

INTERVENOR: Bench Requests

REQUEST NO: 002S1

What is the expected rate of return from operations over the five year strategic growth plan period?

RESPONSE:

Qwest is in the process of gathering the information necessary to respond to this request, and will supplement its response when it completes its review and analysis of this information.

Respondent: Qwest Legal Department

SUPPLEMENTAL RESPONSE - 06/04/2003:

Neither Qwest Dex nor Dex Media have prepared an expected rate of return from operations over the five year strategic plan. In order to complete a true and comparable rate of return calculation Dex would need certain information beyond that included in the Dex five year strategic plan. At the time that the five year plan was developed, Dex's focus was limited to a projection of potential revenue, expense, and the income statement only down to EBITDA (Earnings before interest, taxes, depreciation, and amortization) based on different business plans and assumptions regarding the availability of investment capital to fund these different plans. Dex did not attempt to forecast all components of the income statement to get from EBITDA to net income nor did it attempt to create a balance sheet. In order to prepare an expected rate of return from operations Dex would need to make a series of assumptions regarding capital structure, interest rates for potential debt, tax rates, capital investments, etc. As indicated above, Dex has not made such a calculation.

In addition, as indicated in Qwest's Response to ATG Set 2, Data Request No. 031, Confidential Attachment "A", also provided in response to Bench Request No. 001, Exhibit No. 5, relating to the Dex five year strategic plan, the strategic plan is not representative of the expected performance for Dex. Qwest's Response to ATG Set 7, Data Request No. 130S1, Highly Confidential Attachments "A" and "B", provided three very high level views of revenue and EBITDA and defined each view. Two of those views were produced by the sponsors in conjunction with the sale of Dex. The Equity View and the Bank View provides for a range of reasonable projections for the Dex business over the next five years.

The Dex strategic plan reflected the growth potential of the Dex business assuming implementation of a series of initiatives. It was developed in multiple scenarios. As such, the strategic plan was not a most likely projection, but represented a business case approach reflecting the potential outcomes given certain levels of investment.

Respondent: Bob Houston, Dex Vice President-Finance

