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A note to our clients...

When it gets to be August in Texas, I'm always grateful to Willis Haviland Carrier for inventing air conditioning in 1902.

Thanks to our clients, CHR has had an excellent summer. On the wireless side, we helped a client take advantage of an exciting new opportunity. Read about it in our feature story below. We have also been preparing financial and valuation analyses as clients determine their long-term strategic roadmap.

In June, our CHR Forum attracted a hardy bunch of executives who worked together in teams on a case study to create a strategic plan for Tanner Telecommunications Cooperative, Inc., a fictitious but oh-so-real rural telco. While in July, we trained hundreds of workers on CPNI compliance. We continue to offers this training and can come to your site if it makes sense.

Along with hurricanes, August brings us the Texas Public Utility Commission and its plans to issue new guidelines for telcos and utilities on emergency operations plans, including the need for annual exercises.

Stay cool!

Sincerely,

C. Roger Hutton

President

Telecommunications & Infrastructure

Wireless Re-emerges as Rural Telco Opportunity



For many years in the early days of cellular, rural wireless operators experienced great success and very lucrative business plans. Then the good times came to an end as these operators suffered substantial shrinkage in their revenue, and many exited the business.

But the times are changing again for the better.

Two events, one market driven and the other industry driven, are reshaping the wireless market and consequently making wireless a strategic opportunity/necessity for rural providers.

First, broadband penetration is reshaping consumer behavior. Consumer expectations are trending toward personalized content, anytime, anywhere.

The top three sites for downloads—You Tube, MySpace, and Yahoo—experience in excess of 150M downloads per day. Virtual social networking is doubling the number of blogs at a rapid pace.

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With this user demand for multimedia applications, the convergence of telecommunications and IP has generally become accepted as the next evolution of communications architecture.

The second event is consumer demand for mobility or “place shifting” of the multimedia experience. This makes both fixed and mobile wireless essential platforms in next-generation networks.

As a result, national wireless carriers are making significant investments in next-generation networks delivering higher-speed mobile broadband access to capitalize and even accelerate the convergence of multimedia services.

Just as in the early days of cellular voice, national wireless carriers are seeking “partners” in rural areas to accelerate the nationwide deployment of these next-generation mobile broadband networks.

Consequently, there are active opportunities with multiple national carriers for rural telecommunication providers to get access to spectrum, equipment, devices, and strategic relationships.

An active CHR client participated in the AWS auction with the desire to offer mobile wireless service. CHR prepared a feasibility design and business model to successfully help the client in obtaining funding.

We then facilitated discussions for a strategic arrangement with a national wireless carrier. And we’re now doing detailed RF design and determining equipment specifications.

These opportunities didn’t exist in the very recent past, and the window of availability is uncertain. Our business consultants can help you explore different financial models, identify the critical factors for success, and choose the right strategic relationships with a national carrier.

We can also help you secure funding for the project and provide assistance from concept-to-completion in all aspects of marketing, research, planning, design, branding, bundling and pricing strategies.

Once you have your plan and funding, CHR can provide the full spectrum of services to bring your plan to reality including:

- Equipment Procurement (Design, Plans & Specifications)
- RF and Network Design
- Program Management
- Inspection and Acceptance Testing
- Network Optimization
- Interconnection and Roaming Agreements
- Facility provisioning, E911 coordination
- Coordination of Spectrum Clearing, FCC/FAA filings
- Disaster and Business Continuity Planning

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September is National Preparedness Month

National Preparedness Month is a nationwide effort held each September to encourage Americans to take simple steps to prepare for emergencies in their homes, businesses and schools.

National Preparedness Month 2007 is sponsored by the U.S. Department of Homeland Security. The goal of the month is to increase public awareness about the importance of preparing for emergencies and to encourage individuals to take action.

Throughout September, Homeland Security will work with a wide variety of organizations, including local, state and federal government agencies and the private sector, to highlight the importance of emergency preparedness and promote individual involvement through events and activities across the nation.

CHR invites you to review the National Preparedness Month information on this Web site and to participate in this important effort:

<http://www.ready.gov/america/npm07/index.html>

It’s also a good time for businesses to review their business continuity plans and conduct an exercise.

Toolkits/Checklists may be a shortcut to

DISASTER!



The continuing focus on Business Continuity programs and Emergency Response programs has led to a proliferation of “toolkits/checklists” from well intentioned business associations and industry organizations.

However, these “shortcut” toolkits/checklists are not what your company needs for a fully operational Business Continuity (BCP) or Emergency Response Plan. Toolkits/checklists provide a false sense of security because they usually do not fully address the key attributes of a successful Business Continuity program as outlined in this article.

A successful Business Continuity Plan should achieve the following:

- Identification of critical business functions
- Establishment of recovery time/point objectives
- Establishment of priorities for the critical business functions to be restored
- Provision of a plan to restore normal business operations – business functions, facilities and personnel skill sets
- Annual training, and documented evidence of exercises and drills with employees and first responders (local emergency personnel) to validate proficiency and document use of plan for regulatory/insurance requirements (minimum annual)
- Appointment of a staff member to lead and manage the BCP
- Documentation of the executive management corporate commitment, a regular budget allocation, and related processes and procedures to the BCP

The Emergency Response toolkits/checklists typically provide a convenient way to collect basic company information and organize it. Usually the toolkits/checklists provide generic questions or topics for the end user to complete with the appropriate information – leaving the end user to tailor the form according to company needs and to fill in the information.

This immediately raises the question “Does the person filling out the toolkit/checklist have the requisite corporate knowledge to even know all of the critical business functions of the company?”

A formal BCP development process starts with the Business Impact Analysis (BIA) and the determination of critical business functions – the foundation of a successful Business Continuity Plan.

A formal Business Continuity Plan is a powerful executive management tool, as it evaluates risk for the entire company’s operational activities and performance standards.

No other business evaluation process is as effective, and it produces a critical business document – the Business Continuity/Disaster Recovery (BC/DR) Plan – while providing executive management with a detailed and quantitative risk analysis of the company.

While the “toolkit/checklist” shortcut may provide a way of providing a “checkmark” that a Business Continuity Plan has been developed, it may not stand up when it is needed – responding to a business emergency.

When investing time and resources in your company, taking a shortcut is not a recommended business practice. Take the time, make the effort and investment to gain the benefits of a formal Business Continuity Plan.

CHR Solutions has a proven methodology to identify the critical business functions and tailor a Business Continuity Plan that meets your business objectives.

For information on CHR’s Continuity Readiness Assessment, contact:

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CHR and SDN Work On BC/DR

South Dakota Network (SDN) Communications has the most extensive communications network in the region with 14,000 miles of fiber optics touching over 300 South Dakota communities. Health care organizations, banks, agricultural businesses, government agencies and other telecommunications carriers rely on SDN's regional network to move voice, data, Internet and video. SDN is the premier business-to-business broadband service provider for:

- Connectivity - for multiple-location offices
- Internet - Dedicated service
- Network Surveillance - Guarding networks
- Networking Equipment - Cabling infrastructure, data equipment, and IP telephony

SDN recognized a need for a Business Continuity/ Disaster Recovery Plan (BC/DR) to augment its existing safety and first aid programs, to meet customer service requirements, safeguard SDN facilities and staff and to be able to continue to provide communication services in South Dakota in spite of a business continuity or disaster event affecting SDN Communications' staff, facilities or network operations.

SDN sourced an independent business consulting company, CHR Solutions, which has the requisite expertise to evaluate, recommend and implement a BC/DR program for a telecommunications company.

CHR Solutions used its proven BC/DR Methodology Program based on BC/DR Industry Best Practices to evaluate SDN's existing network, operations, risk environment and to structure SDN's BC/DR Plan.

Under SDN direction, CHR Solutions completed the first two phases of the five-step process with SDN's intent to complete and implement a fully active BC/DR Plan within 1-2 years pending completion of its network expansion program.

SDN staff and Member companies actively participated in the initial development phases of the SDN BC/DR Plan to instill an active BC/DR program culture.

SDN produced interim Emergency Response Information Manuals based on the initial BC/DR Plan development work to facilitate responses to emergencies at SDN to mitigate/reduce damage to SDN facilities, safeguard staff, and maintain/restore communications services in the shortest time possible until the SDN BC/DR Plan is implemented.

Business continuity not only makes good business sense; anymore, the regulatory environment is mandating compliance for homeland security and data privacy reasons. Contact Marilyn Swartz to discuss a business compliance assessment for your company.

For more information, contact:

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MARKET STRATEGY

tips & techniques

Reaching the New Generation of Consumers with UGC

by Tara Young, Manager - Marketing Services



You may not know it by its generic name, but chances are you've heard of some of the Internet-based brands relying on User-Generated Content. User-Generated Content (UGC) is media content that is produced and published by end-users, and it helps fuel some of the most popular sites on the Internet, including video sites YouTube and Metacafe; blog sites Vox, Blogger and Typepad; social networking sites MySpace and Facebook; and photo sites Flickr and Photobucket, among others.

Sites like these are generating significant usage, too. Estimates put the number of blogs on the web by the end of 2007 at around 100 million worldwide. MySpace user numbers are estimated at 30-50 million.

YouTube users watch 100 million videos each day. Photobucket currently hosts about 3.5 million photos, and Flickr users upload about 3000 photos a minute. The sheer scope is hard to comprehend.

Obviously the usage levels of these sites indicate that UGC is hot, particularly with younger consumers. None of the sites listed identify user demographics older than 55, and most name the 18-29 age group as their most active users.

Most consumers in younger age groups estimate their online time at UGC, instant messaging, and other sites to be in the double digits per week.

The question then becomes how can businesses use these forms of media to market their products and services to next-generation consumers?

The answer is not simple, but with a little creativity, it can be accomplished. The tried and true methods of the past—hard copy brochures, passive ads in print media, etc.—aren't going to have the same impact on this next generation as it had on their parents.

Many times, the content of the old sources is still effective, but the delivery needs to be revised to conform to the media these new consumers use. Research is showing younger users of UGC sites tend to buy products based on friends' recommendations, up to 50-60% of the time. To capitalize on this trend, marketers need to recognize this motivation and market to customers in a friendly, unobtrusive manner.

One way of doing this is by starting a blog featuring information you'd typically put in a newsletter. Start with the basics of blogging.

Establish a blog, either on your existing website or link to a hosted site. Send the link out to customers via email. Update it regularly with public relations event photos, technical info, and special offer information.

Once you've taken the first steps, add on little by little. Every now and then embed a funny, creative, attention-catching YouTube video relating to your products or company.

Add an RSS feed, so that customers get direct notification of new posts. Post online polls regarding offerings or services, and blog on the responses.

The key is to keep it casual, personal and relatable, providing customers with a friendly sense of community and low-key marketing presence, while still showing your company to be forward-thinking and cognizant of new technologies.

In addition to UGC, there are a number of next generation electronic and viral marketing methods available.

To develop these components and integrate them into your existing marketing plan, start by visiting some of the sites listed above and familiarizing yourself with their products.

If you would like assistance, contact:

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Texas Public Utility Commission Plans New Rules for Telco Emergency Operations Plans

New rules regarding emergency operations plans are in the works for telecommunications and electric utility companies in Texas. Here's an early alert on the current telco proposal.

The Texas Public Utility Commission staff submitted for the commission's approval a proposal to open a rulemaking proceeding regarding the reliability of operations of telecommunications providers. Staff said that the new rules are intended to establish minimum requirements for emergency operations plans maintained by telecom providers.

The proposed rules would specifically require each utility to file with the PUC a comprehensive summary of its emergency operations plan (EOP) by May 1, 2008. (Although it is possible that this deadline may be extended, please note the extremely short timeline proposed.)

There are several major changes in the current draft of the new rule:

- The rule will apply to all facilities-based local exchange companies (not just dominant carriers).
- The filing must include an **affidavit** from the company's **senior operations officer** that all its relevant operating personnel are familiar with the EOP and committed to following its plans.
- The company must file a revision to the comprehensive summary within 30 days after the change takes effect.
- Each emergency operations plan must include a communications plan for contacting the media, customers and critical users, priorities for restoration of service, a plan for **disaster recovery and continuity of operations**, a **pandemic preparedness plan**, and a **hurricane plan if located** in hurricane prone areas.
- Each utility must conduct an **annual drill** to test its emergency procedures; companies in hurricane areas must test their hurricane recovery plans.
- Under the proposal, during a State Operations Center (SOC)-declared emergency event, such as a hurricane or flood, utilities would be required to provide outage and restoration information under a specific reporting schedule.

On September 13, the Public Utility Commission of Texas will review, and possibly approve for publication, the proposed rules that will be published in October. There will be a 30-day comment period and 15-day reply comment period.

We believe the Commission is determined to get these rules approved by the end of this year.

CHR's business continuity expert Patrick Estenes said: "The current EOP rule was written in the early 1990s. Much has changed since then, including the 9/11 terrorist attacks and Hurricanes Katrina and Rita.

"As a result, it is very likely that companies will need to completely re-examine their existing plans to comply with the Commission's new rules as well as industry best practices, including annual exercises."

CHR offers a basic Emergency Operations/Disaster Recovery/Business Continuity assessment service that can review your current plans and provide a roadmap outlining the steps your organization should expect to undertake.

Recommended actions:

- 1) Go to the Alert Box on CHR's homepage (www.chrsolutions.com) and link to our special EOP webpage. Then download a PDF copy of the PUC's current proposed rule change document for telecommunications companies.
- 2) Sign up at our website to receive future updates on this topic
- 3) For immediate assistance regarding changes affecting telecommunications providers, contact:

Mike Carter, VP - Business Development
 phone: 972.892.7587
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What's your company worth? What are your competitors worth? Enquiring minds should know for strategic planning.

Our industry is undergoing monumental changes. The telco business is riskier than ever due to competition. The stakes are higher because networks need to be rebuilt and augmented to accommodate broadband services. Our regulatory support systems are both under siege and highly coveted by our competitors.

That means there's no better time than the present to analyze your company from a multitude of perspectives. Those include valuation analysis, business operations, and ownership financial objectives. Then you're armed with much more data to create a strategic roadmap.

For example, your small company may have fundamental disadvantages that can only be addressed by increasing economies of scale. While there are many ways to accomplish this, an acquisition is perhaps the quickest and most certain option.

So it's important to know the valuation of your company. And of other companies in your region...they might be cheaper to acquire than you think.

Other questions to ask: What operating efficiencies could you create through an acquisition either inside your current area or nearby? What impact would a merger or an acquisition have on your income statement and balance sheet? Could an acquisition or merger enhance your ability to fund and operate next-generation networks? What ROI would be generated?

CHR can provide the data and objective perspectives you need.

Then there's the other side of the story. What if the financial goals of your company's owners are no longer consistent with the investment opportunity provided by the company? In other words, your investor's risk profile may not match the company's risk profile.

The questions that you must pose to yourself are these:

- If your company's owners had cash in their bank accounts equal to the value of their company ownership, would they make an independent decision to reinvest the funds in the company today?
- If so, would they elect to reinvest all of the funds or would they choose to diversify?
- And finally, would all of the owners answer the same way?

If the answer is 'no' to any of these questions, it's time to evaluate options like mergers, Leveraged Buy Outs (LBOs) or stock repurchase programs. Many times shareholder interests can be served without a change in control or management.

It's wise to look at these options even if you are not keenly interested. The more you know about your company's value, the better positioned you will be to manage your company and meet the needs of your investors and your customers.

If your company is facing operating challenges or significant competition, it's important to act now. Your company's value may never be as high as it is now.

CHR is well equipped to assist you in your analysis. We can provide informed, incisive and objective advice to your owners and board.

Whether it's a valuation or a strategic assessment, our wealth of experience and expertise will serve your needs well.

And, if you decide to explore the potential of a merger or LBO, we can help with LBO debt financing, M&A deal structure, due diligence, deal negotiation and execution.

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CHR Forum Review

In late June, dozens of telco executives braved torrential downpours to attend the CHR Forum held at the D/FW Hyatt Regency.

The keynote address from Bruce Churchill of Microsoft focused on the opportunities available to build Telco 2.0. One slide quoted CEO Steve Ballmer:

The world will require new forms of partnerships. Microsoft grew up on partnerships with companies like Intel, HP, Dell and others – for this next generation of innovation, the partners are going to look like France Telecom.

Bruce showed how Microsoft was committed to helping companies grow their top line revenue in areas such as mobile services, television services, live services, subscription computing and more.

Following the keynote presentation, the executives were introduced to Tanner Telecommunications Cooperative, Inc. This fictional company, based in the Midwest, was facing multiple business challenges in its service area, ranging from landline subscriber losses to the local cable company to an aging copper plant and network.

Fortunately, the executives in the room were tasked with helping Tanner develop a strategic business plan! Teams were formed of the attendees whose first task was to develop a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

A plethora of data was available to each team, including marketing studies, regulatory reviews, financial spreadsheets, and network engineering plans. All were custom produced by the CHR team who was also available for team consultation as needed.

Due to time constraints, each team presented only one aspect of the SWOT analysis. The collective SWOT was

then reviewed vs. the CHR-produced chart to ensure nothing was overlooked.

The teams then returned to the task of preparing a strategic plan for Tanner. This endeavor was interrupted by an evening reception lit by lightening and punctuated by the sounds of pouring rain and heavy thunder.

Early the next day, the teams reassembled to create their strategic recommendations. Some teams received last-minute “fate” scenarios that required them to modify their plans based on new information, such as the acquisition of the local bratwurst factory by a national company.

One by one, each team reviewed its recommendations and strategies. There was not much overlap between recommendations as each team provided its special insights and observations.

The CHR team then presented its recommendations to all the teams, resulting in an intense discussion and meeting conclusion.

The event evaluation forms showed that the most valuable part of the Forum was the interactivity between the different company executives within each team and at the Forum.

The case study approach received overall good reviews, although the volume of material and the limited timeframe proved a challenge. (Some suggested it be used as a course for training assistant general managers.) The hotel was rated excellent.

CHR is currently researching industry calendars to pick the best time for next year’s CHR Forum. We’ll let you know as soon as possible so you can save the date.

CPNI training UPDATE

CHR held CPNI training seminars in Dallas and Lubbock in mid-July that were well attended and well received by attendees. The six-hour course reviewed the FCC rules and how to implement them. It also covered the implications of marketing efforts with respect to CPNI.

When asked what they liked best about the seminar, one replied “Concise information presented in a relaxed atmosphere with good class interaction.”

CHR also offers this training onsite. One telco recently had 130-plus members of its staff attend the training.

To request a quote and determine if such an event makes sense for your company, contact:

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