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Broadband Financial Options for the City of Urbana

Bringing big broadband to Urbana and Champaign is an exciting goal, one that, if achieved, could prove to be an asset in helping attract new businesses and residents .

Nationally, about 45 communities have already implemented municipal big broadband service to residents. Benefits of a municipal broadband system include significant economic development advantages, as high-tech firms want to locate in communities with big broadband . Residents in those communities also generally see cost savings for Internet, cable television and telephone services.

The effort to bring big broadband to Urbana and Champaign is being led by the University of Illinois, which has voluntarily put together the \$28.3 million federal grant application and formed a consortium with Urbana and Champaign to oversee the project. The project is possible because the stimulus bill included \$7.2 billion for broadband nationwide.

The university's goal in participating is to make Urbana and Champaign a more attractive place for students and faculty, and to benefit the community generally, according to Mike Smeltzer, director of networking for the university and the point man on the project.

But in allowing the UI to lead the effort, the cities have not gotten as deeply involved in the details of the proposal as they otherwise might have. The cities need to get up to speed quickly to make sure the assumptions behind the UC2B proposal are what the cities want out of a broadband network.

Some observations:

- Deadlines are fast approaching. By the end of the month, the local consortium should know if its grant application has advanced to the next, "due-diligence" stage . Final grant awards are expected to be made in late November or early December, and it appears, according to one consultant, that awardees will have 30 days to accept or reject grant funds .
- Urbana is being asked to contribute \$555,000 toward the \$36.2 million overall project, which includes \$31.2 million for infrastructure, \$1.3 million to establish 46 public computing centers and \$3.7 million for Sustainable Broadband Adoption training, education and support. Champaign and the UI would each contribute over \$900,000.
- This is largely a "middle-mile" project to install 76 miles of network backbone. There is a last-mile, fiber-to-the-home project component involving 4,600 residences in 11 census blocks in both cities, where Internet penetration is below 40 percent. Of those 4,600 residences, it's estimated that 2,500 would sign up for fiber-to-the-home service . The UI has agreed to purchase Internet services to offer to these residents at a subsidized rate of \$19.95 per month, for up to five years. The grant estimates 54 percent of the eligible residences will subscribe.

- Out of the \$31 million infrastructure grant (including state and local contributions) being sought, \$17 million is for the network backbone, \$11 million is for the pilot fiber-to-the-home project and \$4 million is for electronics.
- The local application also calls for providing big broadband to 137 “critical institutions,” such as schools, libraries, local government offices, hospitals and not-for-profits. These would also be able to use the \$19.95 per month UI-subsidized rate, through some institutions would need and be able to get higher megabit service, according to Smeltzer.
- The vast majority of twin city residents, more than 90 percent, still would not be able to get big broadband once this project is completed. Urbana would have about 1,500 households in the fiber-to-the-home pilot project, but there are about 18,000 households in Urbana overall. About 3,100 Champaign households would be able to get broadband initially, but the city has about 29,000 households overall, based on 2000 Census data, according to Smeltzer. Given housing growth over the past decade, the actual number of households that wouldn’t be served are undoubtedly even higher.
- The grant application assumes fiber-to-the-home penetration can be expanded gradually after the network is built, starting in 2012, by borrowing \$2 million to \$2.5 million annually over three years (from 2012 to 2014). Income generated from the critical institutions and 2,500 households should be able to pay off the \$7 million in bonds over their 10-year life without city subsidies, according to Smeltzer.
- Experts from other communities say that once big broadband service is offered in selected parts of the community, political pressure to expand that service to the entire community will become quite strong.
- Officials from cities that have implemented municipal broadband all warn Champaign and Urbana to expect possible legal or legislative challenges from Comcast or AT&T if the cities move forward on municipal broadband.
- The grant application estimates that extending fiber to the curb costs \$1,750 per residence. Extending fiber to the home (from the curb) costs another \$1,500 if the resident decides to subscribe, for a total cost of \$3,250 per participating residence, according to Smeltzer. But that per household cost drops dramatically with apartment buildings, particularly newer apartment buildings, according to Smeltzer.
- While no official cost estimate has been prepared, Smeltzer estimates that fully wiring Urbana and Champaign would cost in the neighborhood of \$100 million (including the \$36 million from the federal grant and state and local contributions). That sounds right, as Lafayette, La., a city of 125,000 residents, issued \$110 million in revenue bonds in 2007 to install big broadband and is now rolling out services. Of that amount, \$20 million was set aside to cover initial operating and bond debt expenses, according to Terry Huval, director of utilities for Lafayette.

Wholesale, retail and open access

The grant application appears to envision UC2B being operated using a “wholesale” municipal broadband model. That means that the cities would allow interested Internet service providers to use the network for a negotiated fee of \$14.99 per customer, Smeltzer said.

“The UC2B Network will be an open access network and will actively seek multiple providers of IP-based services,” the local grant application states, mentioning that “we are in active discussions with four potential providers of Internet Protocol (IP) based services.”

Consolidated Communications of Mattoon, Volo Broadband of Urbana and Champaign Telephone are among the Internet service providers talking with UC2B.

To qualify for federal broadband funding, grant applicants must agree to be “open access,” meaning to allow multiple service providers access to the network if they agree to pay the access price.

Other than offering Internet services to critical institutions and the low-income areas, the grant application doesn’t appear to immediately envision the consortium, or one or both of the cities, becoming a direct service provider in offering Internet, cable television and phone services to customers. In cases where cities directly offer such services, this is known as the “retail” model.

The distinction between wholesale and retail models is important because there appear to be very few, if any, examples of financially viable wholesale municipal broadband systems. Most of the success stories are retail models where a city is actively providing and marketing services, especially the “triple play” of Internet, cable television and phone service.

Many cities, including Wilson, N.C., Bristol, Va., and Sallisaw, Okla., restrict their network to a city service provider only and do not allow competitors to use the city’s broadband network, which the cities have built at a cost of tens of millions of dollars each.

In some cases, like Burlington, Vt., and Jackson, Tenn., and, starting next year, Salisbury, N.C., cities offer retail services directly, but also allow wholesale competitors as well to use the city network for a fee, meaning they are open access.

But wholesale-only models are rare and, in some cases where they have been tried, they have been failures. Provo, Utah, a city of 122,000 residents, wound up selling its municipal fiber-to-the-premises network, to a private operator, Broadweave Networks, in mid-2008 for \$40 million.

Provo could not make the wholesale model work financially, but was able to cover its \$39 million in bonded debt through the sale. Utah has a state law that prohibits municipalities from retail broadband, a law that tied the city’s hands, according to Provo public information officer Helen Anderson.

Anderson said Provo wound up covering its bonded debt with the sale, but did not recover \$13.7 million in city costs associated with the project, which included wiring city buildings and an initial pilot project. She said the city wound up not recovering \$3.3 million in transfers from the city’s general fund and from the city’s electric utility reserves, and also didn’t recover another \$3.7 million in operating loans.

“In the two years (when the city was fully wired, from late 2005 to mid-2008), we found it generated enough revenue to cover all the operating expenses and most, but not all, of the bond payments,” Anderson said.

Provo did get concessions from Broadweave Networks to be able to use the network at a discounted rate in the future that consultants said was worth between \$15 million and \$28 million, she added.

Anderson said Provo experienced problems with retail service providers, who sometimes would not meet contractual obligations. The city was hamstrung, she said, because the city's method of enforcing penalties against the providers would have meant disconnecting thousands of customers.

Utah is also home to another troubled wholesale model called Utopia, a multijurisdictional operation that is providing broadband service to smaller cities surrounding Provo.

Interviews with a number of city officials and broadband experts shows that one important reason the wholesale model is difficult to turn a profit with is because the largest service providers, such as Comcast, Verizon and AT&T, don't appear likely to use the big broadband network. That's been the case throughout the country; they prefer to keep using their own private networks, officials said.

Doug Dawson, president of CCG Consulting of Knoxville, Md., which has helped a number of cities implement broadband systems, said he's never seen a wholesale model that works. That's because a retail provider can collect an average of \$100 per month per customer offering "triple play," he said, while that number drops to \$35 to \$45 per month per customer under the wholesale model.

"Your costs don't drop as much as your income drops," he said. "I've never been able to put together a wholesale model that looks like it would work."

But Dawson also said that he's speaking about cases where there is no "free" federal or state grant money picking up 90 percent of the cost of putting in the middle mile. That could change the financial dynamics and the cities need to put together a business plan, he said, to examine what the numbers say.

"The numbers always speak," Dawson said. "They always tell you whether to do it or not."

Such a business plan could look at both whether the wholesale model would work locally, given the possible grant subsidies, and also whether the cities might want to press forward and bring fiber-to-the-home throughout the entire city and offer retail services. He said that while the local network backbone would have to be open access throughout its lifetime, if the cities or consortium built out the system to individual homes, the cities could restrict access to those homes and offer retail services. That might be necessary, he said, to pay off revenue bonds necessary to finance fiber to the home.

Federal rules "say clearly open access rules only apply to assets built by the grant," he said.

Jim Baller, president of the U.S. Broadband Coalition and a Washington, D.C., attorney who is an expert on broadband issues, also said that while he thinks the wholesale model is generally a recipe for failure, he would hesitate to make that prediction locally if the local consortium is getting more than \$30 million in federal and state grants to build a network.

"It's a very different world when you start out with a sizable grant," he said. "There's no guarantee that will work, but it sure has a much better chance of working than a model where the only income you have is what (service providers) are paying you. That's a big chunk of money to come into the community without charging rates to repay it."

But other officials with hands-on experience building municipal broadband systems question the wholesale model where cities aren't directly providing services.

Tim Nulty, who served as general manager of Burlington (Ver.) Telecomm from 2001 to 2007, believes strongly in open access but also states that municipal broadband only works financially where a city is directly providing services.

"The only way to make it work is to offer services yourself," he said. "If you provide triple play (Internet, cable TV and phone), very few people will want to compete. Over time, you start getting, not the big players, but other local (service) providers (paying to use your network)."

Nulty also notes that the impact of big broadband on economic development is significant and that if Urbana were to move forward on providing fiber-to-the-home, Champaign would have little choice but to follow.

"The impact on business location is dramatic," he said. "Champaign will say, 'We can't have that.'"

Nulty also said Urbana officials should think long and hard before accepting the federal grant funds, saying the city might be better off building its own network using revenue bonds. He roughly estimated the city could be wired and operational for \$35 million.

Neil Shaw, a principal with Uptown Services of Boulder, Colo., a broadband consultant that has advised a number of cities that have implemented big broadband, is even more adamant that Nulty in favoring the retail model. He doesn't favor open access and advises against accepting federal grant funding.

"The key thing is you, as network owner, should offer services on your own network," he said. "Don't leave that function to somebody else. Don't rely on third-party retailers."

Shaw has served as a consultant to Wilson, N.C., a city of about 50,000 residents that has been operating its own \$28 million municipal broadband network for about a year. It now has 17 percent service market penetration and expects to reach the 30 percent level by next year, whereupon it will be operationally self sufficient and have enough extra money to pay for upgrades.

Wilson is not open access, according to Will Aycock, operations manager for Greenlight, Wilson's broadband service.

"We're the service provider," Aycock said. "I don't see how it (open access) would be (financially viable) if you're trying to recover your investment in building the infrastructure."

Wilson's Greenlight service is going head-to-head with Time-Warner, which is using its own network and has not raised its rates in Wilson for the past two years, according to Aycock. The city offers triple play services for \$99.95.

Lafayette, a city in south-central Louisiana that is comparable in size to Champaign-Urbana, began rolling out a retail municipal broadband system in February. The city issued \$110 million in tax exempt revenue bonds to pay for the system in June 2007.

Terry Huval, director of utilities for Lafayette, said he the city needs participation rates of 23 percent or greater to break even – to be able to pay its debt and operations costs – and is already achieving that in areas where service is now available. Eventually, he expects about 45 percent of all city households to use the city for Internet, cable television and phone service.

Huval said Lafayette is not open access, though it will allow some wholesale services to be offered on the city's network.

"We are not allowing other companies to use our network to sell services on the retail side," he said. "For retail, it's a closed shop. Open access doesn't work."

Huval said he'd be willing to consider opening up the city's network to a competitor if that company "puts skin in the game ... if they pay 50 percent of the note."

Some cities are using a combination retail and wholesale model.. Salisbury, N.C., a city of 32,000, is building its own \$29 million broadband network that is expected to begin service next June. The city will offer not just triple play, but eight different services, including gaming, data services, security systems, video conferencing and wireless cellular, according to Mike Crowell, the city's director of broadband services.

Crowell said Salisbury is providing retail services to start, but is "willing to negotiate for access to the network." If the city could generate enough revenue and outsource services altogether to outside companies, the city would consider doing so, he said.

Crowell also said the city expects to employ 14 people to operate its broadband services, and another 10 to 12 contract installers during its first two years.

Salisbury is pursuing municipal broadband for economic development reasons. Crowell said the North Carolina Biotechnology Research Center is being built in Kannapolis, N.C., 20 miles away, which is expected to generate 35,000 to 40,000 new jobs over the next decade. Salisbury wants its share of those jobs and to attract new residents, he said, and it figures a municipal broadband network is the best way to do that.

Time-Warner was approached first about supplying a broadband network for Salisbury, Crowell added, but they "weren't interested."

The UI's Smeltzer said he hopes to go over the financials of the broadband proposal with both the Urbana and Champaign city councils in October in study sessions, now that the crush to get the grant application in has passed.

He said the UI hired an outside consultant, Fiber Utilities of Cedar Rapids, Iowa, to put together the grant application's financial projections, including the income statement, the balance sheet and the cash flow statement. Fiber Utilities found that the network would pay for itself through income from the 2,500 estimated residential subscribers and the 137 critical institutions, and that the consortium (UI, Champaign and Urbana) could borrow \$7 million from 2012-2014 to expand fiber to the home incrementally and pay off those 10-year bonds out of revenues alone, without city subsidies.

That assumption could prove wrong, he added, if substantially less than 54 percent of the low-income households sign up for internet services. That's the assumed penetration or "take" rate.

Smeltzer said a seven-member policy board appointed by Urbana, Champaign and the UI chancellor would define how the consortium operates, and that he believes it could accommodate, for instance, an aggressive fiber-to-the-home broadband rollout in Urbana and a less aggressive approach in Champaign.

"The consortium is designed to be as flexible or inflexible as its members want it to be," he said. "It could accommodate an aggressive approach in Urbana."

He said the consortium sells wholesale services to anybody who wants them, and that Urbana could purchase access and then opt to directly operate as a retail Internet service provider in Urbana.

"Urbana could issue its own bonds (to extend fiber to the home to city residents) and become a customer of the consortium," he said.

Urbana could also "operate its own fiber-to-the-home network any way it wants to," Smeltzer said, meaning it could choose to be open access or limit access to the city itself.

Smeltzer added that he supports open access and that the Broadband Access Committee of the Champaign-Urbana Joint Cable & Telecommunications Commission has also endorsed open access, saying that the network should be operated as a "common carrier" and should promote all uses without discrimination.

Recommendation

While the wholesale model of selling use of the broadband network to third-party service providers could work for the limited purposes of this grant, wholesale hasn't proved to be a viable economic model for municipal broadband in other cities.

If and when the cities or consortium opt to spend tens of millions of dollars in the future to bring fiber-to-the-home to residences throughout Urbana and Champaign, serious consideration will have to be given to the retail model, with each city or the consortium directly providing Internet, television and phone service and operating broadband as a city utility.

Given the cost involved in bringing municipal broadband to all of the residents of Urbana, and some uncertainties involved in the grant proposal, the city should consider hiring a broadband consultant to prepare a business plan for the city that could look at the grant proposal and other broadband models, such as retail, to help determine what would be the city's best course of action.

One specific area to review is the grant application's assumption that 54 percent of residences in the 11 underserved census blocks will subscribe to big broadband. The current take rate is 39 percent, so the application is assuming 15 percent growth and that all current users will switch their service provider, or an even greater growth rate.

One candidate to prepare a business plan is CCG Consulting of Knoxville, Md., which has advised more than 80 cities about broadband issues, including Lafayette, Bristol, Va., Monmouth, Mo., and Monticello, Minn. Company President Doug Dawson said his firm could put together a business plan in about 30 days for \$12,500, plus travel expenses. For an extra \$2,500, Dawson would include looking at a joint Urbana and Champaign utility. The city of Champaign has indicated some initial interest in participating in such a study.

Mike Monson
Chief of Staff

Other Cities with Broadband

Lafayette, La.

Population: 125,000

Began offering broadband service in February, still rolling out. Complete next year.

Business model: Retail, city offers triple play services (television, internet, phone) directly as a city utility. Limited wholesale components.

Doesn't allow direct competitors to use network.

Bond issue: Issued \$110 million in tax exempt revenue bonds in June 2007. Using \$20 million in proceeds to pay early operational and bond debt costs.

Break-even take rate: 23 percent. Already achieving in some areas. Eventual goal: 45 percent.

Triple play: \$84.85 for 80-plus channels, 10 Megabit per second Internet, basic telephone line.

Salisbury, N.C.

Population: 32,000

Service begins June 2010. Network under construction.

Business model: Retail and wholesale. City plans to offer "Octopoly," eight different services.

"Willing to negotiate for access to network."

Bond issue: \$29 million in revenue bonds. Twenty-year bonds. "Expect to make money in year seven."

Break-even take rate: 28 percent. Expect to reach in three years.

Wilson, N.C.

Population: 50,000

Began offering service July 1, 2008.

Business model: Retail only.

No open access

Bond issue: \$28 million

Break-even take rate: 30 percent. At 17 percent now, expect to reach 30 percent in a year.

Triple play price: \$99.95 for 10 mbps Internet, 81-channel cable television with high definition, phone service.

Number of broadband employees: 16 employees, plus contract installation technicians.

Burlington, Vt.

Population: 30,000

Began offering service: February 2006. Built out in 2008.

Business model: Retail and wholesale.

No retail competitor on city network. Sell fiber loops to telecommunications companies like AT&T on a wholesale basis.

Borrowed \$33 million from Citi Financial and another \$15 million from city of Burlington.

Break-even take rate: Probably 50 percent. Current take rate: 33 percent. System is not break even.

Triple-play price: \$89 for unlimited local calling, 28-plus television channels, 8 mbps symmetrical Internet service.

Number of employees: 29, with five to 10 contract installers.

Bristol, Va.

Population: 20,000. Also now serving Abingdon, Va., population 10,000, with broadband. Provides business only broadband services to 12 other southwest Virginia communities.

Began offering service 2002

Business model: Retail

Open access. "We've never had anybody take advantage" to compete with them.

Bond issue: Yes, but official unsure of amount. Current with bond payments, doing well financially..

Take rate: 65 percent. 10,000 customers.

Have landed two major businesses, with 800 jobs total, due to broadband network.

Triple play: Don't offer. Services offered individually. \$35.16 per month for 4 Mbps Internet; \$41.15 for cable television with 78 channels; \$14.64 for basic phone service, \$29.50 for unlimited long distance.

Number of employees: Bristol Virginia Utilities, which includes electric and water service as well as broadband, has 150 employees, including 50 employees in a consulting business.

Income Statement



	Historical		Forecast Period				
			Year 1 - 2010	Year 2 - 2011	Year 3 - 2012	Year 4 - 2014	Year 5 - 2015
Revenues							
Network Services Revenues:							
Local Voice Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Broadband Data	\$ -	\$ -	\$ 28,726	\$ 536,590	\$ 1,047,176	\$ 1,359,333	\$ 1,629,468
Video Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Network Access Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Universal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Toll Service/Long Distance Voice	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installation Revenues	\$ -	\$ -	\$ 61,000	\$ 302,250	\$ 1,480,500	\$ 1,323,750	\$ 1,413,750
Other Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenues - IRU Maintenance	\$ -	\$ -	\$ 72,500	\$ 145,000	\$ 145,000	\$ 145,000	\$ 145,000
Uncollectible Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	NA	NA	\$ 162,226	\$ 983,840	\$ 2,672,676	\$ 2,828,083	\$ 3,188,218
Expenses							
Backhaul	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Network Maintenance/Monitoring	\$ -	\$ -	\$ 241,399	\$ 326,544	\$ 476,634	\$ 655,887	\$ 848,831
Utilities	\$ -	\$ -	\$ 5,000	\$ 15,000	\$ 20,000	\$ 25,000	\$ 30,000
Leasing	\$ -	\$ -	\$ 6,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Sales/Marketing	\$ -	\$ -	\$ 8,111	\$ 49,192	\$ 133,634	\$ 141,404	\$ 159,411
Customer Care	\$ -	\$ -	\$ 8,111	\$ 49,192	\$ 133,634	\$ 141,404	\$ 159,411
Billing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate G&A	\$ -	\$ -	\$ 7,867	\$ 41,875	\$ 92,911	\$ 97,955	\$ 109,153
PCC & SBA Programs	\$ -	\$ -	\$ 10,912	\$ 175,127	\$ 311,930	\$ 360,791	\$ 403,559
Bad Debt	\$ -	\$ -	\$ 3,245	\$ 19,677	\$ 53,454	\$ 56,562	\$ 63,764
Total	\$ -	\$ -	\$ 290,645	\$ 700,607	\$ 1,246,197	\$ 1,503,003	\$ 1,798,129
EBITDA	\$ -	\$ -	\$ (128,419)	\$ 283,233	\$ 1,426,479	\$ 1,325,080	\$ 1,390,089
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ 254,243	\$ 503,541	\$ 776,466
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Before Interest and Taxes	\$ -	\$ -	\$ (128,419)	\$ 283,233	\$ 1,172,236	\$ 821,539	\$ 613,623
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ (2,190)	\$ (1,101)	\$ (4,468)
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 8,461	\$ 127,819	\$ 268,034
Interest Expense - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Before Taxes	\$ -	\$ -	\$ (128,419)	\$ 283,233	\$ 1,165,965	\$ 694,821	\$ 350,057
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ -	\$ -	\$ (128,419)	\$ 283,233	\$ 1,165,965	\$ 694,821	\$ 350,057

Balance Sheet



Assets	Historical		Forecast Period				
			Year 1 - 2010	Year 2 - 2011	Year 3 - 2012	Year 4 - 2103	Year 5 - 2014
Current Assets							
Cash	\$	-	\$ (141,011)	\$ 218,959	\$ 110,140	\$ 446,843	\$ 312,160
Marketable Securities	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	\$	-	\$ 13,519	\$ 81,987	\$ 222,723	\$ 235,674	\$ 265,685
Notes Receivable	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayments	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Assets	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$	-	\$ (127,492)	\$ 300,946	\$ 332,863	\$ 682,517	\$ 577,845
Non-Current Assets							
Long-Term Investments	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Amortizable Asset (Net of Amortization)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Plant in Service	\$	-	\$ -	\$ -	\$ 3,414,308	\$ 6,749,213	\$ 10,401,728
Less: Accumulated Depreciation	\$	-	\$ -	\$ -	\$ (254,243)	\$ (757,784)	\$ (1,534,250)
Net Plant	\$	-	\$ -	\$ -	\$ 3,160,065	\$ 5,991,429	\$ 8,867,478
Other	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Current Assets	\$	-	\$ -	\$ -	\$ 3,160,065	\$ 5,991,429	\$ 8,867,478
Total Assets	\$	-	\$ (127,492)	\$ 300,946	\$ 3,492,928	\$ 6,673,946	\$ 9,445,323
Liabilities and Owners' Equity							
Liabilities							
Current Liabilities							
Accounts Payable	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Current Portion - Total RUS Debt	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Expenses	\$	-	\$ 926	\$ 5,129	\$ 33,384	\$ 54,838	\$ 79,115
Other Current Liabilities	\$	-	\$ -	\$ -	\$ 8,461	\$ 136,279	\$ 395,853
Total Current Liabilities	\$	-	\$ 926	\$ 5,129	\$ 41,845	\$ 191,117	\$ 474,968
Long-Term Liabilities							
Existing RUS Debt	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed RUS Debt	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Non-RUS Debt	\$	-	\$ -	\$ 141,011	\$ 2,130,313	\$ 4,467,237	\$ 6,604,707
Total Long-Term Liabilities	\$	-	\$ -	\$ 141,011	\$ 2,130,313	\$ 4,467,237	\$ 6,604,707
Total Liabilities	\$	-	\$ 926	\$ 146,140	\$ 2,172,158	\$ 4,658,354	\$ 7,079,675
Owner's Equity							
Capital Stock	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid-In Capital	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Patronage Capital Credits	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Owner Equity	\$	-	\$ (128,419)	\$ 154,805	\$ 1,320,770	\$ 2,015,591	\$ 2,365,647
Total Equity	\$	-	\$ (128,419)	\$ 154,805	\$ 1,320,770	\$ 2,015,591	\$ 2,365,647
Total Liabilities and Owner's Equity	\$	-	\$ (127,493)	\$ 300,945	\$ 3,492,928	\$ 6,673,945	\$ 9,445,322

Statement of Cash Flows



	Historical		Forecast Period				
			Year 1 - 2010	Year 2 - 2011	Year 3 - 2012	Year 4 - 2014	Year 5 - 2015
Beginning Cash	NA	NA	\$ -	\$ (141,011)	\$ 218,958	\$ 110,140	\$ 446,843
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net Income	-	-	(128,418)	283,223	1,165,965	694,821	350,057
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>							
Add: Depreciation	-	-	-	-	254,243	503,541	776,466
Add: Amortization	-	-	-	-	-	-	-
<i>Changes in Current Assets and Liabilities:</i>							
Marketable Securities	-	-	-	-	-	-	-
Accounts Receivable	-	-	(13,519)	(68,468)	(140,736)	(12,951)	(30,011)
Inventory	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-
Accounts Payable	-	-	926	4,203	28,255	21,454	24,277
Other Current Liabilities	-	-	-	-	8,461	127,819	259,574
Net Cash Provided (Used) by Operations	\$ -	\$ -	\$ (141,011)	\$ 218,958	\$ 1,316,188	\$ 1,334,684	\$ 1,380,363
CASH FLOWS FROM FINANCING ACTIVITIES:							
Notes Receivable	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-
Principal Payments	-	-	-	-	-	-	-
New Borrowing	-	-	-	141,011	1,989,302	2,336,924	2,137,469
Additional Paid-in Capital	-	-	-	-	-	-	-
Additions to Patronage Capital Credits	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-
Net Cash Provided by Financing Activities	\$ -	\$ -	\$ -	\$ 141,011	\$ 1,989,302	\$ 2,336,924	\$ 2,137,469
CASH FLOWS FROM INVESTING ACTIVITIES:							
Capital Expenditures	-	-	-	-	3,414,308	3,334,905	3,652,515
Amortizable Asset (Net of Amortization)	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-
Net Cash Used by Investing Activities	\$ -	\$ -	\$ -	\$ -	\$ 3,414,308	\$ 3,334,905	\$ 3,652,515
Net Increase (Decrease) in Cash		\$ -	\$ (141,011)	\$ 359,969	\$ (108,818)	\$ 336,703	\$ (134,683)
Ending Cash	NA	NA	\$ (141,011)	\$ 218,958	\$ 110,140	\$ 446,843	\$ 312,160