



March 7, 2014

**Letter – Expression of Interest
VIA ECFS**

Chairman Thomas Wheeler
Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O’Rielly
Jonathan Chambers
Federal Communications Commission
445 12th Street, SW
Washington, DC, 20024

**Re: Expression of Interest – Rural Broadband Experiments
Connect America Fund, WC Docket No. 10-90**

Dear Chairman Wheeler, Commissioners, and Mr. Chambers,

This letter is to express the interest of AirNorth Communications, Inc. (hereinafter referred to as “AirNorth”) in receiving funding from the Rural Broadband Experiments announced at the FCC Open Meeting on January 30, 2014.

Background

1. October 27, 2011 Connect America Fund Order

AirNorth, a Michigan for-profit corporation, began taking shape shortly after the FCC approved a phase out of the high cost portion of the Universal Service Fund in its Connect America Fund Order of October 27, 2011. At that time, Mike Witulski, AirNorth’s President, served as the General Manager of another mid-sized, rural Competitive Local Exchange Carrier (“CLEC”). Witulski recognized the opportunity this CAF Order presented and began assembling the AirNorth team at that time.

2. The AirNorth Team

Witulski began working with the Cheboygan Economic Development Group (“CEDG”). The CEDG is a catalyst organization that interfaces with local elected officials, administrations, local and regional economic development organizations, and entrepreneurs to facilitate success in growing northern Michigan’s economy. In 2012, the CEDG identified the development of wireless Broadband technology as a critical, but absent, factor in this success. With the CEDG’s

backing, Witulski formed a strong and uniquely qualified team to bring this much-needed technology to northern, rural Michigan. The members of this team (hereinafter referred to as the “AirNorth Board”) include:

Michael Witulski	President
Chris Sangster	Vice-President, Treasurer, Chief Financial Officer
Charlie Hague	Vice-President, Chief Operating Officer
Greg Elliot	Vice-President, Controller, Chief Contract Compliance Officer
Noah T. Leask	Vice-President, Chief Technological Officer
Kevin L. Tucker	Vice-President, Secretary, General Counsel
James “Bud” Darnell	At-Large Board of Director

Should AirNorth be asked to submit an application, the curriculum vitae of the AirNorth Board members will be included. Pursuant to its Bylaws, the AirNorth Board shall consist of not less than five (5) members and no more than nine (9). The Board has authority to issue both common and preferred, nonvoting stock.

3. AirNorth enters an Agreement to Acquire MI Lakes Internet, a Cheboygan-based Broadband wireless provider, contingent upon public funding.

Based in Cheboygan, Michigan, MI Lakes Internet (hereinafter referred to as “MI Lakes”) has been offering Broadband wireless Internet services to parts of AirNorth’s proposed geographic area since 2009. AirNorth quickly identified MI Lakes as a local provider with real experience and proprietary information over a small sample size at the heart of AirNorth’s target market. For these reasons, AirNorth approached MI Lakes in 2013 about a potential acquisition. Since that time, AirNorth and MI Lakes have entered into an acquisition agreement, wherein AirNorth will acquire MI Lakes, and its 231 subscribers, should AirNorth receiving public funding.

4. January 30, 2013 RUS Broadband Loan Application

In 2012, the Airiston team developed a business model to support a Fixed Terrestrial wireless broadband network for homes, businesses, and community anchor institutions. On January 30, 2013, Witulski’s team submitted an application for RUS Broadband Loan Consideration (“Michigan 1112-A” or the “Application”). The Application was submitted on behalf of Airiston, Inc., a precursor to the current AirNorth entity. Working closely with Rural Utility Service (“RUS”) General Field Representatives, the team’s Application included the northernmost counties of Michigan’s Lower Peninsula and several counties in the southeastern part of Michigan’s Upper Peninsula. At the advice of RUS Representatives, the team did not include potential CAF settlements in the Application. Specific CAF amounts had not been determined at that time and Financial Feasibility was established without the benefit of the same.

In a letter dated August 22, 2013, Administrator John Charles Padalino informed Witulski the RUS was unable to approve the Application at that time. Mr. Padalino cited existing competition and undercapitalization as notable factors in the agency's decision. However, since receipt of this letter, Witulski's team has acquired more accurate, third party research, as well as firm capital commitments, both of which are likely to mitigate Mr. Padalino's concerns, if not eliminate the same entirely. To this end, Mr. Padalino welcomed Witulski to submit a new broadband loan application. AirNorth will submit such an application in Spring 2014.

5. Location

AirNorth's headquarters is located in Cheboygan, Michigan. In cooperation with Merit Networks and Comlink (American Reinvestment and Recovery Act recipient and lead sub recipient), the AirNorth team acquired a Cheboygan-based campus of North Central Michigan College. The team transformed this campus into the Straits Area Education Center. Through its participation in this community center, AirNorth is building strong community alliances, promoting higher education, and stimulating economic development.

6. Community Partners

Over the last two years, the AirNorth team has worked closely with a variety of partners. With the help of these agencies, the AirNorth team established strong support from state and local government. These partners include various public and quasi-public entities, including:

- Michigan Economic Development Corporation ("MEDC")
- Cheboygan Economic Development Group ("CEDG")
- Harbor, Inc.
- Charlevoix County
- North Central Michigan College
- Connected Nation
- Northern Lakes Economic Alliance ("NLEA")
- Connect Michigan
- Cheboygan County
- Wilson Township
- Michigan Works

Because of its strong relationships with Connected Nation, Connect Michigan, and MEDC, AirNorth was recently selected to host one of the first ten (10) Digital Works Centers in the State of Michigan.

To this end, the AirNorth team has also received letters of support from various public officials, school districts, and tribal communities, including:

- Jamie Clover Adams, Director of the MI Department of Agriculture & Rural
- John Quackenbush, Chairman of the Michigan Public Service Commission

Development

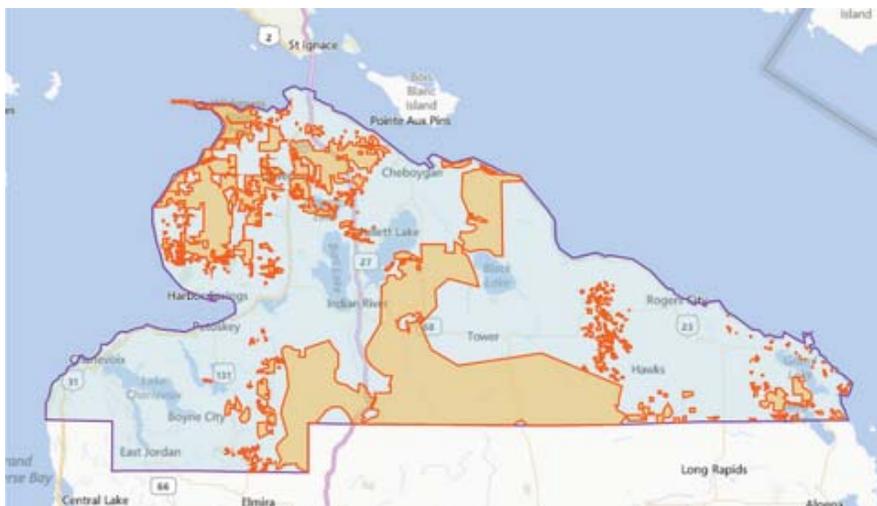
- Frank Foster, Representative of the 107th District, Petoskey, Michigan
- Greg MacMaster, Representative of the 105th District, Kewadin, Michigan
- James Darnell, President of the Cheboygan Economic Development Group
- Kurt Perron, Tribal Chairman of the Bay Mills Indian Community
- Peter Pettalia, Representative of the 106th District, Presque Isle, Michigan
- Andy Hayes, President of the Northern Lakes Economic Alliance
- John L. Palmer, Superintendent of Vanderbilt Area Schools

The AirNorth team has also partnered with “middle mile” service providers, including Merit Networks and Comlink (f.k.a. Great Lakes Comnet), to bring connectivity to area Anchor Institutions, including Tribal Lands. Citizens of the Little Traverse Bay Bands of Odawa Indians (headquartered in Petoskey, Michigan) predominately reside and work in Emmet, Charlevoix, and Cheboygan counties. In addition to the types of Anchor Institutions defined by § 54.5 of the October 27, 2011 Order, such as schools, libraries, and healthcare providers, AirNorth will provide voice and broadband service to area forestry offices, way stations, emergency shelters in national forests, fire and watch towers.

Geographic Territory

1. Tip of the Mitt

AirNorth will provide Broadband and VOIP services to the four northernmost counties of Michigan’s Lower Peninsula, including Presque Isle, Cheboygan, Emmett, and Charlevoix. These counties are often collectively referred to as the “Tip of the Mitt.” For the purposes of this Expression of Interest, the image below depicts the area included in the “Tip of the Mitt.”



2. Eligible FCC Census Tracts in the Proposed Funded Service Area (“PFSA”)

On February 6, 2014, the Wireline Competition Bureau (“Bureau”) released a list of census tracts in price cap areas potentially suitable for adopted targeted experiments. The census tracts located in the Tip of the Mitt include the following:

"MI" , "26029" , "Charlevoix" , "26029000100" , 362 , 30 , 156085.34	156085.34
"MI" , "26029" , "Charlevoix" , "26029000200" , 58 , 6 , 26194.1	26194.1
"MI" , "26029" , "Charlevoix" , "26029000800" , 371 , 6 , 94215.78	94215.78
"MI" , "26029" , "Charlevoix" , "26029000900" , 33 , 0 , 5602.77	5602.77
"MI" , "26029" , "Charlevoix" , "26029001000" , 54 , 0 , 11818.52	11818.52
"MI" , "26029" , "Charlevoix" , "26029001100" , 1 , 0 , 97.95	97.95
"MI" , "26029" , "Charlevoix" , "26029001200" , 182 , 9 , 43999.93	43999.93
"MI" , "26029" , "Charlevoix" , "26029001400" , 1 , 0 , 776.53	776.53
"MI" , "26031" , "Cheboygan" , "26031960100" , 605 , 34 , 233913.99	233913.99
"MI" , "26031" , "Cheboygan" , "26031960300" , 1 , 0 , 1703.07	1703.07
"MI" , "26031" , "Cheboygan" , "26031960400" , 540 , 10 , 134926.54	134926.54
"MI" , "26031" , "Cheboygan" , "26031960500" , 233 , 9 , 50595.62	50595.62
"MI" , "26031" , "Cheboygan" , "26031960600" , 152 , 1 , 57068.42	57068.42
"MI" , "26031" , "Cheboygan" , "26031960700" , 457 , 60 , 252624.28	252624.28
"MI" , "26031" , "Cheboygan" , "26031960800" , 1068 , 102 , 422968.67	422968.67
"MI" , "26047" , "Emmet" , "26047970100" , 563 , 33 , 184252.12	184252.12
"MI" , "26047" , "Emmet" , "26047970200" , 553 , 12 , 262772.86	262772.86
"MI" , "26047" , "Emmet" , "26047970300" , 665 , 23 , 213694.87	213694.87
"MI" , "26047" , "Emmet" , "26047970500" , 290 , 27 , 94310.52	94310.52
"MI" , "26047" , "Emmet" , "26047970600" , 78 , 3 , 20972.81	20972.81
"MI" , "26141" , "Presque Isle" , "26141950100" , 355 , 52 , 226916.52	226916.52
"MI" , "26141" , "Presque Isle" , "26141950200" , 49 , 1 , 8574.87	8574.87
"MI" , "26141" , "Presque Isle" , "26141950300" , 766 , 67 , 335828.51	335828.51
"MI" , "26141" , "Presque Isle" , "26141950400" , 354 , 25 , 243406.89	243406.89
"MI" , "26141" , "Presque Isle" , "26141950500" , 930 , 46 , 378526.76	378526.76
"MI" , "26141" , "Presque Isle" , "26141950600" , 149 , 7 , 20738.12	20738.12
	3,482,586.36

Eligible Telecommunications Carrier (“ETC”) Status

AirNorth will ultimately operate as a CLEC with ETC status. As of the date of this Expression of Interest, AirNorth’s application for ETC status is drafted and will be filed with the Michigan Public Service Commission in a timely manner.

List of Anchor Institutions

1. Schools and Community Centers

AirNorth is in the process of partnering with school districts across the Tip of the Mitt. For example, John L. Palmer, Superintendent of Vanderbilt Area Schools, submitted a letter in support of the team's Application to the RUS. In this letter, Mr. Palmer provided,

We are interested in allowing [AirNorth] to hang its' wireless distribution antennas on our school property tower in exchange for internet Broadband services. We understand that [AirNorth] will use this as one of its' anchor towers that is connected to the Merit fiber hub through the school infrastructure. This will open up much technological advancement in our district that has never been available to us due to the lack of high speed Broadband in our rural area.

AirNorth is pursuing similar arrangements with other school districts, including Inland Lakes Schools, located in Indian River, Michigan, among others. Likewise, AirNorth has identified Straits Area Education Center as an interested Anchor Institution.

2. Tribal Lands

With the help of local and state economic development bodies, like the Michigan Economic Development Corporation ("MEDC"), Northern Lakes Economic Alliance ("NLEA"), and Cheboygan Economic Development Group ("CEDG"), AirNorth has received widespread support from area Native American communities. For example, in support of its Application to the RUS, Kurt Perron, Bay Mills Tribal Leader, wrote to the AirNorth team,

Please use this letter as encouragement and support for your application with the Rural Utility Services of the USDA for Broadband loan funding. As the Bay Mills Tribal Leader, I am uniquely aware of the extreme need for high speed Broadband infrastructure in our area.

We stay in touch with local units of government on infrastructure projects that will stimulate local growth. To that end, we pro-actively [sic] approach economic development as a "team sport" and work hard to strengthen partner relationships, network public and private sectors, and work collaboratively to address economic development challenges and opportunities in our area.

I am deeply committed to our region and the creation of new employment and economic opportunities, expansion of existing industry, attraction of out-of-state businesses, and strategies that promote a positive business climate.

It is extremely important to make high speed internet available to every member of our community, therefore we support your efforts in this endeavor.

The citizens of the Little Traverse Bay Bands of Odawa Indians have expressed similar sentiments. This tribal community is based in Petoskey, Michigan. Individuals within this community predominately reside and work in Emmet, Charlevoix, and Cheboygan counties—the Tip of the Mitt.

Proposed Technology

In 2012, the Wilson Township Board of Trustees (located in Charlevoix County) conducted a mail-out survey of the Township’s part-time and full-time residents. This survey was conducted entirely independent of the AirNorth team. The Township has since given AirNorth permission to use its survey results.

Wilson Township is similar to the rest of the Tip of the Mitt in that both areas are considered to be completely rural communities. Wilson Township consists of 1,964 people according to the 2010 Census. Like the rest of the Tip of the Mitt, Wilson Township has a higher percentage of occasional use homes. This indicates that many residents live there for part or all of the summer months, many returning for winter activities and holiday vacations. Wilson Township’s survey response rate was 42.95%. This is a very high response rate, potentially demonstrating a particularly high degree of interest in the topic.

AirNorth’s services include a fixed terrestrial wireless broadband network. The main types of services presently offered for Internet connection within the Tip of the Mitt include dial-up and satellite. These connections are not considered viable Broadband options when compared to AirNorth’s proposed LTE offering. This is because current competitors in the Tip of the Mitt provide slow (to very slow) bandwidth speeds. Additionally, the setup costs to connect competing services are outside the ranges identified in AirNorth’s market research.

Based on the Wilson Township Survey, the results of which AirNorth will provide this Committee upon request, as well as other market research in which AirNorth claims a proprietary interest, AirNorth’s proposed technology and cost per subscriber include:

Fixed Terrestrial Wireless	
1.5 x 384	\$29.95
2.5 x 768	\$39.95
4.0 x 1.0	\$49.95

AirNorth will charge a \$150 installation fee. A subscriber may elect to break this fee up into four (4) separate payments, or may waive the fee entirely in exchange for entering into a one (1) year agreement with AirNorth.

Existing Providers

The table below describes the providers AirNorth has confirmed to exist in the proposed geographic area, as well as the providers’ services, speed, and price, if known. AirNorth is aware of some broadband providers not included in this list. AirNorth chose not to include these “providers” at this preliminary stage because they provide only mobile connectivity, connectivity via satellites, exist outside the proposed service area, or do not actually provide broadband service at all. AirNorth will supplement the list below upon request.

COMPANY	SPEED/\$	SPEED/\$	SPEED/\$	SPEED/\$	INSTALL
Boardman River/ATI	1Mb. X 512Kb. \$19.95	3Mb. X 768Kb. \$34.95	5Mb. X 1Mb. 49.95	10Mb. X 2Mb. \$79.95	\$150-\$300
CHERRY CAPITAL		4Mb. X 2Mb. \$50.00	6Mb. X 4Mb. \$85.00	8Mb. X 6Mb. \$135.00	\$475-\$560
CHAIN OF LAKES	.05-1.5Mb. X 250Kb \$35.00	2-3.5Mb. X 375Kb. \$45.00	4-6Mb. X 650Kb. \$55.00		\$99, \$149, \$200
RACC 2000	400Kb. X 200Kb. \$39.95	800Kb. X 400Kb. \$49.95	1.5 Mb. X 600Kb. \$59.95		\$564.00
AT&T		3Mb. X 768Kb. \$46.00	6Mb. X 4Mb. \$51.00	12Mb. X 6Mb. \$56.00	
CHARTER				30Mb x 5Mb \$29.95	
CenturyLink		1.5 Mb x \$46.95	3Mb x \$46.95	10Mb. X 2Mb. \$46.95	
Frontier					

Project Timeline & Scalability

1. Project Timeline

Based upon several years of local market research, AirNorth has developed a five-step launch sequence to finally bring worthwhile fixed terrestrial wireless Broadband to rural Northern Michigan. This launch will occur over the course of fifteen (15) months. AirNorth will implement one step every quarter during this time.

Each step/quarter will be marked by AirNorth’s deployment of a “Broadband ring” in a new rural community. In deploying one ring of coverage at a time, AirNorth will quickly, but efficiently, service both the proposed geographic area’s larger markets, as well as the territories in between.

The table below illustrates the launch sequence described above. The table is divided into five (5) quarters. In each quarter, a Broadband ring will be deployed in a new market. The data at the bottom of each column represents the projected number of new subscribers from existing markets at that time.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5
Cheboygan	Cheboygan	Cheboygan	Cheboygan	Cheboygan
	Charlevoix	Charlevoix	Charlevoix	Charlevoix
		Petoskey	Petoskey	Petoskey
			Rogers City	Rogers City
				Mackinaw City
242 new subscribers	616 new subscribers	1017 new subscribers	959 new subscribers	720 new subscribers

The AirNorth infrastructure will be complete at the end of this fifteen (15) month launch. At this time, AirNorth’s remaining costs will diminish substantially. The remaining costs will relate mostly to those incurred to onboard new subscribers, such as hardware, labor, and travel. By the time its launch is complete at the end of Q5, AirNorth projects positive cash flow and an ability to repay loan amounts received ahead of schedules.

2. Scalability

Relying on LTE technology, AirNorth will develop a long-term, fixed terrestrial wireless network spanning the Tip of the Mitt. As LTE technology continues to improve, so will AirNorth's canopy of coverage. This is because future LTE technology upgrades or releases will likely be backwards compatible with existing infrastructure and Customer-premises Equipment ("CPE"). LTE's next release, Release 10, will likely separate LTE technology from its closest competitors, including Wimax platforms. Release 10 will likely have the capacity to double current 6bits/hz performance to 12bits/hz. This upgrade may issue as early as next year. By launching with LTE technology from the start, AirNorth—and its subscribers—will be guaranteed access to "Next Generation" advancements of the foreseeable future.

Size and Type of CAF Investment

It will cost AirNorth \$2,284,000.00 to launch its first Broadband canopy in Cheboygan, Michigan and otherwise become operational in Q1. The cost related to this initial canopy and quarter is 40% - 60% more than the costs AirNorth projects to incur in any single quarter thereafter. This first quarter cost is inflated because of additional hardware and startup expenses. AirNorth must incur these one-time expenses in Q1 to enable expansion beyond Cheboygan in Q2 – Q5.

Multiple investors have approached AirNorth about making capital contributions. As mentioned above, the RUS believed the AirNorth team was undercapitalized at the time it submitted its loan Application in January 2013. This will not happen again. AirNorth has already received a \$1,000,000.00 capital commitment, contingent upon its receipt of additional public funding. AirNorth thus requires a one-time investment of \$1,284,000.00 from CAF to launch a serviceable Fixed Terrestrial wireless broadband network across the Tip of the Mitt.

This one-time CAF investment will cover the cost of AirNorth's first quarter, only. In recognition of this fact, AirNorth has prepared to apply for additional funding from the RUS, as encouraged by that entity, in Spring 2014. This RUS funding will help sustain AirNorth beyond Q1. By the time its launch is complete at the end of Q5, AirNorth projects positive cash flow and an ability to repay loan amounts received ahead of schedules.

Leveraging Funds

AirNorth cannot identify, at this time, other nearby projects upon which the FCC might rely to leverage its investment. However, as demonstrated in this Expression of Interest, the AirNorth team would welcome such collaborative joint pursuits, and will begin to explore the same at this time.

Total Project Cost

Based on independent market surveys and projections of the same, AirNorth needs just less than \$10,000,000.00 to complete construction of its Fixed Terrestrial network across the Tip of the Mitt. It will take AirNorth three years to complete this construction. Thereafter, AirNorth's costs will be largely limited to premise deployment and operating expenses. AirNorth will develop a positive cash flow in one-third this time, near the start of Q5. To this end, by the start of Q5, AirNorth will have revenue of \$1,565,807.00 from Year One (Q1-Q4). AirNorth projects annual revenue of \$8,505,772.00 in Year Three, and \$10,241,387.00 in Year Five. This revenue will enable AirNorth to repay its public loans ahead of schedule.

Thank you for considering AirNorth's Expression of Interest. We commend the FCC in its continued efforts to promote and shape the Rural Broadband Experiments. Please contact AirNorth at the information below should you need any supplemental documentation.

Sincerely,



Michael Witulski

President

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