / or back to the Internet				
Item 1 (e.g., high-capacity wireless broadband radios)	-		-	-
Item 2 (e.g., point-to-point fiber)	-		-	-
Item 3	-		-	-
Total Broadband Infrastructure	-		-	-
Software Related to the Broadband Infrastructure - software such as email software, network anti-virus software, network anti-spam software, network management software, etc. specifically related to the broadband infrastructure				
Item 1	-		-	-
Item 2	-		-	-
Item 3	-		-	-
Total Broadband Software	-		-	-

APPENDIX D

(Continued)

Digital Divide Investment Program Project Budget for Loan and Grant Application

General Equipment and Infrastructure related to the broadband infrastructure. (e.g., vehicles related directly to broadband infrastructure) See Michigan Broadband Development Authority Act (Act 49 of 2002) or consult with the MBDA for more detail.	Project Total		Grant Request	MBDA Loan Request
Total Equipment and Infrastructure	-		-	-
Marketing Costs related to marketing and retention of both LMI and non-LMI customers				
Total Marketing Costs	-		-	-
Miscellaneous Expenses related to the actual project. Including compliance consideration to Federal Wage Rates requirements.				
Total Miscellaneous	-		-	-
Summary				
Project Total	-		-	-
Total Grant Request	-		-	-
Total Loan Request	-		-	-