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Lang nails \$40M credit line to grow fiber-optic concern

Triangle Business Journal - by Frank Vinluan



CARY - A slow housing market is not slowing down the company founded by former Cary Mayor Glen Lang, who is financing the growth of **Connexion Technologies** with a \$40 million credit line from a German bank.

Lang, who built a reputation as a slow-growth advocate during his tenure as mayor, is not taking the same tack with his company, which puts fiber-optic connections into new housing developments during initial infrastructure construction.

Lang says Connexion will serve more than 200,000 homes across the country by the end of the year. Although the company started out in the Triangle and focused on the Southeast, Lang says North Carolina now is home to less than 10 percent of Connexion's business.

Half of it now is in Florida, and in the past year the company has expanded to California, Arizona and Texas.

"We go where the people are," Lang says.

The \$40 million credit line is from **HVB Group**, a Munich, Germany, financial institution.

Lang says the overall housing industry has little bearing on Connexion's business. The speed and capacity of fiber networks, he says, are amenities that select home buyers seek in planned communities.

Connexion enters a community by reaching an agreement with a residential developer. The business is capital intensive; Connexion, not the developer, pays to dig the trenches and install the fiber lines.

But Connexion builds only in "greenfield" developments - new neighborhoods where it's less costly to dig and install infrastructure compared to areas that are already developed.

Connexion doesn't provide cable television or digital phone service. Once the networks are in place, the homeowners' association chooses the service providers it wants. Connexion makes money from those providers in a relationship that Lang likens to a landlord/tenant arrangement. The providers pay Connexion to access the network.

Lang started Connexion in 2002 as Capitol Broadband, a wireless Internet startup. The company shifted to fiber optic connections with financial help from Reedy Creek Investments, the real estate investment firm of SAS founder and CEO Jim Goodnight. A 2003 securities filing showed that Lang aimed to raise \$1 million from investors.

Lang is mum on revenue figures for his privately held company. But he says that Connexion is now in 170 developments, compared to 40 at the end of 2006.

Fiber connections are on the rise across the country. More than 2.1 million homes in North America are connected to fiber optic networks, according to a September report from RVA Market Research & Consulting. That's a nearly 112 percent increase over a year ago.

Verizon Communications remains the industry leader with 1.44 million home installations, according to RVA research. Verizon also provides advanced phone, Internet and video options through its FiOS service.

As a service provider and fiber optic network builder, Verizon is a potential competitor, Lang acknowledges. But he says Connexion stays away from the Northeast, Verizon's home territory.

In some cases, Connexion is a partner with companies such as Verizon. Lang says several telecom providers have reached agreements for Connexion to carry their services. Lang expects that by the end of 2008, most of the large telecommunications companies will be service providers on Connexion networks.

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