

# HOUSTON BUSINESS JOURNAL

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## ERF cuts rural swath with wireless broadband service

BY MARY ANN AZEVEDO  
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A League City company has begun offering wireless broadband Internet service across a more than 2,000-square-mile coverage area between Houston and Austin.

ERF Wireless Inc. recently completed the construction of the majority of a wireless broadband network in Central Texas, including more than 100 cities, towns and communities. Most of those areas had no previous options for broadband services.

The company's wireless broadband service offerings include commercial and residential wireless broadband Internet connectivity, Voice over IP telephone service and wireless broadband data services.

The offerings will be provided from a number of strategically located wireless towers recently purchased by ERF Wireless, as well as from tower locations included in the regional bank networks constructed by the company over the past few years, according to Chairman H. Dean Cubley.

The coverage area starts about 25 miles northwest of Houston, around the Barker Cypress area, and extends to communities off of Highway 71 and toward Taylor, a community near Austin.

Until now, most of the area's residents have only had dial-up Internet service available to them, Cubley says.

"There's very little wireless broadband in that area," he says.

ERF Wireless already has a few hundred customers on the network, according to Cubley, who says the company started putting customers on the network before it was totally completed.

In addition to building some of its own networks, ERF Wireless had also been buying networks for about 18 months.

The decision to offer broadband services in the mostly rural area has so far been a good one, according to Cubley.

"Based on the response we've gotten to date, right now we have a backlog on installs across that whole network," he says.

Rates vary — from as low as \$29.95 a month for residential customers to \$250 or \$300 a month

for commercial customers — and are not universal across the network.

In the areas closer to a major city, the rate is a little lower since there are other services to compete with and the cost of providing the service is less, Cubley says.

"It becomes more expensive for us to provide it as you go farther from existing service areas," he says.

Indeed, broadband Internet service, either via DSL or cable, is generally most economical to deliver in densely populated areas.



Cubley

### BROADER REACH

The number of broadband subscribers in Texas is steadily rising.

In December 1999, there were 125,000 broadband subscribers in the state, according to the Public Utility Commission of Texas. By June 2001, that number had climbed 380 percent, to 600,000 subscribers. And subscriptions have continued to soar: As of June 2005, Texas was home to nearly 3 million broadband lines, while nationally, there were 42.9 million broadband lines in service, according to the Federal Communications Commission. Texas ranks third — behind California (6 million) and New York (3.19 million) in the number of broadband lines.

Jesus Jimenez, CEO of ERF's wireless bundled services unit, says the firm's new area of coverage "provides ERF Wireless a very large underserved or unserved marketing territory ..."

Another local publicly traded company, Internet America — which moved its headquarters to Houston from Dallas earlier this year — also has a strategy of bringing high-speed wireless broadband service to underserved Texas markets.

In January, Internet America bought all the operating assets of 2Fast Communications Inc., a wireless Internet service provider in San Antonio. And last July, the company bought Top-Gun Telecom, a wireless ISP with operations around Floresville.

Internet America CEO Billy Ladin says the



**BUSINESS:** Provider of wireless broadband product and service solutions to enterprise, commercial and residential clients on a regional and national basis.

**YEAR FOUNDED:** 2003

**HEADQUARTERS:** League City

**CEO:** R. Greg Smith

**2005 FINANCIALS:** Revenue of \$643,000 on a net loss of \$3.4 million

company is targeting nonserved and underserved suburban and rural areas for its wireless broadband service because he believes there's "a huge market" for such services.

"You won't believe how many people there are who want it but can't get it," Ladin says. "We believe that everybody should have access to the Internet."

For example, Internet America has about 1,500 customers in the suburbs of San Antonio alone.

Unlike ERF Wireless, Ladin says, Internet America is not so much focused on building networks — although it has done that — but on installing customers.

ERF Wireless, which trades on the Over-the-Counter Bulletin Board, saw its stock hit a new 52-week low of 60 cents per share on June 23 after trading as high as \$12 in the past year. The company posted revenue of \$643,000 on a net loss of \$3.4 million in 2005.

Before launching ERF Wireless in 2003, the same founders formed a League City-based company called Eagle Telecom International Inc. in 1996. That firm was ultimately taken public and renamed Eagle Broadband. Cubley, who co-founded Eagle Broadband, served as its chairman and CEO until October 2003, when he took over the role of chief technology officer. In October 2004, Cubley stepped down from that role.

mazevedo@bizjournals.com • 713-960-5931