

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE)
JOINT APPLICATION OF)
FRONTIER COMMUNICATIONS)
CORPORATION, NEW)
COMMUNICATIONS INC. FOR)
CONSENT AND APPROVAL OF)
A CHANGE IN CONTROL.)

Case No.
09-454-TP-AC0

DEPOSITION OF
TREVOR R. ROYCROFT, PH. D.

Taken at the offices of
THOMPSON HINE, LLP
41 South High Street, Suite 1700
Columbus, Ohio 43215-6101

on October 29, 2009, at 10:03 a.m.

Reported by: Sara S. Clark, RPR/CRR/CCP/CBC

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Page 2	Page 4
<p>1 APPEARANCES: 2 Kevin Saville, Esq. FRONTIER COMMUNICATIONS SOLUTIONS 3 2378 Wilshire Boulevard Mound, Minnesota 55364 4 (952) 491-5564 5 on behalf of Frontier. 6 Christopher D. Oatway, Esq. VERIZON COMMUNICATIONS 7 1320 North Court House Road, 9th Floor Arlington, Virginia 22201 8 (703) 351-3037 9 on behalf of Verizon. 10 Terry Etter, Esq. OHIO CONSUMERS' COUNSEL 11 10 West Broad Street, Suite 1800 Columbus, Ohio 43215-3485 12 (614) 466-8574 13 on behalf of Ohio Consumers' Counsel. 14 15 VIA TELEPHONE: 16 John Jones, Esq. Assistant Attorney General RICHARD CORDRAY, ATTORNEY GENERAL 17 180 East Broad Street, 9th Floor Columbus, Ohio 43215 18 (614) 466-4395 19 on behalf of Public Utilities 20 Commission of Ohio. 21 22 --0-- 23 24</p>	<p>1 INDEX OF EXAMINATION 2 PAGE 3 BY MR. SAVILLE: 9 BY MR. OATWAY: 117 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24</p>
Page 3	Page 5
<p>1 STIPULATIONS 2 It is stipulated by and among counsel 3 for the respective parties that the deposition 4 of TREVOR R. ROYCROFT, PH.D., the Witness 5 herein, called by Frontier under the applicable 6 Rules of Civil Procedure may be taken at this 7 time by the notary pursuant to notice and by 8 agreement; that said deposition may be reduced 9 to writing in stenotypy by the notary, whose 10 notes thereafter may be transcribed out of the 11 presence of the witness; and that the proof of 12 the official character and qualification of the 13 notary is waived. 14 --0-- 15 16 17 18 19 20 21 22 23 24</p>	<p>1 MR. SAVILLE: Good morning, 2 Mr. Roycroft. My name is Kevin Saville. I'm an 3 attorney with Frontier Communications 4 Corporation. And we're here to take your 5 deposition in a proceeding that is currently 6 pending before the Public Utilities Commission 7 of Ohio. 8 I think as we indicated before we went 9 on the record, there has been, you know, an 10 agreement among counsel as far as the scheduling 11 of this deposition. There was also a deposition 12 notice that was issued. In that deposition 13 notice, we had asked if you had any work papers 14 or other supporting documentation that supported 15 the testimony in the case. 16 Did you assemble any such information 17 and bring it today, or do you have that that you 18 can make available? 19 THE WITNESS: I don't have it with me. 20 I have provided information associated with the 21 first discovery response, the work papers there. 22 MR. SAVILLE: Okay. And so, I mean, is 23 it the intent that that -- those documents be 24 produced in response to the written discovery</p>

<p style="text-align: right;">Page 6</p> <p>1 requests? 2 MR. ETTER: Yes. The discovery 3 responses are due today, so we will have them by 4 the end of business today. 5 MR. SAVILLE: Okay. Great. Thank you. 6 TREVOR R. ROYCROFT, PH.D. 7 being first duly sworn, as hereinafter 8 certified, deposes and says as follows: 9 MR. ETTER: Do we need to take 10 appearances, or -- 11 MR. SAVILLE: No, I don't think it's 12 necessary. 13 One other housekeeping/administrative 14 issue that we talked about off the record that I 15 want to get on the record is that throughout the 16 course of this deposition, I'm expecting that 17 there will be some questions that will be asked 18 of the witness that point to or involve 19 information that has been designated by either 20 Frontier or Verizon in this proceeding as 21 confidential or highly sensitive and 22 confidential. And our intent would be to go 23 ahead and ask those questions, to point to that 24 information in the context of those questions,</p>	<p style="text-align: right;">Page 8</p> <p>1 counsel? 2 THE WITNESS: Yes. 3 MR. ETTER: Yes. 4 MR. SAVILLE: Okay. 5 I think somebody just joined the call. 6 Was there a beep there? 7 MR. JONES: Yes. This is John Jones on 8 behalf of the staff of the Public Utilities 9 Commission of Ohio. 10 MR. SAVILLE: John, we'll have you make 11 your appearance here. We just got started and 12 we went through some preliminaries as far as how 13 we're going to deal with the transcript, similar 14 to what we've talked about in the last couple of 15 depositions you've been on. 16 We're in a conference room over at the 17 Thompson Hine law firm. The folks that are 18 here, myself, Kevin Saville, on behalf of 19 Frontier; Chris Oatway on behalf of Verizon; 20 Mr. Terry Etter with the -- representing the 21 OCC. And then the witness is here, as well, and 22 then we have the court reporter. 23 So could you possibly just make your 24 appearance for the court reporter.</p>
<p style="text-align: right;">Page 7</p> <p>1 and for you, in your responses, Mr. Roycroft, to 2 go ahead and answer the questions and, you know, 3 identify, you know, any information you have 4 regardless of whether it's confidential or 5 highly sensitive and confidential. 6 What I will attempt to do throughout the 7 course of my questioning is, if I know that my 8 question contains confidential or highly 9 sensitive and confidential information, I will 10 try to let you know that. I would request, to 11 the extent you can, if you know the information 12 you're going to provide contains confidential or 13 highly sensitive and confidential information, 14 you note that. But, again, I don't want to in 15 any way stifle or inhibit your response. Just 16 provide the information, and as I discussed with 17 your counsel off the record, once the transcript 18 is generated, we've had an opportunity to review 19 it, we will go through and appropriately mark 20 whatever information is confidential or highly 21 sensitive and confidential so that we can 22 create, you know, a public version, as well as 23 the sensitive version. 24 Is that acceptable to you and your</p>	<p style="text-align: right;">Page 9</p> <p>1 MR. JONES: Yes. Thank you. This is 2 John Jones on behalf of staff of the Public 3 Utilities Commission of Ohio. I'm an Assistant 4 Attorney General. 5 Do you need my address or anything? 6 COURT REPORTER: I can get it at a 7 break. 8 MR. JONES: It's 180 East Broad Street, 9 9th floor, Columbus, Ohio 43215. 10 COURT REPORTER: Thank you. 11 MR. JONES: Thank you. 12 MR. SAVILLE: Okay. Were there any 13 other administrative/housekeeping issues that 14 you had, Mr. Etter, that you want to -- 15 MR. ETTER: If we could go off the 16 record for just a minute. 17 MR. SAVILLE: Okay. 18 (Discussion held off the record.) 19 EXAMINATION 20 BY MR. SAVILLE: 21 Q. Again, good morning, Mr. Roycroft. I'm 22 Kevin Saville on behalf of Frontier. What I'd 23 like to do is start out by looking at your 24 background. And I think it -- I don't know if</p>

Page 10

1 it was labeled as an attachment, but it was
2 included in the testimony that had been filed in
3 the pending proceeding before the Public
4 Utilities Commission of Ohio.
5 Let's start with your educational
6 experience. As I look at your background, it
7 appears you have three -- three different
8 degrees?
9 **A. That is correct.**
10 Q. Okay. Can you tell me about the areas
11 of study included with each of those degrees. I
12 mean, it's labeled just as economics, but can
13 you elaborate on what's encompassed in the
14 educational experience you have?
15 **A. Well, the -- my undergraduate focus was**
16 **on general economics, as well as mathematics and**
17 **statistics. I was preparing myself to go to the**
18 **graduate program. And then when I went to the**
19 **graduate program at UC Davis, in addition to the**
20 **economic theory that was required, I took**
21 **electives in public finance, industrial**
22 **organization, and economic history. And**
23 **industrial organization is my main -- was my**
24 **main field of specialization, was the area where**

Page 11

1 **I wrote my dissertation in, and it focuses on**
2 **market structure, competition issues that**
3 **generally cover industry, private industry.**
4 Q. So other than the three degrees listed
5 on your education, do you have any other degree
6 of any type?
7 **A. No, those are my academic degrees.**
8 Q. Okay. Do you have any other, I guess,
9 what I would call professional certifications
10 or --
11 **A. No.**
12 Q. In terms of your degrees, did you study
13 or have any specialization in the area of
14 engineering?
15 **A. Well, I think I studied processes that**
16 **were associated with certain industries, but no**
17 **formal training in engineering.**
18 Q. And as far as the processes in certain
19 industries, did any of your studies or
20 coursework involve processes involved in the
21 telecommunications industry?
22 **A. Yes.**
23 Q. Can you describe that for me.
24 **A. At the time, the divestiture of the Bell**

Page 12

1 **system was a recent occurrence that was brought**
2 **into curricula, so studying that process was**
3 **part of the academic classes that I took at the**
4 **time, case studies.**
5 Q. Okay. So case study on the Bell system
6 divestiture, and in the context of that study,
7 did it touch on processes associated with
8 operating in the telecommunications industry?
9 **A. Generally from the standpoint that they**
10 **were economics classes, but to understand what's**
11 **happening in the market, there had to be some**
12 **breakout of what was going on with the**
13 **underlying infrastructure as far as how networks**
14 **are being separated and how competitors were**
15 **being allowed to operate.**
16 Q. Okay. So in terms of the engineering,
17 which was kind of what initiated this line of
18 questioning, did you have any other study or
19 coursework that talked about designing
20 telecommunication networks, how
21 telecommunication networks operate, and what's
22 required in maintaining a telecommunications
23 network? Did you have any coursework or studies
24 involving any of those areas beyond what you

Page 13

1 just elaborated on on the Bell system breakup?
2 **A. No, not at that point. Again, my**
3 **understanding is we're talking about my academic**
4 **training that ended in 1989, and that was the**
5 **extent of it.**
6 Q. Okay. So let me, then, I guess, build
7 on your last response. Subsequent to getting
8 your degrees in 1989, have you had coursework or
9 specific areas of study related to engineering
10 and, you know, the design, construction, or
11 maintenance of a telecommunications network?
12 **A. I've taught courses associated with**
13 **those issues. I was a professor at Ohio**
14 **University in the J. Warren McClure School of**
15 **Communications System Management from 1994 until**
16 **2004. And the J. Warren McClure School was an**
17 **integrated program that focused on the**
18 **telecommunications industry, and it provided**
19 **students with a broad educational opportunity,**
20 **ranging from how telephone switches operate, how**
21 **to program a PBX, how to set up a local area**
22 **network, how carrier networks operate through**
23 **management issues associated with sales and**
24 **marketing and the regulatory side of the**

Page 14

1 **program.**
2 Q. And, again, what was the time frame that
3 you were involved in teaching those courses?
4 **A. 1994 to 2004. And subsequently, I**
5 **taught -- I left Ohio University in 2004. I**
6 **taught a graduate-level course in the college of**
7 **engineering at Northeastern University in their**
8 **telecommunications management program in -- I**
9 **believe it was in 2006. It's listed on my**
10 **resume. Unfortunately, I don't have a copy in**
11 **front of me that I can refer to directly.**
12 Q. Okay. And just so we're on the same
13 page, when you -- when you're referring to your
14 resume, are you referring to the attachment that
15 was --
16 **A. That's right, the document you have**
17 **there.**
18 Q. And that's not included in your
19 testimony?
20 **A. Well, it's not -- it's not included with**
21 **the draft that I have here.**
22 Q. Okay.
23 **A. I just have the questions and answers.**
24 Q. Okay. So I asked you a series of

Page 15

1 questions related to engineering. Can you
2 identify for me in your coursework, going up
3 through 1989, did you have studies or coursework
4 that focused specifically on information
5 technology or computer systems?
6 **A. I took computer programming-type**
7 **classes.**
8 Q. Okay. But beyond those courses, did you
9 have any kind of emphasis or specialized study
10 on IT systems, I mean, systems integration,
11 operations of a telecommunications, operational
12 support systems?
13 **A. No, not at that period.**
14 Q. Okay. So, again, with the caveat not in
15 that period, can you explain to me what
16 subsequent education, training, or coursework
17 you've had with respect to information
18 technologies issues.
19 **A. Well, as I indicated, I taught for**
20 **10-plus years in that program at Ohio**
21 **University. And my colleagues were -- in**
22 **addition to having backgrounds in accounting,**
23 **also had backgrounds in engineering and**
24 **information technologies. And we had a set of**

Page 16

1 **courses that were part of the curriculum, which**
2 **rotated among the faculty. And I was**
3 **responsible for teaching some of the**
4 **introductory courses, which got into how**
5 **networks were structured, how information**
6 **technology networks, how carrier networks**
7 **operate.**
8 **And along the way, over that 10-year**
9 **period, I certainly had the opportunity to learn**
10 **from my colleagues in preparation for those**
11 **classes to gain enough expertise to teach our**
12 **students on those matters.**
13 Q. So looking at your resume, we talked
14 about your degree. As I understand it, you
15 functioned as an independent consultant since
16 June of 1994, up to the present.
17 **A. That is correct.**
18 Q. And in your capacity as an independent
19 consultant, are you part of, you know, some type
20 of organization that you consult or belong to
21 that you provide consulting services through, or
22 are you just, I guess, a self-employed,
23 independent consultant?
24 **A. I'm a sole proprietor.**

Page 17

1 Q. Okay. And during the time that you
2 worked as an independent consultant, going back
3 to June of 1994, during that time frame, you've
4 also held positions, I guess, primarily in
5 education, while you were an independent
6 consultant?
7 **A. That is correct.**
8 Q. Okay. And aside from your teaching
9 educational positions and your roles as a
10 consultant, have you worked as an employee of
11 any other private sector company?
12 **A. Outside -- no, I haven't.**
13 Q. Okay. So have you worked for any
14 private sector company since graduating in 1989?
15 **A. I worked for a private college. I don't**
16 **know if that falls within your definition.**
17 Q. But that's it, as far as your employers?
18 I mean, they were all educational-related
19 positions?
20 **A. That's right.**
21 Q. Okay. Have you done any independent
22 consulting work for telecommunication companies?
23 **A. Yes.**
24 Q. Can you identify those for me.

Page 18

1 **A. I worked as a subcontractor for John**
2 **Staurulakis Incorporated in 1995 or 1996 -- it's**
3 **in -- the work is identified in my vitae there**
4 **that you have before you -- associated with**
5 **issues that were emerging around the**
6 **Telecommunications Act of 1996.**
7 Q. Okay.
8 **A. And they -- John Staurulakis was**
9 **employed by small telephone companies operating**
10 **in New York and Vermont. I don't recall the**
11 **specific company names, but they were -- the**
12 **work that I did ultimately was used by those**
13 **telephone companies.**
14 Q. Okay. Other than the work you did for
15 JSI, have you been -- done work directly for
16 other telecommunication companies?
17 **A. No.**
18 Q. Just to be clear, I think you indicated
19 you did not -- you have not had any private
20 sector employment, other than the possible
21 exception of the teaching position. Have you
22 been on a board of directors or in any kind of
23 oversight capacity for any organization or
24 company that is involved in the

Page 19

1 telecommunications industry?
2 **A. Other than my own company, no.**
3 Q. And when you say your own company, just
4 to be clear, you're just referring to your
5 consulting business, right?
6 **A. Right. It's a private sector business.**
7 Q. And when you say your own company, is
8 there a name? Is it Roycroft Consulting, Inc.,
9 or what --
10 **A. It's not incorporated. It does business**
11 **as Roycroft Consulting.**
12 Q. Is that a partnership, limited liability
13 company, sole --
14 **A. Sole proprietorship.**
15 Q. Okay.
16 **A. And just to be clear with regard to my**
17 **employment with private sector companies, I have**
18 **worked for private sector companies before 1989,**
19 **not -- in various capacities, in the restaurant**
20 **industry and so forth.**
21 Q. Going to college, right?
22 **A. Going to college.**
23 Q. I understand.
24 Any of that work involve working for any

Page 20

1 kind of communications or telecommunications
2 company prior to 1989?
3 **A. No, although I did work for a municipal**
4 **water utility in the 1970s.**
5 Q. Thank you.
6 What I'd like to do now, Mr. Roycroft,
7 is just focus on the testimony that you prefiled
8 in this proceeding. Just for purposes of the
9 record, did you prepare the direct testimony of
10 Trevor R. Roycroft, Ph.D., on behalf of the
11 office of the Ohio Consumers' Counsel, that was
12 dated October 14th, 2009?
13 **A. Yes, I did.**
14 Q. And in preparing this testimony, did
15 anyone assist you in the preparation of this
16 testimony?
17 **A. I received assistance in getting**
18 **information from OCC, but as far as the actual**
19 **preparation of the document itself, I prepared**
20 **the document.**
21 Q. What I'm going to do is -- the way your
22 testimony is organized, it doesn't have page and
23 line numbers. It's got the Q and the A, so I'm
24 going to refer you to certain questions.

Page 21

1 MR. ETTER: We had sent a version to
2 Carolyn that had page numbers.
3 MR. SAVILLE: Oh, you did?
4 Do yours have that? Wonder why the
5 version I got didn't.
6 MR. OATWAY: Although the version you
7 sent with page numbers, I think, has different
8 page numbering, for example, than the public
9 copy.
10 MR. ETTER: Public version, yeah.
11 MR. OATWAY: So it may make more sense
12 to do what Kevin's doing.
13 MR. ETTER: Fine.
14 MR. SAVILLE: I apologize. I didn't
15 realize, and I've been working off this version
16 the entire time.
17 BY MR. SAVILLE:
18 Q. I'm on Question 4 and your response, A4.
19 If you go over, it's actually right before the
20 beginning of Question 5, where you indicate that
21 you have provided analysis and testimony as an
22 independent consultant, you know, in a variety
23 of areas. One of the specific areas that you
24 identify that you consulted on is merger review.

<p style="text-align: right;">Page 22</p> <p>1 And I want to take a few minutes and understand 2 what work you've done as far as merger review 3 transactions. 4 You're obviously reviewing the 5 transaction or post-transaction between Frontier 6 and Verizon, correct? 7 A. That's right. 8 Q. Were you involved in any capacity in 9 reviewing the transaction between Verizon and 10 FairPoint in New England? 11 A. No. 12 Q. So you didn't consult with or have any 13 involvement whatsoever in considering that 14 transaction? 15 A. That's correct. 16 Q. Okay. What about the proposed 17 transaction between Verizon -- actually 18 completed transaction between Verizon and Hawaii 19 Telecom, did you have any involvement in 20 reviewing that transaction? 21 A. No. 22 Q. I see from your resume, you were 23 involved in some proceedings involving the 24 Verizon/MCI transaction; is that correct?</p>	<p style="text-align: right;">Page 24</p> <p>1 in reviewing that transaction? 2 A. I don't believe I was involved in the 3 Bell Atlantic/GTE merger. 4 Q. Prior to your involvement in reviewing 5 this transaction between Frontier and Verizon, 6 have you done any work evaluating Citizens 7 Communications Company or Frontier, what's now 8 known as Frontier Communications Corporation? 9 A. Reviewing them in a regulatory setting? 10 Q. Yes. 11 A. No, I don't believe I've been involved 12 in any cases associated with Citizens. 13 Q. Or Frontier? 14 A. Right. 15 Q. And -- 16 A. Although I can't -- I mentioned that 17 work that I did for Staurulakis. And I -- it 18 made be that Rochester was one of the companies 19 that was involved in that. It was essentially 20 non-NYNEX ILECs in the state that were 21 Staurulakis clients, so it's likely Rochester 22 was involved there. 23 Q. But as part of the consulting work 24 you've been doing since 1994, you've not had</p>
<p style="text-align: right;">Page 23</p> <p>1 A. That's correct. 2 Q. Can you summarize for me what role or 3 work you performed with respect to the 4 Verizon/MCI transaction. 5 A. I generally reviewed the transaction, 6 and I believe my recollection focused on 7 conditions of the merger associated with synergy 8 sharing. 9 Q. Okay. 10 A. My recollection is I worked on that case 11 in California and in Washington state. I 12 haven't looked at the testimony in a while so I 13 don't know -- I don't recall all of the details. 14 Q. Okay. Do you recall generally what your 15 recommendation was in terms of whether to 16 approve or not approve the transaction? 17 A. I don't specifically recall my 18 recommendation, although I believe it was of a 19 conditional nature from the standpoint that 20 certain things should happen if the merger goes 21 forward. 22 Q. Okay. How about with respect to the -- 23 would have been the Bell Atlantic/GTE merger, 24 can you tell me what -- what involvement you had</p>	<p style="text-align: right;">Page 25</p> <p>1 occasion to actually analyze or consider either 2 Frontier Communications telephone company's 3 operations, financial results, to make any 4 recommendations or evaluation with respect to 5 those companies? 6 A. The work I did for Staurulakis did 7 address those issues specifically with regard to 8 the provisions of the Telecommunications Act and 9 how those should be applied to small ILECs. 10 Q. Other than that situation involving JSI 11 up in New York, there's nothing else that you've 12 done involving Frontier or Citizens? 13 A. I don't believe so. 14 Q. In one of your earlier responses, I 15 think you qualified your response by indicating 16 that you hadn't done that as part of your 17 consulting work. Is there some other forms or 18 means in which you've reviewed Frontier or 19 Citizens' operations or performance on a 20 going -- I guess looking back prior to your 21 involvement on this transaction? 22 A. Just as a normal part of my business 23 operations, I keep track of what's happening in 24 the industry, so reviewing trade press,</p>

Page 26

1 **reviewing SEC filings and those sorts of**
2 **activities, just to keep current with what's**
3 **happening in the industry.**
4 Q. Based on your ongoing efforts to just
5 keep abreast of what's going on in the industry,
6 up to the point prior to Frontier/Verizon
7 announcing this transaction on May 13th, what
8 was your general opinion or perception of
9 Frontier?
10 **A. That it was a rural ILEC that was --**
11 **since the Citizens' divestitures of nontelephone**
12 **have focused on growth through acquisition, that**
13 **tended to focus on serving rural areas, and had**
14 **a policy that promoted broadband in those areas.**
15 Q. One of the other transactions that's
16 included on your resume that you had involvement
17 in reviewing was the CenturyTel/Embarq
18 transaction last year; is that correct?
19 **A. That's correct.**
20 Q. Can you tell me about the work that you
21 performed on the CenturyTel/Embarq transaction.
22 **A. I reviewed the agreement plan and merger**
23 **and the testimonies supporting that in**
24 **Washington state and in Pennsylvania, and**

Page 27

1 **developed recommendations associated with**
2 **synergy sharing, service quality, financial**
3 **issues, and filed those in testimony in those**
4 **two jurisdictions.**
5 Q. Washington and Pennsylvania, those were
6 the only two states in which you have filed
7 testimony?
8 **A. Associated with the CenturyTel/Embarq,**
9 **yes.**
10 Q. And in completing your testimony and
11 analysis of the CenturyTel/Embarq case, was
12 there any work or background review that you did
13 differently in that case from what you have done
14 in this proceeding?
15 **A. Well, I didn't focus on the backdrop --**
16 **the same backdrop to the transaction. This**
17 **transaction involves Verizon and has a different**
18 **focus, so my research wasn't -- I mean, the**
19 **CenturyTel/Embarq were coming together as a**
20 **combination of two going concerns as opposed to**
21 **an asset divestiture. So the nature of my work**
22 **there was focused more on the issues of**
23 **evaluating how those two companies were planning**
24 **on coming together.**

Page 28

1 Q. Okay. Do you recall with respect to the
2 state of Washington and your testimony there
3 what your recommendation was with respect to
4 that transaction?
5 **A. I recommended a -- should the commission**
6 **approve the merger, that there should be a set**
7 **of conditions placed on the merger addressing**
8 **synergy sharing and service quality and**
9 **broadband deployment.**
10 Q. If you recall, was it your opinion in
11 that testimony that that transaction between
12 CenturyTel/Embarq involve a substantial degree
13 of risk?
14 **A. I know I certainly addressed risks and**
15 **discussed risks in the testimony that I filed,**
16 **yes.**
17 Q. With respect to your testimony between
18 Washington and Pennsylvania, was your
19 recommendation any different, that you recall,
20 in Pennsylvania than it was in Washington?
21 **A. There were differences that related to**
22 **the statutory criteria in the two states. And**
23 **in general, I would say that the areas that I**
24 **addressed were similar. There were -- there may**

Page 29

1 **have been differences in the specific**
2 **recommendations based on those differences in**
3 **statutory criteria, as well as in the relative**
4 **positions of the companies with regard to their**
5 **respective sizes and the states and their**
6 **relationship to the overall combined operations.**
7 Q. Is it fair to say -- and if it's not,
8 you know, please clarify -- that with respect to
9 your recommendations in both Washington and
10 Pennsylvania in the CenturyTel/Embarq
11 transaction, your initial recommendation to the
12 commission in those two states was to not
13 approve the transaction?
14 **A. Right, without the conditions -- absent**
15 **the conditions, the commission should not**
16 **approve.**
17 Q. And Mr. Roycroft, I don't want to split
18 hairs, so I want you to clarify this. Was your
19 recommendation that the commission not approve
20 the transaction, followed by an alternative
21 recommendation that if the commission proceeded
22 to approve the transaction, it should only do so
23 subject to the conditions you recommended?
24 **A. I would have to go back and look, but**

Page 30

1 **I -- my recollection is that I -- I don't know**
2 **that I made the recommendation that the merger**
3 **not go forward there.**
4 Q. Okay. Over in your Question 5 and
5 Response 5, you talk about some of the work that
6 you've done in reviewing the proposed
7 Verizon/Frontier transaction. And as I
8 understand it -- well, why don't you tell me in
9 your own words what you've done as far as
10 evaluating the Verizon/Frontier transaction.
11 **A. Well, I reviewed the application and the**
12 **testimony supporting that application. I**
13 **prepared discovery requests and served --**
14 **provided those to OCC to be served on the joint**
15 **applicants. I reviewed discovery responses that**
16 **had been served by other parties in the Ohio**
17 **case. As I'm working in Washington and West**
18 **Virginia, I have also reviewed the public**
19 **responses to discovery that was provided in that**
20 **jurisdiction -- in those jurisdictions. I**
21 **reviewed SEC filings that were made by joint**
22 **applicants. I reviewed the Federal**
23 **Communications Commission filing that was --**
24 **that were -- that was made by the joint**

Page 31

1 **applicants. And reviewed the Hart-Scott-Rodino**
2 **filing that was made by joint applicants.**
3 **So I reviewed a substantial amount of**
4 **documents and prepared questions based on what I**
5 **found in the primary documents that were**
6 **received, reviewed the answers to those**
7 **questions, and produced follow-up discovery**
8 **where I found it appropriate.**
9 Q. Okay. In the course of the review that
10 you just summarized, have you had any
11 conversations with any Verizon employees related
12 to the proposed transaction?
13 **A. In Washington state, they've had some,**
14 **quote, unquote, workshops that involve**
15 **presentations by Verizon employees. I asked**
16 **questions during at least one of those**
17 **workshops.**
18 Q. Okay.
19 **A. So I have interacted, yes.**
20 Q. Other than the situation you just
21 described where you were involved in a workshop
22 in Washington, have you had any other
23 conversations with Verizon employees regarding
24 any of the issues associated with the proposed

Page 32

1 transaction?
2 **A. No.**
3 Q. Similar question with respect to
4 Frontier. Have you had any conversations or
5 discussions, communications with any employees
6 of Frontier regarding the issues associated with
7 the proposed transaction?
8 **A. I believe that Frontier representatives**
9 **were at those workshops, as well, so it would be**
10 **the same answer.**
11 Q. Okay. So other than the workshops that
12 you referred to in Washington in which Frontier
13 employees were involved, have you had any other
14 conversations or communications with an employee
15 of Frontier regarding the issues in this
16 transaction?
17 **A. No. I mean, other than the written**
18 **discovery interactions, no.**
19 Q. Okay. In the course of preparing your
20 testimony that's been filed in Ohio, have you
21 had any conversations with any kind of
22 investment banking firms or, you know, Wall
23 Street analysts related to the issues in this
24 transaction?

Page 33

1 **A. I've spoken with a financial analyst,**
2 **Stephen Hill, who is working with the public**
3 **counsel section of the Washington Attorney**
4 **General's office and the consumer advocate**
5 **division of the West Virginia Public Service**
6 **Commission.**
7 Q. Okay. Other than Mr. Hill, have you had
8 any communications with Wall Street analysts or
9 other financial analysts regarding the issues in
10 this transaction?
11 **A. No.**
12 Q. Have you had any conversations or
13 communications with any bankers or potential
14 lenders, bond houses, with respect to any of the
15 financing or other issues related to the
16 proposed transaction?
17 **A. No.**
18 Q. Have you had any conversations or
19 communications with any individual or
20 organization that purports to be an information
21 technologies expert or consultant related to the
22 proposed transaction?
23 **A. No.**
24 Q. Have you had any conversations or

<p style="text-align: right;">Page 34</p> <p>1 communications with any individual or 2 organization that purports to have engineering, 3 specifically telecommunications engineering, 4 expertise with respect to the issues in the 5 proposed transaction? 6 A. I've spoken with commission staff 7 members in Washington state who are engineering. 8 Q. Okay. Can you tell me who you've spoken 9 with in Washington, the Washington staff 10 members? 11 A. I could not give you the names off the 12 top of my head, but I could produce those if 13 you'd like. 14 Q. Okay. And is it your recollection that 15 these are people on the Washington commission 16 staff versus staff on the -- I guess public 17 advocate -- 18 A. Right, they're Washington commission 19 staff. 20 Q. Okay. With respect to this transaction 21 and the issues in this transaction, have you had 22 any communications with any persons that are 23 working on a regulatory commission staff in any 24 other state beyond Washington that you just</p>	<p style="text-align: right;">Page 36</p> <p>1 review or consulting for related to this 2 transaction? 3 A. That is correct. 4 Q. Have you had any communications or 5 consultations with representatives of either the 6 CWA, the IVEW, or any other labor union 7 organization regarding the issues in this 8 transaction? 9 A. No. 10 Q. On Question 7, you summarize your 11 conclusions. And, Mr. Roycroft, I just want to 12 understand, what is your recommendation to the 13 Ohio Public Utilities Commission? 14 A. My recommendation is that the commission 15 should deny this merger as it's being proposed. 16 If certain modifications to the merger agreement 17 can be made and certain commission -- conditions 18 can be imposed on the merger, that it can go 19 forward. 20 Q. And so as I understand your 21 recommendation, it's an alternative? If, in 22 fact, the commission adopts the various 23 conditions that you've identified, that would 24 alleviate or address some of the risks that</p>
<p style="text-align: right;">Page 35</p> <p>1 identified? 2 A. No. 3 Q. I will ask you some questions later in 4 the deposition about the FairPoint transaction 5 and your comparison to that, but along the same 6 lines, have you had any conversations or 7 communications with any of the regulatory 8 authorities up in Vermont, in New Hampshire, 9 Maine, with respect to the FairPoint 10 transaction? 11 A. No. 12 Q. Similarly, you haven't had any 13 conversations or communications with anyone in a 14 regulatory authority capacity up in those three 15 New England states with respect to the 16 Frontier/Verizon transaction? 17 A. No, I haven't. 18 Q. You've indicated in your testimony that 19 you're also working with a public counsel 20 section of the Attorney General's office in 21 Washington and the consumer advocate division in 22 West Virginia, and then you're also working with 23 the Ohio Consumer Counsel. Those are the only 24 three entities that you've done any type of</p>	<p style="text-align: right;">Page 37</p> <p>1 you've identified? 2 A. I believe the conditions would reduce 3 risk, yes. 4 Q. I'm going to start going through some of 5 your specific testimony. Over on Question 9, 6 Answer 9, there's actually a footnote. On mine, 7 it's numbered Footnote Number 8, that talks 8 about Verizon fiber to the home. Do you see 9 that? 10 A. Yes. 11 Q. Okay. And you specifically identify 12 there your understanding that with respect to 13 the areas that Frontier is proposing to acquire 14 from Verizon, there are four states in which 15 fiber to the home, or what Verizon calls FiOS 16 service, is currently available. Do you see 17 that? 18 A. Yes. 19 Q. And is it your understanding that 20 Verizon currently does not offer or make 21 available their fiber to the home or FiOS 22 service in the state of Ohio? 23 A. I've seen discovery responses that 24 indicate that, yes.</p>

<p style="text-align: right;">Page 38</p> <p>1 Q. That indicate that they do not offer 2 that? 3 A. That they do not offer it. 4 Q. Have you seen any information that would 5 suggest that Verizon has plans to deploy FiOS 6 service in Ohio? 7 A. No. 8 Q. The next question I want to focus on is 9 Question 10 and your answer to 10. As I 10 understand it in this Question 10, your 11 response, you're identifying some of the 12 problems that are merged with the FairPoint and 13 Hawaiian Telcom transactions that involved 14 Verizon; is that correct? 15 A. Yes. 16 Q. And the conclusion you seem to be 17 reaching is that there have been, you know, a 18 number of problems related to those two prior 19 Verizon transactions; is that correct? 20 A. That's correct. 21 Q. Have you undertaken any type of review 22 of the transactions that Frontier or Citizens 23 Communications Company has engaged in in the 24 last 10 years?</p>	<p style="text-align: right;">Page 40</p> <p>1 the time of the cutover of systems in 2008 from 2 the Rochester legacy systems to the Frontier 3 unified systems. So as a general proposition, I 4 would say that the transaction has been 5 successful. 6 Q. Okay. As part of the review that you've 7 conducted, did you also look at the more recent 8 transaction that Frontier had with Commonwealth 9 Telephone in the 2006-2007 time frame? 10 A. Yes, within the same context. 11 Q. Okay. Have you formed an opinion about 12 the success of that particular transaction? 13 A. Once again, it has not evidenced the 14 problems that were associated with the FairPoint 15 or Hawaiian. It's a slightly different backdrop 16 there due to Pennsylvania statutes with regard 17 to the broadband deployment incentives that are 18 in that state. So we're starting with a 19 different broadband baseline than, for example, 20 the Verizon case. But in general, I haven't 21 seen evidence of serious problems with the 22 Commonwealth transaction. 23 Q. Have you undertaken any review or 24 analysis with respect to Citizen/Frontier</p>
<p style="text-align: right;">Page 39</p> <p>1 A. I believe that I reviewed discovery 2 responses associated with the Rochester 3 transaction, and certainly the company provided 4 some information regarding those transactions in 5 its testimony. Beyond that, the type of 6 information that I would have reviewed would 7 have been ongoing information as part of my 8 review of what's happening in the industry over 9 time. 10 Q. Is it your understanding that the 11 transaction in which Citizens Communications 12 Company acquired Rochester Telephone and the 13 Frontier ILECs took place in 2001? 14 A. I believe that's the date I recall. 15 Q. And based upon your review of the 16 information that's been provided, do you have an 17 opinion on whether or not the Frontier 18 transaction with Citizens has been successful? 19 A. It certainly hasn't resulted in the 20 types of outcomes that were experienced with 21 FairPoint or Hawaiian Telcom. I can't say that 22 it was -- things have been perfect. There 23 appears to have been some difficulties 24 associated with service quality occurring around</p>	<p style="text-align: right;">Page 41</p> <p>1 acquisition of what are formerly the GTE 2 properties in the states of Minnesota, Illinois, 3 Nebraska, and other states, in the 2000 time 4 frame? 5 A. The same type of general review that is 6 associated with the previous two answers. 7 Q. Have you formed an opinion with respect 8 to whether or not those transactions were 9 successful? 10 A. Once again, they have not -- my review 11 has not indicated the type of severe problems 12 that FairPoint or Hawaiian Telcom experienced, 13 so it appears that those transactions were 14 certainly much more successful than those other 15 two. 16 Q. With respect to broadband issues which 17 you alluded to in one of your prior responses, I 18 think specifically we were focusing on 19 Commonwealth Telephone and what the statutory 20 situation was in Pennsylvania at the time that 21 Frontier acquired that property in 2007. What 22 was -- what is your understanding of the level 23 of broadband deployment that was in place with 24 respect to the GTE properties that Frontier</p>

Page 42

1 acquired, or Citizens/Frontier, acquired from
2 GTE in the 2000 time frame?
3 **A. I believe that the broadband deployment**
4 **was at a relatively low level, probably closer**
5 **to being on par with a 60 percent as opposed to**
6 **a 90 percent. Some of those properties continue**
7 **to have relatively low broadband deployment.**
8 Q. Let me back up so I'm correct in what
9 your understanding is.
10 When Citizens acquired the GTE
11 properties in the 2000 time frame, specifically
12 in Illinois, Minnesota, Nebraska, is it your
13 understanding that the DSL deployment levels on
14 those properties was somewhere around 60
15 percent?
16 **A. No. I don't have the exact number, but**
17 **using the 60 percent as a point of reference as**
18 **opposed to 90 percent. They would be**
19 **considerably below the 90-percent level.**
20 Q. Based on your experience and the
21 consulting work that you do, generally when were
22 telecommunication companies beginning to deploy
23 DSL technology?
24 **A. Well, DSL has a long history, but as far**

Page 43

1 **as the deployment, the commercialization of the**
2 **Internet led to great impetus for them to begin**
3 **deploying DSL in earnest, so the mid 1990s were**
4 **when the investments started to ramp up as a**
5 **general proposition in the ILEC industry.**
6 Q. So when you state mid 1990s, are you
7 familiar with whether or not GTE had deployed
8 any DSL technology in Minnesota, Illinois,
9 Nebraska, prior to the Telecommunications Act
10 going into effect in February of 1996?
11 **A. I don't know what those deployment**
12 **levels were.**
13 Q. What is your understanding of the
14 current broadband deployment levels that
15 Frontier has currently established throughout
16 its territories?
17 **A. I've seen data provided by Frontier that**
18 **indicate on an overall company basis, that it's**
19 **approximately 90 percent DSL availability.**
20 **There's some variations on a state basis. For**
21 **example, Alabama, I believe, has a much lower**
22 **level than that. I think the number's**
23 **confidential, so I won't say it.**
24 Q. But, again, on average, it's 90 percent?

Page 44

1 **A. That's right.**
2 Q. You know, obviously with an average,
3 some places are higher, some places are lower?
4 **A. Right. From a policy perspective, I'd**
5 **rather not see an entire state with a low**
6 **average.**
7 Q. With respect to Frontier's operations in
8 Ohio, what is your understanding with respect to
9 Frontier's existing ILEC operations in Ohio?
10 **A. My understanding is that they have a**
11 **single exchange, Cooney exchange. I may be**
12 **pronouncing it incorrectly. But it's**
13 **essentially served part of Frontier's Michigan**
14 **infrastructure.**
15 Q. So you mean, in effect, it's a
16 cross-border exchange that's served by a switch
17 out of Michigan?
18 **A. That's right.**
19 Q. It's a border exchange, okay.
20 And the number of customers served in
21 that one exchange is very small?
22 **A. Right.**
23 Q. Less than -- less than a thousand?
24 **A. I believe so.**

Page 45

1 Q. On your Question 10 and Answer 10, you
2 talk about the FairPoint and Hawaiian Telcom
3 customers that have experienced extensive
4 problems with poor service quality following the
5 handover of Verizon assets. Do you see where
6 I'm at there, Answer 10? Very first sentence.
7 **A. Yes.**
8 Q. What is your basis for saying that
9 customers have experienced poor service quality
10 as a result of those two transactions?
11 **A. I reviewed state commission orders,**
12 **reviewed commission staff records, reviewed**
13 **press reports that all point to serious problems**
14 **with customer service and billing, network**
15 **outages, including 911 network outages, extended**
16 **time in re-establishing service, delays**
17 **associated with being able to reach call**
18 **centers.**
19 Q. In that same response, there's an
20 indented paragraph there that starts, FairPoint
21 encountered operational problems with the new
22 systems. Your next line after that -- I'll just
23 read the sentence -- says, however, it is also
24 important to note that the problems that

<p style="text-align: right;">Page 46</p> <p>1 FairPoint has encountered extend beyond those 2 associated with FairPoint's cutover of systems. 3 Do you see that? 4 A. Yes. 5 Q. Is it your understanding that FairPoint, 6 as part of the transaction with Frontier -- with 7 Verizon, was required to develop new operational 8 support systems that would be utilized to serve 9 the customers in New England? 10 A. I believe that FairPoint decided to do 11 that. When you say was required, I'm not quite 12 sure. 13 Q. Okay. Is it your understanding that 14 that was part of the transaction between Verizon 15 and FairPoint as it was structured? 16 A. Yes. 17 Q. And is it your understanding that, in 18 fact, FairPoint did go out and develop new 19 operational support systems to serve the retail 20 and wholesale customers in New England states? 21 A. Yes. 22 Q. Is it your understanding that at the 23 time the transaction closed between Verizon and 24 FairPoint, there was an arrangement pursuant to</p>	<p style="text-align: right;">Page 48</p> <p>1 network outage that occurred while Verizon was 2 still administering the systems in the state of 3 Vermont. So, I mean, problems occurred -- my 4 understanding is that there were problems prior 5 to the cutover, as well as after the cutover. 6 Q. With respect to the cutover, do you have 7 an opinion regarding the magnitude of the 8 customer service-related problems? And was it 9 greater before the cutover or after the cutover? 10 A. I think the intensity increased after 11 the cutover. 12 Q. Do you have any sense as far as the 13 magnitude of the increase after the cutover? 14 A. No. 15 Q. Have you undertaken any specific review 16 of customer service quality data associated with 17 the FairPoint transaction in that window between 18 the closing of the transaction between Verizon 19 and FairPoint and the cutover beyond the network 20 outage information that you just discussed? 21 A. No, I don't believe I have. 22 Q. And so you haven't done any type of 23 review comparing the number of customer 24 complaints during that nine-month window --</p>
<p style="text-align: right;">Page 47</p> <p>1 which FairPoint initially served the customers 2 in New England, using a continuation of the 3 Verizon operational support systems? 4 A. That's right. They had a payment 5 arrangement with Verizon. 6 Q. Do you have any understanding with 7 respect to how long that arrangement and use of 8 the Verizon operational support systems was in 9 place? 10 A. I -- I've seen the length of time. I 11 don't recall. Somewhere around nine to twelve 12 months is coming to mind. 13 Q. Okay. 14 A. I don't know the exact date. 15 Q. What is your understanding with respect 16 to the customer service issues that were 17 encountered by consumers in the New England 18 states during that nine- to twelve-month window 19 that FairPoint served those customers in New 20 England using the Verizon operational support 21 systems? 22 A. I believe that there were problems with 23 service quality during that period, as well as 24 problems with network outages. There was a 911</p>	<p style="text-align: right;">Page 49</p> <p>1 nine- to twelve-month window versus the number 2 of customer complaints after the cutover? 3 A. No. 4 Q. Is it your opinion that the same set of 5 problems associated with the FairPoint 6 transaction are likely to occur in the proposed 7 Frontier/Verizon transaction? 8 A. I think that there is a probability that 9 they could occur. Those are similar types of 10 problems, generally being associated with the 11 quality of customer service and the performance 12 of the network facilities. 13 Q. Specifically with respect to the 14 operational support systems and the problems 15 that FairPoint encountered when it cut over to 16 the newly developed systems that it put in 17 place, is it your opinion that those same types 18 of cutover problems associated with 19 transitioning to a new set of systems will occur 20 on the Frontier/Verizon transaction? 21 A. I believe that similar problems could 22 occur, yes. 23 Q. And what is your understanding with 24 respect to Frontier developing new operational</p>

Page 50

1 support systems to serve customers in Ohio?
2 **A. My understanding is that Frontier has an**
3 **existing set of operational support systems,**
4 **which I believe the company calls its DPI**
5 **systems, which will be separately operated from**
6 **the replicated systems that it will take over**
7 **from Verizon as part of the realignment plan.**
8 **And then at some point in the future, Frontier**
9 **will cut over those systems in order to unify**
10 **its operating platform with regard to customer**
11 **service.**
12 Q. You indicated that Frontier will cut
13 over to its existing operational support system
14 platform. What is your basis for saying that
15 Frontier will cut over to those systems?
16 **A. Frontier has made statements in a**
17 **variety of venues indicating that that is its**
18 **plan, to integrate its systems so that it can**
19 **capture operational synergies. I was just**
20 **looking at the September 8th S4 this morning,**
21 **and there is a plain statement saying that we**
22 **intend to integrate the Frontier and Verizon**
23 **systems within a two-and-a-half to three-year**
24 **period.**

Page 51

1 Q. And the statement that you're referring
2 to in the S4, does it specifically identify
3 moving from the Verizon operational support
4 systems over to the Frontier operational support
5 systems, or does it talk about integrating the
6 operations?
7 **A. It talks about operating -- integrating**
8 **operational support functions, is my**
9 **recollection.**
10 Q. Okay. Did it specifically say that
11 Frontier was going to be moving over to the
12 Verizon systems?
13 **A. Frontier would move to the Verizon**
14 **systems?**
15 Q. Excuse me, that Frontier would move from
16 the Verizon systems to its systems.
17 **A. No, it didn't specifically. It**
18 **discussed integration of those systems.**
19 Q. What is your understanding with respect
20 to Frontier's use of the Verizon replicated
21 systems at the closing of this transaction?
22 **A. Based on documents that I've reviewed,**
23 **sometime around 60 days prior to the closing of**
24 **the merger, there will be a cutover within**

Page 52

1 **Verizon from its existing systems to the**
2 **replicated systems. And during that 60-day**
3 **period, presumably Verizon will have the**
4 **opportunity to test those replicated systems**
5 **prior to their handoff to Frontier.**
6 **Based on documents that I've reviewed,**
7 **those replicated systems provide the entire**
8 **top-to-bottom control of the Spinco properties,**
9 **customer support, as well as human relations and**
10 **information technology. In other words, the**
11 **properties that come over are going to be**
12 **controlled by the replicated systems that**
13 **Verizon is creating.**
14 Q. So let me go back and parse through your
15 response. Is it your understanding that as part
16 of this transaction, Verizon will be putting in
17 place for Frontier all of the hardware and
18 equipment that will be necessary to utilize the
19 operational support systems that are currently
20 being used to serve the Verizon companies -- or
21 the Verizon customers in Ohio?
22 **A. With the caveat that the agreement and**
23 **plan of merger specifies that some hardware may**
24 **remain with Verizon that can then be accessed on**

Page 53

1 **a firewall basis by Frontier.**
2 Q. Okay. So would you agree that what the
3 parties, Verizon or Frontier, have explained, is
4 all of the hardware and equipment that will be
5 necessary to operate the systems used to support
6 customers in Ohio will be in place prior to the
7 closing of the transaction?
8 **A. That's my understanding, yes.**
9 Q. Is it also your understanding that the
10 plan is that all of that hardware and equipment
11 will, in fact, be in place at least 60 days
12 prior to the closing of the transaction?
13 **A. That's what I said, yes.**
14 Q. And is it also your understanding that,
15 in fact, the equipment and hardware that will be
16 necessary to operate the operational support
17 systems may, in fact, be in place much earlier
18 than the 60-day time frame?
19 **A. Did you say all of the hardware?**
20 Q. The hardware and equipment used to
21 support the systems.
22 **A. I don't know. To me, it's conceivable**
23 **that portions of it may come up prior to that,**
24 **that Verizon may be bringing the systems up on a**

Page 54

1 **piece-by-piece basis prior to the 60-day**
2 **presumably unified operations of the replicated**
3 **systems.**
4 Q. Okay. So do you have any understanding
5 specifically of what time frame the hardware and
6 equipment will be in place to ultimately operate
7 the Verizon operational support systems?
8 **A. The specific dates associated with --**
9 Q. Yes.
10 **A. No. I've tried to get that type of**
11 **information and have not been able to get any**
12 **sort of time line or specific details. The**
13 **realignment plan -- the most recent one that's**
14 **been provided to me has a very high-level**
15 **sketching out of what is going to be happening**
16 **as part of the realignment. Doesn't provide**
17 **specific time lines with regard to what's being**
18 **cut over at what point.**
19 Q. You indicated earlier in your testimony
20 this morning that you had participated in some
21 of the workshops before the Washington Public
22 Utilities Commission that were hosted by the
23 staff.
24 **A. (Witness nods head.)**

Page 55

1 Q. Did you participate in the presentation
2 or discussion involving the, I guess, system
3 overlook issues that was put on by Steve Smith
4 on behalf of Verizon?
5 **A. At that -- Steve Smith did present. I'm**
6 **not quite sure -- when you say "the," I'm not**
7 **sure if we're talking about the same**
8 **presentation. There was a finance presentation**
9 **and there was an operational presentation that**
10 **Steve Smith gave.**
11 Q. Okay. Do you recall that Mr. Smith
12 specifically indicated that the equipment and
13 hardware would be in place by the January time
14 frame of 2010?
15 **A. I -- I do recall that there was**
16 **discussions with association -- you know, with**
17 **hardware coming into place prior to April 30th.**
18 **I, at this point, don't remember the exact date.**
19 Q. With respect to the operational support
20 systems that are going to be replicated for
21 Frontier, I think in your prior response, you
22 indicated that after the systems were
23 replicated, Verizon would have an opportunity to
24 test those systems. And you may have misspoke

Page 56

1 or I may have misheard you, but did you intend
2 to say that Frontier will have an opportunity to
3 test those systems after Verizon has completed
4 the replication?
5 **A. Right. My statement with regard to**
6 **Verizon testing was more in line of presumably**
7 **Verizon's going to check to see if what it's**
8 **done is working, and then under the agreement**
9 **and plan of the merger, Frontier has the right**
10 **to come in and establish its satisfaction with**
11 **those systems.**
12 Q. But is it your understanding that
13 Verizon will actually be doing testing and
14 running scripts and other work as part of the
15 replication process to make sure that
16 ultimately, the replication is done accurately
17 and completely?
18 **A. Yes, I believe that's a reasonable**
19 **statement.**
20 Q. Okay. What is your understanding as far
21 as the time frame that Verizon will have those
22 replicated systems fully up and running and
23 operational? Do you know -- do you have a date
24 that's been identified for you?

Page 57

1 **A. Other than the April 30th date, where**
2 **the 60-day window is triggered as described in**
3 **the agreement and plan and merger, I don't have**
4 **a specific date, no.**
5 Q. So you don't have any understanding with
6 respect to Verizon's intention to have the
7 replication completed by March 31st of 2010?
8 **A. I may have seen that date in some**
9 **document, but I --**
10 Q. Is it your understanding that when
11 Verizon has completed the replication, that
12 those replicated systems will be operating on a
13 stand-alone basis and actually serving the
14 retail and wholesale customers in the Verizon
15 13-state territory that's part of this
16 transaction?
17 **A. That's what I've -- that's what I**
18 **understand, yes.**
19 Q. So is it your understanding that once
20 that replication is completed, in fact, if a
21 customer of Verizon in Ohio needs to place an
22 order for an additional service, an order will
23 actually be processed and provisioned using the
24 replicated system?

Page 58

1 **A. In theory, yes.**
2 Q. Why the qualification, in theory?
3 **A. Well, I don't know how those replicated**
4 **systems are going to function, and at that time,**
5 **when this is -- when this process is ongoing,**
6 **presumably Verizon still has its legacy systems**
7 **in place and may have the need and retain the**
8 **ability to revert to previous systems if the**
9 **replicated systems aren't functioning properly.**
10 Q. Do you have any information or details
11 that would suggest that Verizon intends to run
12 parallel systems after it's completed the
13 replication, so, in effect, as you just
14 described in your last answer, it would have the
15 ability to take a customer order -- a live
16 customer order from a consumer in Ohio and plug
17 that information into two separate systems?
18 **A. No, but I've not seen any indication**
19 **that Verizon intends to disable its previous**
20 **systems.**
21 Q. Based on your knowledge and experience
22 of operational support systems and handling
23 customer service issues, are you familiar with
24 any situations in which a company has, in fact,

Page 59

1 taken a customer order, put it in one system,
2 and at the same time, put it in a second system?
3 **A. I don't think that that type of**
4 **occurrence is that unusual with regard to the**
5 **way that information systems are organized.**
6 **When I worked at Ohio University, we did a**
7 **cutover from a legacy set of information systems**
8 **that covered student management to ones that**
9 **were provided by SAP, and there was a dual -- an**
10 **overlapping operation when both systems were**
11 **functioning. I can't imagine it being that**
12 **unusual set of circumstances to have dual**
13 **systems operate.**
14 Q. Are you familiar with any specific
15 examples in which that's occurred in the
16 telecommunications industry?
17 **A. No.**
18 Q. Again, going back to my original line of
19 questioning, is it your understanding that when
20 the replicated -- Verizon has completed the
21 replication of its operational support systems,
22 that those systems will be on a -- operating on
23 a stand-alone basis and will actually be
24 utilized to generate customer bills for a

Page 60

1 minimum of the 60-day window that Frontier will
2 have to validate the systems?
3 **A. Yes.**
4 Q. And would you agree that if we're
5 looking at a 60-day window, there should be, at
6 a minimum, two billing cycles?
7 **A. Sounds reasonable, yes.**
8 Q. And, in fact, you could potentially have
9 more than two billing cycles if the validation
10 period extends beyond 60 days?
11 **A. Right. I'm not familiar with how**
12 **Verizon does its billing cycles. Other ILECs**
13 **that I've reviewed have a rolling cycle which**
14 **could lead, within a 60-day period, to three, or**
15 **one, for some customers. But as a general**
16 **proposition, you would presume two would**
17 **probably fit within that window.**
18 Q. Is it your opinion that if customers
19 called in and tried to place an order on the
20 replicated system and the order that they had
21 requested couldn't be provisioned, that that
22 would come to the consumers' -- or the Verizon
23 company representative's attention in a matter
24 of days after that order was initially placed on

Page 61

1 the replicated system?
2 **A. Right. And I don't -- I don't want to**
3 **convey the impression that I'm only concerned**
4 **about risks to consumers after the handoff to**
5 **Frontier. There are certainly risks associated**
6 **with the operations of the replicated system**
7 **when it's under Verizon's control.**
8 Q. Okay. And explain that to me. I mean,
9 what are the risks that you're concerned about
10 that consumers may experience during the window
11 after Verizon creates the replicated systems up
12 until the handover to Frontier?
13 **A. Well, as you just described, there could**
14 **be a billing problem if the replicated systems**
15 **were not performing in the billing area. There**
16 **could be issues associated with 911, as part of**
17 **the replication process creates a separate**
18 **instance of the 911 facilities and support**
19 **operations for 911. With regard to CLEC**
20 **operations, CLEC ordering and provisioning are**
21 **going to be cut over, as well, when Verizon is**
22 **in control. So any of the problems that could**
23 **be associated with a cutover in general could**
24 **occur when those systems are cut over under**

<p style="text-align: right;">Page 62</p> <p>1 Verizon's control. 2 Q. So those issues or problems that you 3 just described that could potentially occur 4 during the window between when Verizon completes 5 the replicated -- replication of its operational 6 support systems and it's handed over to 7 Frontier, all of those same types of issues and 8 problems could develop if Verizon just 9 unilaterally, as part of its business strategy, 10 decided it was going to change operational 11 support systems that it utilizes in the state of 12 Ohio today; could it not? 13 A. It could. It appears that Verizon has 14 chosen to avoid that issue both in Ohio and in 15 the other Spinco states by continuing to use the 16 legacy GTE systems. 17 Q. In fact, if Verizon made the business 18 decision it was going to move over and use the 19 Bell Atlantic operational support systems, for 20 example, in the former GTE states, the risks 21 that you just identified with respect to issues 22 that may come up between the replication of the 23 operational support systems and the handover to 24 Frontier, those would be all as likely to occur</p>	<p style="text-align: right;">Page 64</p> <p>1 creating, to the best of its ability, a 2 duplicate of what it already has. And 3 therefore, the performance that it would expect 4 from that duplicate would not exceed what it 5 already has. If a business went around 6 recreating duplicates with no potential upside, 7 it would be wasting its money. 8 So my basis is that businesses generally 9 make changes in systems when they see a 10 potential for profit improvement. And, for 11 example, when Frontier decided to cut 12 Rochester's legacy systems over to its DPI, it 13 did so because it thought it was going to get 14 benefits and cost savings. It didn't create a 15 replica of Rochester's systems and cut over to 16 that replica of Rochester's systems, because 17 that would have made no sense. 18 Q. With respect to the particular example 19 that I was giving you, though, specifically if 20 Verizon made the decision to cut over to the 21 Bell Atlantic systems, I mean, in effect, to 22 support the Ohio operations, in effect, wouldn't 23 Verizon be replicating the Bell Atlantic system 24 and then utilizing it to support the Ohio</p>
<p style="text-align: right;">Page 63</p> <p>1 as they are in our transaction? 2 A. Similar risks could occur. I mean, the 3 repli -- I mean, most companies don't set -- 4 when they change systems, they don't set out to, 5 we're just going to create a clone of our 6 existing systems and then cut over to our clone. 7 They have some new vendor or some new internally 8 generated set of systems that they want to rely 9 on because they think they're going to be better 10 than the old systems. So it's a similar set of 11 transitional issues. 12 Q. What is your basis for that position? 13 A. What specifically? 14 Q. Your -- as I understand your testimony, 15 what you're suggesting is that companies, you 16 know, like Verizon, or any company, wouldn't 17 just create a replicated system, and then move 18 over to that system, because they would have all 19 these risks and concerns that they would be 20 seeking to avoid. I guess I'm asking, you know, 21 what is your basis for suggesting that? 22 A. Well, I'm assuming that when -- my 23 assumption associated with saying a replicated 24 system is that we -- the company would be</p>	<p style="text-align: right;">Page 65</p> <p>1 operations? 2 A. It would be expanding the systems. To 3 the extent that those systems were scalable, it 4 would need to scale them to accept the 5 operations associated with the legacy GTE areas. 6 I don't see it as being a replication. 7 Q. What is your, I guess, definition or 8 understanding of what a replication is? 9 Because, you know, we've been using that word, 10 and I guess maybe we're not on the same page 11 here. 12 A. I'm using the word in the context of the 13 way the word is presented within the agreement 14 and plan of the merger with regard to this 15 creation of a separate instance of the operating 16 systems that currently support the Spinco 17 service areas. So that replication is involving 18 the placement of hardware and the recreation of 19 software and the transference of customer 20 records onto a system that performs at least as 21 well, in theory, as the existing systems. 22 Q. So is it your understanding that 23 Verizon, in effect, will be creating a mirror 24 image of the systems that are currently utilized</p>

Page 66

1 to support the customers in Ohio?
2 **A. I've seen them use the word clone within**
3 **the documents that I've reviewed.**
4 Q. Okay. So clone -- your definition of
5 clone would be, you know, similar or identical
6 to in all material regards?
7 **A. That's what I would interpret clone to**
8 **mean, yes.**
9 Q. And is it your understanding that as
10 part of that process, Verizon will develop that
11 clone image, and then, in effect, filter out the
12 customer service records and data that are not
13 associated with the 13-state Verizon territory
14 that's being transferred to Frontier?
15 **A. I have seen conflicting statements about**
16 **what will happen with regard to customer**
17 **records. I've been told in discovery in the**
18 **state of Washington that the customer records**
19 **are loaded after the replication process. I've**
20 **seen the deposition testimony here in the state**
21 **of Ohio indicating that the replication process**
22 **takes with it all of the customer records, and**
23 **then there's the process of deletion that must**
24 **occur.**

Page 67

1 Q. So regardless of those two scenarios,
2 the end result is you'll have a system that is
3 replicated that has just the customer service
4 records for the 13 Verizon states that are being
5 transferred to Frontier?
6 **A. That's my understanding of the plan,**
7 **yes.**
8 Q. Turning over to your question --
9 Question 14, the very last two sentences in your
10 response to Question 14, it says -- it talks
11 about some of the risks, talks about the
12 statement Mr. Seidenberg quoted, and then you
13 conclude, this is highly troubling because
14 Frontier will depend upon Verizon following the
15 close of the transaction, but Verizon will face
16 no consequences if things go wrong. Do you see
17 where I'm at there?
18 **A. Yes.**
19 Q. When you say Verizon will face no
20 consequences if things go wrong, would you agree
21 that if there are problems associated with the
22 proposed transaction with Frontier, that, you
23 know, there are system or other issues that rise
24 up as a result of that transaction, that would

Page 68

1 make it more difficult for Verizon to pursue
2 future access line divestitures on a
3 going-forward basis?
4 **A. It could, if Verizon has that intention.**
5 **My review of recent statements by Verizon's CEO**
6 **indicate that he doesn't anticipate that sort of**
7 **activity in the future.**
8 Q. Would you agree that the problems that
9 were experienced in the FairPoint transaction
10 have made it more difficult for Verizon and
11 Frontier to complete this transaction?
12 **A. It certainly is possible, yes.**
13 Q. Would you also agree that if Verizon
14 failed to fulfill the conditions and
15 requirements that are included in the merger and
16 agreement and related agreements, there could
17 potentially be legal litigation-type
18 consequences of failing to comply with those
19 warranties and representations and the other
20 terms of those agreements?
21 **A. Yes, there could be litigation.**
22 Q. Would you also agree that if this
23 transaction goes forward and Verizon's
24 shareholders ultimately become shareholders of

Page 69

1 Frontier, if problems subsequently develop,
2 those Verizon shareholders that are now Frontier
3 shareholders would be dissatisfied?
4 **A. They could be very well dissatisfied**
5 **with their Frontier shares, yes. I'm not quite**
6 **sure if I follow the Verizon share.**
7 Q. You understand that as part of this
8 transaction --
9 (Interruption in conference call.)
10 MR. SAVILLE: You still there, John?
11 John Jones?
12 MR. JONES: I'm hitting star 1.
13 MR. SAVILLE: Thank you.
14 Q. Mr. Roycroft, you understand that as
15 part of this transaction, Verizon's shareholders
16 will be receiving shares of Frontier stock?
17 **A. That is correct.**
18 Q. And you don't have any opinion
19 whatsoever with respect to those Verizon
20 shareholders and whether or not they would be
21 dissatisfied if this proposed transaction went
22 away and there were problems that resulted as a
23 result of the transaction?
24 **A. I can imagine them being upset, but I**

Page 70

1 **don't see how that creates a direct negative**
2 **consequence for Verizon. It may well be that**
3 **the remaining shares that they hold of Verizon**
4 **are performing in a way that is not**
5 **unsatisfactory to them.**
6 MR. SAVILLE: I think we're probably at
7 a good point to take a break, five, 10 minutes
8 and come back.
9 THE WITNESS: Sure.
10 (Recess taken.)
11 BY MR. SAVILLE:
12 Q. I'm going to shift gears, Mr. Roycroft.
13 Over on Question 20, you're quoting a statement
14 in your response to Question 20 by Verizon's CEO
15 about wireline voice no longer being a
16 sustainable business model. Do you agree with
17 that statement, that wireline voice service is
18 no longer a sustainable business model?
19 **A. I don't have enough information at this**
20 **point to have a conclusion. I think it's going**
21 **to certainly -- if recent experiences continue,**
22 **it's going to face increasing challenges. But**
23 **I -- I don't have an opinion at this point as to**
24 **whether or not it is, in fact, sustainable.**

Page 71

1 Q. You understand that Frontier has made a
2 different, I guess, strategic business decision,
3 in fact, that it intends to continue in the
4 wireline business and, you know, try to expand
5 that business; is that correct?
6 **A. Yes.**
7 Q. Do you disagree with that fundamental
8 business strategy?
9 **A. No, I don't. I think it's -- has**
10 **certain elements of risk associated with it as**
11 **opposed to the integrated voice video broadband**
12 **approach that is being pursued by Verizon**
13 **through a different path, AT&T.**
14 Q. On Question 24, your response there,
15 you've identified as one of the concerns is the
16 size of the transaction between Frontier and
17 Verizon; is that correct?
18 **A. Yes.**
19 Q. And as I understand it, your concern is
20 that, you know, because this is such a large
21 transaction, larger than the prior transactions
22 Frontier was involved in, it creates additional
23 substantial risks.
24 **A. Yes.**

Page 72

1 Q. Okay. Wouldn't you agree with me that
2 the summary of the transactions involving
3 Frontier in the 750,000 lines that it acquired
4 from Verizon between 1993 and 2000, that at that
5 time, that transaction involving those 750,000
6 lines was larger than any access line
7 transaction that Frontier had previously, to
8 that point, engaged in?
9 **A. I believe that's true, yes.**
10 Q. Similarly, the next transaction that you
11 reference there was the acquisition of Frontier
12 by Citizens from Global Crossing, and that
13 transaction involved 1.1 million lines. Is that
14 correct?
15 **A. Yes.**
16 Q. And, in fact, that transaction was
17 larger than any prior transaction that Frontier
18 had previously undertaken up to that point in
19 time.
20 **A. That's correct.**
21 Q. You also indicate in the boxes there
22 that begin and end highly confidential, that
23 Frontier's management has recognized that the
24 size and complexity of this transaction involved

Page 73

1 will require it to undertake new, I guess,
2 actions and efforts. Is that --
3 **A. That's correct.**
4 Q. In your mind, is it problematic that
5 Frontier's management has, in fact, identified
6 that this transaction may involve some unique
7 factors and issues that require it to take a
8 different approach?
9 **A. This may involve the divulgence of**
10 **confidential information, but I tried to find**
11 **out what Frontier's management was thinking with**
12 **regard to the new approaches that were required**
13 **for this transaction and was told that they had**
14 **not developed any.**
15 Q. But my question is: Do you view it as a
16 concern or a problem that Frontier's, in fact,
17 recognized that there may be some unique issues
18 or situations that it has to deal with in
19 completing this transaction?
20 **A. No.**
21 Q. Over on your response to Question 25,
22 Answer 25, you quote extensively and reference
23 Footnote 50 from Frontier's S4; is that correct?
24 **A. Yes.**

<p style="text-align: right;">Page 74</p> <p>1 Q. And was that quote taken from the risk 2 factors section included in the S4? 3 A. I believe it was, yes. 4 Q. And what's your understanding of what 5 the intent of the risk factors are in a filing 6 that's made with the Securities and Exchange 7 Commission? 8 A. To inform investors and potential 9 investors what the management of the company 10 perceives as the risks associated with the 11 transaction. 12 Q. And when you say perceives as the risks, 13 the identification of these risks does not in 14 any way suggest the management of the company 15 necessarily anticipates or plans for those risks 16 to come to fruition, does it? 17 A. I think that it doesn't mean that the 18 management thinks that problems associated with 19 the risks are going to develop, but rather is 20 reflective of a statement of risks within the 21 context of the SEC filing. 22 Q. In fact, is it your understanding that 23 in any SEC filing today, there's a requirement 24 that companies specifically identify the risk</p>	<p style="text-align: right;">Page 76</p> <p>1 Q. And so the change of personnel that 2 you're referring to, it's not going to be a 3 turnover of the employees that are -- of all the 4 employees that are operating these systems; is 5 that correct? 6 A. Right. What Mr. McCallion indicated is 7 that certain employees would not be operating 8 exactly the same systems that they were 9 operating today. There would be a change for 10 some employees. 11 Q. And you agree just in the course of 12 running its business operations today, Verizon 13 may change the scope of responsibilities that an 14 employee has in terms of the IT functions that 15 they perform? 16 A. Yes. 17 Q. So in other words, the work that 18 somebody is doing today in October of 2009 may 19 not necessarily be the same work that they're 20 doing in December of 2009? 21 A. Right. 22 Q. They may be supporting different 23 systems? 24 A. (Witness nods head.)</p>
<p style="text-align: right;">Page 75</p> <p>1 factors associated with a transaction? 2 A. Right. And I -- I don't think that that 3 requirement makes the risk factors any less 4 risky. 5 Q. Likewise, the fact that those risk 6 factors are included in a filing with the SEC 7 doesn't make it any more likely that those risks 8 are actually going to transpire? 9 A. No. Not the fact that it's included in 10 the S4, no. 11 Q. On your Question 31, Answer 31, the very 12 last sentence in your response refers to a 13 change of personnel with respect to the IT and 14 professionals that are going to be supporting 15 the proposed Frontier Ft. Wayne data center. I 16 mean, is it your understanding that Verizon 17 already has a data center located in Ft. Wayne? 18 A. Yes. 19 Q. And is it your understanding that the 20 employees that work in that data center are 21 going to be part of the group of employees that 22 are moving over to Frontier at the close of this 23 transaction? 24 A. Right, part of them.</p>	<p style="text-align: right;">Page 77</p> <p>1 Q. Do you have any basis for suggesting 2 that the employees that will be transferring 3 over to Frontier and operating the Ft. Wayne 4 data center won't have the technical expertise 5 to operate those systems? 6 A. I don't know the answer to that. I 7 don't have any -- I don't know how Verizon is 8 transferring those employees. 9 Q. But you don't have any information that 10 would suggest that the employees that are going 11 to, in fact, be operating the systems in the 12 Fort Wayne data center do not have the technical 13 expertise to operate those systems? 14 A. I've not seen any information on that 15 matter at all. 16 Q. Okay. So, again, you have nothing that 17 would indicate that they do not have the 18 expertise to operate those systems? 19 A. Right, or nothing to indicate that they 20 do. 21 Q. On Response 35 of your testimony, 22 there's reference to the \$94 million fee that 23 Frontier will be paying to Verizon for Verizon 24 to maintain the operational support systems that</p>

Page 78

1 are being transferred over to Frontier. Is that
2 your understanding?
3 **A. Yes.**
4 Q. And it's your understanding that
5 Frontier and Verizon have entered into a
6 contractual software license agreement that lays
7 out the parameters of those maintenance
8 obligations?
9 **A. Yes.**
10 Q. And in terms of the \$94 million, if I
11 understand your testimony, you believe that that
12 \$94 million may be excessive?
13 **A. No, I don't believe I'm making that**
14 **statement. I'm accepting the \$94 million is an**
15 **amount that's been negotiated between Frontier**
16 **and Verizon.**
17 Q. Okay. Do you have -- have you
18 undertaken any type of analysis in the industry
19 of what, I guess, reasonable or average costs
20 are associated with maintenance support
21 arrangements for operational support systems?
22 **A. In general, based on information in the**
23 **business press, you see statements about the**
24 **cost associated with that sort of activity.**

Page 79

1 **They vary depending on the project, but**
2 **typically are substantial for large-scale**
3 **projects.**
4 Q. And so you -- is it your understanding
5 that it's not uncommon for companies to pay a
6 fee to a third party to, you know, continue to
7 support and maintain IT systems or operational
8 support systems?
9 **A. Yes, those sorts of things do happen.**
10 Q. Okay. So you do not have any opinion
11 one way or the other regarding the \$94 million
12 and whether or not that's a reasonable or
13 unreasonable dollar amount?
14 **A. Not with regard to the specific dollar**
15 **amount. I mean, my main concern with the**
16 **software license agreement -- and at first, when**
17 **I first saw reference to it, I thought SLA stood**
18 **for service level agreement -- is that there**
19 **does not appear to be much in there with regard**
20 **to what is expected with regard to -- from**
21 **Frontier -- on Frontier's behalf with regard to**
22 **Verizon's performance for service level**
23 **associated with the software license support.**
24 **There's certainly provisions in there that allow**

Page 80

1 **Frontier to sue Verizon if Verizon fails to**
2 **perform, but that's sort of after the fact**
3 **recourse doesn't lend, in my perception, the**
4 **same expected or potential quality if there was**
5 **a certain -- more of a service level aspect with**
6 **regard to the agreement itself.**
7 Q. Okay. Thank you. My question was
8 relative to the \$94 million, whether or not you
9 had an opinion about the reasonableness of the
10 \$94 million fee.
11 **A. Right.**
12 Q. Do you have an opinion?
13 **A. No.**
14 Q. Turning over to Question 40 and your
15 response to Question 40, can you explain to me
16 your understanding of how a customer that is
17 served by Verizon in Ohio today that is
18 subscribing to the Freedom Essentials plan,
19 which you include in your Table 1, how that
20 customer will be served in terms of which
21 package or service offering they would have
22 following the closure of the proposed
23 transaction with Verizon and Frontier.
24 **A. I have endeavored to discover that but**

Page 81

1 **have not been told. I've been told that plans**
2 **are continuing with regard to how specific plans**
3 **are -- by Verizon will be provided by Frontier.**
4 **So I don't know.**
5 Q. In fact, Mr. Roycroft, haven't both
6 Verizon and Frontier indicated in their response
7 to discovery requests and in testimony that's
8 filed that the customer that is served by
9 Verizon today will continue to be offered the
10 same package, services, rates, terms, and
11 conditions, following the closing of the
12 transaction?
13 **A. There's a general statement to that**
14 **effect; however, there is language in that**
15 **statement that I interpret as some wiggle room**
16 **with regard to what exactly will happen in the**
17 **case of specific plan, and if that's the case,**
18 **why the discovery responses don't say they will**
19 **receive the Verizon Freedom plan in its**
20 **identical format. I'm not getting a response to**
21 **that effect, so I don't have any basis to**
22 **conclude that that, in fact, is going to happen.**
23 Q. In fact, in your discovery requests and
24 the responses that have been provided, the

<p style="text-align: right;">Page 82</p> <p>1 parties have explained the reason for what you 2 characterize as wiggle room as being there are 3 certain services -- unregulated services that 4 Verizon offers, for example, the iobi service, 5 which is used in conjunction with Verizon 6 wireless, that some customers may subscribe to 7 that could potentially or will be discontinued 8 following the closing. But with respect to 9 regulated services, hasn't the response been 10 unequivocal that the company will continue those 11 services exactly as is following the closing of 12 the transaction? 13 A. I've -- I've asked specifically 14 questions with regard to Verizon packages and 15 have been told planning is still ongoing on this 16 issue. I've not been told that they are going 17 to be offered exactly the same functionalities 18 and services that are in those packages. 19 Q. With respect to your response to Answer 20 40, you reference specifically Dish Network 21 service and DirecTV service. Do you see that? 22 A. Yes. 23 Q. Do you -- I guess first of all, is Dish 24 Network or DirecTV service a service that's</p>	<p style="text-align: right;">Page 84</p> <p>1 provided prior to the closing will continue 2 after the closing. 3 A. I believe the question, as you framed 4 it, you used the term regulated services, and 5 DSL is not a regulated service. 6 Q. In terms of the rates or pricing for 7 services, Mr. Roycroft, do you have any 8 information one way or the other with respect to 9 whether or not services that cost more to 10 provide should be priced higher than services 11 that cost less to provide? 12 A. Based on economic theory, you would 13 expect if market conditions are competitive, 14 that higher costs would result in higher prices. 15 The telecommunications industry, the existence 16 of joint and common costs make answering the 17 question of what something costs much more 18 complicated than your standard competitive 19 models. But within the context of a standard 20 competitive model, your statement is correct, 21 higher costs should result in higher prices. 22 Q. Okay. Would you agree that serving -- 23 telecommunication companies serving less densely 24 populated areas that have longer loop links and,</p>
<p style="text-align: right;">Page 83</p> <p>1 regulated by the Ohio Public Utilities 2 Commission? 3 A. No. 4 Q. Do you have any basis for believing or 5 concluding that a customer of Verizon that is 6 subscribing to DirecTV service on the day of 7 close will have their DirecTV service shut off 8 or discontinued after the closing of the 9 transaction? 10 A. No. 11 Q. Similarly, with respect to a customer 12 that is subscribing to a Verizon DSL or 13 broadband service prior to the closing of the 14 transaction, do you have any information that 15 would suggest or lead you to believe that that 16 customer's broadband or DSL service will be cut 17 off or changed after the closing of the 18 transaction? 19 A. I don't have any information regarding 20 what will happen to the terms and conditions. 21 Q. But if I understood your prior 22 testimony, you indicated that the companies have 23 explained to you that the rates, terms, service, 24 and condition -- or services that are being</p>	<p style="text-align: right;">Page 85</p> <p>1 I guess, a more dispersed customer base 2 typically have higher costs associated with 3 serving those customers? 4 A. As opposed to high density areas, yes. 5 Q. And in your opinion, is it appropriate 6 for companies to price services at a higher rate 7 if, in fact, it costs them more to provide those 8 services because the customer base is more 9 dispersed and that's a less densely populated 10 area? 11 A. There certainly can be public policy 12 concerns that would lead one to not allow prices 13 to be based on cost. There are in existence 14 subsidy programs that are designed to offset 15 some of the costs of serving higher cost areas. 16 Q. So aside from those caveats, is it your 17 opinion -- do you have an opinion about whether 18 or not it's appropriate for companies that have 19 higher costs associated with serving less dense 20 areas to charge higher rates for those services? 21 A. So the caveat being that we abstract 22 from any public policy concerns that are driven 23 by the desire to keep people on the network and 24 abstract from the existence of subsidies? In</p>

Page 86

1 **that hypothetical, it would follow that you**
2 **would have -- allow market forces to set higher**
3 **prices in the area where the higher costs are**
4 **experienced.**
5 Q. And you would agree with respect to the
6 caveat that you identified subsidies, presently
7 in the state of Ohio, there are no federal or
8 state specific subsidies related to the
9 provision of DSL service?
10 **A. There's certainly the opportunity to**
11 **seek those subsidies through the broadband**
12 **subsidies that are available from the federal**
13 **government. I'm not -- I'm not -- I haven't**
14 **reviewed as to whether there have been any**
15 **recent rewards associated with the state of**
16 **Ohio.**
17 Q. So at the present time, is it your
18 understanding that there are any companies in
19 Ohio receiving federal or state subsidies to
20 support the provision of DSL service, today?
21 **A. Not directly, but certainly indirectly**
22 **with regard to federal high cost support that**
23 **supports loop -- improvements that are made to**
24 **loop plant under the high cost support, make it**

Page 87

1 **cheaper to provision DSL, implicitly support DSL**
2 **provision.**
3 Q. With respect to Question 41, your answer
4 refers to a Verizon response in the reference to
5 a minimum 12-month term associated with a
6 discount Verizon bundle for services. Do you
7 see where I'm at there?
8 **A. Yes.**
9 Q. Okay. Is it your contention that a
10 telecommunication company should charge the same
11 rate for service regardless of whether or not
12 the customer takes a service on a month-to-month
13 basis versus subscribes to the service for a
14 longer term duration?
15 **A. As long as the company makes it clear to**
16 **the customer with regard to what consequences**
17 **they face from taking a term contract with**
18 **regard to early termination fees, I believe that**
19 **it's reasonable to allow that sort of pricing**
20 **plan.**
21 Q. Similarly, do you believe that consumers
22 should have options as far as the services that
23 they subscribe to in terms of the features and
24 functionality associated with those services?

Page 88

1 **A. Yes.**
2 Q. In other words, a consumer should be
3 allowed to pick if they want what I would call
4 the, you know, basic level entry service versus
5 a higher level service with maybe more features
6 and functionality?
7 **A. Yes.**
8 Q. On your response to Question 45,
9 specifically the very end of your -- the very
10 last sentence and that answer, it says,
11 Frontier's Web site also shows that Frontier is
12 taking inside wire maintenance into the
13 information age by offering plans that bundle
14 hard drive backup, technical supports, and good,
15 old-fashioned inside wire maintenance for 12.99
16 a month.
17 Do you perceive the fact that Frontier
18 is offering these packages or bundles of
19 services as a bad thing?
20 **A. I think it's an area for me which is a**
21 **gray area from the standpoint that these type of**
22 **services -- if we focus on the inside wire**
23 **maintenance aspect of it, is one where**
24 **oftentimes the consumer, in my experience, is**

Page 89

1 **not entirely clear on what is being offered to**
2 **them. And it is possible that the consumer can**
3 **misunderstand that this is somehow part of a**
4 **requirement or part of a necessary component of**
5 **telephone service, wherein, in fact, inside wire**
6 **maintenance is something that's competitively**
7 **provided. Any electrician can do it, and**
8 **something that is unlikely to be needed very**
9 **often, and in some cases, not even**
10 **responsibility of the consumer if they're a**
11 **renter.**
12 **So it is an area where I think that**
13 **there are problems with regard to the ability of**
14 **the consumer to make a reasonable decision,**
15 **especially if they're being pressured or sold**
16 **services in a manner that represents these**
17 **options as something that is somehow necessary.**
18 Q. With respect to the other two features
19 that are identified there, hard drive backup
20 service and computer technical support, are
21 you -- do you have the same concerns with
22 respect to those services and believe that
23 communication companies should not be offering
24 that as an option to consumers?

Page 90

1 **A. I think that it's fine that they're**
2 **offered to consumers, as long as they're not**
3 **offered to consumers in a high-pressure fashion.**
4 **Hard drive backup is something that consumers**
5 **can get for free over the Internet. Technical**
6 **support is something that's competitively**
7 **available. So once again, it's not just the**
8 **plain offering of the services, but how they're**
9 **offered that offers me some concern.**
10 Q. At several points throughout your
11 testimony, you used the term upsell. And my
12 sense is that you -- you're using that in a
13 negative way, that that's something that
14 telecommunication companies should not be
15 engaged in. Is that your opinion?
16 **A. I think that there is a difference in**
17 **how upselling might take place with regard to**
18 **whether the consumer has the ability to discover**
19 **a la carte features that may satisfy their**
20 **needs, or whether they are presented with a**
21 **marketing environment where essentially a la**
22 **carte, for example, is pretty much invisible.**
23 **So, you know, I think upselling is**
24 **certainly something that I wouldn't banish, but**

Page 91

1 **I've seen some examples of upselling that give**
2 **me pause from the standpoint that it appears**
3 **that consumer choice is being inhibited because**
4 **the company involved is masking the availability**
5 **of options that could satisfy the customer's**
6 **need in a more cost-effective fashion.**
7 Q. In your response to Question 46, you've
8 also used the term wallet share. And you
9 indicate that Frontier prides itself on
10 increasing its wallet share. Do you see where
11 I'm at?
12 **A. Yes.**
13 Q. Are you somehow being critical of the
14 fact that Frontier's business objective is to
15 seek to have its customers buy additional
16 service from it versus its competitors?
17 **A. No.**
18 Q. So you would agree that it's appropriate
19 for Frontier as a business to try to encourage
20 its customers, for example, that are subscribing
21 to cable TV service, to consider and potentially
22 subscribe to video services that Frontier
23 offers?
24 **A. I see no reason to inhibit that sort of**

Page 92

1 **activity. Once again, my main concerns are**
2 **aggressive marketing and whether or not the**
3 **consumers are given the information they need to**
4 **make choices that will allow them to pick the**
5 **options that best fit their needs.**
6 Q. With respect to the next question there,
7 Question 47, third line of the response there,
8 you say, the projections indicate that Frontier
9 will have an improved financial profile
10 following the close of transaction, the same is
11 not true for Verizon in Ohio customers. Is that
12 correct?
13 **A. Yes.**
14 Q. What is your assessment of whether or
15 not Verizon has appropriately been investing in
16 its network in Ohio over the last five years?
17 **A. My assessment, based on information --**
18 **publicly available information, indicates that**
19 **Verizon has curtailed or diminished capital**
20 **expenditures in Ohio.**
21 Q. So in your opinion, has the investment
22 Verizon's made been sufficient or not
23 sufficient?
24 **A. I think it's certainly representative of**

Page 93

1 **a lower level of investment as opposed to**
2 **Verizon activities in other jurisdictions,**
3 **especially those where it's been deploying FiOS.**
4 Q. Do you have any information, based on
5 the review you've completed to date, that would
6 indicate that Verizon will expand or increase
7 its investment in Ohio if the transaction with
8 Frontier does not go through?
9 **A. No, I don't.**
10 Q. In your opinion, is Verizon -- has
11 Verizon been doing a good job of serving its
12 customers in Ohio during the last three to five
13 years?
14 **A. It certainly has had some service**
15 **quality problems in Ohio.**
16 Q. But is it your opinion that Verizon is
17 doing a good job of serving its customers in
18 Ohio during the last three to five years?
19 **A. Given the extent of some of the service**
20 **quality problems that I've seen information on,**
21 **I don't know if I'd call it a good job.**
22 Q. Would you call it a great job?
23 **A. No. I would not speak favorably of it.**
24 Q. Starting over on Question 48, it talks

<p style="text-align: right;">Page 94</p> <p>1 about risks associated with Frontier's dividend 2 policy. Do you see where I'm at? 3 A. Yes. 4 Q. And as I understand, your position is 5 that Frontier has inappropriately been paying 6 dividends in excess of its net income for a 7 number of years. Is that your conclusion? 8 A. I think my conclusion is Frontier's 9 dividend policy introduces risk on a 10 going-forward basis as it is not generating 11 enough revenues to ultimately result in an 12 outcome where it has a dividend that is 13 sufficient -- a net income sufficient to result 14 in a dividend payment that is completely 15 covered. 16 Q. And you agree that dividends that 17 Frontier or any company pays are paid from cash 18 generated from the business? 19 A. That's correct. 20 Q. And have you undertaken any analysis of 21 other telecommunication companies in the 22 industry and what their dividend paid out is 23 relative to their net income? 24 A. I've reviewed that ratio for major</p>	<p style="text-align: right;">Page 96</p> <p>1 versus net income that you refer to? 2 A. Right. It's an alternative metric. 3 Q. You understand that the precash flow 4 that Frontier has generated over the last three 5 to five years or more has enabled it to invest 6 in its network, to the extent that it's been 7 able to deploy broadband service to over 90 8 percent of the customers in its service 9 territory? 10 A. Yes. 11 Q. On Figure 2, which is embedded in 12 Question and Answer 49, there's a comparison of 13 depreciation and amortization versus capital 14 expenditures. And Frontier's capital 15 expenditures have been less than the 16 depreciation, that's what your chart is 17 suggesting to present here? 18 A. That's correct. 19 Q. Have you undertaken any analysis of the 20 telecommunication industry and what the average 21 level of capital expenditure investment has been 22 relative to the depreciation by telecom 23 companies? 24 A. Yes.</p>
<p style="text-align: right;">Page 95</p> <p>1 telecommunication carriers, yes. 2 Q. Are you aware of any other 3 telecommunication companies that are paying out 4 dividends in excess of their income? 5 A. I believe Windstream in 2008 did by a 6 couple of pennies. But in general, the other 7 major carriers are not. 8 Q. When you say major carriers, you're 9 referring to the regional Bell operating 10 companies? 11 A. Right. And CenturyTel and Embarq. 12 Q. Have you had any conversations with Wall 13 Street analysts regarding the, I guess, 14 appropriateness of paying out dividends in 15 excess of net income and what impact that has on 16 the future viability of the company? 17 A. I've had discussions with Steve Hill, 18 who we mentioned earlier. 19 Q. But no Wall Street analysts? 20 A. No. 21 Q. And you understand, but I take it do not 22 agree with, the fact that Frontier has generated 23 sufficient free cash flow to fund its dividends 24 and have used that as the appropriate metric</p>	<p style="text-align: right;">Page 97</p> <p>1 Q. And what is the range of investment that 2 telecommunication companies, operating your 3 traditional ILEC network, have invested relative 4 to their depreciation? 5 A. Well, I think you see variation in the 6 range. I think the -- from my perspective, the 7 more telling relationship is the trend. And if 8 you examine companies that have been taking 9 aggressive steps to upgrade their network, it 10 may well be that they still are experiencing a 11 higher depreciation and amortization expense 12 than capital expenditures, but those metrics are 13 coming closer together. For example, Verizon 14 Spinco territories, for example, in Washington 15 state compared to Ohio or West Virginia, you see 16 a coming together of those lines due to the fact 17 that Verizon has been deploying fiberoptics 18 there. Similarly with regard to AT&T, you see 19 with their deployment of their U-verse product, 20 pushing out the DSL -- pushing fiber deeper into 21 the neighborhood, once again, 22 depreciation/amortization still above capital 23 expenditures, but the trend coming together. 24 So I do not make the claim that the</p>

Page 98

1 **capital expenditures have to exceed**
2 **depreciation, but rather, what I see in those**
3 **companies that are pursuing a more aggressive**
4 **deployment of capital is a difference in the**
5 **trend.**
6 Q. Your explanation that you just provided
7 in terms of Verizon and the, I guess, more
8 coming into line, the capital expenditures
9 versus depreciation, that would not apply to
10 Ohio, would it?
11 **A. No. And I think I indicated that both**
12 **with regard to Ohio and West Virginia, that**
13 **trend is not evident.**
14 Q. Likewise, would you expect to see a
15 declining level of net property, plant and
16 equipment for a business or in the
17 telecommunications industry that is experiencing
18 customer loss, line losses?
19 **A. That factor could contribute to it, but**
20 **the high fixed cost nature leaves a lot of that**
21 **plant in place even when it refers to customers.**
22 Q. But the high cost nature of leaving that
23 plant in place, that's an old plant that's just
24 being depreciated, not a new plant that's being

Page 99

1 invested in, correct?
2 **A. Right.**
3 Q. Over on Question 53 and Answer 53, you
4 understand that as part of this transaction,
5 Frontier will be working with Verizon or Spinco
6 to secure financing of approximately \$3.3
7 billion?
8 **A. Yes.**
9 Q. And continuing over to Question 54 and
10 Answer 54, you understand that under the terms
11 of the merger agreement, Frontier has the
12 ability to not consummate or continue with the
13 transaction if it's unable to get financing at
14 less than 9.5 percent?
15 **A. Right, although it does permit Frontier**
16 **to proceed with the high rate if Frontier**
17 **believes that -- thinks that the coverage costs**
18 **would not be unduly burdensome.**
19 Q. So you would agree that there is some
20 safeguard or stop gap included in the
21 transactional agreement between the parties that
22 would prevent Frontier from being forced to
23 incur unreasonably high interest rates
24 associated with this financing?

Page 100

1 **A. Yes.**
2 Q. And at the end of your response to 54,
3 you indicate that the projected financing rates
4 are uncertain. And as I understand your
5 testimony -- correct me if I'm wrong -- this
6 creates yet another risk or concern?
7 **A. That's right. Essentially the**
8 **commission will not know what your debt burden**
9 **will be, and there is still the additional risk**
10 **that you have the ability to proceed at a rate**
11 **above 9.5 percent, which would thus render moot**
12 **all of the pro forma analyses that you conducted**
13 **under the previous assumptions.**
14 Q. Walk through with me your understanding
15 of what the impact would be from a financial
16 perspective if, hypothetically, the interest
17 rate that Frontier was subjected to associated
18 with this \$3.3 billion in financing was one
19 percentage point higher than what it projected.
20 **A. Let's see. 1 percent of 3.3 billion**
21 **would be 30 million? I don't have my calculator**
22 **handy, so I'm --**
23 Q. I think it would be 33 million.
24 **A. 33 million.**

Page 101

1 Q. You would agree with that?
2 **A. Yes, \$33 million in additional**
3 **commitment from revenues that could be applied**
4 **to other areas, such as broadband improvement or**
5 **improving customer service. So the incremental**
6 **impact would be \$33 million that could have gone**
7 **for something else.**
8 Q. \$33 million in additional expense, in
9 effect --
10 **A. Yes.**
11 Q. -- is the impact of a 1-percent interest
12 rate swing?
13 **A. Yes.**
14 Q. And what's your understanding of what
15 the projected revenues are of the combined
16 Frontier/Verizon operations?
17 **A. About 6.5 billion, if I'm remembering**
18 **correctly.**
19 Q. I won't ask you to do the math, but
20 thirty-three million dollars on the
21 six-plus-billion dollars of revenue, that's a
22 relatively small percentage, would you agree?
23 **A. Well, yes, but on an incremental basis,**
24 **it appears to be sufficient enough for Frontier**

Page 102

1 **to consider this to be a deal breaker from the**
2 **standpoint if it was 10.5 percent, that Frontier**
3 **would have the ability to back out of the deal.**
4 Q. And that wasn't really my question,
5 Mr. Roycroft. What I was asking is a 1-percent
6 swing, so, for example, it could easily be a
7 swing from 8.5 percent to 9.5 percent that we're
8 talking about, not a swing from 9.5 to 10
9 percent, correct?
10 **A. Yes.**
11 Q. With respect to your response on Answer
12 55, your concern there -- and it's reflected
13 throughout your testimony -- that, in fact, the
14 amount of debt that Frontier's going to take on
15 as a result of this transaction is going to be
16 significant and potentially cause problems for
17 Frontier; is that correct?
18 **A. In Answer 55, I'm thinking -- I believe**
19 **I'm discussing more the relative impact on**
20 **Verizon's Spinco as opposed to Frontier itself.**
21 Q. So with respect to -- you talk about the
22 \$8 billion in debt in the very first sentence.
23 Your position is that this \$8 billion of debt is
24 unfavorable for the Verizon Ohio rate payers; is

Page 103

1 that correct?
2 **A. Yes.**
3 Q. And in the next few sentences there, you
4 indicate that with respect to the Verizon
5 stand-alone operations of the Spinco properties,
6 they currently had \$622 million in long-term
7 debt?
8 **A. Yes.**
9 Q. Would you agree with me that those
10 Spinco operations that Verizon is currently
11 operating in Ohio and the other states, that the
12 revenues and income and cash that is generated
13 from those businesses are also utilized to pay
14 and fund some of the debt by the Verizon
15 Communications parent company?
16 **A. Yes.**
17 Q. And, in fact, the numbers that you
18 reflected here do not reflect any allocation of
19 the Verizon Communications parent company debt
20 down to the Spinco operations?
21 **A. Right. It was my understanding the 622**
22 **million was a result of Verizon's own allocation**
23 **of the debt to the Spinco properties.**
24 Q. Is it your understanding that it's an

Page 104

1 allocation, or is it, in fact, the debt that's
2 been secured by those individual operating
3 companies, such as Verizon North that operates
4 in Ohio, Verizon Northwest, that operates in
5 Washington?
6 **A. I'd have to double check. I don't**
7 **recall exactly the process that resulted in the**
8 **622 million.**
9 Q. With respect to the Verizon operating
10 companies that have their own debt, Verizon
11 Northwest, I'll represent to you, does have some
12 debt on its books, Verizon North, the other
13 entity, to the extent those entities are
14 transferred over to Frontier as subsidiaries of
15 Frontier, the debt, in fact, that those
16 individual operating entities have will remain
17 exactly the same pre and post transaction; will
18 they not?
19 **A. Yes.**
20 Q. So with respect to the comparison that
21 you're making here with respect to the Spinco
22 properties taking on additional debt, what
23 you're really doing is taking the debt that
24 Frontier Communications, the parent company, has

Page 105

1 and allocating that down to the Spinco
2 properties and the Ohio rate payers?
3 **A. Yes. It's a process such as that within**
4 **the context, however, of Verizon -- the**
5 **integrated Verizon today having a very different**
6 **debt structure than the existing Frontier.**
7 Q. Do you have any understanding with
8 respect to what the debt levels are of Verizon
9 Communications, the parent company?
10 **A. I don't know if I have a dollar amount.**
11 **The debt/equity ratio is approximately 53/47.**
12 Q. So with respect to the aggregate amount
13 of the debt that Verizon Communications has, you
14 don't know --
15 **A. I don't know that number off the top of**
16 **my head.**
17 Q. Have you completed any review that tried
18 to differentiate or allocate the Verizon
19 Communications, the parent company, debt between
20 the wireline business operations and the Verizon
21 wireless operations?
22 **A. No.**
23 Q. Turning over to Question 61, with
24 respect to the table that you included there,

Page 106

1 Table 3, advertised DSL speeds. Do you see
2 that?
3 **A. Yes.**
4 Q. The first entry there, Verizon FiOS, as
5 you indicated, Verizon is currently not
6 providing FiOS in the state of Ohio; is that
7 correct?
8 **A. That's correct.**
9 Q. With respect to the last three entries
10 there, Time Warner, Comcast and Charter, do you
11 know to what extent those cable companies are
12 providing broadband or DSL services in the state
13 of Ohio?
14 **A. I'm certain that Time Warner does. I
15 believe Comcast does. I'm not sure about
16 Charter.**
17 Q. With respect to those three cable
18 providers, I mean, is it your understanding that
19 the broadband services that they're providing is
20 in any way regulated by the Ohio Public
21 Utilities Commission?
22 **A. No.**
23 Q. And is it your understanding that those
24 cable companies offer different packages with

Page 107

1 different speeds of broadband services?
2 **A. Yes.**
3 Q. Do you agree that it would be
4 appropriate for consumers to be able to select
5 the speed of service that they want if they're,
6 you know, presented with different options?
7 **A. Yes. And I would add to that that the
8 consumer should have the ability to choose high
9 bandwidth services; in other words, there should
10 be available choices that would match potential
11 consumers' needs as opposed to what the company
12 has decided it wants to deploy at that
13 particular point in time.**
14 Q. Have you undertaken any type of consumer
15 research in the state of Ohio, or any other
16 state, for that matter, that indicates what
17 particular speeds consumers want for their
18 broadband service?
19 **A. I've seen -- I've not conducted that
20 research. I've seen research results.**
21 Q. Okay. Have you conducted any analysis
22 or research regarding what a typical consumer
23 utilizes in terms of bandwidth capability or
24 capacity?

Page 108

1 **A. I've seen reports on average bandwidth
2 availability based on tests that are run by
3 consumers and the data being aggregated. So
4 consumers' implicit bandwidth is, on average,
5 something that's knowable.**
6 Q. When you say consumers' bandwidth is
7 knowable, are you talking about the speed, or
8 total usage?
9 **A. Bandwidth refers to the speed.**
10 Q. Okay. And so with respect to a
11 consumer's total usage of the network, have you
12 undertaken any analysis of what usage levels are
13 by a typical consumer?
14 **A. I've seen -- I am familiar with what
15 sort of volumes are associated with different
16 activities. Say a typical consumer that would
17 represent, I'm not quite sure what, in today's
18 Internet marketplace. I know that different
19 entities have imposed different interpretations
20 about what they think is reasonable. I'm a
21 Comcast customer and they tell me I can download
22 up to 250 gig per month without raising their
23 eye. So Comcast appears to think that 250 gig
24 per month is a reasonable amount to allow its**

Page 109

1 **consumers to download.**
2 Q. You would agree, though, that consumer
3 use varies as far as the amount of bandwidth
4 that a particular customer utilizes over usage
5 volume, I think is the word you used?
6 **A. Right. Consumers -- consumers' ability
7 to purchase bandwidth is going to be limited by
8 the choices that they have available. Once they
9 get that bandwidth, then it contributes to how
10 much they can download. If I have 256K
11 connection, I'm not going to be doing too much
12 video downloading, so I'm not going to be
13 consuming that much -- that many bytes of data
14 being downloaded.**
15 Q. And with respect to your testimony -- I
16 lost that page -- your testimony in response to
17 Question A61, that Frontier offers DSL at speeds
18 of 3 megabits and 768 kilobytes for download,
19 it's your understanding that those are options
20 that the customers have in the markets that
21 Frontier provides DSL service?
22 **A. Yes. I've seen information that
23 indicates that there are higher service speeds
24 available in some areas. I've also seen**

Page 110

1 **information that Frontier considers the 3**
2 **megabit per second to be its, quote, unquote,**
3 **standard offering.**
4 Q. Over on Question 80 response --
5 **A. Eight zero.**
6 Q. Eight zero, yeah.
7 With respect to the very last sentence
8 in that answer, it says, Frontier has apparently
9 decided not to pursue broadband stimulus funding
10 options in Verizon's service area in Ohio at
11 this time. You understand that under the two
12 federal stimulus funding programs, that there
13 are still second and third round applications --
14 windows that have not been, I guess, set?
15 **A. That's right.**
16 Q. And you really don't have any way of
17 determining at this point whether or not
18 Frontier will participate in that second or
19 third application window, because the rules and
20 dates associated with those windows has not been
21 set?
22 **A. That's right, although I would expect**
23 **that Frontier will, to the extent that those**
24 **rules and windows permit it for the state of**

Page 111

1 **Ohio. That's my hope, as well.**
2 Q. In Question 82, you refer to the April
3 30th, 2007 settlement agreement and service
4 quality investigation that was initiated by the
5 Ohio Public Utility Commission staff. Do you
6 see where I'm at there?
7 **A. Yes.**
8 Q. Okay. And are you aware of any other
9 service quality proceedings that have been
10 initiated by this state staff or other
11 regulatory authority with respect to Verizon?
12 **A. Yes.**
13 Q. And the properties that we're proposing
14 to acquire?
15 **A. Yes.**
16 Q. And where are those?
17 **A. In the state of Washington, there have**
18 **been a series of proceedings associated with**
19 **commission staff, investigations into the**
20 **service quality of Verizon Washington. In West**
21 **Virginia, there was an investigation that**
22 **resulted in a settlement that imposed a retail**
23 **service quality plan that identified actions**
24 **that would be taken by Verizon to improve retail**

Page 112

1 **service quality which had deteriorated in West**
2 **Virginia.**
3 Q. In that response, you refer to
4 completing your analysis based on ARMIS data
5 that was filed by Frontier and Verizon at the
6 FCC.
7 **A. Yes.**
8 Q. Is that correct?
9 Is it correct that the FCC, per se, does
10 not have specific standards or metrics that
11 companies are required to report and meet
12 related to the ARMIS filed?
13 **A. They have standards with regard to the**
14 **reporting itself, but not service quality**
15 **standards associated with the data.**
16 Q. Okay. So as far as the ARMIS reporting
17 the companies do, it's not measuring whether or
18 not those companies are meeting a particular FCC
19 service quality standard?
20 **A. That's right.**
21 Q. With respect to Figures 10 and 11 on
22 Question 82 --
23 **A. Yes.**
24 Q. -- I guess there's actually several

Page 113

1 figures there, the Figure 8, 9, 10, and 11,
2 you're comparing Frontier and Verizon Ohio. And
3 I guess I want to make sure it's clear what
4 you're referring to there. Are you -- you
5 looking at Frontier's ARMIS data from across the
6 country, for all of its operating entities?
7 **A. That's right.**
8 Q. Versus just Verizon Ohio ARMIS data?
9 **A. Right.**
10 Q. Over on Question 93, you have a
11 recommendation with respect to broadband.
12 **A. Yes.**
13 Q. Is that correct?
14 **A. Yes.**
15 Q. And as I understand your recommendation,
16 you're proposing that one of the conditions be
17 that Frontier be required to make broadband
18 available to 100 percent of its customers within
19 five years.
20 **A. That's right.**
21 Q. Is that correct?
22 **A. Yes.**
23 Q. And is it your understanding,
24 Mr. Roycroft, that the incremental investment to

Page 114

1 reach, say, the last 5 percent of customers, as
2 far as broadband availability, can be
3 significantly higher than what it may be to, you
4 know, go from 80 to 85 percent?
5 **A. Yes.**
6 Q. And why is that?
7 **A. Well, the outliers typically have**
8 **service conditions that are the least dense and**
9 **farthest away from appropriate facilities needed**
10 **to provide the broadband service. So as you**
11 **move through the pecking order of projects,**
12 **those tend to be the house on the hill with a**
13 **20-mile loop sort of situation.**
14 Q. In your opinion, how would a company go
15 about providing DSL service to that house on the
16 hill with a 20-mile loop length?
17 **A. Well, it would depend on the specific**
18 **circumstances as far as where that loop connects**
19 **back to an aggregation point at the network as**
20 **to whether you would have to extend DSL**
21 **facilities, some sort of a hardened DSLAM out in**
22 **that area to reduce the loop length, or extend a**
23 **fiber connection out to the aggregation point to**
24 **shorten the loop length sufficiently to reach**

Page 115

1 **that customer.**
2 **The requirement is for broadband. It's**
3 **possible that broadband could be provided**
4 **through other means that Frontier could**
5 **investigate, including potentially wireless**
6 **options or others.**
7 Q. So your recommendation is contemplating
8 that Frontier would not necessarily provide
9 broadband using, you know, wireline technology,
10 it might utilize some other mechanism.
11 **A. Right. My recommendation should be read**
12 **to give Frontier flexibility to provide service**
13 **to meet the 100-percent requirement with regard**
14 **to the other standards that are laid out there,**
15 **with regard to the average data speeds that are**
16 **available with regard to the percentage of the**
17 **network.**
18 Q. With respect to the continuation of that
19 answer on 993 -- or at least on mine, it's the
20 top of the next page, you indicate that at the
21 end of a three-year period, at least 75 percent
22 of the customers should be able to achieve
23 download speeds at at least 6 megabits and 50
24 percent should be -- should have 10 megabits of

Page 116

1 service available.
2 **A. Yes.**
3 Q. Is that correct?
4 Are you aware of any national ILEC in
5 the country that is currently achieving these
6 levels of broadband availability at these
7 speeds?
8 **A. Currently, no, but this is an objective**
9 **for the end of 2013.**
10 Q. So have you undertaken any kind of
11 review or analysis of the feasibility and cost
12 of achieving this objective for Ohio?
13 **A. No, I haven't, but my familiarity with**
14 **the technology and the cost associated with the**
15 **technologies that are needed indicates that,**
16 **given the synergy sharing that I have**
17 **identified, as well as the funds for network**
18 **improvement that I've identified. I believe**
19 **that these type of objectives are not beyond**
20 **Frontier's capabilities.**
21 MR. SAVILLE: I think what I'd like to
22 do at this point if we could maybe just take
23 five minutes, Chris and I can talk. I may be
24 done here and then we can figure out where we're

Page 117

1 at.
2 MR. ETTER: Okay.
3 (Recess taken.)
4 EXAMINATION
5 BY MR. OATWAY:
6 Q. Dr. Roycroft, good afternoon.
7 **A. Good afternoon.**
8 Q. I'm Chris Oatway. I'm an attorney with
9 Verizon.
10 You don't claim to be an expert with
11 respect to software systems used in the
12 telecommunication industry, do you?
13 **A. I have knowledge of those systems. I**
14 **would not consider myself to be someone who**
15 **would design or set up those types of systems.**
16 Q. Well, do you have any firsthand
17 experience with data cutovers in the
18 telecommunication industry?
19 **A. When you say data cutovers, do you mean**
20 **data transfers, or --**
21 Q. I was going to ask you about your
22 definition of cutover, because you use it pretty
23 extensively in your testimony. But as you use
24 it in your testimony, when you use the word

Page 118

1 cutover, do you have firsthand experience in
2 such cutovers?
3 **A. As I indicated earlier in my testimony,**
4 **I've been involved in cutovers with systems.**
5 **When I was a manager at Ohio University running**
6 **the department, we had a system cutover at that**
7 **point. So I've been involved in cutovers, but**
8 **I've not been the person doing the changes to**
9 **the information systems, per se, that would**
10 **result in that type of cutover.**
11 Q. Well, you don't have any experience in
12 cutovers in the telecommunication industry,
13 correct?
14 **A. Right. I've never been involved in**
15 **cutting over telecommunications systems as part**
16 **of a merger or acquisition, no.**
17 Q. Do you have any firsthand experience of
18 any cutovers in the telecommunications industry?
19 **A. Other than being a consumer and cutting**
20 **over services to different providers, no.**
21 Q. How about systems replication, do you
22 have any firsthand experience with software
23 replications, other than with your personal
24 computer?

Page 119

1 **A. No, outside of creating replications of**
2 **personal computer systems, I don't.**
3 Q. Do you have any experience with software
4 development, any firsthand experience with
5 software development in the telecommunications
6 industry?
7 **A. No.**
8 Q. Do you have any firsthand experience
9 with systems transitions, transitions from one
10 software system to another, in the
11 telecommunications industry?
12 **A. I have experience associated with those**
13 **types of transitions, being involved in, for**
14 **example, the aftermath of the Ameritech/SBC**
15 **merger, I recommended a management audit take**
16 **place of Ameritech's systems and those -- that**
17 **audit was publicly docketed. And as part of the**
18 **audit conducted by a third party, I reviewed all**
19 **of the information that third party was**
20 **reviewing and ultimately provided detailed**
21 **comments on the process of the audit. So I've**
22 **been involved in transitional issues associated**
23 **with software systems from that standpoint.**
24 **I've not done a software redesign and transition**

Page 120

1 **associated with the telecommunications industry,**
2 **per se.**
3 Q. Now, you used the word cutover in your
4 testimony rather extensively. What is your
5 understanding of what the term cutover means?
6 (Interruption in conference call.)
7 MR. OATWAY: Mr. Jones, are you still
8 there? Hello? Mr. Jones, are you still there?
9 MR. JONES: Yes.
10 MR. OATWAY: Very good. Having some
11 telecommunications issues here.
12 BY MR. OATWAY:
13 Q. Let's see. So my question to you,
14 Dr. Roycroft, what does the term cutover mean to
15 you?
16 **A. Within the context of the use of that**
17 **term in my testimony, I'm describing a situation**
18 **where there is a transition from one set of**
19 **systems to another set of systems.**
20 Q. Do you have an understanding as to how
21 common or how rare cutovers are in the telephone
22 industry?
23 **A. I think that those types of transitions**
24 **occur, yes, on a fairly regular basis.**

Page 121

1 Q. Every time there's an asset line
2 transfer or a merger or acquisition involving
3 two telephone companies, there's a data cutover,
4 isn't there, to the extent the systems are --
5 data is transferred from one system to another?
6 **A. Right. I mean, to the extent that the**
7 **systems are integrated, there would be some sort**
8 **of a cutover, yes.**
9 Q. And do you have an understanding as to
10 how common or uncommon it is for firms to cut
11 over data from one software system to another in
12 the ordinary course of managing their IT
13 functions?
14 **A. Transfer data from one system to**
15 **another?**
16 Q. Yes, sir.
17 **A. That sort of event is a common event**
18 **within the IT systems component of**
19 **telecommunications.**
20 Q. Let's talk for a moment about system
21 replication. What specific aspects of the
22 system replication do you think the commission
23 should be concerned may go wrong? What
24 functionality do you think may be missing?

Page 122

1 **A. Well, the types of system problems that**
2 **could emerge could be associated with billing**
3 **system performance, with regard to network**
4 **provisioning capabilities, with regard to order**
5 **processing, processing, with regard to call**
6 **center operations. Essentially, the replicated**
7 **systems are -- represent an integrated suite**
8 **that allows Verizon's Spinco business to**
9 **function. So the potential for problems with**
10 **those systems could emerge in any area that the**
11 **Spinco properties currently has operations.**
12 **I mean, beyond the network problems,**
13 **there could be problems in the human relations,**
14 **the HR components of those systems. So they --**
15 **in my -- any specific component could be**
16 **susceptible to problem.**
17 **Q. Is there any particular component that**
18 **you have a concern about?**
19 **A. Well, the components that address**
20 **network performance, network operations, and**
21 **customer support would be the ones that could**
22 **have the greatest impact. For example, with**
23 **regard to E911 systems, there certainly is**
24 **concerns about how those systems are going to**

Page 123

1 **function after the cutover process. And the**
2 **potential for problems with those types of**
3 **systems, you know, are real and were evidenced**
4 **in the FairPoint case where 911 outages occurred**
5 **while FairPoint was operating under Verizon's**
6 **supervision.**
7 **Q. Explain to me that last one. What's the**
8 **basis for the statement that 911 -- what do you**
9 **mean, under Verizon's supervision?**
10 **A. In -- I believe it was on September 3rd**
11 **of 2008, there was an extended 911 network**
12 **outage in the state of Vermont. And the outage**
13 **resulted from mistakes that were made by**
14 **FairPoint employees, as well as a third-party**
15 **provider associated with the 911 systems that**
16 **were -- that involved Verizon, because at that**
17 **point, Verizon was still the -- still overseeing**
18 **the physical network facilities under the terms**
19 **of the agreement that it had reached with**
20 **FairPoint regarding the systems transitions**
21 **there. So ultimately, Verizon was involved in**
22 **the process from the standpoint that they**
23 **directed FairPoint employees to disconnect**
24 **certain circuits, and due to mistakes that had**

Page 124

1 **been made in the process, rather than removing**
2 **redundant circuits, problems emerged with**
3 **circuits that were providing -- expected to**
4 **provide service and resulted in an outage. The**
5 **Vermont commission staff ultimately conducted a**
6 **root cause analysis and published a report on**
7 **that network outage.**
8 **Q. Is that report the basis for your**
9 **understanding of what happened?**
10 **A. Yes.**
11 **Q. Do you have any other basis for your**
12 **understanding of what happened?**
13 **A. I believe that I saw news reports**
14 **regarding the 911 outage itself, but the staff**
15 **report provided the results of the root cause**
16 **analysis.**
17 **Q. You haven't interviewed anyone with**
18 **respect to what happened in the FairPoint**
19 **transaction?**
20 **A. In this particular outage, no, I**
21 **haven't.**
22 **Q. Or more broadly with respect to the**
23 **transition from Verizon's systems to FairPoint's**
24 **new systems after that transaction?**

Page 125

1 **A. That's right.**
2 **Q. That's right, that you haven't**
3 **interviewed --**
4 **A. I have not interviewed.**
5 **Q. And specifically, what mistakes do you**
6 **say were made by FairPoint employees and**
7 **third-party employees?**
8 **A. The Vermont 911 board, which is**
9 **responsible for the administration of the**
10 **system, had decided that certain circuits that**
11 **were provided over its redundant 911 systems**
12 **were providing too great a level of redundancy**
13 **so they wanted to remove certain circuits or cut**
14 **circuit capacity. And in the process, certain**
15 **circuits were incorrectly identified as being**
16 **turned -- turned down -- or turned up when they**
17 **were, in fact, turned down, and it led to a**
18 **system failure which prevented all 911 calls**
19 **from being completed across the entire state.**
20 **Q. Is it your contention that there was a**
21 **defect in any of Verizon's software systems that**
22 **caused this outage to occur?**
23 **A. No, I don't believe that's the**
24 **conclusion they reached.**

Page 126

1 Q. Now, in the FairPoint transaction, what
2 is your understanding of the systems that
3 FairPoint used subsequent to cutting over from
4 Verizon's systems?
5 **A. I don't have the detailed knowledge of**
6 **those systems, other than the general knowledge**
7 **that they were newly developed systems.**
8 Q. Do you know who developed the systems?
9 **A. I don't -- I know I saw at some point**
10 **the developer, but I don't recall who that was**
11 **at this point.**
12 Q. Do you have any understanding as to
13 similarities or differences between the newly
14 developed FairPoint systems and the systems from
15 which the operations were being cut over?
16 **A. The relationship between the previous**
17 **Verizon systems and the new FairPoint systems?**
18 Q. Correct.
19 **A. No.**
20 Q. And you don't have any firsthand
21 knowledge, then, of those FairPoint systems,
22 correct?
23 **A. Right.**
24 Q. What about Hawaiian Telcom, do you have

Page 127

1 any firsthand knowledge of the systems that
2 Hawaiian Telcom used subsequent to the cutover
3 from Verizon?
4 **A. No.**
5 Q. Do you have any understanding as to, you
6 know, how -- who developed those systems?
7 **A. Once again, I know I saw the name of the**
8 **company that was involved, but I don't recall it**
9 **right now.**
10 Q. Do you have any understanding as to how
11 much -- as to the cost that Hawaiian Telcom or
12 FairPoint paid for the development of their new
13 systems?
14 **A. I don't recall those numbers.**
15 Q. Is it your understanding that prior to
16 cutting over from Verizon's systems, both
17 Hawaiian Telcom and FairPoint relied on
18 Verizon's systems until they were ready to cut
19 over?
20 **A. Yes.**
21 Q. Do you have an understanding as to what
22 the economic arrangement was between Verizon and
23 FairPoint and Hawaiian Telcom with respect to
24 the transition service fees in those

Page 128

1 transactions?
2 **A. I know they involved payments of -- I**
3 **think it was for FairPoint, somewhere in the**
4 **neighborhood of \$15 million a month. I don't**
5 **recall who -- who to match the \$15 -- \$15**
6 **million a month payment, but in each case, they**
7 **were substantial payments from Hawaiian Telcom**
8 **and from FairPoint back to Verizon for use of**
9 **those systems.**
10 Q. \$15 million per month is on a monthly
11 basis, substantially higher than the 40 -- and
12 the \$94 million -- or the \$94 million
13 maintenance fee that Verizon will be paying --
14 that Frontier will be paying Verizon for
15 maintenance, correct?
16 **A. Right, but it's really not an**
17 **apples-to-apples comparison, because the SLA is**
18 **about support for a system that Frontier's going**
19 **to be operating with its own employees, whereas**
20 **the payments made in the FairPoint and Hawaiian**
21 **Telcom cases were for the operations of**
22 **Verizon's system, including Verizon's employees**
23 **who were operating those systems.**
24 Q. Right. And in this case, Frontier will

Page 129

1 pay Verizon nothing for the systems and the use
2 of the systems -- the replicated systems,
3 correct?
4 **A. Well, they're -- presumably those are**
5 **coming as part of the overall purchase price,**
6 **yes, but there's no separate line item charge**
7 **associated with those systems.**
8 Q. And there's no ongoing right-of-use fee
9 that is being paid by Frontier to Verizon for
10 the use of the systems, correct?
11 **A. That's right.**
12 Q. In fact, in your testimony, I think you
13 indicated that was a problem, that Frontier
14 wasn't paying Verizon for the use of the
15 systems; is that correct?
16 **A. Do you want to point out what you're**
17 **referring to at this point?**
18 Q. Let's see. I'll see if I can find it.
19 You don't recall making that point in
20 your testimony?
21 **A. I just want to review what it was I said**
22 **in light of your question. I know I did say**
23 **something about payment, but I'm just wanting**
24 **to...**

Page 130

1 **(Pause in proceedings.)**
2 MR. SAVILLE: It's right here
3 (indicating).
4 THE WITNESS: What answer?
5 MR. SAVILLE: 35.
6 THE WITNESS: Answer 35?
7 BY MR. OATWAY:
8 Q. Yeah, I think at the -- yeah, on Page 40
9 of the confidential -- actually, I think it's
10 Question 36, will Verizon charge Frontier for
11 the replication process.
12 **A. Oh, there it is.**
13 Q. And what's your basis for raising
14 concerns about the fact that Verizon will not
15 charge Frontier for the replication process?
16 **A. The point that I make is Verizon is a**
17 **profit maximizing business, has incentives to**
18 **minimize the costs that it incurs with the**
19 **replication of its systems. If you read the**
20 **SLA, Verizon's a very -- defines very clearly**
21 **what comes and what doesn't. For example, it**
22 **identifies additional charges that will occur,**
23 **so I think that Verizon has every incentive to**
24 **minimize its costs as it replicates its systems.**

Page 131

1 Q. Even if Frontier were paying Verizon for
2 the systems, any firm has incentive to minimize
3 the cost. Is there something about the fact
4 that there's no fee associated with the systems
5 that changes that incentive?
6 **A. Well, I mean, if there was a fee**
7 **associated with it, there might be a better**
8 **definition of what it was, in fact, that was**
9 **going to be delivered for that fee. So absent**
10 **the fee, the level of detail associated with**
11 **product is likely to be less.**
12 Q. Your concern is that because there's no
13 fee being paid Frontier, it's -- the level of
14 detail associated with the replication of the
15 systems is unclear to you?
16 **A. The definition of the product is likely**
17 **to be less specific than if there was -- I mean,**
18 **there is a general discussion of what**
19 **replication means as opposed to, for example,**
20 **the SLA, which identifies specific things that**
21 **the SLA does and does not do. So what I'm**
22 **suggesting is that if there was an explicit**
23 **payment associated with replication, that there**
24 **might be higher level of detail associated with**

Page 132

1 **what the replication would ultimately deliver.**
2 Q. You don't have an understanding as to
3 what replication will ultimately deliver?
4 **A. The discussion in the agreement and plan**
5 **of the merger describes a general outcome with**
6 **regard to what the replicated systems should do.**
7 Q. Back to FairPoint and Hawaiian Telcom
8 for a moment, is it your contention that
9 problems with the cutover process from Verizon's
10 systems to the FairPoint -- well, let me ask it
11 more open-ended.
12 What is your understanding as to the
13 reason for the systems difficulties that
14 Hawaiian Telcom has had?
15 **A. My understanding is that the problems**
16 **are associated -- were associated with the**
17 **operations of the back-office systems that**
18 **Hawaiian Telcom had developed for the purpose of**
19 **servicing its customers in Hawaii.**
20 Q. How about FairPoint, what is your
21 understanding as to the systems problems that
22 FairPoint has had?
23 **A. They've had problems with both the**
24 **customer support systems and network outages**

Page 133

1 **that occurred both while Verizon was involved**
2 **and after Verizon cut things over entirely to**
3 **FairPoint.**
4 Q. Let's take the first piece of that.
5 What is your basis for asserting that there were
6 systems problems associated with the systems
7 that Verizon was using to provide functionality
8 to FairPoint prior to the cutover?
9 **A. I don't think that's what I said. I**
10 **indicated that there were problems that**
11 **FairPoint experienced, both prior to Verizon**
12 **cutting over and after Verizon cutting over. We**
13 **just talked about the 911 experience and we, in**
14 **that discussion, concluded that it was not**
15 **Verizon's system that had failed, but Verizon**
16 **was involved in the process which led to a**
17 **system failure.**
18 Q. What is your understanding as to the
19 cutover process that Verizon and Hawaiian Tel
20 undertook with respect to that transaction?
21 **A. Verizon provided back-office support for**
22 **Hawaiian Telcom system for a period of time, and**
23 **then ultimately Hawaiian Telcom cut over to its**
24 **new systems.**

Page 134

1 Q. Can you describe your understanding of
2 the cutover itself?
3 **A. I don't have a detailed knowledge of
4 that cutover process.**
5 Q. How about the cutover in FairPoint, can
6 you describe your understanding as to that
7 process.
8 **A. Other than the general statements that
9 I've made with regard to there being a transfer
10 of operations from Verizon's systems to
11 FairPoint's systems, I don't have a detailed
12 inventory of what went on.**
13 MR. OATWAY: I think I'm almost done.
14 I'm not sure how we are with time, but I'm
15 looking to get out also, Mr. Jones -- I'm sorry,
16 Mr. Etter.
17 Q. I just wanted to go back to your
18 testimony. I think it's roughly on Page 20,
19 Question 18, where you talked about industry
20 structure issues.
21 **A. Yes.**
22 Q. And I didn't understand that section of
23 your testimony. Why is it that you contend that
24 changing industry structure is relevant to this

Page 135

1 transaction?
2 **A. I think that it has created an impetus
3 for actions on the part of companies like
4 Verizon and Frontier to make changes. Clearly
5 Verizon has a vision for the future of the
6 industry which differs from Frontier's and has
7 contributed to Verizon's willingness to shed its
8 access line to Frontier. Likewise, Frontier, by
9 pursuing an alternative approach to the
10 business, one more focused on wireline
11 operations, has found itself in a situation
12 where capturing synergies is a means to improve
13 its operating results. And given the overall
14 backdrop associated with the changing industry
15 and macroeconomic conditions, I believe that has
16 an impact on why we're here today.**
17 Q. So essentially what -- do I understand
18 correctly that essentially what you're saying is
19 that you think that Verizon's business plan for
20 dealing with changes in the industry structure
21 is, in your opinion, better and more likely to
22 succeed in Ohio than Frontier's business plan?
23 **A. The reference I made to Verizon's
24 business plan, or it's going-forward business**

Page 136

1 **plan, the plan which has led it to decide that
2 it wants to be a FiOS focused operation.**
3 Q. Right. And I'm trying to understand
4 whether your -- is it your testimony that the
5 commission should pick one of the two companies,
6 and it should pick Verizon because you think
7 Verizon has a better plan for dealing with, for
8 example, line loss issues in Ohio than Frontier
9 does?
10 **A. No, that's not my testimony or
11 recommendations at all. My recommendations are
12 that given certain conditions, that it's
13 possible that the commission could approve this
14 merger and lead to a better result for Ohio.
15 Frontier has come in and talked the talk with
16 regard to what it can do, especially with regard
17 to broadband. One aspect of the proposal that I
18 make, should the commission decide that it can
19 go forward with the merger, is to make them live
20 up to their statements and to deliver on
21 broadband availability in Ohio.**
22 Q. Do you have an understanding as to
23 Verizon's business plan in Ohio as it relates to
24 broadband deployment?

Page 137

1 **A. I've seen the results of that policy,
2 which have led to a certain percentage of DSL
3 availability and no FiOS availability.**
4 Q. I think there was a discovery response
5 that Verizon sent you that indicated that
6 Verizon has no plans to invest in broadband in
7 Ohio. Do you have any reason to disagree with
8 that statement?
9 **A. I'm not sure if I remember the statement
10 that they have no intention to invest in
11 broadband in Ohio. I think I saw something that
12 they did not intend to invest in fiber or FiOS
13 in Ohio.**
14 Q. Is it your contention that the
15 commission can expect Verizon to invest in DSL
16 in Ohio if this transaction doesn't go through?
17 **A. I know that Verizon has invested in DSL
18 up to this point. I've not seen a statement
19 from Verizon indicating that they will terminate
20 all investments on DSL. It may be that I've
21 just misread one of the discovery responses that
22 you sent.**
23 Q. I think one of the arguments that you
24 raised in this changing industry structure

<p style="text-align: right;">Page 138</p> <p>1 portion of your testimony involved the fact that 2 Verizon has both FiOS and wireless. Why is 3 Verizon's status as a wireless carrier relevant 4 to this transaction? 5 A. Well, with regard to its relevance to 6 the transaction itself, it has some impact on 7 consumers who are currently purchasing wireless 8 services on a bundled basis from Verizon, along 9 with their land line or broadband. But I think 10 the discussion here with regard to wireless 11 reflects a different approach to the changing 12 evolving market condition and an example of 13 diversification strategies being pursued which 14 are different than Frontier's strategy. 15 Q. You said different than Frontier's 16 strategy. Is it your contention that Verizon's 17 strategy is a better strategy? Should the 18 commission be trying to pick the company that 19 has the better strategy? 20 A. I think the commission should proceed 21 with this -- with its decision on the merger in 22 light of what's best for Ohio and to ensure that 23 this transaction results in Ohio being able to 24 experience the benefits of broadband and</p>	<p style="text-align: right;">Page 140</p> <p>1 acquisition. And while not trying to reveal any 2 confidential information, Frontier's indicated 3 that it's intending to grow much larger. And 4 that, in fact, results in risks associated with 5 this proceeding, from the standpoint that we 6 have one transaction going on now that's going 7 to result in what Frontier says is a process of 8 integration over some period of time, and then 9 subsequent to that, we may expect to see other 10 transactions coming up in the future to 11 contribute to this ongoing process of growth 12 that Frontier -- growth or acquisition that 13 Frontier indicates that it is pursuing. So that 14 introduces a different set of risks as opposed 15 to continued operations under Verizon. 16 Q. And your testimony is that Verizon's 17 business model is less risky for Ohio rate 18 payers than Frontier's business model? 19 A. It presents a different set of risks. 20 And I think that I've not attempted to quantify 21 how those risks compare. With regard to risks 22 associated with integration and additional 23 integration and growth, certainly Verizon has a 24 less risky profile.</p>
<p style="text-align: right;">Page 139</p> <p>1 services that are offered at reasonable rates. 2 Q. And how does that relate to your point 3 that Verizon has a different plan and that 4 Verizon is a more diverse -- diversified firm 5 than Frontier? I'm trying to connect the dots. 6 A. Well, I talk about ways that ILECs are 7 responding to the general trend of wireline 8 losses and point out that there's different ways 9 that companies have positioned themselves. And 10 Verizon's strategy has involved broadband 11 deployment, even broadband deployment here in 12 Ohio, where they've achieved a certain level of 13 DSL deployment, as well as diversification into 14 wireless, and now into facilities-based video. 15 Frontier is pursuing a different approach, which 16 leads to different risks as opposed to the 17 Verizon's current strategy. 18 Q. And just to connect the dots, how is 19 that relevant to this transaction? How is that 20 relevant to whether or not the commission should 21 approve this transaction? 22 A. Well, as I indicate in the system, 23 Frontier, as part of its approach to the 24 changing marketplace, is to grow through</p>	<p style="text-align: right;">Page 141</p> <p>1 Q. Now, is it your contention that one of 2 the ways that being larger and more diverse 3 benefits Verizon or creates -- mitigates risk is 4 that profit from wireless businesses or from 5 broadband could be used to offset losses in the 6 wireline telephone business? 7 A. Well, ultimately those areas contribute 8 to -- all of those areas contribute to the 9 ultimate operating results that Verizon 10 experiences, and to the extent that one line of 11 operations is performing less well than the 12 other two, there's an offsetting of the 13 financial results. 14 Q. You're not contending, are you, that, 15 for example, if the telephone business in Ohio 16 were to -- the wireline telephone business of 17 Verizon North were to lose money, that Verizon 18 should be expected, as a larger and more 19 diversified company, to subsidize regulated 20 telephone service with revenue from nonregulated 21 services, like wireless or DSL, are you? 22 A. No. 23 Q. You agree that it would be bad 24 regulatory policy to expect a regulated company</p>

Page 142

1 to subsidize its regulated offerings with
2 revenue from nonregulated and nonjurisdictional
3 products; is that correct?
4 **A. Right. But I think the other side of**
5 **the coin is that the regulated operations**
6 **shouldn't subsidize those lines of business**
7 **either. And as I mentioned earlier in the**
8 **deposition, the issue of joint and common costs**
9 **in local telephone networks makes that a more**
10 **complex issue. And to the extent that local**
11 **services contribute to broadband -- local**
12 **service facilities contribute to Verizon's**
13 **ability to offer broadband through DSL makes it**
14 **a more complex question as far as which way**
15 **subsidies may be flowing.**
16 Q. Right. But I'm just trying to
17 understand why you think that firm
18 diversification is relevant to risks to Ohio
19 telephone consumers. And I just -- I think you
20 answered it, but I wanted to clarify, that your
21 testimony is not that Verizon being more
22 diversified could be expected in the future to
23 subsidize -- have a subsidy flow going from
24 nonregulated products, such as wireless, to

Page 143

1 regulated products?
2 **A. No, I don't make that claim at all.**
3 MR. OATWAY: I think that's all I have,
4 Dr. Roycroft, unless Mr. Saville has more.
5 MR. SAVILLE: Mr. Jones, do you have
6 anything?
7 MR. JONES: No, I don't have any
8 questions.
9 MR. ETTER: Okay. Well, I guess we're
10 done, then.
11 MR. OATWAY: I think that concludes it.
12 THE WITNESS: I'll read.
13 --O--
14 Thereupon, the testimony of October
15 29, 2009, was concluded at 1:35 p.m.
16 --O--
17
18
19
20
21
22
23
24

Page 144

1 *Attach to the deposition of TREVOR R. ROYCROFT,
2 PH.D.
3 FRONTIER, NEW COMMUNICATION CONSENT AND
4 APPROVAL OF CHANGE IN CONTROL
5 Case No. 09-454-TP-ACO
6 STATE OF OHIO :
7 SS:
8 COUNTY OF :
9 I, TREVOR R. ROYCROFT, PH.D., do
10 hereby certify that I have read the foregoing
11 transcript of my deposition given on October 29,
12 2009; that together with the correction page
13 attached hereto noting changes in form or
14 substance, if any, it is true and correct.
15 I do hereby certify that the foregoing
16 transcript of TREVOR R. ROYCROFT, PH.D. was
17 submitted for reading and signing; that after it
18 was stated to the undersigned notary public that
19 the deponent read and examined the deposition,
20 the deponent signed the same in my presence on
21 this day of , 2009.
22 NOTARY PUBLIC
23 My commission expires:
24

Page 145

1 CERTIFICATE
2 STATE OF OHIO :
3 SS:
4 COUNTY OF FRANKLIN :
5 I, Sara S. Clark, RPR/CRR/CCP/CBC, a
6 Notary Public in and for the State of Ohio, duly
7 commissioned and qualified, do hereby certify
8 that the within-named TREVOR R. ROYCROFT, PH.D.
9 was first duly sworn to testify to the truth,
10 the whole truth, and nothing but the truth in
11 the cause aforesaid; that the testimony then
12 given was reduced to stenotypy in the presence
13 of said witness, afterwards transcribed; that
14 the foregoing is a true and correct transcript
15 of the testimony; that this deposition was taken
16 at the time and place in the foregoing caption
17 specified.
18 I do further certify that I am not a
19 relative, employee or attorney of any of the
20 parties hereto; that I am not a relative or
21 employee of any attorney or counsel employed by
22 the parties hereto; that I am not financially
23 interested in the action; and further, I am not,
24 nor is the court reporting firm with which I am
affiliated, under contract as defined in Civil
Rule 28(D).
In witness whereof, I have hereunto
set my hand and affixed my seal of office at
Columbus, Ohio, on this day
of , 2009.
Sara S. Clark, RPR/CRR/CCP/CBC
Notary Public, State of Ohio.
My commission expires: March 10, 2013

A				
<p>ability 58:8,15 64:1 89:13 90:18 99:12 100:10 102:3 107:8 109:6 142:13 able 45:17 54:11 96:7 107:4 115:22 138:23 abreast 26:5 absent 29:14 131:9 abstract 85:21,24 academic 11:7 12:3 13:3 accept 65:4 acceptable 7:24 accepting 78:14 access 68:2 72:6 135:8 accessed 52:24 accounting 15:22 accurately 56:16 achieve 115:22 achieved 139:12 achieving 116:5,12 acquire 37:13 111:14 acquired 39:12 41:21 42:1,1,10 72:3 acquisition 26:12 41:1 72:11 118:16 121:2 140:1,12 Act 18:6 25:8 43:9 action 145:13 actions 73:2 111:23 135:3 activities 26:2 93:2 108:16 activity 68:7 78:24 92:1 actual 20:18 add 107:7 addition 10:19 15:22 additional 57:22 71:22 91:15 100:9 101:2,8 104:22 130:22 140:22 address 9:5 25:7 36:24 122:19 addressed 28:14,24 addressing 28:7 administering 48:2 administration 125:9 administrative/hou... 9:13 adopts 36:22 advertised 106:1</p>	<p>advocate 33:4 34:17 35:21 affiliated 145:14 affixed 145:16 aforsaid 145:7 aftermath 119:14 afternoon 117:6,7 age 88:13 aggregate 105:12 aggregated 108:3 aggregation 114:19 114:23 aggressive 92:2 97:9 98:3 agree 53:2 60:4 67:20 68:8,13,22 70:16 72:1 76:11 84:22 86:5 91:18 94:16 95:22 99:19 101:1,22 103:9 107:3 109:2 141:23 agreement 3:8 5:10 26:22 36:16 52:22 56:8 57:3 65:13 68:16 78:6 79:16 79:18 80:6 99:11 99:21 111:3 123:19 132:4 agreements 68:16,20 ahead 6:23 7:2 Alabama 43:21 alleviate 36:24 allocate 105:18 allocating 105:1 allocation 103:18,22 104:1 allow 79:24 85:12 86:2 87:19 92:4 108:24 allowed 12:15 88:3 allows 122:8 alluded 41:17 alternative 29:20 36:21 96:2 135:9 Ameritech's 119:16 Ameritech/SBC 119:14 amortization 96:13 97:11 amount 31:3 78:15 79:13,15 102:14 105:10,12 108:24 109:3 analyses 100:12 analysis 21:21 27:11</p>	<p>40:24 78:18 94:20 96:19 107:21 108:12 112:4 116:11 124:6,16 analyst 33:1 analysts 32:23 33:8,9 95:13,19 analyze 25:1 announcing 26:7 answer 7:2 32:10 37:6 38:9 45:1,6 58:14 73:22 75:11 77:6 82:19 87:3 88:10 96:12 99:3 99:10 102:11,18 110:8 115:19 130:4 130:6 answered 142:20 answering 84:16 answers 14:23 31:6 41:6 anticipate 68:6 anticipates 74:15 apologize 21:14 apparently 110:8 appear 79:19 appearance 8:11,24 appearances 2:1 6:10 appears 10:7 39:23 41:13 62:13 91:2 101:24 108:23 apples-to-apples 128:17 applicable 3:5 applicants 30:15,22 31:1,2 application 1:3 30:11 30:12 110:19 applications 110:13 applied 25:9 101:3 apply 98:9 approach 71:12 73:8 135:9 138:11 139:15,23 approaches 73:12 appropriate 31:8 85:5,18 91:18 95:24 107:4 114:9 appropriately 7:19 92:15 appropriateness 95:14 APPROVAL 1:5 144:2</p>	<p>approve 23:16,16 28:6 29:13,16,19 29:22 136:13 139:21 approximately 43:19 99:6 105:11 April 55:17 57:1 111:2 area 10:24 11:13 13:21 61:15 85:10 86:3 88:20,21 89:12 110:10 114:22 122:10 areas 10:10 12:24 13:9 21:23,23 26:13,14 28:23 37:13 65:5,17 84:24 85:4,15,20 101:4 109:24 141:7 141:8 arguments 137:23 Arlington 2:7 ARMIS 112:4,12,16 113:5,8 arrangement 46:24 47:5,7 127:22 arrangements 78:21 aside 17:8 85:16 asked 5:13 6:17 14:24 31:15 82:13 asking 63:20 102:5 aspect 80:5 88:23 136:17 aspects 121:21 assemble 5:16 asserting 133:5 assessment 92:14 92:17 asset 27:21 121:1 assets 45:5 assist 20:15 assistance 20:17 Assistant 2:16 9:3 associated 5:20 11:16 12:7 13:12 13:23 18:4 23:7 24:12 27:1,8 31:24 32:6 39:2,24 40:14 41:6 45:17 46:2 48:16 49:5,10,18 54:8 61:5,16,23 63:23 65:5 66:13 67:21 71:10 74:10 74:18 75:1 78:20 78:24 79:23 85:2</p>	<p>85:19 86:15 87:5 87:24 94:1 99:24 100:17 108:15 110:20 111:18 112:15 116:14 119:12,22 120:1 122:2 123:15 129:7 131:4,7,10,14,23 131:24 132:16,16 133:6 135:14 140:4 140:22 association 55:16 assuming 63:22 assumption 63:23 assumptions 100:13 Atlantic 62:19 64:21 64:23 Atlantic/GTE 23:23 24:3 Attach 144:1 attached 144:10 attachment 10:1 14:14 attempt 7:6 attempted 140:20 attention 60:23 attorney 2:16,17 5:3 9:4 33:3 35:20 117:8 145:11,12 AT&T 71:13 97:18 audit 119:15,17,18 119:21 authorities 35:8 authority 35:14 111:11 availability 43:19 91:4 108:2 114:2 116:6 136:21 137:3 137:3 available 5:18 37:16 37:21 86:12 90:7 92:18 107:10 109:8 109:24 113:18 115:16 116:1 average 43:24 44:2,6 78:19 96:20 108:1 108:4 115:15 avoid 62:14 63:20 aware 95:2 111:8 116:4 awry 69:22 a.m 1:17 A4 21:18 A61 109:17</p>

<p style="text-align: center;">B</p> <p>back 17:2 25:20 29:24 42:8 52:14 59:18 70:8 102:3 114:19 128:8 132:7 134:17</p> <p>backdrop 27:15,16 40:15 135:14</p> <p>background 9:24 10:6 27:12</p> <p>backgrounds 15:22 15:23</p> <p>backup 88:14 89:19 90:4</p> <p>back-office 132:17 133:21</p> <p>bad 88:19 141:23</p> <p>bandwidth 107:9,23 108:1,4,6,9 109:3,7 109:9</p> <p>banish 90:24</p> <p>bankers 33:13</p> <p>banking 32:22</p> <p>base 85:1,8</p> <p>based 26:4 29:2 31:4 39:15 42:20 51:22 52:6 58:21 78:22 84:12 85:13 92:17 93:4 108:2 112:4</p> <p>baseline 40:19</p> <p>basic 88:4</p> <p>basis 43:18,20 45:8 50:14 53:1 54:1 57:13 59:23 63:12 63:21 64:8 68:3 77:1 81:21 83:4 87:13 94:10 101:23 120:24 123:8 124:8 124:11 128:11 130:13 133:5 138:8</p> <p>beep 8:6</p> <p>beginning 21:20 42:22</p> <p>behalf 2:5,9,13,19 8:8,18,19 9:2,22 20:10 55:4 79:21</p> <p>believe 14:9 23:6,18 24:2,11 25:13 32:8 37:2 39:1,14 42:3 43:21 44:24 46:10 47:22 48:21 49:21 50:4 56:18 72:9 74:3 78:11,13 83:15 84:3 87:18 87:21 89:22 95:5</p>	<p>102:18 106:15 116:18 123:10 124:13 125:23 135:15</p> <p>believes 99:17</p> <p>believing 83:4</p> <p>Bell 11:24 12:5 13:1 23:23 24:3 62:19 64:21,23 95:9</p> <p>belong 16:20</p> <p>benefits 64:14 138:24 141:3</p> <p>best 64:1 92:5 138:22</p> <p>better 63:9 131:7 135:21 136:7,14 138:17,19</p> <p>beyond 12:24 15:8 34:24 39:5 46:1 48:19 60:10 116:19 122:12</p> <p>billing 45:14 60:6,9 60:12 61:14,15 122:2</p> <p>billion 99:7 100:18 100:20 101:17 102:22,23</p> <p>bills 59:24</p> <p>board 18:22 125:8</p> <p>bond 33:14</p> <p>books 104:12</p> <p>border 44:19</p> <p>Boulevard 2:3</p> <p>boxes 72:21</p> <p>break 9:7 70:7</p> <p>breaker 102:1</p> <p>breakout 12:12</p> <p>breakup 13:1</p> <p>bring 5:17</p> <p>bringing 53:24</p> <p>broad 2:11,17 9:8 13:19</p> <p>broadband 26:14 28:9 40:17,19 41:16,23 42:3,7 43:14 71:11 83:13 83:16 86:11 96:7 101:4 106:12,19 107:1,18 110:9 113:11,17 114:2,10 115:2,3,9 116:6 136:17,21,24 137:6 137:11 138:9,24 139:10,11 141:5 142:11,13</p> <p>broadly 124:22</p>	<p>brought 12:1</p> <p>build 13:6</p> <p>bundle 87:6 88:13</p> <p>bundled 138:8</p> <p>bundles 88:18</p> <p>burden 100:8</p> <p>burdensome 99:18</p> <p>business 6:4 19:5,6 19:10 25:22 62:9 62:17 64:5 70:16 70:18 71:2,4,5,8 76:12 78:23 91:14 91:19 94:18 98:16 105:20 122:8 130:17 135:10,19 135:22,24,24 136:23 140:17,18 141:6,15,16 142:6</p> <p>businesses 64:8 103:13 141:4</p> <p>buy 91:15</p> <p>bytes 109:13</p> <hr/> <p style="text-align: center;">C</p> <p>cable 91:21 106:11 106:17,24</p> <p>calculator 100:21</p> <p>California 23:11</p> <p>call 8:5 11:9 45:17 69:9 88:3 93:21,22 120:6 122:5</p> <p>called 3:5 60:19</p> <p>calls 37:15 50:4 125:18</p> <p>capabilities 116:20 122:4</p> <p>capability 107:23</p> <p>capacities 19:19</p> <p>capacity 16:18 18:23 22:8 35:14 107:24 125:14</p> <p>capital 92:19 96:13 96:14,21 97:12,22 98:1,4,8</p> <p>caption 145:9</p> <p>capture 50:19</p> <p>capturing 135:12</p> <p>Carolyn 21:2</p> <p>carrier 13:22 16:6 138:3</p> <p>carriers 95:1,7,8</p> <p>carte 90:19,22</p> <p>case 1:3 5:15 12:4,5 23:10 27:11,13 30:17 40:20 81:17</p>	<p>81:17 123:4 128:6 128:24 144:3</p> <p>cases 24:12 89:9 128:21</p> <p>cash 94:17 95:23 103:12</p> <p>cause 102:16 124:6 124:15 145:7</p> <p>caused 125:22</p> <p>caveat 15:14 52:22 85:21 86:6</p> <p>caveats 85:16</p> <p>center 75:15,17,20 77:4,12 122:6</p> <p>centers 45:18</p> <p>CenturyTel 95:11</p> <p>CenturyTel/Embarq 26:17,21 27:8,11 27:19 28:12 29:10</p> <p>CEO 68:5 70:14</p> <p>certain 11:16,18 20:24 23:20 36:16 36:17 71:10 76:7 80:5 82:3 106:14 123:24 125:10,13 125:14 136:12 137:2 139:12</p> <p>certainly 16:9 28:14 39:3,19 41:14 61:5 68:12 70:21 79:24 85:11 86:10,21 90:24 92:24 93:14 122:23 140:23</p> <p>CERTIFICATE 145:1</p> <p>certifications 11:9</p> <p>certified 6:8</p> <p>certify 144:7,13 145:5,11</p> <p>challenges 70:22</p> <p>change 1:5 62:10 63:4 75:13 76:1,9 76:13 144:2</p> <p>changed 83:17</p> <p>changes 64:9 118:8 131:5 135:4,20 144:10</p> <p>changing 134:24 135:14 137:24 138:11 139:24</p> <p>character 3:12</p> <p>characterize 82:2</p> <p>charge 85:20 87:10 129:6 130:10,15</p> <p>charges 130:22</p> <p>chart 96:16</p>	<p>Charter 106:10,16</p> <p>cheaper 87:1</p> <p>check 56:7 104:6</p> <p>choice 91:3</p> <p>choices 92:4 107:10 109:8</p> <p>choose 107:8</p> <p>chosen 62:14</p> <p>Chris 8:19 116:23 117:8</p> <p>Christopher 2:6</p> <p>circuit 125:14</p> <p>circuits 123:24 124:2 124:3 125:10,13,15</p> <p>circumstances 59:12 114:18</p> <p>Citizens 24:6,12 25:12,19 26:11 38:22 39:11,18 42:10 72:12</p> <p>Citizens/Frontier 42:1</p> <p>Citizen/Frontier 40:24</p> <p>Civil 3:6 145:14</p> <p>claim 97:24 117:10 143:2</p> <p>clarify 29:8,18 142:20</p> <p>Clark 1:19 145:4,19</p> <p>classes 12:3,10 15:7 16:11</p> <p>clear 18:18 19:4,16 87:15 89:1 113:3</p> <p>clearly 130:20 135:4</p> <p>CLEC 61:19,20</p> <p>clients 24:21</p> <p>clone 63:5,6 66:2,4,5 66:7,11</p> <p>close 67:15 75:22 83:7 92:10</p> <p>closed 46:23</p> <p>closer 42:4 97:13</p> <p>closing 48:18 51:21 51:23 53:7,12 81:11 82:8,11 83:8 83:13,17 84:1,2</p> <p>closure 80:22</p> <p>coin 142:5</p> <p>colleagues 15:21 16:10</p> <p>college 14:6 17:15 19:21,22</p> <p>Columbus 1:15 2:11 2:18 9:9 145:17</p>
--	---	---	--	--

<p>combination 27:20 combined 29:6 101:15 Comcast 106:10,15 108:21,23 come 52:11 53:23 56:10 60:22 62:22 70:8 74:16 136:15 comes 130:21 coming 27:19,24 47:12 55:17 97:13 97:16,23 98:8 129:5 140:10 comments 119:21 commercialization 43:1 commission 1:1 2:20 5:6 8:9 9:3 10:4 28:5 29:12,15,19 29:21 30:23 33:6 34:6,15,18,23 36:13,14,17,22 45:11,12 54:22 74:7 83:2 100:8 106:21 111:5,19 121:22 124:5 136:5 136:13,18 137:15 138:18,20 139:20 144:21 145:21 commissioned 145:5 commitment 101:3 common 84:16 120:21 121:10,17 142:8 Commonwealth 40:8 40:22 41:19 communication 89:23 144:2 communications 1:3 1:4 2:2,6 5:3 13:15 20:1 24:7,8 25:2 30:23 32:5,14 33:8 33:13,19 34:1,22 35:7,13 36:4 38:23 39:11 103:15,19 104:24 105:9,13,19 companies 17:22 18:9,13,16 19:17 19:18 24:18 25:5 27:23 29:4 42:22 52:20 63:3,15 74:24 79:5 83:22 84:23 85:6,18 86:18 89:23 90:14 94:21 95:3,10</p>	<p>96:23 97:2,8 98:3 104:3,10 106:11,24 112:11,17,18 121:3 135:3 136:5 139:9 company 17:11,14 18:11,24 19:2,3,7 19:13 20:2 24:7 38:23 39:3,12 43:18 50:4 58:24 60:23 63:16,24 74:9,14 82:10 87:10,15 91:4 94:17 95:16 103:15 103:19 104:24 105:9,19 107:11 114:14 127:8 138:18 141:19,24 company's 25:2 compare 140:21 compared 97:15 comparing 48:23 113:2 comparison 35:5 96:12 104:20 128:17 competition 11:2 competitive 84:13,18 84:20 competitively 89:6 90:6 competitors 12:14 91:16 complaints 48:24 49:2 complete 68:11 completed 22:18 56:3 57:7,11,20 58:12 59:20 93:5 105:17 125:19 completely 56:17 94:14 completes 62:4 completing 27:10 73:19 112:4 complex 142:10,14 complexity 72:24 complicated 84:18 comply 68:18 component 89:4 121:18 122:15,17 components 122:14 122:19 computer 15:5,6 89:20 118:24 119:2 conceivable 53:22</p>	<p>concern 71:19 73:16 79:15 90:9 100:6 102:12 122:18 131:12 concerned 61:3,9 121:23 concerns 27:20 63:19 71:15 85:12 85:22 89:21 92:1 122:24 130:14 conclude 67:13 81:22 concluded 133:14 143:15 concludes 143:11 concluding 83:5 conclusion 38:16 70:20 94:7,8 125:24 conclusions 36:11 condition 83:24 138:12 conditional 23:19 conditions 23:7 28:7 29:14,15,23 36:17 36:23 37:2 68:14 81:11 83:20 84:13 113:16 114:8 135:15 136:12 conducted 40:7 100:12 107:19,21 119:18 124:5 conference 8:16 69:9 120:6 confidential 6:21,22 7:4,5,8,9,12,13,20 7:21 43:23 72:22 73:10 130:9 140:2 conflicting 66:15 conjunction 82:5 connect 139:5,18 connection 109:11 114:23 connects 114:18 CONSENT 1:5 144:2 consequence 70:2 consequences 67:16 67:20 68:18 87:16 consider 25:1 91:21 102:1 117:14 considerably 42:19 considering 22:13 considers 110:1 construction 13:10 consult 16:20 22:12</p>	<p>consultant 16:15,19 16:23 17:2,6,10 21:22 33:21 consultations 36:5 consulted 21:24 consulting 16:21 17:22 19:5,8,11 24:23 25:17 36:1 42:21 consumer 33:4 35:21 35:23 58:16 88:2 88:24 89:2,10,14 90:18 91:3 107:8 107:14,22 108:13 108:16 109:2 118:19 consumers 2:10,13 20:11 47:17 60:22 61:4,10 87:21 89:24 90:2,3,4 92:3 107:4,11,17 108:3 108:4,6 109:1,6,6 138:7 142:19 consumer's 108:11 consuming 109:13 consummate 99:12 contains 7:8,12 contemplating 115:7 contend 134:23 contending 141:14 contention 87:9 125:20 132:8 137:14 138:16 141:1 context 6:24 12:6 40:10 65:12 74:21 84:19 105:4 120:16 continuation 47:2 115:18 continue 42:6 70:21 71:3 79:6 81:9 82:10 84:1 99:12 continued 140:15 continuing 62:15 81:2 99:9 contract 87:17 145:14 contractual 78:6 contribute 98:19 140:11 141:7,8 142:11,12 contributed 135:7 contributes 109:9 control 1:5 52:8 61:7 61:22 62:1 144:2</p>	<p>controlled 52:12 conversations 31:11 31:23 32:4,14,21 33:12,18,24 35:6 35:13 95:12 convey 61:3 Cooney 44:11 copy 14:10 21:9 CORDRAY 2:17 Corporation 1:4 5:4 24:8 correct 10:9 16:17 17:7 22:6,15,24 23:1 26:18,19 36:3 38:14,19,20 42:8 69:17 71:5,17 72:14,20 73:3,23 76:5 84:20 92:12 94:19 96:18 99:1 100:5 102:9,17 103:1 106:7,8 112:8,9 113:13,21 116:3 118:13 126:18,22 128:15 129:3,10,15 142:3 144:11 145:8 correction 144:9 correctly 101:18 135:18 cost 64:14 78:24 84:9 84:11 85:13,15 86:22,24 98:20,22 116:11,14 127:11 131:3 costs 78:19 84:14,16 84:17,21 85:2,7,15 85:19 86:3 99:17 130:18,24 142:8 cost-effective 91:6 counsel 2:10,13 3:2 5:10 7:17 8:1 20:11 33:3 35:19,23 145:12 country 113:6 116:5 COUNTY 144:5 145:3 couple 8:14 95:6 course 6:16 7:7 14:6 31:9 32:19 76:11 121:12 courses 13:12 14:3 15:8 16:1,4 coursework 11:20 12:19,23 13:8 15:2 15:3,16 court 2:7 8:22,24 9:6</p>
---	--	---	---	--

<p>9:10 145:14 cover 11:3 coverage 99:17 covered 59:8 94:15 create 7:22 63:5,17 64:14 created 135:2 creates 61:11,17 70:1 71:22 100:6 141:3 creating 52:13 64:1 65:23 119:1 creation 65:15 criteria 28:22 29:3 critical 91:13 Crossing 72:12 cross-border 44:16 current 26:2 43:14 139:17 currently 5:5 37:16 37:20 43:15 52:19 65:16,24 103:6,10 106:5 116:5,8 122:11 138:7 curricula 12:2 curriculum 16:1 curtailed 92:19 customer 45:14 47:16 48:8,16,23 49:2,11 50:10 52:9 57:21 58:15,16,23 59:1,24 65:19 66:12,16,18,22 67:3 80:16,20 81:8 83:5,11 85:1,8 87:12,16 98:18 101:5 108:21 109:4 115:1 122:21 132:24 customers 44:20 45:3,9 46:9,20 47:1 47:19 50:1 52:21 53:6 57:14 60:15 60:18 66:1 82:6 85:3 91:15,20 92:11 93:12,17 96:8 98:21 109:20 113:18 114:1 115:22 132:19 customer's 83:16 91:5 cut 49:15 50:9,12,15 54:18 61:21,24 63:6 64:11,15,20 83:16 121:10</p>	<p>125:13 126:15 127:18 133:2,23 cutover 40:1 46:2 48:5,5,6,9,9,11,13 48:19 49:2,18 51:24 59:7 61:23 117:22 118:1,6,10 120:3,5,14 121:3,8 123:1 127:2 132:9 133:8,19 134:2,4,5 cutovers 117:17,19 118:2,4,7,12,18 120:21 cutting 118:15,19 126:3 127:16 133:12,12 CWA 36:6 cycle 60:13 cycles 60:6,9,12</p> <hr/> <p style="text-align: center;">D</p> <p>D 2:6 data 43:17 48:16 66:12 75:15,17,20 77:4,12 108:3 109:13 112:4,15 113:5,8 115:15 117:17,19,20 121:3 121:5,11,14 date 39:14 47:14 55:18 56:23 57:1,4 57:8 93:5 dated 20:12 dates 54:8 110:20 Davis 10:19 day 83:6 144:19 145:17 days 51:23 53:11 60:10,24 deal 8:13 73:18 102:1 102:3 dealing 135:20 136:7 debt 100:8 102:14,22 102:23 103:7,14,19 103:23 104:1,10,12 104:15,22,23 105:6 105:8,13,19 debt/equity 105:11 December 76:20 decide 136:1,18 decided 46:10 62:10 64:11 107:12 110:9 125:10 decision 62:18 64:20 71:2 89:14 138:21</p>	<p>declining 98:15 deeper 97:20 defect 125:21 defined 145:14 defines 130:20 definition 17:16 65:7 66:4 117:22 131:8 131:16 degree 11:5 16:14 28:12 degrees 10:8,11 11:4 11:7,12 13:8 delays 45:16 deletion 66:23 deliver 132:1,3 136:20 delivered 131:9 dense 85:19 114:8 densely 84:23 85:9 density 85:4 deny 36:15 department 118:6 depend 67:14 114:17 depending 79:1 deploy 38:5 42:22 96:7 107:12 deployed 43:7 deploying 43:3 93:3 97:17 deployment 28:9 40:17 41:23 42:3,7 42:13 43:1,11,14 97:19 98:4 136:24 139:11,11,13 deponent 144:17,18 deposes 6:8 deposition 1:11 3:3,8 5:5,11,11,12 6:16 35:4 66:20 142:8 144:1,8,17 145:9 depositions 8:15 depreciated 98:24 depreciation 96:13 96:16,22 97:4,11 98:2,9 depreciation/amor... 97:22 describe 11:23 134:1 134:6 described 31:21 57:2 58:14 61:13 62:3 describes 132:5 describing 120:17 design 13:10 117:15 designated 6:19</p>	<p>designed 85:14 designing 12:19 desire 85:23 detail 131:10,14,24 detailed 119:20 126:5 134:3,11 details 23:13 54:12 58:10 deteriorated 112:1 determining 110:17 develop 46:7,18 62:8 66:10 69:1 74:19 developed 27:1 49:16 73:14 126:7 126:8,14 127:6 132:18 developer 126:10 developing 49:24 development 119:4,5 127:12 difference 90:16 98:4 differences 28:21 29:1,2 126:13 different 10:7 21:7 27:17 28:19 40:15 40:19 71:2,13 73:8 76:22 105:5 106:24 107:1,6 108:15,18 108:19 118:20 138:11,14,15 139:3 139:8,15,16 140:14 140:19 differentiate 105:18 differently 27:13 differs 135:6 difficult 68:1,10 difficulties 39:23 132:13 diminished 92:19 direct 20:9 70:1 directed 123:23 directly 14:11 18:15 86:21 directors 18:22 DirecTV 82:21,24 83:6,7 disable 58:19 disagree 71:7 137:7 disconnect 123:23 discontinued 82:7 83:8 discount 87:6 discover 80:24 90:18 discovery 5:21,24 6:2 30:13,15,19</p>	<p>31:7 32:18 37:23 39:1 66:17 81:7,18 81:23 137:4,21 discussed 7:16 28:15 48:20 51:18 discussing 102:19 discussion 9:18 55:2 131:18 132:4 133:14 138:10 discussions 32:5 55:16 95:17 Dish 82:20,23 dispersed 85:1,9 dissatisfied 69:3,4 69:21 dissertation 11:1 diverse 139:4 141:2 diversification 138:13 139:13 142:18 diversified 139:4 141:19 142:22 divestiture 11:24 12:6 27:21 divestitures 26:11 68:2 dividend 94:1,9,12 94:14,22 dividends 94:6,16 95:4,14,23 division 33:5 35:21 divulgence 73:9 docketed 119:17 document 14:16 20:19,20 57:9 documentation 5:14 documents 5:23 31:4 31:5 51:22 52:6 66:3 doing 21:12 24:24 56:13 76:18,20 93:11,17 104:23 109:11 118:8 dollar 79:13,14 105:10 dollars 101:20,21 dots 139:5,18 double 104:6 download 108:21 109:1,10,18 115:23 downloaded 109:14 downloading 109:12 DPI 50:4 64:12 Dr 117:6 120:14 143:4</p>
--	---	--	--	--

<p>draft 14:21 drive 88:14 89:19 90:4 driven 85:22 DSL 42:13,23,24 43:3 43:8,19 83:12,16 84:5 86:9,20 87:1,1 97:20 106:1,12 109:17,21 114:15 114:20 137:2,15,17 137:20 139:13 141:21 142:13 DSLAM 114:21 dual 59:9,12 due 6:3 40:16 97:16 123:24 duly 6:7 145:4,6 duplicate 64:2,4 duplicates 64:6 duration 87:14</p> <hr/> <p style="text-align: center;">E</p> <p>earlier 25:14 53:17 54:19 95:18 118:3 142:7 early 87:18 earnest 43:3 easily 102:6 East 2:17 9:8 economic 10:20,22 84:12 127:22 economics 10:12,16 12:10 education 11:5 15:16 17:5 educational 10:5,14 13:19 17:9 educational-related 17:18 effect 43:10 44:15 58:13 64:21,22 65:23 66:11 81:14 81:21 101:9 efforts 26:4 73:2 Eight 110:5,6 either 6:19 25:1 36:5 142:7 elaborate 10:13 elaborated 13:1 electives 10:21 electrician 89:7 elements 71:10 Embarq 95:11 embedded 96:11 emerge 122:2,10</p>	<p>emerged 124:2 emerging 18:5 emphasis 15:9 employed 18:9 145:12 employee 17:10 32:14 76:14 145:11 145:12 employees 31:11,15 31:23 32:5,13 75:20,21 76:3,4,7 76:10 77:2,8,10 123:14,23 125:6,7 128:19,22 employers 17:17 employment 18:20 19:17 enabled 96:5 encompassed 10:13 encountered 45:21 46:1 47:17 49:15 encourage 91:19 endeavored 80:24 ended 13:4 engaged 38:23 72:8 90:15 engineering 11:14,17 12:16 13:9 14:7 15:1,23 34:2,3,7 England 22:10 35:15 46:9,20 47:2,17,20 ensure 138:22 entered 78:5 entire 21:16 44:5 52:7 125:19 entirely 89:1 133:2 entities 35:24 104:13 104:16 108:19 113:6 entity 104:13 entries 106:9 entry 88:4 106:4 environment 90:21 equipment 52:18 53:4,10,15,20 54:6 55:12 98:16 especially 89:15 93:3 136:16 Esq 2:2,6,10,16 essentially 24:19 44:13 90:21 100:7 122:6 135:17,18 Essentials 80:18 establish 56:10 established 43:15</p>	<p>Etter 2:10 6:2,9 8:3 8:20 9:14,15 21:1 21:10,13 117:2 134:16 143:9 evaluating 24:6 27:23 30:10 evaluation 25:4 event 121:17,17 evidence 40:21 evidenced 40:13 123:3 evident 98:13 evolving 138:12 exact 42:16 47:14 55:18 exactly 76:8 81:16 82:11,17 104:7,17 EXAMINATION 4:1 9:19 117:4 examine 97:8 examined 144:17 example 21:8 40:19 43:21 62:20 64:11 64:18 82:4 90:22 91:20 97:13,14 102:6 119:14 122:22 130:21 131:19 136:8 138:12 141:15 examples 59:15 91:1 exceed 64:4 98:1 exception 18:21 excess 94:6 95:4,15 excessive 78:12 exchange 44:11,11 44:16,19,21 74:6 Excuse 51:15 existence 84:15 85:13,24 existing 44:9 50:3,13 52:1 63:6 65:21 105:6 expand 71:4 93:6 expanding 65:2 expect 64:3 84:13 98:14 110:22 137:15 140:9 141:24 expected 79:20 80:4 124:3 141:18 142:22 expecting 6:16 expenditure 96:21 expenditures 92:20 96:14,15 97:12,23</p>	<p>98:1,8 expense 97:11 101:8 experience 10:6,14 42:20 58:21 61:10 88:24 117:17 118:1 118:11,17,22 119:3 119:4,8,12 133:13 138:24 experienced 39:20 41:12 45:3,9 68:9 86:4 133:11 experiences 70:21 141:10 experiencing 97:10 98:17 expert 33:21 117:10 expertise 16:11 34:4 77:4,13,18 expires 144:21 145:21 explain 15:15 61:8 80:15 123:7 explained 53:3 82:1 83:23 explanation 98:6 explicit 131:22 extend 46:1 114:20 114:22 extended 45:15 123:11 exceeds 60:10 extensive 45:3 extensively 73:22 117:23 120:4 extent 7:11 13:5 65:3 93:19 96:6 104:13 106:11 110:23 121:4,6 141:10 142:10 eye 108:23 E911 122:23</p> <hr/> <p style="text-align: center;">F</p> <p>face 67:15,19 70:22 87:17 facilities 49:12 61:18 114:9,21 123:18 142:12 facilities-based 139:14 fact 36:22 46:18 53:11,15,17 57:20 58:24 60:8 62:17 70:24 71:3 72:16 73:5,16 74:22 75:5</p>	<p>75:9 77:11 80:2 81:5,22,23 85:7 88:17 89:5 91:14 95:22 97:16 102:13 103:17 104:1,15 125:17 129:12 130:14 131:3,8 138:1 140:4 factor 98:19 factors 73:7 74:2,5 75:1,3,6 faculty 16:2 failed 68:14 133:15 failing 68:18 fails 80:1 failure 125:18 133:17 fair 29:7 fairly 120:24 FairPoint 22:10 35:4 35:9 38:12 39:21 40:14 41:12 45:2 45:20 46:1,5,10,15 46:18,24 47:1,19 48:17,19 49:5,15 68:9 123:4,5,14,20 123:23 124:18 125:6 126:1,3,14 126:17,21 127:12 127:17,23 128:3,8 128:20 132:7,10,20 132:22 133:3,8,11 134:5 FairPoint's 46:2 124:23 134:11 falls 17:16 familiar 43:7 58:23 59:14 60:11 108:14 familiarity 116:13 far 5:10 8:12 11:18 12:13 17:17 20:18 22:2 30:9 42:24 48:12 56:20 87:22 109:3 112:16 114:2 114:18 142:14 farthest 114:9 fashion 90:3 91:6 favorably 93:23 FCC 112:6,9,18 feasibility 116:11 features 87:23 88:5 89:18 90:19 February 43:10 federal 30:22 86:7,12 86:19,22 110:12 fee 77:22 79:6 80:10</p>
---	--	---	--	--

<p>128:13 129:8 131:4 131:6,9,10,13 fees 87:18 127:24 fiber 37:8,15,21 97:20 114:23 137:12 fiberoptics 97:17 field 10:24 figure 96:11 113:1 116:24 figures 112:21 113:1 filed 10:2 27:3,6 28:15 32:20 81:8 112:5,12 filing 30:23 31:2 74:5 74:21,23 75:6 filings 26:1 30:21 filter 66:11 finance 10:21 55:8 financial 25:3 27:2 33:1,9 92:9 100:15 141:13 financially 145:13 financing 33:15 99:6 99:13,24 100:3,18 find 73:10 129:18 fine 21:13 90:1 FiOS 37:15,21 38:5 93:3 106:4,6 136:2 137:3,12 138:2 firewall 53:1 firm 8:17 131:2 139:4 142:17 145:14 firms 32:22 121:10 first 5:21 6:7 45:6 79:16,17 82:23 102:22 106:4 133:4 145:6 firsthand 117:16 118:1,17,22 119:4 119:8 126:20 127:1 fit 60:17 92:5 five 70:7 92:16 93:12 93:18 96:5 113:19 116:23 fixed 98:20 flexibility 115:12 floor 2:7,17 9:9 flow 95:23 96:3 142:23 flowing 142:15 focus 10:15 20:7 26:13 27:15,18 38:8 88:22 focused 13:17 15:4</p>	<p>23:6 26:12 27:22 135:10 136:2 focuses 11:1 focusing 41:18 folks 8:17 follow 69:6 86:1 followed 29:20 following 45:4 67:14 80:22 81:11 82:8 82:11 92:10 follows 6:8 follow-up 31:7 footnote 37:6,7 73:23 forced 99:22 forces 86:2 foregoing 144:7,13 145:8,9 form 144:10 forma 100:12 formal 11:17 format 81:20 formed 40:11 41:7 former 62:20 formerly 41:1 forms 25:17 Fort 77:12 forth 19:20 forward 23:21 30:3 36:19 68:23 136:19 found 31:5,8 135:11 four 37:14 frame 14:2 17:3 40:9 41:4 42:2,11 53:18 54:5 55:14 56:21 framed 84:3 FRANKLIN 145:3 free 90:5 95:23 Freedom 80:18 81:19 front 14:11 Frontier 1:3 2:2,5 3:5 5:3 6:20 8:19 9:22 22:5 24:5,7,8,13 25:2,12,18 26:9 32:4,6,8,12,15 37:13 38:22 39:13 39:17 40:2,8 41:21 41:24 43:15,17 46:6 49:24 50:2,8 50:12,15,16,22 51:4,11,13,15 52:5 52:17 53:1,3 55:21 56:2,9 60:1 61:5,12 62:7,24 64:11 66:14 67:5,14,22 68:11 69:1,2,5,16</p>	<p>71:1,16,22 72:3,7 72:11,17 75:15,22 77:3,23 78:1,5,15 79:21 80:1,23 81:3 81:6 88:11,17 91:9 91:19,22 92:8 93:8 94:5,17 95:22 96:4 99:5,11,15,16,22 100:17 101:24 102:2,17,20 104:14 104:15,24 105:6 109:17,21 110:1,8 110:18,23 112:5 113:2,17 115:4,8 115:12 128:14,24 129:9,13 130:10,15 131:1,13 135:4,8,8 136:8,15 139:5,15 139:23 140:7,12,13 144:2 Frontier's 44:7,9,13 51:20 72:23 73:5 73:11,16,23 79:21 88:11 91:14 94:1,8 96:14 102:14 113:5 116:20 128:18 135:6,22 138:14,15 140:2,18 Frontier/Verizon 26:6 35:16 49:7,20 101:16 fruit 74:16 Ft 75:15,17 77:3 fulfill 68:14 fully 56:22 function 58:4 122:9 123:1 functionalities 82:17 functionality 87:24 88:6 121:24 133:7 functioned 16:15 functioning 58:9 59:11 functions 51:8 76:14 121:13 fund 95:23 103:14 fundamental 71:7 funding 110:9,12 funds 116:17 further 145:11,13 future 50:8 68:2,7 95:16 135:5 140:10 142:22</p>	<p>gain 16:11 gap 99:20 gears 70:12 general 2:16,17 9:4 10:16 26:8 28:23 40:3,20 41:5 43:5 60:15 61:23 78:22 81:13 95:6 126:6 131:18 132:5 134:8 139:7 generally 11:3 12:9 23:5,14 42:21 49:10 64:8 General's 33:4 35:20 generate 59:24 generated 7:18 63:8 94:18 95:22 96:4 103:12 generating 94:10 getting 13:7 20:17 81:20 gig 108:22,23 give 34:11 91:1 115:12 given 92:3 93:19 116:16 135:13 136:12 144:8 145:7 giving 64:19 Global 72:12 go 6:22 7:2,19 9:15 10:17 21:19 29:24 30:3 36:18 46:18 52:14 67:16,20 93:8 114:4,14 121:23 134:17 136:19 137:16 goes 23:20 68:23 going 7:12 8:13 12:12 15:2 17:2 19:21,22 20:21,24 25:20 26:5 27:20 37:4,4 43:10 51:11 52:11 54:15 55:20 56:7 58:4 59:18 61:21 62:10,18 63:5,9 64:13 70:12 70:20,22 74:19 75:8,14,21 76:2 77:10 81:22 82:16 102:14,15 109:7,11 109:12 117:21 122:24 128:18 131:9 140:6,6 142:23 going-forward 68:3</p>	<p>94:10 135:24 good 5:1 9:21 70:7 88:14 93:11,17,21 117:6,7 120:10 government 86:13 graduate 10:18,19 graduate-level 14:6 graduating 17:14 gray 88:21 great 6:5 43:2 93:22 125:12 greater 48:9 greatest 122:22 group 75:21 grow 139:24 140:3 growth 26:12 140:11 140:12,23 GTE 41:1,24 42:2,10 43:7 62:16,20 65:5 guess 11:8 13:6 16:22 17:4 25:20 34:16 55:2 63:20 65:7,10 71:2 73:1 78:19 82:23 85:1 95:13 98:7 110:14 112:24 113:3 143:9</p>
H				
			<p>hairs 29:18 Hampshire 35:8 hand 145:16 handed 62:6 handling 58:22 handoff 52:5 61:4 handover 45:5 61:12 62:23 handy 100:22 happen 23:20 66:16 79:9 81:16,22 83:20 happened 124:9,12 124:18 happening 12:11 25:23 26:3 39:8 54:15 hard 88:14 89:19 90:4 hardened 114:21 hardware 52:17,23 53:4,10,15,19,20 54:5 55:13,17 65:18 Hart-Scott-Rodino 31:1 Hawaii 22:18 132:19</p>	

<p>Hawaiian 38:13 39:21 40:15 41:12 45:2 126:24 127:2 127:11,17,23 128:7 128:20 132:7,14,18 133:19,22,23 head 34:12 54:24 76:24 105:16 held 9:18 17:4 Hello 120:8 hereinafter 6:7 hereto 144:10 145:12 145:13 hereunto 145:16 high 1:15 85:4 86:22 86:24 98:20,22 99:16,23 107:8 higher 44:3 84:10,14 84:14,21,21 85:2,6 85:15,19,20 86:2,3 88:5 97:11 100:19 109:23 114:3 128:11 131:24 highly 6:21 7:5,8,13 7:20 67:13 72:22 high-level 54:14 high-pressure 90:3 hill 33:2,7 95:17 114:12,16 Hine 1:14 8:17 history 10:22 42:24 hitting 69:12 hold 70:3 home 37:8,15,21 hope 111:1 hosted 54:22 house 2:7 114:12,15 housekeeping/ad... 6:13 houses 33:14 HR 122:14 human 52:9 122:13 hypothetical 86:1 hypothetically 100:16</p> <hr/> <p style="text-align: center;">I</p> <p>identical 66:5 81:20 identification 74:13 identified 18:3 35:1 36:23 37:1 56:24 62:21 71:15 73:5 86:6 89:19 111:23 116:17,18 125:15 identifies 130:22</p>	<p>131:20 identify 7:3 15:2 17:24 21:24 37:11 51:2 74:24 identifying 38:11 ILEC 26:10 43:5 44:9 97:3 116:4 ILECs 24:20 25:9 39:13 60:12 139:6 Illinois 41:2 42:12 43:8 image 65:24 66:11 imagine 59:11 69:24 impact 95:15 100:15 101:6,11 102:19 122:22 135:16 138:6 impetus 43:2 135:2 implicit 108:4 implicitly 87:1 important 45:24 imposed 36:18 108:19 111:22 impression 61:3 improve 111:24 135:12 improved 92:9 improvement 64:10 101:4 116:18 improvements 86:23 improving 101:5 inappropriately 94:5 incentive 130:23 131:2,5 incentives 40:17 130:17 include 80:19 included 10:2,11 14:18,20 26:16 68:15 74:2 75:6,9 99:20 105:24 including 45:15 115:5 128:22 income 94:6,13,23 95:4,15 96:1 103:12 incorporated 18:2 19:10 incorrectly 44:12 125:15 increase 48:13 93:6 increased 48:10 increasing 70:22 91:10 incremental 101:5,23</p>	<p>113:24 incur 99:23 incurs 130:18 indented 45:20 independent 16:15 16:18,23 17:2,5,21 21:22 INDEX 4:1 indicate 21:20 37:24 38:1 43:18 68:6 72:21 77:17,19 91:9 92:8 93:6 100:3 103:4 115:20 139:22 indicated 5:8 15:19 18:18 35:18 41:11 50:12 54:19 55:12 55:22 76:6 81:6 83:22 98:11 106:5 118:3 129:13 133:10 137:5 140:2 indicates 92:18 107:16 109:23 116:15 140:13 indicating 25:15 50:17 66:21 130:3 137:19 indication 58:18 indirectly 86:21 individual 33:19 34:1 104:2,16 industrial 10:21,23 industries 11:16,19 industry 11:3,3,21 12:8 13:18 19:1,20 25:24 26:3,5 39:8 43:5 59:16 78:18 84:15 94:22 96:20 98:17 117:12,18 118:12,18 119:6,11 120:1,22 134:19,24 135:6,14,20 137:24 inform 74:8 information 5:16,20 6:19,24 7:3,9,11,13 7:16,20 15:4,17,24 16:5 20:18 33:20 38:4 39:4,6,7,16 48:20 52:10 54:11 58:10,17 59:5,7 70:19 73:10 77:9 77:14 78:22 83:14 83:19 84:8 88:13 92:3,17,18 93:4,20 109:22 110:1 118:9</p>	<p>119:19 140:2 infrastructure 12:13 44:14 inhibit 7:15 91:24 inhibited 91:3 initial 29:11 initially 47:1 60:24 initiated 12:17 111:4 111:10 inside 88:12,15,22 89:5 instance 61:18 65:15 integrate 50:18,22 integrated 13:17 71:11 105:5 121:7 122:7 integrating 51:5,7 integration 15:10 51:18 140:8,22,23 intend 50:22 56:1 137:12 intending 140:3 intends 58:11,19 71:3 intensity 48:10 intent 5:23 6:22 74:5 intention 57:6 68:4 137:10 interacted 31:19 interactions 32:18 interest 99:23 100:16 101:11 interested 145:13 internally 63:7 Internet 43:2 90:5 108:18 interpret 66:7 81:15 interpretations 108:19 Interruption 69:9 120:6 interviewed 124:17 125:3,4 introduces 94:9 140:14 introductory 16:4 inventory 134:12 invest 96:5 137:6,10 137:12,15 invested 97:3 99:1 137:17 investigate 115:5 investigation 111:4 111:21 investigations</p>	<p>111:19 investing 92:15 investment 32:22 92:21 93:1,7 96:21 97:1 113:24 investments 43:4 137:20 investors 74:8,9 invisible 90:22 involve 6:18 11:20 19:24 28:12 31:14 73:6,9 involved 11:20 14:3 18:24 22:8,23 24:2 24:11,19,22 31:21 32:13 38:13 71:22 72:13,24 91:4 118:4,7,14 119:13 119:22 123:16,21 127:8 128:2 133:1 133:16 138:1 139:10 involvement 22:13 22:19 23:24 24:4 25:21 26:16 involves 27:17 involving 12:24 22:23 25:10,12 55:2 65:17 72:2,5 121:2 iobi 82:4 issue 6:14 62:14 82:16 142:8,10 issued 5:12 issues 9:13 11:2 13:13,23 15:18 18:5 25:7 27:3,22 31:24 32:6,15,23 33:9,15 34:4,21 36:7 41:16 47:16 55:3 58:23 61:16 62:2,7,21 63:11 67:23 73:7,17 119:22 120:11 134:20 136:8 item 129:6 IVEW 36:6</p> <hr/> <p style="text-align: center;">J</p> <p>J 13:14,16 January 55:13 job 93:11,17,21,22 John 2:16 8:7,10 9:2 18:1,8 69:10,11 joined 8:5</p>
---	---	---	---	---

<p>joint 1:3 30:14,21,24 31:2 84:16 142:8 Jones 2:16 8:7,7 9:1 9:2,8,11 69:11,12 120:7,8,9 134:15 143:5,7 JSI 18:15 25:10 June 16:16 17:3 jurisdiction 30:20 jurisdictions 27:4 30:20 93:2</p> <hr/> <p style="text-align: center;">K</p> <p>keep 25:23 26:2,5 85:23 Kevin 2:2 5:2 8:18 9:22 Kevin's 21:12 kilobytes 109:18 kind 12:17 15:9 18:22 20:1 32:21 116:10 know 5:9 7:2,3,7,10 7:11,22 9:24 13:10 16:19 17:16 21:22 23:13 28:14 29:8 30:1 32:22 38:17 43:11 44:2 47:14 53:22 55:16 56:23 58:3 63:16,20 65:9 66:5 67:23 71:4,20 77:6,7 79:6 81:4 88:4 90:23 93:21 100:8 105:10,14,15 106:11 107:6 108:18 114:4 115:9 123:3 126:8,9 127:6,7 128:2 129:22 137:17 knowable 108:5,7 knowledge 58:21 117:13 126:5,6,21 127:1 134:3 known 24:8</p> <hr/> <p style="text-align: center;">L</p> <p>la 90:19,21 labeled 10:1,12 labor 36:6 laid 115:14 land 138:9 language 81:14 large 71:20 larger 71:21 72:6,17 140:3 141:2,18 large-scale 79:2</p>	<p>law 8:17 lays 78:6 lead 60:14 83:15 85:12 136:14 leads 139:16 learn 16:9 leaves 98:20 leaving 98:22 led 43:2 125:17 133:16 136:1 137:2 left 14:5 legacy 40:2 58:6 59:7 62:16 64:12 65:5 legal 68:17 lend 80:3 lenders 33:14 length 47:10 114:16 114:22,24 Let's 10:5 100:20 120:13 121:20 129:18 133:4 level 41:22 42:4,19 43:22 79:18,22 80:5 88:4,5 93:1 96:21 98:15 125:12 131:10,13,24 139:12 levels 42:13 43:12,14 105:8 108:12 116:6 liability 19:12 license 78:6 79:16,23 light 129:22 138:22 Likewise 75:5 98:14 135:8 limited 19:12 109:7 line 12:17 20:23 45:22 54:12 56:6 59:18 68:2 72:6 92:7 98:8,18 121:1 129:6 135:8 136:8 138:9 141:10 lines 35:6 54:17 72:3 72:6,13 97:16 142:6 links 84:24 listed 11:4 14:9 litigation 68:21 litigation-type 68:17 live 58:15 136:19 LLP 1:14 loaded 66:19 local 13:21 142:9,10 142:11 located 75:17 long 42:24 47:7</p>	<p>87:15 90:2 longer 70:15,18 84:24 87:14 long-term 103:6 look 10:6 29:24 40:7 looked 23:12 looking 9:23 16:13 25:20 50:20 60:5 113:5 134:15 loop 84:24 86:23,24 114:13,16,18,22,24 lose 141:17 loss 98:18 136:8 losses 98:18 139:8 141:5 lost 109:16 lot 98:20 low 42:4,7 44:5 lower 43:21 44:3 93:1</p> <hr/> <p style="text-align: center;">M</p> <p>macroeconomic 135:15 magnitude 48:7,13 main 10:23,24 79:15 92:1 Maine 35:9 maintain 77:24 79:7 maintaining 12:22 maintenance 13:11 78:7,20 88:12,15 88:23 89:6 128:13 128:15 major 94:24 95:7,8 making 78:13 104:21 129:19 management 13:15 13:23 14:8 59:8 72:23 73:5,11 74:9 74:14,18 119:15 manager 118:5 managing 121:12 manner 89:16 March 57:7 145:21 mark 7:19 market 11:2 12:11 84:13 86:2 138:12 marketing 13:24 90:21 92:2 marketplace 108:18 139:24 markets 109:20 masking 91:4 match 107:10 128:5</p>	<p>material 66:6 math 101:19 mathematics 10:16 matter 1:2 60:23 77:15 107:16 matters 16:12 maximizing 130:17 McCallion 76:6 McClure 13:14,16 mean 5:22 10:12 15:10 17:18 27:18 32:17 44:15 48:3 61:8 63:2,3 64:21 66:8 74:17 75:16 79:15 106:18 117:19 120:14 121:6 122:12 123:9 131:6,17 means 25:18 115:4 120:5 131:19 135:12 measuring 112:17 mechanism 115:10 meet 112:11 115:13 meeting 112:18 megabit 110:2 megabits 109:18 115:23,24 members 34:7,10 mentioned 24:16 95:18 142:7 merged 38:12 merger 21:24 22:2 23:7,20,23 24:3 26:22 28:6,7 30:2 36:15,16,18 51:24 52:23 56:9 57:3 65:14 68:15 99:11 118:16 119:15 121:2 132:5 136:14 136:19 138:21 metric 95:24 96:2 metrics 97:12 112:10 Michigan 44:13,17 mid 43:3,6 million 72:13 77:22 78:10,12,14 79:11 80:8,10 100:21,23 100:24 101:2,6,8 101:20 103:6,22 104:8 128:4,6,10 128:12,12 mind 47:12 73:4 mine 37:6 115:19 minimize 130:18,24</p>	<p>131:2 minimum 60:1,6 87:5 Minnesota 2:3 41:2 42:12 43:8 minute 9:16 minutes 22:1 70:7 116:23 mirror 65:23 misheard 56:1 misread 137:21 missing 121:24 misspoke 55:24 mistakes 123:13,24 125:5 misunderstand 89:3 mitigates 141:3 model 70:16,18 84:20 140:17,18 models 84:19 modifications 36:16 moment 121:20 132:8 money 64:7 141:17 month 88:16 108:22 108:24 128:4,6,10 monthly 128:10 months 47:12 month-to-month 87:12 moot 100:11 morning 5:1 9:21 50:20 54:20 Mound 2:3 move 51:13,15 62:18 63:17 114:11 moving 51:3,11 75:22 municipal 20:3</p> <hr/> <p style="text-align: center;">N</p> <p>name 5:2 19:8 127:7 names 18:11 34:11 national 116:4 nature 23:19 27:21 98:20,22 Nebraska 41:3 42:12 43:9 necessarily 74:15 76:19 115:8 necessary 6:12 52:18 53:5,16 89:4 89:17 need 6:9 9:5 58:7 65:4 91:6 92:3 needed 89:8 114:9</p>
--	---	---	---	--

<p>116:15 needs 57:21 90:20 92:5 107:11 negative 70:1 90:13 negotiated 78:15 neighborhood 97:21 128:4 net 94:6,13,23 95:15 96:1 98:15 network 12:23 13:11 13:22 45:14,15 47:24 48:1,19 49:12 82:20,24 85:23 92:16 96:6 97:3,9 108:11 114:19 115:17 116:17 122:3,12,20 122:20 123:11,18 124:7 132:24 networks 12:13,20 12:21 13:22 16:5,6 16:6 142:9 never 118:14 new 1:4 18:10 22:10 25:11 35:8,15 45:21 46:7,9,18,20 47:2,17,19 49:19 49:24 63:7,7 73:1 73:12 98:24 124:24 126:17 127:12 133:24 144:2 newly 49:16 126:7,13 news 124:13 nine 47:11,18 49:1 nine-month 48:24 nods 54:24 76:24 nonjurisdictional 142:2 nonregulated 141:20 142:2,24 nontelephone 26:11 non-NYNEX 24:20 normal 25:22 North 2:7 104:3,12 141:17 Northeastern 14:7 Northwest 104:4,11 notary 3:7,9,13 144:16,20 145:4,20 note 7:14 45:24 notes 3:10 notice 3:7 5:12,13 noting 144:10 number 37:7 38:18 42:16 44:20 48:23</p>	<p>49:1 94:7 105:15 numbered 37:7 numbering 21:8 numbers 20:23 21:2 21:7 103:17 127:14 number's 43:22</p> <hr/> <p style="text-align: center;">O</p> <hr/> <p>O 143:13,16 Oatway 2:6 4:3 8:19 21:6,11 117:5,8 120:7,10,12 130:7 134:13 143:3,11 objective 91:14 116:8,12 objectives 116:19 obligations 78:8 obviously 22:4 44:2 OCC 8:21 20:18 30:14 occasion 25:1 occur 49:6,9,19,22 61:24 62:3,24 63:2 66:24 120:24 125:22 130:22 occurred 48:1,3 59:15 123:4 133:1 occurrence 12:1 59:4 occurring 39:24 October 1:17 20:12 76:18 143:14 144:8 offer 37:20 38:1,3 106:24 142:13 offered 81:9 82:17 89:1 90:2,3,9 139:1 offering 80:21 88:13 88:18 89:23 90:8 110:3 offerings 142:1 offers 82:4 90:9 91:23 109:17 office 20:11 33:4 35:20 145:16 offices 1:14 official 3:12 offset 85:14 141:5 offsetting 141:12 oftentimes 88:24 Oh 21:3 130:12 Ohio 1:1,15 2:10,11 2:13,18,20 5:7 8:9 9:3,9 10:4 13:13 14:5 15:20 20:11 30:16 32:20 35:23 36:13 37:22 38:6</p>	<p>44:8,9 50:1 52:21 53:6 57:21 58:16 59:6 62:12,14 64:22,24 66:1,21 80:17 83:1 86:7,16 86:19 92:11,16,20 93:7,12,15,18 97:15 98:10,12 102:24 103:11 104:4 105:2 106:6 106:13,20 107:15 110:10 111:1,5 113:2,8 116:12 118:5 135:22 136:8 136:14,21,23 137:7 137:11,13,16 138:22,23 139:12 140:17 141:15 142:18 144:4 145:2 145:4,17,20 okay 5:22 6:5 8:4 9:12,17 10:10 11:8 12:5,16 13:6 14:12 14:22,24 15:8,14 17:1,8,13,21 18:7 18:14 19:15 22:16 23:9,14,22 28:1 30:4 31:9,18 32:11 32:19 33:7 34:8,14 34:20 37:11 40:6 40:11 44:19 46:13 47:13 51:10 53:2 54:4 55:11 56:20 61:8 66:4 72:1 77:16 78:17 79:10 80:7 84:22 87:9 107:21 108:10 111:8 112:16 117:2 143:9 old 63:10 98:23 old-fashioned 88:15 once 7:17 40:13 41:10 57:19 90:7 92:1 97:21 109:8 127:7 ones 59:8 122:21 ongoing 26:4 39:7 58:5 82:15 129:8 140:11 open-ended 132:11 operate 12:15,21 13:20,22 16:7 53:5 53:16 54:6 59:13 77:5,13,18 operated 50:5</p>	<p>operates 104:3,4 operating 12:8 18:9 50:10 51:7 57:12 59:22 65:15 76:4,7 76:9 77:3,11 95:9 97:2 103:11 104:2 104:9,16 113:6 123:5 128:19,23 135:13 141:9 operation 59:10 136:2 operational 15:11 45:21 46:7,19 47:3 47:8,20 49:14,24 50:3,13,19 51:3,4,8 52:19 53:16 54:7 55:9,19 56:23 58:22 59:21 62:5 62:10,19,23 77:24 78:21 79:7 operations 15:11 25:3,19,23 29:6 44:7,9 51:6 54:2 61:6,19,20 64:22 65:1,5 76:12 101:16 103:5,10,20 105:20,21 122:6,11 122:20 126:15 128:21 132:17 134:10 135:11 140:15 141:11 142:5 opinion 26:8 28:10 39:17 40:11 41:7 48:7 49:4,17 60:18 69:18 70:23 79:10 80:9,12 85:5,17,17 90:15 92:21 93:10 93:16 114:14 135:21 opportunity 7:18 13:19 16:9 52:4 55:23 56:2 86:10 opposed 27:20 42:5 42:18 71:11 85:4 93:1 102:20 107:11 131:19 139:16 140:14 option 89:24 options 87:22 89:17 91:5 92:5 107:6 109:19 110:10 115:6 order 50:9 57:22,22 58:15,16 59:1</p>	<p>60:19,20,24 114:11 122:4 ordering 61:20 orders 45:11 ordinary 121:12 organization 10:22 10:23 16:20 18:23 33:20 34:2 36:7 organized 20:22 59:5 original 59:18 outage 48:1,20 123:12,12 124:4,7 124:14,20 125:22 outages 45:15,15 47:24 123:4 132:24 outcome 94:12 132:5 outcomes 39:20 outliers 114:7 outside 17:12 119:1 overall 29:6 43:18 129:5 135:13 overlapping 59:10 overlook 55:3 overseeing 123:17 oversight 18:23</p> <hr/> <p style="text-align: center;">P</p> <hr/> <p>package 80:21 81:10 packages 82:14,18 88:18 106:24 page 4:2 14:13 20:22 21:2,7,8 65:10 109:16 115:20 130:8 134:18 144:9 paid 94:17,22 127:12 129:9 131:13 papers 5:13,21 par 42:5 paragraph 45:20 parallel 58:12 parameters 78:7 parent 103:15,19 104:24 105:9,19 parse 52:14 part 12:3 16:1,19 24:23 25:16,22 39:7 40:6 44:13 46:6,14 50:7 52:15 54:16 56:14 57:15 61:16 62:9 66:10 69:7,15 75:21,24 89:3,4 99:4 118:15 119:17 129:5 135:3 139:23 participate 55:1</p>
---	---	--	--	--

<p>110:18 participated 54:20 particular 40:12 64:18 107:13,17 109:4 112:18 122:17 124:20 parties 3:3 30:16 53:3 82:1 99:21 145:12,13 partnership 19:12 party 79:6 119:18,19 path 71:13 pause 91:2 130:1 pay 79:5 103:13 129:1 payers 102:24 105:2 140:18 paying 77:23 94:5 95:3,14 128:13,14 129:14 131:1 payment 47:4 94:14 128:6 129:23 131:23 payments 128:2,7,20 pays 94:17 PBX 13:21 pecking 114:11 pending 5:6 10:3 pennies 95:6 Pennsylvania 26:24 27:5 28:18,20 29:10 40:16 41:20 people 34:15 85:23 perceive 88:17 perceives 74:10,12 percent 42:5,6,15,17 42:18 43:19,24 96:8 99:14 100:11 100:20 102:2,7,7,9 113:18 114:1,4 115:21,24 percentage 100:19 101:22 115:16 137:2 perception 26:8 80:3 perfect 39:22 perform 76:15 80:2 performance 25:19 49:11 64:3 79:22 122:3,20 performed 23:3 26:21 performing 61:15 70:4 141:11 performs 65:20</p>	<p>period 15:13,15 16:9 47:23 50:24 52:3 60:10,14 115:21 133:22 140:8 permit 99:15 110:24 person 118:8 personal 118:23 119:2 personnel 75:13 76:1 persons 34:22 perspective 44:4 97:6 100:16 physical 123:18 Ph.D 1:12 3:4 6:6 20:10 144:1,6,14 145:5 pick 88:3 92:4 136:5 136:6 138:18 piece 133:4 piece-by-piece 54:1 place 39:13 41:23 47:9 49:17 52:17 53:6,11,17 54:6 55:13,17 57:21 58:7 60:19 90:17 98:21,23 119:16 145:9 placed 28:7 60:24 placement 65:18 places 44:3,3 plain 50:21 90:8 plan 26:22 50:7,18 52:23 53:10 54:13 56:9 57:3 65:14 67:6 80:18 81:17 81:19 87:20 111:23 132:4 135:19,22,24 136:1,1,7,23 139:3 planning 27:23 82:15 plans 38:5 74:15 81:1 81:2 88:13 137:6 plant 86:24 98:15,21 98:23,23,24 platform 50:10,14 please 29:8 plug 58:16 point 6:18,23 13:2 26:6 42:17 45:13 50:8 54:18 55:18 70:7,20,23 72:8,18 100:19 107:13 110:17 114:19,23 116:22 118:7 123:17 126:9,11 129:16,17,19</p>	<p>130:16 137:18 139:2,8 points 90:10 policy 26:14 44:4 85:11,22 94:2,9 137:1 141:24 poor 45:4,9 populated 84:24 85:9 portion 138:1 portions 53:23 position 18:21 63:12 94:4 102:23 positioned 139:9 positions 17:4,9,19 29:4 possible 18:20 68:12 89:2 115:3 136:13 possibly 8:23 post 104:17 post-transaction 22:5 potential 33:13 64:6 64:10 74:8 80:4 107:10 122:9 123:2 potentially 60:8 62:3 68:17 82:7 91:21 102:16 115:5 pre 104:17 precash 96:3 prefiled 20:7 preliminaries 8:12 preparation 16:10 20:15,19 prepare 20:9 prepared 20:19 30:13 31:4 preparing 10:17 20:14 32:19 presence 3:11 144:18 145:7 present 16:16 55:5 86:17 96:17 presentation 55:1,8 55:8,9 presentations 31:15 presented 65:13 90:20 107:6 presently 86:6 presents 140:19 press 25:24 45:13 78:23 pressured 89:15 presumably 52:3 54:2 56:6 58:6 129:4</p>	<p>presume 60:16 pretty 90:22 117:22 prevent 99:22 prevented 125:18 previous 41:6 58:8 58:19 100:13 126:16 previously 72:7,18 price 85:6 129:5 priced 84:10 prices 84:14,21 85:12 86:3 pricing 84:6 87:19 prides 91:9 primarily 17:4 primary 31:5 prior 20:2 24:4 25:20 26:6 38:18 41:17 43:9 48:4 51:23 52:5 53:6,12,23 54:1 55:17,21 71:21 72:17 83:13 83:21 84:1 127:15 133:8,11 private 11:3 17:11,14 17:15 18:19 19:6 19:17,18 pro 100:12 probability 49:8 probably 42:4 60:17 70:6 problem 61:14 73:16 122:16 129:13 problematic 73:4 problems 38:12,18 40:14,21 41:11 45:4,13,21,24 47:22,24 48:3,4,8 49:5,10,14,18,21 61:22 62:2,8 67:21 68:8 69:1,22 74:18 89:13 93:15,20 102:16 122:1,9,12 122:13 123:2 124:2 132:9,15,21,23 133:6,10 Procedure 3:6 proceed 99:16 100:10 138:20 proceeded 29:21 proceeding 5:5 6:20 10:3 20:8 27:14 140:5 proceedings 22:23 111:9,18 130:1</p>	<p>process 12:2 56:15 58:5 61:17 66:10 66:19,21,23 104:7 105:3 119:21 123:1 123:22 124:1 125:14 130:11,15 132:9 133:16,19 134:4,7 140:7,11 processed 57:23 processes 11:15,18 11:20 12:7 processing 122:5,5 produce 34:12 produced 5:24 31:7 product 97:19 131:11 131:16 products 142:3,24 143:1 professional 11:9 professionals 75:14 professor 13:13 profile 92:9 140:24 profit 64:10 130:17 141:4 program 10:18,19 13:17,21 14:1,8 15:20 programming-type 15:6 programs 85:14 110:12 project 79:1 projected 100:3,19 101:15 projections 92:8 projects 79:3 114:11 promoted 26:14 pronouncing 44:12 proof 3:11 properly 58:9 properties 41:2,24 42:6,11,14 52:8,11 103:5,23 104:22 105:2 111:13 122:11 property 41:21 98:15 proposal 136:17 proposed 22:16 30:6 31:12,24 32:7 33:16,22 34:5 36:15 49:6 67:22 69:21 75:15 80:22 proposing 37:13 111:13 113:16 proposition 40:3</p>
---	--	---	--	---

<p>43:5 60:16 proprietor 16:24 proprietorship 19:14 provide 7:12,16 16:21 52:7 54:16 84:10,11 85:7 114:10 115:8,12 124:4 133:7 provided 5:20 13:18 21:21 30:14,19 39:3,16 43:17 54:14 59:9 81:3,24 84:1 89:7 98:6 115:3 119:20 124:15 125:11 133:21 provider 123:15 providers 106:18 118:20 provides 109:21 providing 106:6,12 106:19 114:15 124:3 125:12 provision 86:9,20 87:1,2 provisioned 57:23 60:21 provisioning 61:20 122:4 provisions 25:8 79:24 public 1:1 2:19 5:6 7:22 8:8 9:2 10:3 10:21 21:8,10 30:18 33:2,5 34:16 35:19 36:13 54:21 83:1 85:11,22 106:20 111:5 144:16,20 145:4,20 publicly 92:18 119:17 published 124:6 purchase 109:7 129:5 purchasing 138:7 purports 33:20 34:2 purpose 132:18 purposes 20:8 pursuant 3:7 46:24 pursue 68:1 110:9 pursued 71:12 138:13 pursuing 98:3 135:9 139:15 140:13 pushing 97:20,20</p>	<p>put 49:16 55:3 59:1,2 putting 52:16 p.m 143:15</p> <hr/> <p style="text-align: center;">Q</p> <p>qualification 3:12 58:2 qualified 25:15 145:5 quality 27:2 28:8 39:24 45:4,9 47:23 48:16 49:11 80:4 93:15,20 111:4,9 111:20,23 112:1,14 112:19 quantify 140:20 question 7:8 21:18 21:20 30:4 32:3 36:10 37:5 38:8,9 38:10 45:1 67:8,9 67:10 70:13,14 71:14 73:15,21 75:11 80:7,14,15 84:3,17 87:3 88:8 91:7 92:6,7 93:24 96:12 99:3,9 102:4 105:23 109:17 110:4 111:2 112:22 113:10 120:13 129:22 130:10 134:19 142:14 questioning 7:7 12:18 59:19 questions 6:17,23,24 7:2 14:23 15:1 20:24 31:4,7,16 35:3 82:14 143:8 quite 46:11 55:6 69:5 108:17 quote 31:14 73:22 74:1 110:2 quoted 67:12 quoting 70:13</p> <hr/> <p style="text-align: center;">R</p> <p>R 1:12 3:4 6:6 20:10 144:1,6,14 145:5 raised 137:24 raising 108:22 130:13 ramp 43:4 range 97:1,6 ranging 13:20 rare 120:21 rate 85:6 87:11 99:16 100:10,17 101:12</p>	<p>102:24 105:2 140:17 rates 81:10 83:23 84:6 85:20 99:23 100:3 139:1 ratio 94:24 105:11 reach 45:17 114:1,24 reached 123:19 125:24 reaching 38:17 read 45:23 115:11 130:19 143:12 144:7,17 reading 144:15 ready 127:18 real 123:3 realignment 50:7 54:13,16 realize 21:15 really 102:4 104:23 110:16 128:16 reason 82:1 91:24 132:13 137:7 reasonable 56:18 60:7 78:19 79:12 87:19 89:14 108:20 108:24 139:1 reasonableness 80:9 recall 18:10 23:13,14 23:17 28:1,10,19 39:14 47:11 55:11 55:15 104:7 126:10 127:8,14 128:5 129:19 receive 81:19 received 20:17 31:6 receiving 69:16 86:19 Recess 70:10 117:3 recognized 72:23 73:17 recollection 23:6,10 30:1 34:14 51:9 recommendation 23:15,18 28:3,19 29:11,19,21 30:2 36:12,14,21 113:11 113:15 115:7,11 recommendations 25:4 27:1 29:2,9 136:11,11 recommended 28:5 29:23 119:15 record 5:9 6:14,15 7:17 9:16,18 20:9</p>	<p>records 45:12 65:20 66:12,17,18,22 67:4 recourse 80:3 recreating 64:6 recreation 65:18 redesign 119:24 reduce 37:2 114:22 reduced 3:8 145:7 redundancy 125:12 redundant 124:2 125:11 refer 14:11 20:24 96:1 111:2 112:3 reference 42:17 72:11 73:22 77:22 79:17 82:20 87:4 135:23 referred 32:12 referring 14:13,14 19:4 51:1 76:2 95:9 113:4 129:17 refers 75:12 87:4 98:21 108:9 reflect 103:18 reflected 102:12 103:18 reflective 74:20 reflects 138:11 regard 19:16 25:7 29:4 40:16 50:10 54:17 56:5 59:4 61:19 65:14 66:16 73:12 79:14,19,20 79:21 80:6 81:2,16 82:14 86:22 87:16 87:18 89:13 90:17 97:18 98:12 112:13 115:13,15,16 122:3 122:4,5,23 132:6 134:9 136:16,16 138:5,10 140:21 regarding 31:23 32:6 32:15 33:9 36:7 39:4 48:7 79:11 83:19 95:13 107:22 123:20 124:14 regardless 7:4 67:1 87:11 regards 66:6 regional 95:9 regular 120:24 regulated 82:9 83:1 84:4,5 106:20 141:19,24 142:1,5</p>	<p>143:1 regulatory 13:24 24:9 34:23 35:7,14 111:11 141:24 relate 139:2 related 13:9 15:1 28:21 31:11 32:23 33:15,21 36:1 38:18 68:16 86:8 112:12 relates 136:23 relations 52:9 122:13 relationship 29:6 97:7 126:16 relative 29:3 80:8 94:23 96:22 97:3 102:19 145:11,12 relatively 42:4,7 101:22 relevance 138:5 relevant 134:24 138:3 139:19,20 142:18 relied 127:17 rely 63:8 remain 52:24 104:16 remaining 70:3 remember 55:18 137:9 remembering 101:17 remove 125:13 removing 124:1 render 100:11 renter 89:11 repli 63:3 replica 64:15,16 replicated 50:6 51:20 52:2,4,7,12 54:2 55:20,23 56:22 57:12,24 58:3,9 59:20 60:20 61:1,6 61:11,14 62:5 63:17,23 67:3 122:6 129:2 132:6 replicates 130:24 replicating 64:23 replication 56:4,15 56:16 57:7,11,20 58:13 59:21 61:17 62:5,22 65:6,8,17 66:19,21 118:21 121:21,22 130:11 130:15,19 131:14 131:19,23 132:1,3 replications 118:23</p>
---	--	--	---	---

<p>119:1 report 112:11 124:6,8 124:15 Reported 1:19 reporter 8:22,24 9:6 9:10 reporting 112:14,16 145:14 reports 45:13 108:1 124:13 represent 104:11 108:17 122:7 representations 68:19 representative 92:24 representatives 32:8 36:5 representative's 60:23 representing 8:20 represents 89:16 request 7:10 requested 60:21 requests 6:1 30:13 81:7,23 require 73:1,7 required 10:20 12:22 46:7,11 73:12 112:11 113:17 requirement 74:23 75:3 89:4 115:2,13 requirements 68:15 research 27:18 107:15,20,20,22 respect 15:17 23:3 23:22 25:4 28:1,3 28:17 29:8 32:3 33:14 34:4,20 35:9 35:15 37:12 40:24 41:7,16,24 44:7,8 47:7,15 48:6 49:13 49:24 51:19 55:19 57:6 62:21 64:18 69:19 75:13 82:8 82:19 83:11 84:8 86:5 87:3 89:18,22 92:6 102:11,21 103:4 104:9,20,21 105:8,12,24 106:9 106:17 108:10 109:15 110:7 111:11 112:21 113:11 115:18 117:11 124:18,22 127:23 133:20</p>	<p>respective 3:3 29:5 responding 139:7 response 5:21,24 7:15 13:7 21:18 25:15 30:5 38:11 45:19 52:15 55:21 67:10 70:14 71:14 73:21 75:12 77:21 80:15 81:6,20 82:9 82:19 87:4 88:8 91:7 92:7 100:2 102:11 109:16 110:4 112:3 137:4 responses 6:3 7:1 25:14 30:15,19 37:23 39:2 41:17 81:18,24 137:21 responsibilities 76:13 responsibility 89:10 responsible 16:3 125:9 restaurant 19:19 result 45:10 67:2,24 69:23 84:14,21 94:11,13 102:15 103:22 118:10 136:14 140:7 resulted 39:19 69:22 104:7 111:22 123:13 124:4 results 25:3 107:20 124:15 135:13 137:1 138:23 140:4 141:9,13 resume 14:10,14 16:13 22:22 26:16 retail 46:19 57:14 111:22,24 retain 58:7 reveal 140:1 revenue 101:21 141:20 142:2 revenues 94:11 101:3,15 103:12 revert 58:8 review 7:18 21:24 22:2 27:12 31:9 36:1 38:21 39:8,15 40:6,23 41:5,10 48:15,23 68:5 93:5 105:17 116:11 129:21 reviewed 23:5 25:18 26:22 30:11,15,18</p>	<p>30:21,22 31:1,3,6 39:1,6 45:11,12,12 51:22 52:6 60:13 66:3 86:14 94:24 119:18 reviewing 22:4,9,20 24:1,4,9 25:24 26:1 26:17 30:6 119:20 rewards 86:15 re-establishing 45:16 RICHARD 2:17 right 14:16 17:20 19:5,6,21 21:19 22:7 24:14 29:14 34:18 44:1,4,18,22 47:4 56:5,9 60:11 61:2 75:2,24 76:6 76:21 77:19 80:11 95:11 96:2 99:2,15 100:7 103:21 109:6 110:15,22 112:20 113:7,9,20 115:11 118:14 121:6 125:1 125:2 126:23 127:9 128:16,24 129:11 130:2 136:3 142:4 142:16 right-of-use 129:8 rise 67:23 risk 28:13 37:3 71:10 74:1,5,24 75:3,5 94:9 100:6,9 141:3 risks 28:14,15 36:24 61:4,5,9 62:20 63:2 63:19 67:11 71:23 74:10,12,13,15,19 74:20 75:7 94:1 139:16 140:4,14,19 140:21,21 142:18 risky 75:4 140:17,24 Road 2:7 Rochester 24:18,21 39:2,12 40:2 Rochester's 64:12 64:15,16 role 23:2 roles 17:9 rolling 60:13 room 8:16 81:15 82:2 root 124:6,15 rotated 16:2 roughly 134:18 round 110:13 Roycroft 1:12 3:4 5:2</p>	<p>6:6 7:1 9:21 19:8 19:11 20:6,10 29:17 36:11 69:14 70:12 81:5 84:7 102:5 113:24 117:6 120:14 143:4 144:1 144:6,14 145:5 RPR/CRR/CCP/CBC 1:19 145:4,19 Rule 145:15 rules 3:6 110:19,24 run 58:11 108:2 running 56:14,22 76:12 118:5 rural 26:10,13</p> <hr/> <p style="text-align: center;">S</p> <hr/> <p>S 1:19 145:4,19 safeguard 99:20 sales 13:23 SAP 59:9 Sara 1:19 145:4,19 satisfaction 56:10 satisfy 90:19 91:5 Saville 2:2 4:3 5:1,2 5:22 6:5,11 8:4,10 8:18 9:12,17,20,22 21:3,14,17 69:10 69:13 70:6,11 116:21 130:2,5 143:4,5 savings 64:14 saw 79:17 124:13 126:9 127:7 137:11 saying 45:8 50:14,21 63:23 135:18 says 6:8 45:23 67:10 88:10 110:8 140:7 scalable 65:3 scale 65:4 scenarios 67:1 scheduling 5:10 School 13:14,16 scope 76:13 scripts 56:14 se 112:9 118:9 120:2 seal 145:16 SEC 26:1 30:21 74:21,23 75:6 second 59:2 110:2 110:13,18 section 33:3 35:20 74:2 134:22 sector 17:11,14 18:20 19:6,17,18</p>	<p>secure 99:6 secured 104:2 Securities 74:6 see 22:22 37:8,16 44:5 45:5 46:3 56:7 64:9 65:6 67:16 70:1 78:23 82:21 87:7 91:10,24 94:2 97:5,15,18 98:2,14 100:20 106:1 111:6 120:13 129:18,18 140:9 seek 86:11 91:15 seeking 63:20 seen 37:23 38:4 40:21 43:17 47:10 57:8 58:18 66:2,15 66:20 77:14 91:1 93:20 107:19,20 108:1,14 109:22,24 137:1,18 Seidenberg 67:12 select 107:4 self-employed 16:22 sense 21:11 48:12 64:17 90:12 sensitive 6:21 7:5,9 7:13,21,23 sent 21:1,7 137:5,22 sentence 45:6,23 75:12 88:10 102:22 110:7 sentences 67:9 103:3 separate 58:17 61:17 65:15 129:6 separated 12:14 separately 50:5 September 50:20 123:10 series 14:24 111:18 serious 40:21 45:13 serve 46:8,19 50:1 52:20 served 30:13,14,16 44:13,16,20 47:1 47:19 80:17,20 81:8 service 27:2 28:8 33:5 37:16,22 38:6 39:24 45:4,9,14,16 47:16,23 48:16 49:11 50:11 57:22 58:23 65:17 66:12 67:3 70:17 79:18</p>
--	--	---	---	---

<p>79:22 80:5,21 82:4 82:21,21,24,24 83:6,7,13,16,23 84:5 86:9,20 87:11 87:12,13 88:4,5 89:5,20 91:16,21 93:14,19 96:7,8 101:5 107:5,18 109:21,23 110:10 111:3,9,20,23 112:1,14,19 114:8 114:10,15 115:12 116:1 124:4 127:24 141:20 142:12 services 16:21 81:10 82:3,3,9,11,18 83:24 84:4,7,9,10 85:6,8,20 87:6,22 87:24 88:19,22 89:16,22 90:8 91:22 106:12,19 107:1,9 118:20 138:8 139:1 141:21 142:11 service-related 48:8 servicing 26:13 57:13 84:22,23 85:3,15 85:19 93:11,17 132:19 set 13:21 15:24 28:6 49:4,19 50:3 59:7 59:12 63:3,4,8,10 86:2 110:14,21 117:15 120:18,19 140:14,19 145:16 setting 24:9 settlement 111:3,22 severe 41:11 share 69:6 91:8,10 shareholders 68:24 68:24 69:2,3,15,20 shares 69:5,16 70:3 sharing 23:8 27:2 28:8 116:16 shed 135:7 shift 70:12 shorten 114:24 shows 88:11 shut 83:7 side 13:24 142:4 signed 144:18 significant 102:16 significantly 114:3 signing 144:15 similar 8:13 28:24</p>	<p>32:3 49:9,21 63:2 63:10 66:5 similarities 126:13 Similarly 35:12 72:10 83:11 87:21 97:18 single 44:11 sir 121:16 site 88:11 situation 25:10 31:20 41:20 114:13 120:17 135:11 situations 58:24 73:18 six-plus-billion 101:21 size 71:16 72:24 sizes 29:5 sketching 54:15 SLA 79:17 128:17 130:20 131:20,21 slightly 40:15 small 18:9 25:9 44:21 101:22 Smith 55:3,5,10,11 software 65:19 78:6 79:16,23 117:11 118:22 119:3,5,10 119:23,24 121:11 125:21 sold 89:15 sole 16:24 19:13,14 SOLUTIONS 2:2 somebody 8:5 76:18 sorry 134:15 sort 54:12 68:6 78:24 80:2 87:19 91:24 108:15 114:13,21 121:7,17 sorts 26:1 79:9 Sounds 60:7 South 1:15 speak 93:23 specialization 10:24 11:13 specialized 15:9 specific 13:9 18:11 21:23 29:1 37:5 48:15 54:8,12,17 57:4 59:14 79:14 81:2,17 86:8 112:10 114:17 121:21 122:15 131:17,20 specifically 15:4 23:17 25:7 34:3</p>	<p>37:11 41:18 42:11 49:13 51:2,10,17 54:5 55:12 63:13 64:19 74:24 82:13 82:20 88:9 125:5 specified 145:10 specifies 52:23 speed 107:5 108:7,9 speeds 106:1 107:1 107:17 109:17,23 115:15,23 116:7 Spinco 52:8 62:15 65:16 97:14 99:5 102:20 103:5,10,20 103:23 104:21 105:1 122:8,11 split 29:17 spoken 33:1 34:6,8 SS 144:4 145:2 staff 8:8 9:2 34:6,9 34:16,16,19,23 45:12 54:23 111:5 111:10,19 124:5,14 standard 84:18,19 110:3 112:19 standards 112:10,13 112:15 115:14 standpoint 12:9 23:19 88:21 91:2 102:2 119:23 123:22 140:5 stand-alone 57:13 59:23 103:5 star 69:12 start 9:23 10:5 37:4 started 8:11 43:4 starting 40:18 93:24 starts 45:20 state 23:11 24:20 26:24 28:2 31:13 34:7,24 37:22 40:18 43:6,20 44:5 45:11 48:2 62:11 66:18,20 86:7,8,15 86:19 97:15 106:6 106:12 107:15,16 110:24 111:10,17 123:12 125:19 144:4 145:2,4,20 stated 144:16 statement 50:21 51:1 56:5,19 67:12 70:13,17 74:20 78:14 81:13,15 84:20 123:8 137:8</p>	<p>137:9,18 statements 50:16 66:15 68:5 78:23 134:8 136:20 states 27:6 28:22 29:5,12 35:15 37:14 41:2,3 46:20 47:18 62:15,20 67:4 103:11 statistics 10:17 status 138:3 statutes 40:16 statutory 28:22 29:3 41:19 Staurulakis 18:2,8 24:17,21 25:6 stenotypy 3:9 145:7 Stephen 33:2 steps 97:9 Steve 55:3,5,10 95:17 stifle 7:15 stimulus 110:9,12 stipulated 3:2 STIPULATIONS 3:1 stock 69:16 stood 79:17 stop 99:20 strategic 71:2 strategies 138:13 strategy 62:9 71:8 138:14,16,17,17,19 139:10,17 Street 1:15 2:11,17 9:8 32:23 33:8 95:13,19 structure 11:2 105:6 134:20,24 135:20 137:24 structured 16:5 46:15 student 59:8 students 13:19 16:12 studied 11:15 studies 11:19 12:4 12:23 15:3 study 10:11 11:12 12:5,6,18 13:9 15:9 studying 12:2 subcontractor 18:1 subject 29:23 subjected 100:17 submitted 144:15 subscribe 82:6 87:23 91:22</p>	<p>subscribes 87:13 subscribing 80:18 83:6,12 91:20 subsequent 13:7 15:16 126:3 127:2 140:9 subsequently 14:4 69:1 subsidiaries 104:14 subsides 85:24 86:6 86:8,11,12,19 142:15 subsidize 141:19 142:1,6,23 subsidy 85:14 142:23 substance 144:11 substantial 28:12 31:3 71:23 79:2 128:7 substantially 128:11 succeed 135:22 success 40:12 successful 39:18 40:5 41:9,14 sue 80:1 sufficient 92:22,23 94:13,13 95:23 101:24 sufficiently 114:24 suggest 38:5 58:11 74:14 77:10 83:15 suggesting 63:15,21 77:1 96:17 131:22 suite 1:15 2:11 122:7 summarize 23:2 36:10 summarized 31:10 summary 72:2 supervision 123:6,9 support 15:12 46:8 46:19 47:3,8,20 49:14 50:1,3,13 51:3,4,8 52:9,19 53:5,16,21 54:7 55:19 58:22 59:21 61:18 62:6,11,19 62:23 64:22,24 65:16 66:1 77:24 78:20,21 79:7,8,23 86:20,22,24 87:1 89:20 90:6 122:21 128:18 132:24 133:21 supported 5:14</p>
---	---	---	---	---

<p>supporting 5:14 26:23 30:12 75:14 76:22</p> <p>supports 86:23 88:14</p> <p>sure 46:12 55:6,7 56:15 69:6 70:9 106:15 108:17 113:3 134:14 137:9</p> <p>susceptible 122:16</p> <p>sustainable 70:16,18 70:24</p> <p>swing 101:12 102:6,7 102:8</p> <p>switch 44:16</p> <p>switches 13:20</p> <p>sworn 6:7 145:6</p> <p>synergies 50:19 135:12</p> <p>synergy 23:7 27:2 28:8 116:16</p> <p>system 12:1,5 13:1 13:15 50:13 55:2 57:24 59:1,2 60:20 61:1,6 63:17,18,24 64:23 65:20 67:2 67:23 118:6 119:10 121:5,11,14,20,22 122:1,3 125:10,18 128:18,22 133:15 133:17,22 139:22</p> <p>systems 15:5,10,10 15:12 40:1,2,3 45:22 46:2,8,19 47:3,8,21 48:2 49:14,16,19 50:1,3 50:5,6,9,15,18,23 51:4,5,12,14,16,16 51:18,21 52:1,2,4,7 52:12,19 53:5,17 53:21,24 54:3,7 55:20,22,24 56:3 56:11,22 57:12 58:4,6,8,9,12,17,20 58:22 59:5,7,10,13 59:21,22 60:2 61:11,14,24 62:6 62:11,16,19,23 63:4,6,8,10 64:9,12 64:15,16,21 65:2,3 65:16,21,24 76:4,8 76:23 77:5,11,13 77:18,24 78:21 79:7,8 117:11,13 117:15 118:4,9,15 118:21 119:2,9,16</p>	<p>119:23 120:19,19 121:4,7,18 122:7 122:10,14,23,24</p> <p>123:3,15,20 124:23 124:24 125:11,21 126:2,4,6,7,8,14,14 126:17,17,21 127:1 127:6,13,16,18 128:9,23 129:1,2,2 129:7,10,15 130:19 130:24 131:2,4,15 132:6,10,13,17,21 132:24 133:6,6,24 134:10,11</p> <p>S4 50:20 51:2 73:23 74:2 75:10</p> <hr/> <p style="text-align: center;">T</p> <hr/> <p>table 80:19 105:24 106:1</p> <p>take 5:4 6:9 22:1 50:6 58:15 70:7 73:7 90:17 95:21 102:14 116:22 119:15 133:4</p> <p>taken 1:14 3:6 59:1 70:10 74:1 111:24 117:3 145:9</p> <p>takes 66:22 87:12</p> <p>talk 30:5 45:2 51:5 102:21 116:23 121:20 136:15 139:6</p> <p>talked 6:14 8:14 12:19 16:13 133:13 134:19 136:15</p> <p>talking 13:3 55:7 102:8 108:7</p> <p>talks 37:7 51:7 67:10 67:11 93:24</p> <p>taught 13:12 14:5,6 15:19</p> <p>teach 16:11</p> <p>teaching 14:3 16:3 17:8 18:21</p> <p>technical 77:4,12 88:14 89:20 90:5</p> <p>technologies 15:18 15:24 33:21 116:15</p> <p>technology 15:5 16:6 42:23 43:8 52:10 115:9 116:14</p> <p>Tel 133:19</p> <p>Telcom 38:13 39:21 41:12 45:2 126:24</p>	<p>127:2,11,17,23 128:7,21 132:7,14 132:18 133:22,23</p> <p>telecom 22:19 96:22</p> <p>telecommunication 12:20,21 17:22 18:16 42:22 84:23 87:10 90:14 94:21 95:1,3 96:20 97:2 117:12,18 118:12</p> <p>telecommunications 11:21 12:8,22 13:11,18 14:8 15:11 18:6 19:1 20:1 25:8 34:3 43:9 59:16 84:15 98:17 118:15,18 119:5,11 120:1,11 121:19</p> <p>telephone 2:15 13:20 18:9,13 25:2 39:12 40:9 41:19 89:5 120:21 121:3 141:6 141:15,16,20 142:9 142:19</p> <p>tell 10:10 23:24 26:20 30:8 34:8 108:21</p> <p>telling 97:7</p> <p>tend 114:12</p> <p>tended 26:13</p> <p>term 84:4 87:5,14,17 90:11 91:8 120:5 120:14,17</p> <p>terminate 137:19</p> <p>termination 87:18</p> <p>terms 11:12 12:16 23:15 68:20 76:14 78:10 80:20 81:10 83:20,23 84:6 87:23 98:7 99:10 107:23 123:18</p> <p>territories 43:16 97:14</p> <p>territory 57:15 66:13 96:9</p> <p>Terry 2:10 8:20</p> <p>test 52:4 55:24 56:3</p> <p>testify 145:6</p> <p>testimonies 26:23</p> <p>testimony 5:15 10:2 14:19 20:7,9,14,16 20:22 21:21 23:12 27:3,7,10 28:2,11 28:15,17 30:12 32:20 35:18 37:5 39:5 54:19 63:14</p>	<p>66:20 77:21 78:11 81:7 83:22 90:11 100:5 102:13 109:15,16 117:23 117:24 118:3 120:4 120:17 129:12,20 134:18,23 136:4,10 138:1 140:16 142:21 143:14 145:7,9</p> <p>testing 56:6,13</p> <p>tests 108:2</p> <p>Thank 6:5 9:1,10,11 20:5 69:13 80:7</p> <p>theory 10:20 58:1,2 65:21 84:12</p> <p>thing 88:19</p> <p>things 23:20 39:22 67:16,20 79:9 131:20 133:2</p> <p>think 5:8 6:11 8:5 9:24 11:15 18:18 21:7 25:15 41:18 43:22 48:10 49:8 55:21 59:3 63:9 70:6,20 71:9 74:17 75:2 88:20 89:12 90:1,16,23 92:24 94:8 97:5,6 98:11 100:23 108:20,23 109:5 116:21 120:23 121:22,24 128:3 129:12 130:8 130:9,23 133:9 134:13,18 135:2,19 136:6 137:4,11,23 138:9,20 140:20 142:4,17,19 143:3 143:11</p> <p>thinking 73:11 102:18</p> <p>thinks 74:18 99:17</p> <p>third 79:6 92:7 110:13,19 119:18 119:19</p> <p>third-party 123:14 125:7</p> <p>thirty-three 101:20</p> <p>Thompson 1:14 8:17</p> <p>thought 64:13 79:17</p> <p>thousand 44:23</p> <p>three 10:7,7 11:4 35:14,24 60:14 93:12,18 96:4 106:9,17</p>	<p>three-year 50:23 115:21</p> <p>time 3:7 11:24 12:4 14:2 17:1,3 21:16 39:9 40:1,9 41:3,20 42:2,11 45:16 46:23 47:10 53:18 54:5,12,17 55:13 56:21 58:4 59:2 72:5,19 86:17 106:10,14 107:13 110:11 121:1 133:22 134:14 140:8 145:9</p> <p>today 5:17 6:3,4 62:12 74:23 76:9 76:12,18 80:17 81:9 86:20 105:5 135:16</p> <p>today's 108:17</p> <p>told 66:17 73:13 81:1 81:1 82:15,16</p> <p>top 34:12 105:15 115:20</p> <p>top-to-bottom 52:8</p> <p>total 108:8,11</p> <p>touch 12:7</p> <p>track 25:23</p> <p>trade 25:24</p> <p>traditional 97:3</p> <p>training 11:17 13:4 15:16</p> <p>transaction 22:5,9,14 22:17,18,20,24 23:4,5,16 24:1,5 25:21 26:7,18,21 27:16,17 28:4,11 29:11,13,20,22 30:7,10 31:12 32:1 32:7,16,24 33:10 33:16,22 34:5,20 34:21 35:4,10,16 36:2,8 39:3,11,18 40:4,8,12,22 46:6 46:14,23 48:17,18 49:6,7,20 51:21 52:16 53:7,12 57:16 63:1 67:15 67:22,24 68:9,11 68:23 69:8,15,21 69:23 71:16,21 72:5,7,10,13,16,17 72:24 73:6,13,19 74:11 75:1,23 80:23 81:12 82:12</p>
---	---	--	---	--

83:9,14,18 92:10 93:7 99:4,13 102:15 104:17 124:19,24 126:1 133:20 135:1 137:16 138:4,6,23 139:19,21 140:6 transactional 99:21 transactions 22:3 26:15 38:13,19,22 39:4 41:8,13 45:10 71:21 72:2 128:1 140:10 transcribed 3:10 145:8 transcript 7:17 8:13 144:8,14 145:8 transfer 121:2,14 134:9 transference 65:19 transferred 66:14 67:5 78:1 104:14 121:5 transferring 77:2,8 transfers 117:20 transition 119:24 120:18 124:23 127:24 transitional 63:11 119:22 transitioning 49:19 transitions 119:9,9 119:13 120:23 123:20 transpire 75:8 trend 97:7,23 98:5,13 139:7 Trevor 1:12 3:4 6:6 20:10 144:1,6,14 145:5 tried 54:10 60:19 73:10 105:17 triggered 57:2 troubling 67:13 true 72:9 92:11 144:11 145:8 truth 145:6,6,6 try 7:10 71:4 91:19 trying 136:3 138:18 139:5 140:1 142:16 turned 125:16,16,16 125:17 Turning 67:8 80:14 105:23 turnover 76:3	TV 91:21 twelve 47:11 twelve-month 47:18 49:1 two 27:4,6,20,23 28:22 29:12 38:18 41:6,15 45:10 58:17 60:6,9,16 67:1,9 89:18 110:11 121:3 136:5 141:12 two-and-a-half 50:23 type 11:6 16:19 35:24 38:21 39:5 41:5,11 48:22 54:10 59:3 78:18 88:21 107:14 116:19 118:10 types 39:20 49:9,17 62:7 117:15 119:13 120:23 122:1 123:2 typical 107:22 108:13 108:16 typically 79:2 85:2 114:7	46:13,17,22 47:6 47:15 48:4 49:23 50:2 51:19 52:15 53:8,9,14 54:4 56:12,20 57:5,10 57:19 59:19 65:8 65:22 66:9 67:6 74:4,22 75:16,19 78:2,4 79:4 80:16 86:18 100:14 101:14 103:21,24 105:7 106:18,23 109:19 113:23 120:5,20 121:9 124:9,12 126:2,12 127:5,10,15,21 132:2,12,15,21 133:18 134:1,6 136:22 understood 83:21 undertake 73:1 undertaken 38:21 40:23 48:15 72:18 78:18 94:20 96:19 107:14 108:12 116:10 undertook 133:20 unduly 99:18 unequivocal 82:10 unfavorable 102:24 Unfortunately 14:10 unified 40:3 54:2 unify 50:9 unilaterally 62:9 union 36:6 unique 73:6,17 University 13:14 14:5 14:7 15:21 59:6 118:5 unquote 31:14 110:2 unreasonable 79:13 unreasonably 99:23 unregulated 82:3 unsatisfactory 70:5 unusual 59:4,12 upgrade 97:9 upsell 90:11 upselling 90:17,23 91:1 upset 69:24 upside 64:6 usage 108:8,11,12 109:4 use 47:7 51:20 62:15 62:18 66:2 109:3	117:22,23,24 120:16 128:8 129:1 129:10,14 Utilities 2:19 5:6 8:8 9:3 10:4 36:13 54:22 83:1 106:21 utility 20:4 111:5 utilize 52:18 115:10 utilized 46:8 59:24 65:24 103:13 utilizes 62:11 107:23 109:4 utilizing 64:24 UTILITIES 1:1 U-verse 97:19	93:10,11,16 97:13 97:17 98:7 99:5 102:24 103:4,10,14 103:19 104:3,4,9 104:10,12 105:4,5 105:8,13,18,20 106:4,5 111:11,20 111:24 112:5 113:2 113:8 117:9 123:16 123:17,21 126:17 127:3,22 128:8,13 128:14 129:1,9,14 130:10,14,16,23 131:1 133:1,2,7,11 133:12,15,19,21 135:4,5 136:6,7 137:5,6,15,17,19 138:2,8 139:3,4 140:15,23 141:3,9 141:17,17 142:21 Verizon's 56:7 57:6 61:7 62:1 68:5,23 69:15 70:14 79:22 92:22 102:20 103:22 110:10 122:8 123:5,9 124:23 125:21 126:4 127:16,18 128:22,22 130:20 132:9 133:15 134:10 135:7,19,23 136:23 138:3,16 139:10,17 140:16 142:12 Verizon/Frontier 30:7,10 Verizon/MCI 22:24 23:4 Vermont 18:10 35:8 48:3 123:12 124:5 125:8 version 7:22,23 21:1 21:5,6,10,15 versus 34:16 49:1 87:13 88:4 91:16 96:1,13 98:9 113:8 viability 95:16 video 71:11 91:22 109:12 139:14 view 73:15 Virginia 2:7 30:18 33:5 35:22 97:15 98:12 111:21 112:2 vision 135:5 vitae 18:3
--	--	---	--	---

<p>voice 70:15,17 71:11 volume 109:5 volumes 108:15</p> <hr/> <p style="text-align: center;">W</p> <p>waived 3:13 Walk 100:14 Wall 32:22 33:8 95:12 95:19 wallet 91:8,10 want 6:15 7:14 9:14 22:1 29:17,18 36:11 38:8 61:2 63:8 88:3 107:5,17 113:3 129:16,21 wanted 125:13 134:17 142:20 wanting 129:23 wants 107:12 136:2 Warner 106:10,14 warranties 68:19 Warren 13:14,16 Washington 23:11 26:24 27:5 28:2,18 28:20 29:9 30:17 31:13,22 32:12 33:3 34:7,9,9,15,18 34:24 35:21 54:21 66:18 97:14 104:5 111:17,20 wasn't 27:18 102:4 129:14 wasting 64:7 water 20:4 way 7:15 16:8 20:21 59:5 65:13 70:4 74:14 79:11 84:8 90:13 106:20 110:16 142:14 Wayne 75:15,17 77:3 77:12 ways 139:6,8 141:2 Web 88:11 went 5:8 8:12 10:18 64:5 69:21 134:12 West 2:11 30:17 33:5 35:22 97:15 98:12 111:20 112:1 we'll 8:10 we're 5:4 8:13,16 13:3 14:12 40:18 55:7 60:4 63:5 65:10 70:6 102:7 111:13 116:24 135:16 143:9</p>	<p>we've 7:18 8:14 65:9 whatsoever 22:13 69:19 whereof 145:16 wholesale 46:20 57:14 wiggle 81:15 82:2 willingness 135:7 Wilshire 2:3 window 47:18 48:17 48:24 49:1 57:2 60:1,5,17 61:10 62:4 110:19 windows 110:14,20 110:24 Windstream 95:5 wire 88:12,15,22 89:5 wireless 82:6 105:21 115:5 138:2,3,7,10 139:14 141:4,21 142:24 wireline 70:15,17 71:4 105:20 115:9 135:10 139:7 141:6 141:16 within-named 145:5 witness 3:4,11 5:19 6:18 8:2,21 54:24 70:9 76:24 130:4,6 143:12 145:8,16 Wonder 21:4 word 65:9,12,13 66:2 109:5 117:24 120:3 words 30:9 52:10 76:17 88:2 107:9 work 5:13,21 17:22 18:3,12,14,15 19:24 20:3 22:2 23:3 24:6,17,23 25:6,17 26:20 27:12,21 30:5 42:21 56:14 75:20 76:17,19 worked 17:2,10,13 17:15 18:1 19:18 23:10 59:6 working 19:24 21:15 30:17 33:2 34:23 35:19,22 56:8 99:5 workshop 31:21 workshops 31:14,17 32:9,11 54:21 wouldn't 63:16 64:22 72:1 90:24 writing 3:9</p>	<p>written 5:24 32:17 wrong 67:16,20 100:5 121:23 wrote 11:1</p> <hr/> <p style="text-align: center;">Y</p> <p>yeah 21:10 110:6 130:8,8 year 26:18 years 15:20 38:24 92:16 93:13,18 94:7 96:5 113:19 York 18:10 25:11</p> <hr/> <p style="text-align: center;">Z</p> <p>zero 110:5,6</p> <hr/> <p style="text-align: center;">\$</p> <p>\$15 128:4,5,5,10 \$3.3 99:6 100:18 \$33 101:2,6,8 \$622 103:6 \$8 102:22,23 \$94 77:22 78:10,12 78:14 79:11 80:8 80:10 128:12,12</p> <hr/> <p style="text-align: center;">0</p> <p>0 1:21 2:22 3:14 09-454-TP-ACO 1:4 144:3</p> <hr/> <p style="text-align: center;">1</p> <p>1 69:12 80:19 100:20 1-percent 101:11 102:5 1.1 72:13 1:35 143:15 10 2:11 38:9,9,10,24 45:1,1,6 70:7 102:8 112:21 113:1 115:24 145:21 10-plus 15:20 10-year 16:8 10.5 102:2 10:03 1:17 100 113:18 100-percent 115:13 11 112:21 113:1 117:4,3 12-month 87:5 12.99 88:15 13 67:4 13th 26:7 13-state 57:15 66:13</p>	<p>1320 2:7 14 67:9,10 14th 20:12 1700 1:15 18 134:19 180 2:17 9:8 1800 2:11 1970s 20:4 1989 13:4,8 15:3 17:14 19:18 20:2 1990s 43:3,6 1993 72:4 1994 13:15 14:4 16:16 17:3 24:24 1995 18:2 1996 18:2,6 43:10</p> <hr/> <p style="text-align: center;">2</p> <p>2 96:11 20 70:13,14 134:18 20-mile 114:13,16 2000 41:3 42:2,11 72:4 2001 39:13 2004 13:16 14:4,5 2006 14:9 2006-2007 40:9 2007 41:21 111:3 2008 40:1 95:5 123:11 2009 1:17 20:12 76:18,20 143:15 144:9,19 145:17 2010 55:14 57:7 2013 116:9 145:21 22201 2:7 2378 2:3 24 71:14 25 73:21,22 250 108:22,23 256K 109:10 28(D) 145:15 29 1:17 143:15 144:8</p> <hr/> <p style="text-align: center;">3</p> <p>3 106:1 109:18 110:1 3rd 123:10 3.3 100:20 30 100:21 30th 55:17 57:1 111:3 31 75:11,11 31st 57:7 33 100:23,24 35 77:21 130:5,6 351-3037 2:8</p>	<p>36 130:10</p> <hr/> <p style="text-align: center;">4</p> <p>4 21:18 40 80:14,15 82:20 128:11 130:8 41 1:15 87:3 43215 2:18 9:9 43215-3485 2:11 43215-6101 1:15 45 88:8 46 91:7 466-4395 2:18 466-8574 2:12 47 92:7 48 93:24 49 96:12 491-5564 2:4</p> <hr/> <p style="text-align: center;">5</p> <p>5 21:20 30:4,5 114:1 50 73:23 115:23 53 99:3,3 53/47 105:11 54 99:9,10 100:2 55 102:12,18 55364 2:3</p> <hr/> <p style="text-align: center;">6</p> <p>6 115:23 6.5 101:17 60 42:5,14,17 51:23 53:11 60:10 60-day 52:2 53:18 54:1 57:2 60:1,5,14 61 105:23 614 2:12,18 622 103:21 104:8</p> <hr/> <p style="text-align: center;">7</p> <p>7 36:10 703 2:8 75 115:21 750,000 72:3,5 768 109:18</p> <hr/> <p style="text-align: center;">8</p> <p>8 37:7 113:1 8th 50:20 8.5 102:7 80 110:4 114:4 82 111:2 112:22 85 114:4</p> <hr/> <p style="text-align: center;">9</p>
--	--	---	---	---

<p>9 4:3 37:5,6 113:1 9th 2:7,17 9:9 9.5 99:14 100:11 102:7,8 90 42:6,18 43:19,24 96:7 90-percent 42:19 911 45:15 47:24 61:16,18,19 123:4 123:8,11,15 124:14 125:8,11,18 133:13 93 113:10 952 2:4 993 115:19</p>				
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