

Email questions and responses from CEO Bischoff. Mr. Bischoff has been timely in all of his responses to KCIW requests for information.

Hello Lori, Paul and I worked together to respond to your questions.

1. 1000 customers. Bill Gerski says as of June 15 BBI will connect its 1000th customer. Wondering if this is a metric that is on par with your business plan, and what the average customer is paying for BBI service.

There are two important pieces of context relevant to the first part of this question:

1. We regularly review and update the business plan. As actual data proves out our original assumptions, we update the business plan to reflect that actual data.
2. There are two ways to answer this question.

First, we might understand this question to mean, "Did the original business plan anticipate more or less than 1,000 subscribers in June of 2023?" The short answer to that question is that the original business plan expected we would have more than 1,000 subscribers by June of 2023. However, the original business plan anticipated significantly faster construction than we have yet been able to achieve. The other way to understand this question is to ask, "Does Beacon Broadband have as many subscribers as the original business plan anticipated based on the number of addresses actually passed?" The short answer to that question is yes.

As to the second half of that question, we won't answer. Our competitors have reacted to our entry into the market with some significant temporary price reductions and other specials. We are interested in keeping them guessing as to what our customers actually pay us. We are very clear on our web site regarding the prices for each of our services.

2. Connection. Can you tell me when the first BBI customer was connected? Was this at The Cove?

Our first service area was a pilot test area that included the 90 or so address surrounding Wharf Street in Brookings including King Street, Schooner Bay Road (The Cove), and Chetco Point Terrace. About 36 Pilot test subscribers started receiving free Beacon Broadband internet and telephone service (if selected) in October of 2021. About 30 of those subscribers stayed with us when their free service period ended.

3. Services. Video is now being offered and I understand doorbell security is also a planned part of the BBI menu. Bill Gerski was recorded at a Whaleshead Resort meeting saying that cell phone service was also being strongly supported by management, but there was a letter to the editor from CCEC//BBI board member Daniel Loshbaugh, saying it was not being considered. Can you clarify which products are being offered and which are being considered?

From the time of the initial planning for Beacon Broadband, the intent was to offer high-speed fiber broadband service. To qualify for certain state and federal funding opportunities, if Beacon Broadband could offer voice services at a reasonable profit, it would do so. The initial feasibility study found that in working with a facilities-based voice over internet protocol provider, Beacon Broadband could profitably meet state and federal funding requirements offering a voice service. Also, as part

of the feasibility study, CCEC found that the south coast market was very interested in linear video. Again, Beacon Broadband was challenged to find a way to enter the linear video market to meet the demand on the south coast without losing money doing it. This was a further challenge as the projected demand for linear video will decline through time. To this end, Beacon Broadband needed to avoid significant capital expenditures implementing video and still find a way to make the service pay for itself. Through several excellent partners, Beacon Broadband has done just that.

Entering into the project, Beacon Broadband was confident it would offer internet, telephone, and television services. Another category of service, called other services, was included in the original business plan. No costs or revenues for other services were included in the projections in the original business plan and no costs or revenues for other services have been added to the revisions. Four examples of “other services” Beacon Broadband has discussed include:

a. Camera/Security Service

Our customer premises equipment vendor has a partnership with Arlo. We have looked at different ways to potentially offer Arlo cameras and security services.

b. Bark

Bark is a service broadband service providers can offer to help protect children from cyberbullying and other online dangers.

c. Servify

Servify is a comprehensive device protection program.

d. Cellular Service

Noting how many cellular dead zones there are on the south coast, Beacon Broadband’s staff has looked for ways to fill in the holes and potentially offer cellular service.

We are regularly looking for ways to meet our resident’s needs. As Mr. Loshbaugh said in his letter to the editor, “BBI may in the future consider offering other services when and if they are beneficial to our members.” Our primary focus is on building the fiber network and providing our three principal services of data, voice, and video.

4. Grants and Loans. That same Loshbaugh letter also said there “has been NO additional loan funds acquired or considered beyond the original \$60M for BBI.” This feels misleading. I know that BBI got at least one additional grant from RDOF funding of \$14M, and have applied for additional grants. Hoping you can clarify, and bring me up to date on all of the grants and loans for BBI.

The CCEC board of directors approved backing up to \$60 million in debt for Beacon Broadband. Prior to CCEC backing that amount of debt, Beacon Broadband received a total of \$14 million in operational subsidies over ten years from the FCC through the RDOF program. Beacon Broadband currently has two grant applications in review. One for middle mile infrastructure from the NTIA and another for unserved and underserved rural areas through the Rural Utilities Services. Beacon Broadband will continue to seek grant funding from any reasonable available source.

5. In the May issue of Ruralite, you talk about “facts and feasibility”, and say that “full scale construction started in October 2021.” But my understanding was that the CoBank loan wasn’t OKed until a year later, in October 2022. Can you tell me how construction was paid for before October 2022?

Early in 2021, Beacon Broadband, with CCEC's backing was able to secure funding commitments and initial loan draws from the National Rural Utilities Cooperative Finance Corporation (or CFC). CFC is the same lender that funds all of CCEC's debt. In 2022, CoBank made a proposal to CCEC and Beacon Broadband and Beacon Broadband elected to move its debt and funding commitments to CoBank to take advantage of incentives CoBank offered and to better separate Beacon Broadband's debt from CCEC's. CCEC is the guarantor of Beacon Broadband's borrowing capacity with CoBank.

6. Oregon State Legislation. In a letter of support of SB 943, BBI writes "the cooperative had a business plan that showed with a reasonable level of state and federal assistance it could bring the high-speed fiber experience where no one else would go. CCEC created Beacon Broadband and cooperated with other electric cooperatives to secure funding through the FCC's Rural Development Opportunity Fund in November of 2020. Unfortunately, the FCC funding was short of the funding CCEC's business plan suggested was required to bring high-speed broadband up the Wild Rivers and out to Bridge, Remote, Sitkum, Dora, and Agness. Nevertheless, we saw the need and we determined to press forward. We needed - and need - additional funding. We saw hope in that the state had created the Broadband Fund in 2020. We saw additional hope when the American Rescue Plan Act passed in early 2021. Even more funding opportunities were promised with the passage of the Infrastructure Investment and Jobs Act late in 2021. We rolled up our sleeves and went to work assuming those funding opportunities were imminent. One, two, even three years later, we continue to work and we continue to assume those funding opportunities are imminent." Again, I ask about funding. What are the funding sources for BBI? Can you tell me what grants and loans have been approved?

- Beacon Broadband has secured \$14 million in operational subsidies over ten years from the FCC's RDOF (or Rural Development Opportunity Fund).
- Beacon Broadband has CCEC's backing to borrow and CoBank's commitment to provide up to \$60 million in debt funding.
- The state of Oregon is in the rule-making process for a Broadband Technical Assistance Program and should be awarding \$1.5 million later this year amongst projects in need of technical assistance like feasibility studies. Beacon Broadband may apply for some of these funds, however, Beacon Broadband has completed most tasks that will probably be included in the program.
- The state of Oregon is in the rule-making process for a Broadband Deployment Program and should be awarding \$157 million early next year amongst projects deploying broadband. Beacon Broadband is likely to apply for funding in this program.
- The Infrastructure Investment and Jobs Act will allocate \$42 billion to the states for broadband deployments. Oregon anticipates receiving between \$500 and \$700 million of that money and should start distributing it to broadband deployment projects in 2025. Beacon Broadband is likely to apply for funding in this program.
- The Economic Development Administration administers public works and economic adjustment assistance grants. Beacon Broadband is in the process of developing a coalition of partners to create a broadband based EDA PWEA grant application.

Beacon Broadband is constantly seeking reasonable funding opportunities.

7. Relationships. David Brock Smith has sponsored legislation that benefits BBI specifically. Can you tell me about the relationship BBI has with State Senator David Brock Smith? With State Representative Court Boice?

Obviously Senator Brock Smith and Rep. Boice are the elected representatives in the Oregon legislature for the area served by CCEC and BBI. CCEC and now BBI work with local, state, and federal representatives to help us serve our co-op membership. Senator Brock Smith proposed SB 680 without any request from CCEC or BBI. It demonstrates his commitment to locally controlled infrastructure development and projects that bring value to his constituents. While Court Boice was a Curry County Commissioner, he worked hard to organize a south coast broadband action team (BAT). A south coast BAT will provide benefit to all broadband providers in the local area. We appreciate the strong support we receive from our elected officials and think this support demonstrates CCEC and BBI's mission alignment with local needs.

8. Profit. When do you believe BBI will become self-sustaining and profitable? CCEC's financial strength enables BBI to construct the fiber network and provide high quality fiber broadband to the local area. Except for CCEC's loan guarantee, Beacon Broadband has always been self-sustaining through its borrowing capacity and revenue. Beacon Broadband anticipates achieving operational break-even in the next year or two and full cash-flow positive within a couple of years of completing primary construction. We could answer more accurately but we feel that to be more specific would give our competitors more information than we want to about how long they will have to compete aggressively with us to try to drive us out of the market.

Regards, ...Brent