



With the Rate of Broadband Adoption continuing to Increase Exponentially, Alpheus Communications is in the Right Industry at the Right Time as One of the Largest Fiber Optic Networks and Data Center Managers in the State of Texas

**Technology
Telecommunications/
Network Services**

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**Scott Widham
CEO**

BIO: Scott Widham leads an experienced Executive Team at Alpheus Communications. Most recently he served as CEO of Cobridge Communications, an owner and operator of cable television systems in the Central portion of the United States. Prior to Cobridge, Widham was CEO of Broadwing Communications, a billion dollar telecommunications services company offering voice, data and video

solutions to enterprise and wholesale customers. Broadwing was acquired by Level 3 in 2008 for \$1.6B. Prior to joining Broadwing, Widham was the founder and CEO of Capital Cable, a multi-system operator that owned cable systems across the U.S. and in Latin America. Capital Cable was acquired by Charter Communications. Widham also served as EVP of Corecomm and was a Director at MTV Networks. Widham earned a BBA from The University of Texas at Austin.

**About Alpheus Communications
(<http://www.alpheus.net>):**

Alpheus Communications is a leading provider of Texas metro-regional fiber and networking solutions with owned facilities in Dallas-Fort Worth, Houston, San Antonio, Austin, Corpus Christi and the Rio Grande Valley. Alpheus is flexible, content-neutral and responsive to customer needs when low-latency and uptime are essential. As the preferred fiber backbone for Metro Texas, Alpheus is in a unique position to support mission-critical information technology functions and cloud computing solutions through resilient SSAE 16-compliant data center platforms for colocation and disaster recovery.

Alpheus Communications was a joint venture between Genesis Park, LP, a regional Houston-based private equity firm and El Paso Corporation. The company was acquired by Gores AC Holdings, LLC in December 2011.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Widham, would you tell us about Alpheus Communications?

Mr. Widham: We are a twelve year old, Texas-based telecom company that has a very large fiber optic footprint in the state of Texas. We have dense metropolitan fiber assets in the large Texas cities including: Dallas, Austin, San Antonio, and Houston. Our network also extends to South Texas including Corpus Christi, Laredo, Harlingen and McAllen. We have six data centers that we operate where we sell colocation services to companies that want to put their servers in a secure environment. We are primarily a wholesale company where we sell to large telecom operators and resellers that want to terminate service in the state of Texas. We also have an enterprise division that we launched last year where we focus on offering services to medium and large size businesses. Our enterprise channel targets businesses in Texas and we provide customized solutions for them, including running fiber to their operations. We offer a suite of network services including MPLS, Ethernet and voice services like SIP trunking.

CEOCFO: Why was this the time to start that outreach, that new phase?

Mr. Widham: It is really a model that is duplicated in our industry -- companies that started as wholesale providers, then over time, morphed into providing enterprise services. It is actually a model that I did successfully at a previous company, Broadwing Communications. The wholesale market is only so large. You can get to the point where you are not growing

at double digits, and in order to grow quicker, you need to add additional verticals. Right now we have launched an enterprise vertical, and we are looking at the government and educational sectors.

CEOCFO: What is the competitive landscape in your geography? Are there many as robust fiber networks in the area?

Mr. Widham: Yes, we have some very large companies that we compete with, and we have some very small companies; it really runs the gambit. The good news for us is our largest competitor is the local phone company. We do an exceptional job when compared to the large service providers because we are smaller and more nimble—we are a hundred and twenty person company, and because of that we can be very responsive. We can give tremendous attention to the customers that they do not get with larger carriers. To give you an example, when you call the large local exchange or cable companies, chances are you are going to get an automated attendant with many layers. You are going to have to wait through various prompts to get to a person, and if you do not have your circuit ID number, you are going to have to go back in the cue and start all over again. With us, we provide 24/7 support, and when you call us you will get a live person very quickly—chances are, you will know that person, and we will run your problem down until there is clear resolution to it. It is just a different customer service experience. When customers trust us with their network and their data needs, they know they can sleep at night because they have us looking after their network.

CEOCFO: Do you have concerns about newer technologies, things that might come along and supplant what you have created?

Mr. Widham: We are in an ever evolving industry, because innovation is happening at the fastest rate that I can ever remember seeing things happen. One of the consequences of rapid innovation is that the industry is becoming much more efficient on many levels. We are becoming more

efficient in terms of how we encode and compress our traffic. There are new compression algorithms that allow us to transmit many more bits than ever before. The network capacity is also increasing. Dense wave division multiplexing that allows us to split light into eighty different colors on a single fiber. Now we can push much more capacity down each fiber. The routing protocols have gotten much more efficient, so now we can use our routers to always find the quickest and the most efficient path to get to the end user. Then, I think the resiliency of the networks, the hardening of the networks, has led to a more robust, more reliable network than we have ever seen in the past.

CEOCFO: I know you did an acquisition in December. Are acquisitions part of your growth strategy or is it opportunistic?

Mr. Widham: Organic growth clearly is our main driver, but we will look opportunistically at deals of all sizes. There are different types of businesses that fit our model, so we are looking at potentially buying fiber companies, data centers and other networking companies in Texas. We cast a fairly wide net in terms of getting to know people, and that is just what you have to do in the acquisition business because you have to look at a lot of deals to find the one that is right for you. In the case of Net Star, which we purchased in December, it was a really nice fit because it was six miles away from our corporate office, it had a group of household name customers that we were able to pick up, and we were able to go to those customers with a much broader product set and up sell services. So it wound up being the very synergistic deal that allowed us to grow.

CEOCFO: How do you reach prospective customers, particularly in the newer areas? I am assuming that everyone knows you are in the wholesale arena, so how do you reach new customers for the enterprise offering?

Mr. Widham: We have a direct sales force, so we have feet on the street that go out there and create relationships with prospects. We have an agent channel where we work with

VARs, resellers, and agents. Our marketing department promotes our services via direct mail, advertising and PR. We are growing our online presence from our website and social media to get our name out to the businesses.

CEOCFO: What is the 'aha' moment when you talk with a company? When do they understand they really should be changing over to Alpheus?

Mr. Widham: If we have the opportunity to tell our story and they talk to some of the customers we have relationships with, then they really understand our unique selling proposition. They will realize that they can get more technology packaged in at a lower cost, and at the end of the day,

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they can get better service. I think our stumbling block is a couple of things: one is the old saying, “Nobody ever got fired from buying from IBM.” The same thing with the phone company; they are the safe choice, they have been around forever, they will be here forever. So to go with a smaller service provider, the network manager has to be willing to take a small chance, and some people are unwilling to do that. When customers realize that they can save money, they can get as resilient of a network as they currently have, and they can get a technology improvement—that is when they say, “Aha! It’s time to make a switch.” A part of our strategy is the edge of the wedge. If we can get in and just get one circuit with a customer, and they can experience the personalized customer service with us, then we tend to win them over. The other challenge for us to

overcome is the service contracts terms; just like you have with your cell phone. You may have a two year or a five year contract. Those have to run their course. Usually when they are expiring, we are in a position then to compete for their business.

CEOCFO: How is business these days in general?

Mr. Widham: We are growing our business in double digits. The good news is that the rate of broadband adoption is increasing at an exponential rate; particularly as video is becoming the larger percentage of what people consume. As we are in the broadband distribution business, we are in a very good place, in a growing industry. There is a lot of consolidation going on so we are beginning to see a scarcity of assets in terms of the number of fiber providers out there, which bodes well in terms of our enterprise value. I am happy to be in this space.

CEOCFO: Are there services you would like to add or are planning to add?

Mr. Widham: Yes. We are moving up the "telecom stack". It starts off with just putting raw fiber assets in the ground, and you sell dark fiber services to customers. Then over time, you light the fiber and start selling wave lengths. Then we put in routers and switches to deliver various network services. The next step is really managed services and applications. We are selling managed network ser-

vices today like virtual private networking (MPLS-VPN) and managed Ethernet LAN. We are looking to add to our product portfolio with additional managed solutions that leverage our network and data centers for cloud-based applications. For example, infrastructure-as-service offerings like virtual data center and private-cloud. So businesses, without having to manage and own their servers, can dial up or dial down computing power by buying CPU, RAM, or storage that is on their virtual private network. Further out in time, we will look at platform- and software-as-a-service offerings as an extension of our network and data centers in terms of our longer-term road map. We are not there yet, we are still figuring out the exact business model, because those businesses are moving very quickly and we are trying to figure out where our sweet spot is.

CEOCFO: You mentioned previous ventures. What do you bring from the previous ventures that has been most helpful for you as the company has grown and is changing?

Mr. Widham: Thirty-five years experience as an entrepreneur, and specifically as a CEO has taught me how to find deals; how to create relationships in the industry that allow me to purchase companies that are not in an auction process, but unique opportunities to buy companies. It has taught me how to put together a management team, and I have been successful in bringing individuals in pre-

vious deals over. One of the more gratifying things for me is that I am seeing people that have worked for me in various deals beginning to build their wealth. I have a management style that rewards for performance, so the achievers and the over achievers do really well in this environment. I try to create a culture where we push decision making as close to the customer as possible. And we try to have fun as a company. We have a lot of social events, company meetings, contests, and various communications with our people so they really enjoy where they come to work. Once you create that, then the model seems to work in deal after deal. I have been CEO of six different companies over the years, and every one of them, thankfully, has been a success.

CEOCFO: Why should investors and people in the business community be paying attention to Alpheus Communications? What makes this an exceptional company?

Mr. Widham: We have one of the largest fiber optic networks in the state of Texas. We are one of the largest managers of data centers in terms of number of data centers in Texas. If a company is looking to associate themselves with a Texas company that provides exceptional service, where they know they can lower their cost over time and benefit from technology improvement, we are a great candidate for that.



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