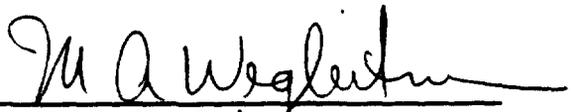


currently offer several high speed digital transmission services, including integrated services digital network ("ISDN") and certain high capacity special services facilities, that are capable of delivering all three types of signals. Since digital technology transports all voice, video and data services as streams of ones and zeros, there does not appear to be any principled reason why prior authorization under Section 214 should be required in order for telephone companies to provide video programming services, but not for any other form of advanced telecommunications services.

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.



Mark Wegleitner

Dated: October 27, 1995

Introduction

2. Historically, telephone companies could not utilize the twisted pair copper telephone wire that connects each individual home and office to a telephone company's switching facilities to deliver high-quality video signals. Recent technological advances, however, have dramatically lowered the costs associated with upgrading telephone networks to accommodate video service. Facilities once designed as narrow conduits for voice and data signals can today be economically upgraded to broad pipes capable of carrying a full complement of video signals in addition to telephony services.

3. The economies of scope that can be realized from the use of common facilities to provide both telephony and cable offer potential savings that are likely to have a very large impact on when -- and even whether -- robust competition emerges in multichannel video markets. The inability of telephone companies to use integrated systems to provide video service will hinder the ability of such firms to enter the video market and to compete successfully against entrenched cable operators. The prevailing uncertainty, driven by dynamic change and the unpredictability of consumer demand, means that no one can forecast with high confidence precisely what market forms will ultimately prove successful. Current market evidence, however, strongly suggests that integrated provision of two services over a single set of facilities is likely to be the most economical way for a new telephone company competitor to enter the video market. Where

regulation has freely permitted a choice between integrated systems and separate, stand-alone facilities, companies have chosen the integrated model in almost every case. Hence, the effect of restricting telephone company entrants to a less-preferred alternative will have the predictable effect of imposing large costs on consumers in the form of diminished competition for their business.

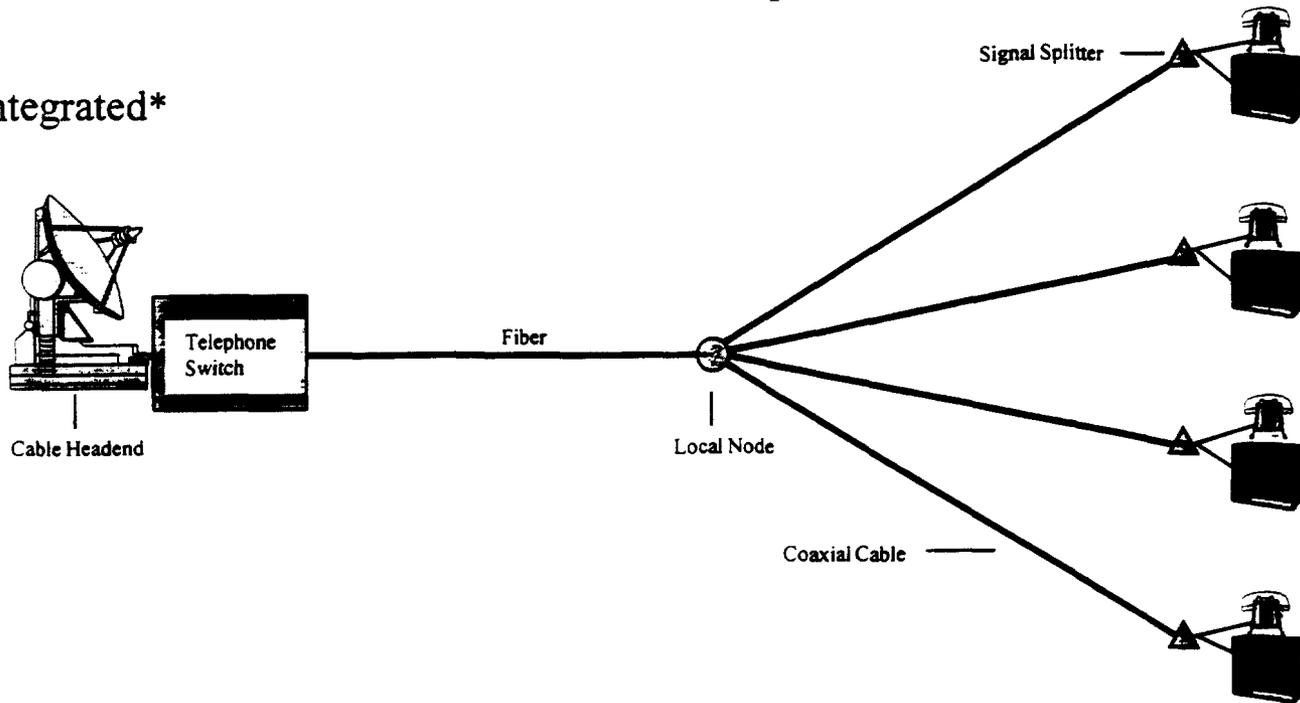
4. Artificially restricting new entrants to a smaller range of supply choices than are available in the marketplace means that competitive forces are in some measure suppressed. This is particularly so given that, as in any transition to a revolutionary new era in the marketplace, risks and uncertainties abound. Selecting what proves in perfect hindsight to be the "wrong" architecture for a telecommunications network can prove disastrous financially. Hence, capital markets, which reasonably tend towards conservatism, are eager to fund only those investments where the costs are lowest and, consequently, returns highest.

5. The FCC recently adopted a "streamlined" 214 approval process for handling applications to build stand-alone cable television systems -- i.e., those that have no transmission facilities or equipment in common with the telephone network.¹ As illustrated in Figure 1, these stand-alone systems require construction of wholly separate and largely redundant distribution

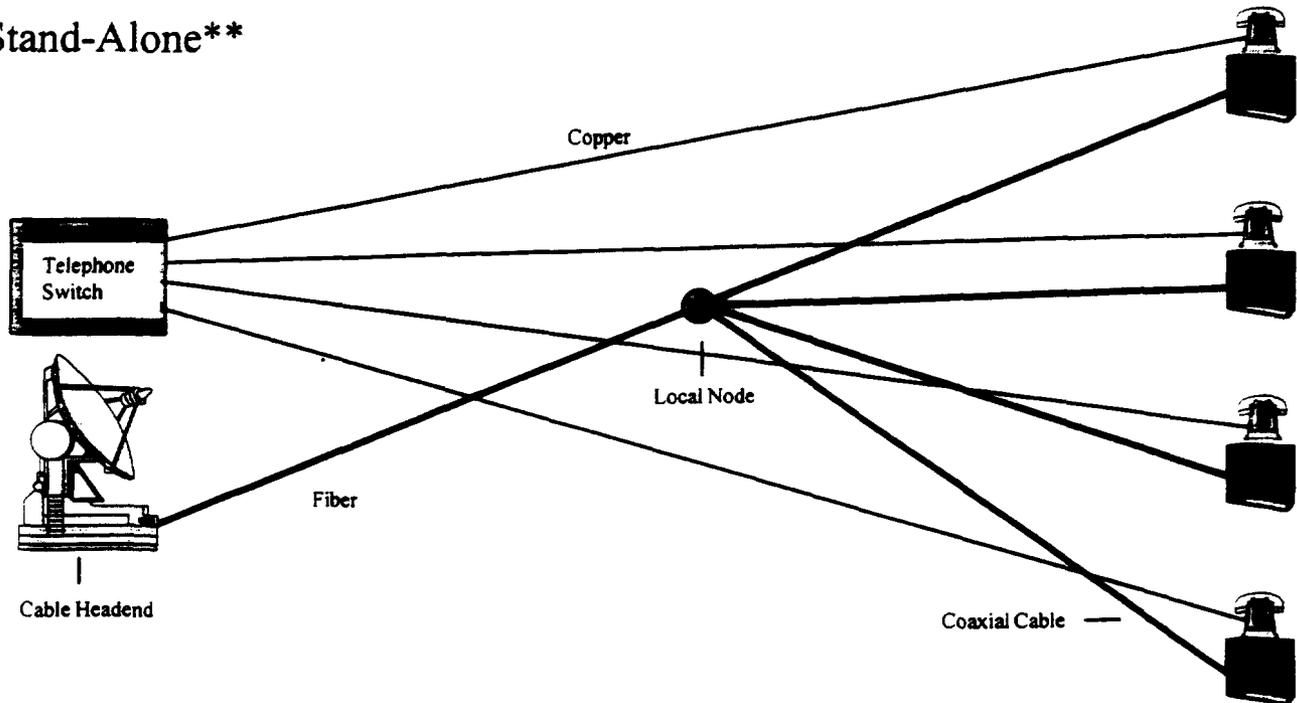
¹Fourth Report and Order, Telephone Company-Cable Television Cross-Ownership Rules, CC Dkt. No. 87-266 (F.C.C. Aug. 14, 1995).

Figure 1
Alternative U.S. Cable TV/Telephony Architectures

Integrated*



Stand-Alone**



*Craig E. Cline, et al., HFC Variants. *The Seybold Report on Desktop Publishing*, July 17, 1995, at 3 (describing general hybrid fiber-coax architecture for telephony); T. Wolzien, et al., Sanford C. Bernstein & Co., Inc., Co. Rpt No. 1524732, Time Warner 1-2 (Oct. 24, 1994) (describing architecture of Time Warner's Full Service Network).

**Warren Hioki, *Telecommunications* 162-3(2d. ed. 1995); Sydney W. Head & Christopher H. Sterling, *Broadcasting in America: A Survey of Electronic Media* 178 (6th ed. 1990); Leland L. Johnson, *Toward Competition in Cable Television* 30 (1994).

grids to deliver video programming, as opposed to sharing facilities with their telephone networks. As a result, possible benefits of the "streamlined" process are limited significantly by the inability of telephone companies to take advantage of scope economies.

6. In order for telephone companies to provide video over their existing networks, they would rationally elect to do this in the most cost-efficient manner available. This would likely entail either installing new electronic equipment on both ends of the copper wires that now run into individual homes and offices to expand their capabilities, or deploying much broader bandwidth conduits, such as the coaxial cable used by cable operators, and/or fiber optic facilities such as those now being deployed by both cable and telephone companies. If a telephone company were to do this under the Commission's current policy, it could not use the same wire for both telephony and cable service without first being subject to a lengthy advance approval process under section 214. Instead, the telephone company would have to leave the existing copper wire in place, ensuring that it remains separate from the cable wire throughout the entire network. This arrangement harshly truncates the economies of scope available to telephone companies entering video markets, severely undercutting their opportunity to benefit from similar network requirements -- e.g., common nodes and fiber trunks.

7. This arrangement has the classic anticompetitive effect of "raising rivals' costs" -- that is, elevating the hurdle

that new entrants must overcome in order to challenge incumbent cable monopolies. This is sure to dampen competitive forces in multichannel video markets.

Benefits of Integrated Cable/Telephone Systems

8. An examination of how telephone companies are entering video markets as well as how cable companies are beginning to provide telephony reveals how firms under "real-world" competitive circumstances are actively seeking to exploit the economies of scope available through integration.

9. Among the first to recognize the inherent economies of scope available through the integrated provision of telephone and cable services were cable companies themselves. A telephone network typically requires three main elements: 1) switches; 2) trunk lines to connect switches; 3) copper wires linking individual premises to the local switch. All existing cable networks already have at least some of these elements in place: all have coaxial cable running to the home (which routinely carries many times the amount of traffic transported by twisted pair copper wire), and all have coaxial cable or high-capacity fiber optic trunks connecting headends to individual neighborhoods, or local nodes -- points of concentration that enable the cable operator to avoid stringing individual cables from the headend to each individual home.² These

²TCI, the nation's largest cable operator, is now the largest single buyer of fiber-optic cable in the world. Charles F. Mason, AT&T Takes Center Stage at National Cable TV Convention, Telephony, May 11, 1992, at 6.

transmission conduits can typically transport both voice and video signals. Thus, as illustrated in Figure 1, the creation of an integrated system offers distinct engineering efficiencies.

10. Over the past several years cable operators have indeed been upgrading their cable plant to provide both video and telephony services, as summarized in Table 1.

Table 1 U.S. Cable Telephony Trials		
Cable Company	Year Begun	Location
Adelphia	1995	not reported
Comcast	1995	Philadelphia
Time Warner	1995	Rochester
TCI/Teleport	1995	Illinois
NewChannels	1995	Syracuse
PA consortium	1995	Eastern PA
Time Warner	1995	New York City
Americable	1994	San Diego Naval Base
Cablevision	1994	Yonkers, NY
Time Warner	1994	Orlando
Glasgow Electric Power Board	1994	Glasgow, KY
Jones Intercable	1994	Chicago
Jones Intercable	1993	Alexandria

Sources: Adelphia and Tellabs Deliver Cable Telephony, PR Newswire, June 14, 1995; Comcast Selects AT&T Network Systems for Broadband Trial, Information Networks, May 15, 1995; Americable and First Pacific Networks Mark First Full Year of Service at San Diego Naval Base, Edge, Apr. 10, 1995; Peter Marks, NYNEX Lets Rival Sell Phone Service, New York Times, Feb. 17, 1995, at C12; Time Warner and Tellabs Deliver Cable Telephony, PR Newswire, Feb. 28, 1995; David Greenfield and Frank Derfler, Don't Hang Up That Cable, PC Magazine Network Edition, Jan. 24, 1995, at NE27; Silicon Graphics Reveals Interactive TV Role, Newsbytes News Network, Dec. 16, 1994; Cable Telephony Continues to Spark Connection in the U.S., Abroad, Information Networks, Mar. 6, 1995; Untitled Article, Common Carrier Week, Oct. 10, 1994; Jon Pessah, Breaking the Sound Barrier, Newsday, Mar. 6, 1995, at C1; Southwestern Bell Seeks Md. PSC Approval for Cable Telephone, Common Carrier Week, May 30, 1994; Ky. Town Ready for Cable Telephone Test, Common Carrier Week, Jan. 17, 1994; Cable-Telephone Trials Planned Next Year in Alexandria and Chicago, Common Carrier Week, Nov. 29, 1993.

11. That such profit-maximizing firms routinely employ integrated technologies demonstrates that the provision of cable television service from a stand-alone system is likely to be less efficient. Indeed, cable entrepreneurs explicitly cite the cost advantages from jointly supplying services via the telecommunications network of the future as absolutely key to their ability to succeed in the marketplace: "We need to do everything this plant is capable of doing to amortize its cost, including video, personal computer hookups, and telephony. If something circumscribes our ability to do so, our viability as a competitor is diminished, and the whole plant begins to fail."³

12. In the face of collapsing state restrictions on competitive entry into local telephone service, cable companies, unconstrained by section 214 regulation or other federal barriers to entry, are putting such integrated strategies into practice. On September 21, 1995, Jones Intercable unveiled its hybrid fiber/coaxial cable system in Alexandria, VA.⁴ As reported by Jones' General Manager, Jeff Spiegleman, the Jones system is already equipped with Northern Telecom's switching equipment.⁵ Jones is reserving a large portion of the capacity of this system

³Charles Dolan, CEO of Cablevision Systems, Inc., as quoted in Andrew Kupfer, Can Cable Win Its Phone Bet?, Fortune, Sept. 18, 1995, at 175.

⁴Alexandria Cable System Overhaul Unveiled, Wash. Post, Sept. 22, 1995, at C2.

⁵Alexandria, Va., System: Jones Says Increased Fiber Use Will Boost Cable Reliability, Communications Daily, Aug. 31, 1995, at 5.

for digital services including home banking, data access, teleconferencing and electronic newspapers, as well as other more advanced telecommunications services.⁶

13. Cable companies are also planning to take advantage of the economies of scope inherent in integrated systems by deploying the next generation of wireless telephony, Personal Communications Systems (PCS). Three of the nation's largest cable operators have aligned with Sprint to form the WirelessCo consortium. The PCS partners will use the underlying cable plant to provide integrated cable and PCS services.⁷ WirelessCo spent more than either AT&T or the Bell Operating Companies on broadband PCS Major Trading Area (MTA) licenses -- a total of \$2.1 billion for licenses covering a total population of 145 million.⁸ The consortium plans to spend an estimated \$8 billion to upgrade its systems in order to carry both telephone and television signals to the 30 million households now passed by its cable networks.⁹

14. One member of WirelessCo has had six years of experience in utilizing cable infrastructure for PCS. Cox, the

⁶Cable Cos' Maneuvers, Communications Week, Sept. 4, 1995, at 27.

⁷See L.C. Petrella et al., Lehman Brothers, Inc., Co. Rpt. No. 1611926, Comcast Corporation *13 (June 28, 1995). As another analyst notes, "cable TV companies have a distinct cost advantage in providing PCS versus a new entrant with no existing plant." G.W. Woodlief et al., Dean Witter Reynolds, Co. Rpt. No. 1484363, U S West *6 (July 14, 1994).

⁸Winners of Wireless Auction to Pay \$7 Billion, N.Y. Times, Mar. 14, 1995, at D1.

⁹Sprint Puts Price Tag of up to \$8 Billion on Foray into Local Phone Markets, Wall St. J., Mar. 30, 1995, at B6.

winner of a Pioneer's Preference license to offer PCS in Southern California,¹⁰ is testing a system that uses its existing coaxial cable as the backbone of its network to provide wireless communications. Since 1989, Cox has placed switches and antennas that are used to transmit wireless signals along its existing cable network.¹¹ Bruce Crair, Vice President and General Manager, Cox California PCS, believes that "[e]xisting cable plant offers significant operating and cost advantages" and that "cable television companies are the best positioned to succeed in this coming 'new world' of convergence."¹²

15. The opportunity for firms (other than telephone companies) to build stand-alone cable systems in competition with

¹⁰In 1992, the Commission adopted a policy of granting Pioneers' Preferences PCS licenses to firms that proposed especially innovative uses for spectrum. Tentative Decision and Memorandum Opinion and Order, Amendment of the Commission's Rules to Establish New Personal Communications Services, 7 F.C.C. Rcd 7794, 7802-04 (1992); Memorandum Opinion and Order on Remand, 9 F.C.C. Rcd 4055, 4055 (1994); Third Report and Order, 9 F.C.C. Rcd 1337, 1339-48 (1994). Cox received a license to serve San Diego, Los Angeles, and Bakersfield, an area with a population of 20 million. See Third Report and Order, 9 F.C.C. Rcd at 1349.

¹¹In its San Diego trial, for example, Cox's network works as follows: (1) An antenna that is hooked up to the existing cable network receives a PCS call from the air; (2) the signal is translated so that it can be transmitted through the coaxial cable; (3) the signal is amplified and shot down the coaxial cable; (4) the signal travels through the cable network to the cable TV headend; (5) the PCS signal is separated at the headend from video signals that travel down the same pipes; (6) the signal travels to a switch which directs it to its final destination. Bruce Crair, Cable Television's Entree into Personal Communications Services, CableLabs SPECS Technology Newsletter (Mar. 1995) (reproduced at the Cable Television Laboratories Home Page, World Wide Web Site, URL address <http://www.cableapps.com> (Mar. 1995)).

¹²Id.

incumbent cable operators has been available, at least under federal law, since the birth of the U.S. cable industry in 1948. Yet, relatively few firms have been able to enter and successfully establish themselves as head-to-head competitors in the market. Firms that attempt to do so are disparagingly labeled "overbuilders" by the cable industry. The Commission has previously found that, while profits earned by cable operators are generous due to the presence of market power, there has been precious little entry into the sector: "While most studies suggest that overbuilding produces meaningful rate effects, the extent of overbuilding seems to have remained quite limited, despite the 1992 Cable Act's explicit purpose to encourage the emergence of direct competition."¹³ Indeed, only about 2 percent of U.S. cable consumers are currently offered a choice among hardwire cable TV providers.

16. The "meaningful rate effects" which the Commission attributes to competitive entry are therefore absent in 98 percent of U.S. cable markets. The case for competition from all alternative delivery mechanisms -- and particularly the most efficient -- is therefore very strong.

¹³First Report, Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, 9 F.C.C. Rcd 7442, 7472 (1994).

Integration and Competition in the United Kingdom

17. The experience of companies in the United Kingdom demonstrates how service competition can rapidly develop through integration of cable and telephone systems. New rules, which took effect in 1991, have allowed cable systems to provide telephony, including long distance services.¹⁴

18. Cable companies in the U.K. soon began to provide integrated telephone and cable service by taking advantage of many of the economies of scope that the FCC's stand-alone policy would not permit. Now that cable companies can offer telephone service, 75 of the U.K.'s 85 active cable franchises are offering integrated cable and telephony service, with over 740,000 cable-provided telephone access lines.¹⁵

19. In studying the efficiencies created by cable/telephone integration in the UK, one analyst noted that: "[i]n England for example, adding telephone to cable increases capital spending by 25% but cash flow by over 90%. . . . The combination of scale economies and transaction-based as opposed to subscription-based business plans reduces startup risks. This is

¹⁴Charles D. Ferris, Frank W. Lloyd & Thomas J. Casey, Cable Television Law, A Video Communications Practice Guide ¶30.04[2] (1995).

¹⁵The remaining cable operators do not yet offer telephone service. Independent Television Commission, News Release 1 (May 15, 1995).

not about 'if I build it they will come.' This is about line extensions and vertical and horizontal integration."¹⁶

20. A similar verdict on the strategic importance of cable/telephone scope economies is rendered by an executive with the largest British cable operator, TeleWest, who "says that adding telephony increases the capital cost of a cable system by 20-25%, but boosts revenue per customer by over 50%."¹⁷ The Economist notes that this "arithmetic shows why, wherever they are allowed, cable television operators are offering telephone services as well."¹⁸

21. The importance of integration is likely to increase with the march of technical progress. All U.K. cable/telephony systems use integrated technology to varying degrees; some share common nodes along fiber trunks, others share the trunks themselves.¹⁹ Most U.K. systems use two sets of wires to gain final access into the subscriber's premises -- one copper twisted pair and the other coaxial cable²⁰ -- however, one U.K. firm is already

¹⁶C.P. Dixon, PaineWebber Inc., Ind. Rpt. No. 1484620, Electronic Highway/Hype Vs. Reality *7 (July 22, 1994).

¹⁷The Big Pipe, The Economist, Sept. 1995, at 12.

¹⁸Id.

¹⁹John Williamson, U.K. Cable Telephony: A Window on the Future, Telephony, Oct. 5, 1992, at S6; TeleWest Trials Integrated Telephony/Cable Network, Broadband Networking News, May 16, 1995; R. Bilotti, et al., Morgan Stanley & Co. Inc., Ind. Rpt No. 1440178, Comparison: US and UK, at *10 (Mar. 21, 1994).

²⁰"Although there are differences between franchise areas, in general fiber is run from a head-end through a hierarchy of nodes serving fewer and fewer premises, until Siamese cables containing a copper pair and a coax complete the connection into the individual building," John Williamson, U.K. Cable Telephony: A Window on the Future, Telephony, Oct. 5, 1992.

attempting to switch delivery of both services to a single line reaching all the way to the subscriber's equipment: "As TeleWest UK began providing service before hardware to carry telephony over coaxial cable was available, both coaxial cable (for television) and copper twisted pair (for telephony) were deployed from the fiber optic nodes to the homes. TeleWest is now testing hardware that will make the copper twisted pairs unnecessary. As soon as this new hardware is available, TeleWest's cost of serving new areas will be reduced, and the first 200,000 homes passed by TeleWest, which lack copper twisted pair, will be offered telephone service."²¹ Importantly, this one-wire architecture is being deployed by U.S. cable firms such as Time Warner, and is graphically depicted as the integrated technology in Figure 1.²²

The Truncated Benefits of Stand-Alone Systems

22. There may be specific instances in which telephone companies deploy cable systems that are, at least initially, separate from their telephone networks. These telephone companies may be better positioned to overcome certain entry barriers than other potential competitors, including "local franchising requirements [and] entry-detering strategic behavior by the

²¹P.J. Sirlin, Wertheim Schroder & Co. Inc., Co. Rpt. No. 154274, Tele-Communications, Inc. *25 (Jan. 9, 1995).

²²T. Wolzien, et al., Sanford C. Bernstein & Co., Inc., Co. Rpt. No. 1524732, Time Warner *1-2 (Oct. 24, 1994).

incumbent operator. . ."²³ Indeed, I have previously argued for telco entry into the cable market on just these grounds.²⁴

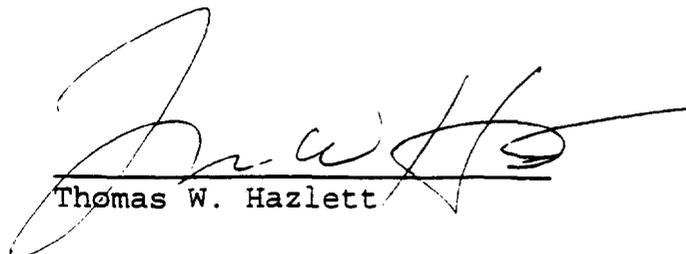
23. In a competitive market, however, telephone companies will be driven to provide service in the most economically efficient manner and to take advantage of any potential economies to improve their efficiency. Consequently, even in an instance where separate facilities are initially built, the ability to develop and deploy lower-cost integrated technologies will undoubtedly affect the long term competitive viability of such systems and, therefore, the willingness of telephone companies to deploy them to begin with.

24. Given the public interest in introducing competition into this monopolized service sector, handicapping the most likely near-term, large-scale rivals to incumbent cable operators is counterproductive public policy. Artificially constraining telephone company entrants into video to use more expensive technology will serve only to protect monopolies and punish consumers.

²³First Report, Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, 9 F.C.C. Rcd 7442, 7472 n.136 (1994).

²⁴Thomas W. Hazlett, Telco Entry Into Video, Annual Review of Communications 1994-95, 212-229.

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.


Thomas W. Hazlett

Subscribed and sworn to before me this 27th day of October, 1995.


Notary Public

My Commission expires: 5-31-99.

F

**RATE ELEMENT AGGREGATE INVESTMENT
INFORMATION**

RATE ELEMENT	AGGREGATE INVESTMENT PER RATE ELEMENT	FACILITIES & EQUIPMENT BY ACCOUNT	SUB-ELEMENT INFORMATION
DIRECT ACCESS CONNECTION	Transmittal 741, Workpaper 5-1 Transmittal 741-A, Tab 2, Page 1	Transmittal 741-A, Tab 2, Page 2	Transmittal 741-A, Tab 2, Pages 3-5
SERVING WIRE CENTER CONNECTION	Transmittal 741, Workpaper 5-2 Transmittal 741-A, Tab 3, Page 1	Transmittal 741-A, Tab 3, Page 2	Transmittal 741-A, Tab 3, Pages 3-4
BROADCAST CHANNELS	Transmittal 741, Workpapers 5-3 thru 5-6 Transmittal 741-A, Tab 4, Pages 1-4	Transmittal 741-A, Tab 4, Page 5	Transmittal 741-A, Tab 4, Sections A-N
NARROWCAST CHANNELS	Transmittal 741, Workpapers 5-8 thru 5-11 Transmittal 741-A, Tab 4, Pages 6-9	Transmittal 741-A, Tab 4, Page 10	Transmittal 741-A, Tab 4, Sections A-N
MESSAGING PORT	Transmittal 741, Workpaper 5-12 Transmittal 741-A, Tab 5, Page 1	Transmittal 741-A, Tab 5, Page 2	Transmittal 741-A, Tab 5, Page 3

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Amendment to The Bell Atlantic)	Transmittal Nos. 741, 786
Telephone Companies)	Amended
Tariff FCC No. 10)	
)	CC Docket No. 95-145
Video Dialtone Service)	

Declaration of John C. Phillips

I, John C. Phillips, declare as follows:

1. I am the Manager of Video Dialtone Marketing and Sales within the Carrier Services line of business of Bell Atlantic Network Services, Inc., a subsidiary of Bell Atlantic Corporation. In this position, which I have held since January 1995, I am responsible for representing Bell Atlantic's video dialtone products to existing and potential programmer-customers, including Rainbow Programming Holdings, Inc ("Rainbow"). As part of my responsibilities, I have had discussions with Mr. Frank Dejoy of Rainbow concerning the need for and availability of the interface software and the digital set-top converter units to which Mr. Dejoy referred in his affidavit, which is attached to Rainbow's Opposition in this proceeding. As a result, I have personal knowledge of the facts alleged by Mr. Dejoy. The purpose of my declaration is to clarify what I told Mr. Dejoy concerning these issues.

2. It appears that Mr. Dejoy either has forgotten, or has misunderstood or misinterpreted, the information that I

personally have conveyed to Rainbow or of which Rainbow has been apprised through other written materials.

3. Bell Atlantic has repeatedly informed all programmer-customers, including Rainbow, that they are required to provide the software needed to establish an interface from their customer management system to Bell Atlantic's Video Administration Module ("VAM"), which is the intelligent system controller for the Dover Township video dialtone system. That interface permits the programmer-customer to add and delete individual subscribers' video service, schedule video programming, retrieve billing information, edit individual channel parameters and generally provision service to their end user subscribers over Bell Atlantic's network.

4. Bell Atlantic has published the technical specifications for the interface between the programmer-customer's customer management system and the VAM, which specifies the protocols, signalling and other technical requirements that a programmer-customer's equipment and system must use to communicate with the VAM.

5. On March 9, 1995, Bell Atlantic held a seminar in New Jersey for all parties interested in becoming programmer-customers on the Dover Township network. The seminar was widely advertised, and representatives of Rainbow's parent company, Cablevision Systems, attended the seminar. At that seminar, written materials were provided to all participants. Those written materials specifically noted that a video information provider would be required to provide the "hardware and software required to interface with [the] VAM."

6. Bell Atlantic provided a copy of the technical specifications for that interface to Rainbow by mail on May 10, 1995.

7. On July 6, 1995, Bell Atlantic provided to Rainbow, subject to a nondisclosure agreement, a copy of its proprietary handbook for video information providers. The handbook reiterated that it is the programmer-customer's responsibility to obtain or develop compatible software. It also informed programmer-customers that an interface access software was available for licensing.

8. During the week of October 23, I did have a conversation with Mr. Dejoy. Contrary to Mr. Dejoy's assertions, however, I did not tell him that Rainbow would be unable to offer its video programming service unless it acquired specific proprietary interface software. What I did tell Mr. Dejoy was that Rainbow would need to provide an interface between its customer management system and the VAM, and that Rainbow may develop software in-house that meets the published technical specifications for this interface, or may contract with a third party vendor to develop or license such software.

9. I also explained that Bell Atlantic has a right to license to third parties certain proprietary software, known as Enhanced Provisioning Interactive Communication ("EPIC") (TM) software, that was developed and owned by Broadband Applications Development Corporation (BADCo.), an affiliate of FutureVision of America Corp. I explained that, if Rainbow wished to use this proprietary software, Rainbow could negotiate a license for the

software directly with Broadband Applications Development Corp. or with Bell Atlantic.

10. In several subsequent telephone conversations, Mr. Dejoy again asked whether Rainbow was required to use the EPIC software in order to provide its programming services over the Dover Township network. On each occasion, I explained that, with the publication of the technical specifications for the interface, there was no requirement for Rainbow to use the EPIC software, because Rainbow could instead develop, or have another vendor develop, software meeting those specifications. I did, however, note that licensing the EPIC software might be a cost effective alternative.

11. I suggested that Mr. Dejoy obtain a demonstration of the EPIC software at BADCo's Advanced Technology Center in Neptune, New Jersey, and contacted BADCo. to set up this demonstration. Mr. Dejoy made final arrangements through Gerrard Kunkle, President of BADCo, and Mr. Kunkle invited me to attend the demonstration on November 13, 1995.

12. At the conclusion of the November 13 meeting, Mr. Dejoy, for the first time, asked me if Bell Atlantic would develop a proposal to license the EPIC software to Rainbow. I agreed to do so, and did confirm that Bell Atlantic would suggest "negotiable" rates, terms and conditions for such a license.

13. Because this is the first request Bell Atlantic has received for such a license proposal, it has been necessary to prepare the proposal and obtain internal authorization to present