



Home Run

Connexion Technologies' fiber-based triple play is an offer that developers can't refuse.

By Annie Lindstrom

It's all about fiber and the future at Connexion Technologies (formerly Capitol Infrastructure), and the company has an enticing proposition for real estate developers that are on the same wavelength. The

Cary, N.C.-based fiber infrastructure provider offers to build Fiber-to-the-Home (FTTH) networks in new residential developments free of charge. Making the deal even sweeter, Connexion purchases or leases the easements it needs from the developers and makes all of the up-front investment in the equipment and labor required to fiber up the homes and buildings in these high-end communities.

Connexion begins earning a return on its investment when residents move in. Connexion invites first-rate service providers to deliver services over the infrastructure it has built. It takes a little time to earn back the \$1,500 per-home start-up cost, but as each of the services is delivered to the residents by designated providers, Connexion has the control and enjoys a 100% take rate. Not only do the designated service providers offer standard telecommunications services such as cable television, security, Internet access and telephone, they also offer advanced and cutting-edge services such as Video on Demand (VoD), IPTV, technology concierge and on-net PC backup.

Any reservations that residents might have about not having a choice of providers usually is tempered by Connexion's policy of pricing its bundled service packages at 30% below market rate and offering its optional services at 10% below, says Jen Neilson, Director of Marketing for Connexion. Available services include satellite TV provided via the fiber, IPTV, technology concierge and PC backup, as well as voice, data and security. Service pricing is computed and adjusted for each market by the Connexion's market analysts to ensure residents are getting a great deal.

The developers decide which services they want to bundle together and offer to homebuyers. The packages' charges are bundled into residents' monthly homeowner association fees.

Another big bonus to developers is that when residents move in, Connexion dispatches a "service activation specialist" to their door to walk them through the capabilities of their fiber-enabled home. Residents that want optional services can purchase them at this time, Neilson says.

"When we started in this business, we were strictly managers of other companies," Neilson says. "But we found that while our providers are first rate, we wanted to take things a step further. So we instituted this new program to send a team of service activation specialists to each home. This enables us to touch our residents more directly."

Connexion sees that offering as a market differentiator. "We don't know of any other fiber infrastructure provider that offers this kind of service," Neilson says.

LOCAL PARTNERS

Although the company helps residents understand the available services, Connexion doesn't actually provide any of them. Instead, it leases its fiber to local service providers that deliver each of the services. Typical service provider partners are well-established companies with substantial customer bases that can provide a higher level of customer service to residents at reduced prices than incumbent or franchise providers can.

In addition to acquiring and transporting content, the service provider partners staff call centers and assist with monitoring and engineering the network. Because they are delivering services over fiber, these providers have an advantage. They can activate services from their call center rather than making an appointment and sending a technician. Providers can also monitor each resident's service all the way to the house and are alerted by alarms if there are network issues. They also process the billing and hand it off to Connexion, which passes it on to each community's homeowners association.

So far, more than 30 developers have partnered with Connexion to build FTTH networks in approximately 60 developments. More than 20 of those developments are completely built out, "lit" and fully functional, Neilson says. Currently, Connexion focuses its business in the Southeastern United States, particularly North Carolina,

South Carolina, Georgia and Florida. But the company is considering expansion to California, Nevada, Texas and Virginia, Neilson says. With approximately 65,000 homes under contract today, the company's goal is to have 200,000 homes under contract by 2007.

Connexion CEO Glen Lang got the idea to launch a fiber infrastructure company while serving as Mayor of Cary, N.C., in 1997. After leaving office, Lang created Capitol Infrastructure, which initially built Wi-Fi networks for developments. As he learned more about the capability of fiber, and as prices began to fall, Lang decided to take his company in a new direction.

In May 2006, Capitol Infrastructure changed its name to Connexion. The company believes that the more market-friendly name will increase its market presence in and help it remain developers' primary choice for a fiber infrastructure provider, Neilson says.

INSIDE THE NETWORK AND HOME

Connexion's network features the Tellabs® DynamicHomeSM solution, which supports Broadband Passive Optical Networking (BPON) in each development. The company chose Tellabs' equipment and to offer triple-play services because the price was right and because the technology has been proven in other FTTH deployments, says Ben Wright, Director of Design Engineering at Connexion.

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Charles Pointe Check-Up



As the flowers bloom this spring, so is the fiber future of Charles Pointe, a master planned community designed to cater to people who live and work in West Virginia's emerging high-tech corridor along Interstate Highway 79. Genesis Partners and partner TelAtlantic continue to install the Tellabs® DynamicHomeSM Broadband Passive Optical Networking (BPON) Fiber-to-the-Home (FTTH) system in the community. Eventually, the fiber will be used to serve more than 2,300 single and multi-family dwellings, as well as approximately 2.5 million square feet of commercial and retail space in the development.

TelAtlantic began deploying the Tellabs equipment this past fall. (For more information about Charles Pointe, see "The All-Fiber Lifestyle" in the Fall 2005 issue of *Emerge*, available at www.tellabs.com/news/emerge/emerge_fall05.pdf.) So far, the service provider has turned up triple-play services to about a dozen residential units, says Walt Burmeister, COO of TelAtlantic. The next buildings to become occupied and come online during the next few months include

The City of Bridgeport Convention Center and about 50 multiple family units, a hotel and a large commercial building that will be the headquarters for a petroleum development company, Burmeister says. Later this year, Genesis Partners and its builders will begin the construction of two golf courses and some of the more upscale homes in the community.

"Charles Pointe is really starting to take off," Burmeister says.

Homebuyers' and business owners' growing interest in Charles Pointe can be attributed to a combination of pent-up demand for housing in the high-tech corridor area and to the fact that the FTTH network makes Charles Pointe high-tech too, Burmeister says.

Currently, TelAtlantic is in the process of turning up video services to the residences it is serving on the property, Burmeister says. Like Connexion a few hundred miles away, TelAtlantic is delivering video via RF on a separate wavelength from the voice and data services.

Leveraging the knowledge it's gained working in Charles Pointe, TelAtlantic – which owns rural telephone companies in three states and also operates as a CLEC in West Virginia – has gone on to make proposals to other developers of similar projects, Burmeister says.

"We are making our proposals based on our experience with Charles Pointe," he says. "We are the first company in West Virginia to roll out FTTH."

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Each BPON card is capable of delivering 622 Mbps downstream and 155 Mbps upstream, which is shared by 32 residences. The system transports voice and data traffic downstream via a 1410 nm wavelength and upstream via a 1310 nm wavelength. Video is transported over the 1550 nm wavelength. Although the BPON system currently supports RF video overlay, Connexion plans to move towards IPTV when Tellabs releases its Gigabit PON (GPON) FTTH system, Wright says.

Connexion currently contracts with developers to deliver TV and 1.5 Mbps to 3 Mbps data to each home. Those services are comparable to what other broadband operators are currently offering their customers, says Jeff Waller, Director of Technology Integrity at Connexion. But the fiber deployed to every home provides a pathway to the future for higher bandwidth applications and demands.

When it comes to wiring within the homes, some developers require their builders to install CAT5E cable and RJ quad shield coaxial cable. They also require them to install the runs to media centers throughout the home, Waller says. Occasionally builders are less

motivated to incur the expense of the sophisticated wiring, so Connexion works to encourage and educate them about what's required to build "smart" homes, Waller says.

OPPORTUNITY KNOCKS

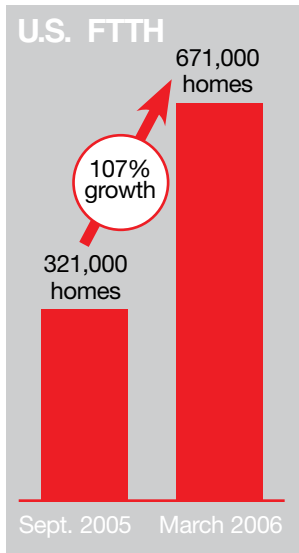
Today, Connexion's business proposition remains popular. Adding more fuel to the marketing fire is developers' growing awareness that they need to offer prospective homeowners next-generation, fiber-based communications if they hope to compete with other developers.

"Fiber is still a differentiator for them, but pretty soon it will be the norm," Neilson says. "They are eager to get on board with a company that will help them build and operate the network."

Although Connexion's full-time sales staff still spends time prospecting for customers, more and more prospective customers are calling to find out if the free fiber offer is true. Growth also is coming from new projects offered up by the company's growing number of satisfied core customers. To accommodate all this growth, Connexion expects to expand its staff in the coming years, Neilson says.

Connexion does have competitors, but few of them offer the "build-it-for-free" option. Developers can work with Incumbent Local Exchange Carriers (ILECs), but ILECs are less focused on building a network that multiple providers can access to provide customers with as many options for advanced services as Connexion, Neilson says.

"With us, the developer calls the shots," she says. "If they say, 'We need to fulfill new residents' needs,' we are there. They often don't have the same experience with the ILECs." ■



source: Render Vanderslice