

1 A. Yes. Exhibit PEG-3 is a report entitled “The Early History of Qwest Corporation’s  
2 Predecessors in Washington, The First 40 Years - 1883 to 1923.” I prepared this report  
3 based on my research of the early history of the Company, its directory advertising business,  
4 and competition and regulation in Washington from 1883 through 1923. My testimony  
5 makes frequent reference to this report.

6 **Q. WOULD IT BE FAIR TO CHARACTERIZE THE FIRST 40 YEARS OF THE**  
7 **COMPANY’S EXISTENCE AS ONE OF THE RISKIEST PERIODS IN THE**  
8 **COMPANY’S HISTORY?**

9 A. Yes. Two major risks affected this period. The first was the risk involved in developing and  
10 deploying a new and commercially unproven technology. When the Company began  
11 prospecting installation of an exchange in Seattle in 1882 (*See* Exhibit PEG-3, page 2),  
12 commercial telephony had existed only five years in the United States.<sup>8</sup> No one could be  
13 certain that it would prove to be a financially viable enterprise. Later, once the Bell  
14 companies had established that telephony could be profitable, competitors were willing and  
15 able to enter the field. *See* Exhibit PEG-3, pages 3 through 6. The Company’s rates yielded  
16 low earnings (including losses in many exchanges) in Washington during the period 1913  
17 through 1922. *See* Exhibit PEG-3, page 7.

18 **Q. DID THE COMPANY BEGIN PUBLISHING DIRECTORIES AND DEVELOP ITS**  
19 **DIRECTORY ADVERTISING BUSINESSES DURING THIS PERIOD OF**  
20 **SUBSTANTIAL RISK?**

21 A. Yes. By ~~August~~ 1923, the Company had been publishing directories containing substantial  
22 amounts of advertising for at least 29 years and probably longer. *See* Exhibit PEG-3, pages  
23 8 through 10.

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<sup>8</sup> Telephone, by John Brooks, 1975, Harper and Row, New York, p. 59.