

# CEO CFO

platinum  
communications

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## **Platinum Communications Corporation Is Writing A Strong Turnaround Story, Looking To Add Licensed Spectrum And Have The Company Perform At Telco-Grade Level, Giving Them A Unique Competitive Edge On Their Mom And Pop Competitors**

**Communications  
Fixed Wireless Internet  
(PCS-TSXV)**

**Platinum Communications Corporation**

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**Bernard Parkinson  
President and CEO**

### **BIO:**

Mr. Parkinson is President and CEO of Platinum Communications Corporation (TSX-V: PCS), a premier carrier grade fixed wireless network in Alberta providing high capacity internet and telephony services in both underserved and rural areas that are beyond the reach of traditional internet service providers. Prior to Platinum Communications Bernard was Chief Operating Officer at NexAira (NXWI: OB) where he helped build sales to \$12 million per year and raised \$3 million to further develop the company. Previously he was Director of Business Development at Bell West, where he was integral to the construction of the Alberta Supernet, a \$500M MPLS fiber-optic network. Before his work at Bell he was instrumental in the private and public funding of both Position Inc. (PSN: TSX), a GPS products company and PanOil Resources Ltd. (PAN: TSX), which was subsequently sold to Caravan Resources. From 1990 – 1995 he took lead roles assisting numerous businesses and entrepreneurs as a work-out/turnaround consultant. From 1980 to 1990 he held various positions as an IT professional.

Bernard holds a Business Degree from Athabasca University.

### **COMPANY PROFILE:**

Platinum Communications Corporation (TSX-V: PCS) is a leading provider of superior quality fixed wireless Internet and broadband solutions. The company operates a wireless broadband network that extends from north of Edmonton to the Alberta-Montana border, covering more than 65,000 square kms and servicing more than 8,500 customers and 170 communities from 122 service delivery locations. Additionally, Platinum utilizes the Alberta SuperNet, one of the largest IP networks in the world. This high-speed performance network connects 429 communities in both urban and rural Alberta. Platinum's high quality infrastructure and excellent service record make it the provider of choice for Fortune 1000 commercial and residential customers within its vast coverage area.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Parkinson, what are the needs for your services in Alberta?

**Mr. Parkinson:** The large Canadian telecommunications providers such as Telus, Bell, Shaw and Rogers, are so large and focused on the urban markets that the markets that we deal in are peripheral or marginal and certainly unprofitable for them. These rural and underserved locations are at the edge of their networks, so Platinum Communications markets its broadband services into the rural and underserved areas then erects towers and provides IP services. We provide internet broadband services and VOIP to homes, offices, small busi-

nesses, ranches, feedlots and Fortune 1000 branch offices that are outside of the incumbent's core network. We've been doing it for ten years. We are a public company. We are planning to be net income positive by Q4 2010. Today we are net cash flow positive. We have managed to survive in what would be considered a fairly tough market.

**CEOCFO:** What is the competitive landscape?

**Mr. Parkinson:** Currently there are approximately 50 unlicensed wireless broadband service providers in our trading area. The main issue, when you are out there in the rural areas with all of these competitors, is the use of unlicensed spectrum. What that means is literally anybody can put up a tower and a transmitting radio and broadcast in the unlicensed spectrum. The net result is a variety of service providers interfering with each another's radio transmissions. To counteract this we are looking at providing our services over licensed spectrum. Licensed spectrum would be similar to your cell phone service. The large carriers like Verizon, AT&T, T-Mobile, all used licensed spectrum. They bought it, FCC regulates it and when they use it, it is exclusive. With that same model, we are going to purchase licensed spectrum so that we can provide our broadband services without the customers being interrupted or interfered with by the unlicensed competition in that area. There are other competitive issues but that is the major issue we face daily.

**CEOCFO:** Where do you find the spectrum, and what does that mean in terms of added expense for your company?

**Mr. Parkinson:** Industry Canada holds the rights to the entire spectrum for sale, just like the FCC in the United States. They auction off particular bands of spectrum to telecommunications companies who purchase it for eventual use in their particular business model. In the past, a number of large and mid-sized companies had purchased these spectrums but have not used it to date. For them it's a wasting asset as it has a ten year license term. It needs to be monetized through usage to have any value on their balance sheet. Currently we're trying to do joint venture arrangements with these spectrum holders for the opportunity of Platinum using unique, licensed spectrum. And these companies get to generate revenue and monetize their assets. For now they've invested the capital, they are sitting on it and they haven't done anything with it.

**CEOCFO:** Is it a matter of just finding someone to do it?

**Mr. Parkinson:** We would research the publicly available Industry Canada database to determine who has purchased it. Then we approach that spectrum holder and negotiate with them to rent, lease or sell the spectrum that they have purchased in specific areas. After doing a deal we would then build out in that market based on commercial and residential requirements. Marketing services delivered over licensed spectrum helps to separate us from the unlicensed pack as we can now guarantee delivery with Service Level Agreements. This would give us a definite competitive edge.

**CEOCFO:** How do you get your customers now?

**Mr. Parkinson:** Advertising with signage in rural areas. Surprisingly we experience a lot of success through viral marketing or as it used to be called word-of-mouth in the rural communities. In addition, whenever our installer goes out to a residence to put up an antenna, we nail up a sign, drop off brochures or use door hangers. Surprisingly, roadside signs out in the rural areas are looked at and are used. People often phone up and ask about the service and then order from us. We have many people that work at a

company in that rural area which has Platinum internet and they see that they can get similar broadband for their home from Platinum. We get a lot of inbound business every month.

**CEOCFO:** What is your retention rate?

**Mr. Parkinson:** It's good. For example, the cellular industry is 1½ to 2% of annual churn rate. Ours is half of a percent, so we have a very loyal and stable following.

**CEOCFO:** In the unlicensed spectrum, how do you deal with the interference now, particularly for your business customers?

**Mr. Parkinson:** In the unlicensed spectrum world, we can manage with competitors on a "friendly" nature. For instance, you would go to your competitor, sit down, have a coffee and discuss the issue. We negotiate to have them re-

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position their radios or adjust their channels. Typically, most competitors are compliant because, conversely you also can interfere with their unlicensed spectrum, so it is a tit-for-tat type of scenario. We know all of our competitors and we are all on good terms with everybody. However, what is happening due to the amount of business going on in the market place it is getting more and more crowded. Therefore, it is time for us to move up-market by providing a licensed service.

**CEOCFO:** What is the financial picture of the company?

**Mr. Parkinson:** Over the ten year history of the Company we have invested close to \$12 million. You have to invest a lot of CAPEX to build out a network with towers, buildings, radios and modems; and you have to re-invest a minimum of 5-10% of your EBITDA every year back into your network. It has taken years for us to build up enough net positive cash

flow so that we could self-fund without going to the capital markets. However, in the next year we'll have to go out to the markets and raise a significant amount of capital because of our aggressive growth plan. Our revenues are approximately \$5.2 million and we generate about \$1.2M in EBITDA.

**CEOCFO:** Do you have particular industries on which you focus?

**Mr. Parkinson:** Alberta, Canada is oil and gas. The typical oil and gas player will drill a well and if successful build production facilities around it, whether it is an oil battery or gas compressor plant. They need real time information, so they have SCADA systems that they install to monitor the fixed plant in real-time and to pull the production data off the asset for reporting purposes. The data requirements are getting to be so complex and massive they need to have fixed wireless broadband rather than cellular to bring all the information back to their head office. In addition, there are many field offices with 5 – 10 staff all over the province and these people need broadband for the same reasons that you and I need it downtown. There is a lot of information produced, gathered and reported in this industry.

**CEOCFO:** What about your deal with ERF Wireless?

**Mr. Parkinson:** ERF Wireless is in the same business that we are in, but they are domiciled in Texas. They are dealing with all the oil and gas companies in Texas who have interests in both Texas and Alberta. Therefore, they needed "feet on the street" to be able to properly service or execute on broadband plays that their customers require in Alberta. They searched for a reliable internet service provider and they found us. We did a joint venture agreement wherein their customer will go to them with specific broadband requirements in Alberta and ERF Wireless will then direct us to do whatever needs doing: engineering, construction, service implementation, activation, deployment, all those activities. We're their eyes, ears, hands and feet.

**CEOCFO:** You have been CEO for a short time; why are you with Platinum?

**Mr. Parkinson:** Platinum had gone through a steep growth curve for a number of years since its inception and then tough times over the last three years. Cutting costs is relatively easy compared to planning the right kind of market strategy and then execute on the right kind of activities to grow the company. For a while, the board had to oversee the day-to-day functions of the company. Platinum had a hard time focusing on marketing and sales when it was too busy fighting fires. In fact, they were network and technology focused. The Board needed somebody to come in, take them off "high-center", and grow the company to the next level. I had a number of contacts in Alberta, and had been part of the team that built the Alberta SuperNet, which is one of the largest fiber networks in the world and supplies all of the circuits and backhaul for Platinum. I had the contacts, the operations management experience from doing my own startups and, importantly, the wireless background. I had just finished doing my own deal where I started up a wireless company in Calgary and moved it to San Diego, then had a venture capital firm step into fund it and take it in a new direction. Having just moved back to Calgary I was approached by one of the board members, whom I had worked with before, and he indicated that Platinum needed someone with senior management skills to come in and give it a new vision, strategy and plan.

**CEOCFO:** Are there areas of Alberta that you are not in?

**Mr. Parkinson:** Absolutely. I don't know if you've ever seen a map of Alberta, but if you look at the countries of Spain and Portugal, the Iberian peninsula - that is about the size of the land mass of Alberta. It is huge at 650,000 square kilometers. Platinum's network footprint only covers 10% of it. Fully half of Alberta is wilderness. North of the city of Edmonton, for about 200 kilometers, there is a sizable rural population, but after that, it is wild country. There is no market for us to be up in there. Most of Alberta from Edmonton to the Montana-Alberta border is where the bulk of the population lives. Alberta has 3.2 million people and is one tenth the size of California in terms of

population, which should give you some perspective. You have to be an efficient broadband provider to be out there and manage your costs.

**CEOCFO:** How do you break down between business customers and residential?

**Mr. Parkinson:** Right now, traditionally we have been almost all residential. Corporate and commercial has probably been much less than 5% of our top line. The objective of the new sales team is to put the mix at 90/10 over the next twelve to eighteen months because with the corporate customers there is not as much churn. And, there are better margins and a larger monthly IT spend. Nobody else wants to go out and deal with these remote corporate clients. We need to put that customer mix into the Company. We need to be able to service and support large corporate customers, so that is what the team is working on and where we will be positioned in the near-future.

**CEOCFO:** So there is a lot going on and a lot to go on!

**Mr. Parkinson:** All kinds of things going on. We've stirred the place up but it's positive energy!

**CEOCFO:** Are there services you are not presently providing that you could provide?

**Mr. Parkinson:** Yes. Because of it's IP-based, we can layer on different services to market to our customers. The one we did two years ago was Voice-over-IP (VoIP). We currently have about 400 to 500 customers who have digital phones in their homes, and there's room for more. The mandate I have given the sales team is they have to have a thousand of those customers by the end of 2010. We are also looking at things like remote backup. At home what is the biggest problem you have when your computer goes down or burns out? You lose your data, so you go to Best Buy or wherever and see if they can rescue your data. There is a service that we purchase so that we can offer our customers an opportunity to automatically back-up all their data every night while they are asleep without touching their machines. There are many others, but I will leave it at digital phone and automatic backup for now.

**CEOCFO:** About automatic backup; how is that secure and safe?

**Mr. Parkinson:** It is very secure. The company we are looking to host this service for our customers have stringent security protocols that they wrap around that service. They offer an airtight service level agreement and security guarantee that they have put in front of us before they'll start to touch our customers. As they are a fairly large company and have been successful in the past, they are riding on their reputations. You were thinking could people do something malicious, right? I know. It is a concern for all of us. However, these guys are quite reliable and that is why we are looking at working with them.

**CEOCFO:** Would you tell us about your high level of customer service?

**Mr. Parkinson:** It's everything. You don't know about problems until you hear about it from your customers. You can lull yourself into a false sense of security when there's little feedback from your customer base. But, when you start to reach out and talk to the customers you hear a lot of stories. And it catches you off guard. So, we have hired a Customer Care specialist who is extremely good on the phone to contact every one of our 8,500 customers. By reaching out, talking to our subscribers, updating their files, and asking them how things are going we get a true sense of issues - real and imagined. Perception is reality. We are also using it as an opportunity to cross-sell our VOIP service. They're thanking us for calling and connecting. It's absolutely critical, but you have to reach out and touch them two or three times a year. You don't necessarily always have to have an agenda other than just to reach out and talk to them. It also sets you up for cross-selling so that you are able to introduce a new service once you gain their trust. To date I'm comfortable with the feedback.

**CEOCFO:** Sum it up for potential investors; what is the strategy ahead for one or two years down the line and why should investors be interested in Platinum Communications?

**Mr. Parkinson:** What is very important is that right now we are in the market place bunched up with thirty to forty other mom-and-pop wireless internet

providers. There is not a lot of very clear distinction other than the fact that we have been around for ten years and have survived. Our survival is not an ROI for an investor. The strategy is we are going to pull the company out of the undifferentiated, unlicensed competitor space and into a market position where there is only one or two direct competitors. My goal is to have every department, group or function in the company be at or near telco-like quality to give our customer a unique

and reliable service. We will have sophisticated billing systems that will match what you would get from Verizon for example. We will have a reliable wireless distribution network that we continually fine-tune and harden to reduce customer service calls. We will have a marketing group that are tasked with repositioning and re-branding the company. To sum up – get the licensed spectrum, make incremental but important improvements

across the organization and keep reaching out to the customer.

**CEOCFO:** You sound excited too!

**Mr. Parkinson:** I am. I have a lot of ideas, but it's all about execution. It's all about delivery and that is really what Platinum needs to stay focused on. We'll deliver a solid and profitable growth story for the investors.



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