

My name is Larry Sevier. I am the CEO/General Manager for Rural Telephone Service Company and its wholly owned, deregulated subsidiary, Nex-Tech, Inc. Our headquarters is located in Lenora, Kansas, which is a remote region of Northwest Kansas.

Rural Telephone provides voice, video and data services to 10,000 access lines in 29 exchanges in 15 counties, spanning over 5,000 square miles, with an average system density of 2.0 access lines per square mile. We have used the traditional RUS loan program for over 50 years to bring technology services and economic stability to the region. Rural Telephone has been providing high-speed Internet service to its regulated service area since 1998 and every year continues to push fiber deeper into the rural area. Today, through a variety of technologies, DSL, FTTH, and wireless, Rural Telephone provides reasonably-priced, high-speed Internet service to over 85 percent of its regulated territory. The remainder of its service area is covered with satellite service through WildBlue. The penetration rate for high-speed service in Rural's regulated service area is over 40 percent of households.

Until recently, many of the neighboring communities served by the larger companies did not have broadband service. As a result, economic development was stifled and the outward movement of people continued to escalate. Seeing the need and hearing the despair from the neighboring communities, Rural Telephone wanted to help bring economic stability to the region. It could do so through its deregulated subsidiary, Nex-Tech, if it could find the financing to build in these communities. Funding was difficult to find from the traditional sources. When Nex-Tech learned of the RUS Broadband Pilot Program, it applied immediately for funding for two communities, Norton and Alma. In 2000, Nex-Tech received a loan in the amount of \$6,000,000 to bring broadband service to these communities. These are relatively small communities with Norton having a population of 3,000, and Alma a population of 500. With funding from RUS, Nex-Tech built a FTTH system in each community, held community events, went door-to-door signing people to services and opened a local office in Norton. The result was a 70 percent sign-up for telephone services and 25 percent sign-up for broadband prior to construction. Today, Nex-Tech has a telephony penetration rate of 96 percent and a broadband penetration rate of 50 percent in these two communities. The local newspaper editor indicated the initial sign-up event at the American Legion Hall was the largest event he had ever seen in Norton. People were hungry for improved services including broadband.

Nex-Tech has since received three additional loans totaling over \$15,000,000 to bring broadband service to five additional communities in Western Kansas ranging in population from 1,500 to 2,700. The same methods were used in these communities and the results, Nex-Tech has a telephony penetration rate of over 80 percent and a broadband penetration rate of 47 percent.

Nex-Tech has also used the satellite broadband program (WildBlue) through NRTC, and while it is a good program for the difficult-to-reach customers, price and speed limitations make a difference on penetration rates. Our penetration rate in the more difficult areas to serve with WildBlue is very low. I would quickly add; however, that this service can be a very useful tool to reach those areas where broadband cannot be provided by other means.

Rural Telephone is currently closing on an acquisition with Sprint to acquire 12 exchanges adjacent to its existing territory. Many of these communities still do not have high-speed

Internet service and the ones that do have very limited coverage. We will be utilizing the RUS Program to fund this acquisition and the rebuild of these exchanges with FTTH construction. We look forward to closing on this transaction and providing high-speed Internet service to these communities to help further stabilize the region. There is no question it would be difficult for these communities to provide growth and jobs without adequate high-speed Internet service.

Why are we so passionate about bringing broadband to the communities of Western Kansas? Because our employees live in these communities. These are our friends and neighbors, and we care about the quality of life. It is extremely rewarding to see young families move back to Western Kansas because jobs are being created as small businesses move back. Rural Telephone and Nex-Tech alone have created over 300 high-tech jobs in the past 15 years. This may not sound like much, but with so many companies downsizing, this says volumes for the stability we are providing. Much of this would not have been possible without the assistance from the RUS Broadband Program.

Are there issues with the Broadband Loan Program and could some things be done differently? Absolutely, but there are no more issues with this program than with any new program. I am aware there has been some criticism about not getting the money out the door quicker, but in my opinion, this being a loan program, not a grant program and dealing with taxpayer dollars, there must be relative assurance that the loans will be repaid. This requires a very solid business plan and more due diligence than many of the new borrowers may have expected. Having been in the traditional RUS Loan Program for over 50 years, we knew what to expect and were able to satisfy their requirements. I know I don't need to remind this Committee of the loan record of zero dollars lost with the traditional RUS Loan Program.

In summary, it would not have been possible to bring broadband service to the communities mentioned in this testimony without the assistance of the RUS Broadband Program. Funding was not available from other sources for these purposes. As a result of the service provided through the RUS Broadband Program, the economy has stabilized in many of these communities. Small business are relocating in Western Kansas once again and young families are moving back to raise their families in the relatively safe and secure environment they dreamed of while having many of the conveniences found only in the cities. This certainly makes the risk of providing service worthwhile. Thank you for allowing me to bring this information to this committee. I look forward to answering your questions.