

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## **BEN GOULD - DYNAMICCITY**

*CEO Interview - published 01/04/2005*

**TWST: Would you begin with a brief historical sketch of DynamicCity, and a picture of what you are doing at the present time?**

**Mr. Gould:** At DynamicCity we design, finance, implement, and manage Open Service Provider fiber-to-the-premise projects or what we call Open Service Provider Networks. What is an Open Service Provider Network? It's our business model that separates network ownership from those who provide retail services. Currently, we've been involved with UTOPIA, which is the largest municipally sponsored fiber-to-the-premise project in the country, and it's based out of Utah. There are 14 cities involved and a potential base of 160,000 subscribers.

**TWST: I believe that one of the reasons for your open service provider network is that it allows for competition. Is that correct?**

**Mr. Gould:** Yes. One problem we face in our country is that right now, according to the International Telecommunication Union, we rank only 13th in the world in terms of broadband capabilities and capacity. Some other reports put us at 20th. And for the country that invented the Internet and invented broadband, that's not a very good place to be. And so in an effort to try to help communities reverse that trend, at least in their communities, we've put our services together. Because there are a lot of issues, and some of them are complex, a simple way to understand the core of the challenge is to realize that right now we are beholden to monopolies who essentially determine when, if, how, and to what level of broadband capacity we get to have in each of our communities. When these decisions are made by monopolies, and particularly unregulated monopolies, the laws of a free market economy are not in balance. Unfortunately, this is exactly the situation we have found ourselves in – the result; we are near the bottom of the industrialized world in a technology infrastructure that is critical to a local, regional, national, and especially global economy.

**TWST: Would you like to go to UTOPIA and tell us something about how it works?**

**Mr. Gould:** Yes. But let's talk specifically about how we manage the Open Service Provider Network. We manage the network as an asset. Our goal is to obtain the highest return on investment possible. Along with keeping the operations and maintenance cost effective and efficient, we recruit and manage the retail service providers. The service providers provide and operate and sell the retail services. We think of it kind of like an airport. An airport is owned by the community, and the airport is a shared facility: all the airlines can use it, but the

community or the government does not provide any of the retail services. To carry out this analogy, we believe telecommunications infrastructures, particularly fiber, is indeed infrastructure and as such should be community owned, and then service providers should be free to come on and compete, like they do at the airport.

**TWST: Looking at DynamicCity itself, what are the key elements in your strategy for the next few years?**

**Mr. Gould:** With UTOPIA under our belt, we are working with other communities now, we're not announcing who they are yet, but they are excited to have a similar type of project. And we'll continue to design and finance, implement and manage Open Service Provider Networks for them.

Core to our mission and principles is to make sure that they are open. In doing so, we not only get into policy issues, but the technology issues as well. So with our architecture we employ active Ethernet networks, which we have found to be the most cost effective way to allow virtually an unlimited number of service providers to be able to ride on the network simultaneously.

On the customer side, every home or every premise gets a minimum connection of 100 megabits per second, and that's a symmetrical connection, so you get 100 megabits of upload and download capacity. Furthermore, it's dedicated, so no matter how many people are on the network, they are not going to bog you down. That bandwidth is all yours.

Back to the service providers; as they sell services, there will be varying levels of service that you can subscribe to. Some will only offer 30 megabits for data or Internet services, or they may have 50-megabit packages, etc. We anticipate those will be comparably priced initially to what you get DSL for. Why, because that's one of the benefits of competition; it drives up quality (and in this case capacity) while driving down prices.

To give you an idea of what's happening in other places, in Japan, they get 47 megabits per second, and they pay about \$26 a month. We're hoping, in time, that our prices can fall to that level as well.

**TWST: What would you say is the chief opportunity ahead for the company?**

**Mr. Gould:** The market and its opportunity is big right now. As DynamicCity, we are literally Open Access Architects. We have a patent pending on our business model, and I don't know of any other company out there that's really going after this the way that we are in really promoting, building, financing and managing true, fiber-to-the-premise, open networks.

I have to say, it feels good to know that we are the first to really aggregate multiple cities together and create with them a truly open network with real broadband capacity – not one of those 1 to 3 megabits per second, counterfeit broadband networks.

Working in this manner has accomplished some key objectives 1) It creates a population base large enough to support multiple service providers. 2) It

eliminates the creation of a digital divide within the participating communities. Everyone who lives in those communities will have fiber to their premise. 3) It allows the participation of a variety of communities ranging in size from large to very small. West Valley City, I believe, is the second or third-largest city in Utah. Perry, Utah, one of the participating communities, only has about 2,500 in their community. No way could they, on their own, ever have telecommunications choices – especially on fiber, but they have multiple choices with DynamicCity. Bringing together our model, it allows every resident and business to have choice, innovation and competition, an opportunity that they normally could never get. The whole telecom market is about \$175 billion in services. The OSPN, or what we call the Open Service Provider Network market, as we've identified it, is worth about \$62 billion a year in services. We don't think tier-1 cities are necessarily the prime target. They are going to have opportunities because the monopolies, the MSOs, will cherry pick, but many of the second and third tier, and other adjacent cities and suburbs, won't get those services. Thus they are ideal to be able to participate with us in bringing forward a future they can own and count on.

**TWST: Will your focus continue to be on Utah for a while?**

**Mr. Gould:** No. We have communities outside of Utah that we're in conversations with. The lack of broadband capabilities is not a Utah problem – it's a pending national disaster. In fact, as communities outside of Utah understand the impact that UTOPIA can and will have, they will not want to wait to feel the effects on their citizens. These UTOPIA cities have come together to provide broadband rich services for quality of life, education and economic development. On the economic development front, they are certainly building their fiber-rich infrastructure to retain jobs. But they are also going after those high-tech jobs they have lost as well as others they want to attract. In their eyes, they have a qualified and proven workforce. They are trying to get a jump on Silicon Valley, the Northwest, Arizona, New Mexico and even Boise to offer the employee base, quality of life and unparalleled infrastructure that the UTOPIA communities will offer.

**TWST: Now the opportunities sound very rich, of course, what about problems and challenges?**

**Mr. Gould:** The biggest problems and challenges that we face are some of the political and regulatory issues. The model makes sense. RBOCs are certainly not wanting to see their monopolies go, and so they are fighting it, of course. You saw what happened in Pennsylvania. We had similar types of issues here in Utah. There have been issues in Missouri and other states, where municipalities are trying to bring capable broadband infrastructures into their communities. The argument that they typically use is that government shouldn't compete with private enterprise, and we believe the same. And that's why we believe in separating ownership from retail services. That way government facilitates and promotes innovation and competition.

The political issues are certainly going to be among our stiffest challenges. But we believe that common sense, integrity, wisdom and a commitment to the principles of a free-market economy will prevail with our law makers. We believe our politicians will not be content to be at the bottom of the industrialized nations.

**TWST: If we were looking into the future, or guessing into the future without a crystal ball, what, in a general way, would you hope that the company would look like in three or four years?**

**Mr. Gould:** We hope that we will have 30-40 projects going, some far along the path, and others obviously at the early stages of planning, still under construction.

**TWST: Could you tell us something about the origins of the company and the people involved in starting it up and what they were thinking about at that time?**

**Mr. Gould:** The management team, and particularly our Chairman, CEO and President, Keith Wilson, has a long history in selling services into municipalities. He is the co-founder of Dynix, which ended up being and continues to be the largest library automation software company in the world.

One of our Board members, Paul Sybrowsky, who is also an investor in the company, was his partner. The two of them along with Paul's son, Joel, who is our executive vice president, saw an opportunity to continue to work with municipalities, bringing infrastructure like this to them, and they have made this opportunity come about.

Like Keith and Paul, Joel is a critical component. He and Keith share the vision and Joel is remarkable at working with the various communities helping them to sift through all the issues in getting to an Open Service Provider Network.

Our CFO, a very bright guy, Craig Richards, has a strong background in finance, and in particular, project finance. He helped finance a lot of Marriott Corporation's expansion as they continued to move into their franchising-type model. When it comes to financing projects for our clients, there may be no one better in the country who understands how to structure and get a deal of this magnitude financed.

Our Chief Technology Officer, Jeff Fishburne, has a number of years working for some of the RBOCs and Bell Labs. He was involved with WinFirst, one of the first fiber-to-the-premise projects in the country, based in Sacramento.

Bernadete Hill is our vice president responsible for working with the retail service providers. She is very well connected and very seasoned in putting together the right relationships and making them work in profitable ways for all parties involved.

Along with each of those individuals, I round out the executive team. Additionally, we have a group of world-class employees and vendors that we work with.

**TWST: Your focus now is on municipalities. Could you extend your services to universities?**

**Mr. Gould:** The great thing about our model is when we work with the community every premise gets past, including the universities. So those are inherent beneficiaries.

And in our model, businesses and residents don't have to pay to get fiber to their house, and they don't have to pay for the access portal in their home; that's all part of our infrastructure buildout.

**TWST: Could you enlarge on the theme of the advantages to the municipalities and to the people who live in the municipalities of your system?**

**Mr. Gould:** Yes. The municipalities themselves, they are able to provide services that their residents can't have today, both today and in the future. Again, we're in a global community now, and of the industrialized nations, we're near the bottom, if not at the bottom of the list in terms of broadband. That's a scary thing. So it provides for the municipality to be able to compete educationally and economically. Economic development issues are very important, and being able to have this kind of infrastructure in place allows them to attract new business and retain existing businesses that they may not have had.

As the market continues to evolve, there's more telework that's happening in telecommuting, and with an infrastructure like UTOPIA's, all of a sudden video conferencing and telecommuting become a commonplace capability.

Obviously, the choices in competition will improve quality, will improve innovation, and bring about the best possible price in the market. These are just a few of the advantages without getting into telemedicine and future services that we can't currently get in the United States, and future services that are not accessible on a counterfeit broadband infrastructure like cable modems and DSL.

On the municipality side specifically, it gives them a chance at a revenue source that they either don't have or that is threatened right now. As MSOs, or RBOCs move fiber to the premise, fiber has a lot more carrying capacity than copper does, and it empowers video and other services to be able to operate over IP.

When that happens, franchise fees and taxes go away because IP is an unregulated medium. And so they are going to have that loss of revenue if a monopoly comes in and controls that.

With an Open Service Provider Network, they can participate as they have in the past without having to raise taxes or add taxes. And, in fact, many communities that have in place an infrastructure, even non-fiber infrastructures, are finding that they are reaping great financial benefits in terms of excess revenue that's coming to the city.

**TWST: Now, looking at DynamicCity itself, how many employees does the company have?**

**Mr. Gould:** We have about 40 employees and a large team of outsourced, subcontractors that work with us in the construction and installation of the fiber and related services.

**TWST: I wonder if you could tell us something about the culture of the company and the kind of talents that are involved there.**

**Mr. Gould:** The culture here is a very focused, very driven culture. Our business model is a principles-based business model. We believe in four solid principles, and the culture here is to support and back up those principles.

As a company, our mission is to promote the growth of Open Service Provider Networks to communities all across America and to promote the networks based on our principles, which are 1) To create ubiquitous, open and wholesale networks that are open to any qualified service provider.

2) To have carrier-class reliability.

3) To have high scalable bandwidth. And for us, that means a minimum bandwidth of 100 megabits of symmetrical service to every premise.

And then 4) To have networks that are based on an open platform and infrastructure in order to help keep costs low.

**TWST: You are the Chief Marketing Officer of the company?**

**Mr. Gould:** That's right.

**TWST: How long have you been there in that capacity?**

**Mr. Gould:** Since July, and I've been involved with the company for about a year total.

**TWST: Perhaps you could tell us something about the path that led you there. Your own path, and then the reasons why you wanted to join DynamicCity?**

**Mr. Gould:** I've spent about 15 years in the high-tech industry, both large and startup companies, such as Novell, WordPerfect, and Illumin, and saw those companies grow in technology. In technology you get to see market and industry lifecycles because they happen so quickly. I first learned about UTOPIA because I'm a resident in Utah, and my city is a participating city. I did some homework and found out exactly what was going on and became very supportive of the project and business model.

The DynamicCity model and the Open Service Provider Network is the kind of project I want to be involved with. It's an emerging market, a growth opportunity, and an opportunity to help make a difference for our shareholders, employees, communities that we service and, hopefully, for the country as a whole.

**TWST: For yourself as the Chief Marketing Officer, what occupies your attention most on a day-by-day, week-by-week basis?**

**Mr. Gould:** Trying to get this message about Open Service Provider Networks out there so that other communities can understand it and gain some of the benefits from it.

**TWST: Is the company open to outside investors at this time?**

**Mr. Gould:** We are. In fact, we are starting to open up our Series B round of financing.

**TWST: Then what would be the several best reasons for a long-term investor to take a very good look at DynamicCity?**

**Mr. Gould:** 1) Our business model and its relationship to our contracts are outstanding. We partner with communities. For example, we have a 25-year contract with UTOPIA, and the value of that contract over that 25-year period makes the company a very attractive investment opportunity. As we bring on additional contracts for other communities, it provides a great stable investment opportunity with powerful exit options.  
2) It is a growth market. It's a model and a market that's emerging that we really are creating. It is proven now with the buildout of UTOPIA, which is the largest fiber-to-the-premise project that's municipally sponsored anywhere in the country.  
3) We have a proven management team. The team is seasoned, driven and savvy. We have all been involved in moving startup companies from early stage to an exit opportunity.  
At a high level, I think those are probably some of the primary reasons why I'm here, and why an investor would want to consider being here as well.

**TWST: And I think you said that your focus will remain on smaller cities? What is the size of the cities that you are targeting would be?**

**Mr. Gould:** Second- and third-tier cities, like Salt Lake City, cities like that. In general, we want a minimum subscriber base of 140,000 subscribers on up. Some of our projects will be larger. Some of our projects may start with only a single city and other cities will join. Others will follow the path of UTOPIA and will be an aggregate of communities.

**TWST: Is there anything you would like to add? Have we omitted anything that you would like to talk about?**

**Mr. Gould:** I think we've covered it.  
Again, I think that communities that don't understand and seize the opportunity to bring this type of infrastructure into their community will be akin to being bypassed by the highways and roads of a century ago.

**TWST: Would you like to say a little bit more about the company's vision?**

**Mr. Gould:** Again, it's to promote the growth of Open Service Provider Networks across America. As these networks grow, America becomes more capable to deal with the global information economy that we live in. We hope to be a big part of that growth.

**TWST: Thank you. (MC)**

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