

APPENDIX A: ADVERTISEMENTS, STUDIES, LITERATURE

BROOKS FIBER

MCI AND MCIMETRO

TCG

MFS

AT&T

CONTINENTAL

MDU SERVICE PROVIDERS

OTHERS

BROOKS FIBER

GENERAL

Company Map of Fiber Network

Ameritech-sponsored study: "Extent of Facilities-Based Competition, Grand Rapids 1996," *Quality Strategies*, October 30, 1996.

ADS

Testimonial from Big Dutchman, Inc.

Testimonial from City of Grand Rapids

Chet Van Stone Ads

"Now You Can Benefit from Local Service Competition," US Signal Ad

"Introducing Magic Number," US Signal Ads

"Ascend I," US Signal Inbound 800

"Ascend II," Outbound

"Ascend III," Dedicated Access

Other Ads including Residential Phone Service Rate Comparison

Local Exchange Order Phone (Small Business and Residential)

"In May US Signal Began Offering," US Signal Marketing Letter

"I am Currently Taking Orders for Local Service," US Signal Marketing Letter

WWW.BROOKS.COM

Company Profile

Positions Available

Grand Rapids Operating and Financial Results

MISC. NEWS ARTICLES

"City to Hook Up with New Phone Company"

Misc. other articles regarding Brooks' background

"MCI Metro Makes Additional Investment in Brooks," *PR Newswire*, July 9, 1996.

AMERITECH
EXTENT OF FACILITIES-
BASED COMPETITION
GRAND RAPIDS
1996

- DRAFT -

PROPRIETARY AND CONFIDENTIAL

The information contained herein should not be disclosed to unauthorized persons. It is meant solely for use by authorized employees of AMERITECH Corporation or any of its subsidiaries.

October 30, 1996

 **QUALITY STRATEGIES**
Washington, D.C.

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Mapping overlays are provided to demonstrate the unbundling of AMERITECH's local loop and the extent of Brooks' facilities-based local network in the Grand Rapids area. Where applicable, overlays are color-coded to differentiate Brooks' business and residential customers. The following scenarios are presented in overlays throughout this study:

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Note: All customer losses (to Brooks) identified in this study represent actual losses identified by AMERITECH-provided data and by QUALITY STRATEGIES. Additional area-wide customer losses may exist, but were not extrapolated. Switched Access MOUs were estimated on an area-wide basis.

OBJECTIVE

This study provides a comprehensive overview of the presence and extent of facilities-based local competition (business and residential) with Brooks Fiber Communications (BFC) in Grand Rapids. QUALITY STRATEGIES mapped elements of Brooks' facilities-based network and related losses in order to support AMERITECH in its efforts to comply with section 271 of the Telecommunications Act of 1996. Results are provided in compliance with the local loop elements (sections IV through VII) of part (B) of the competitive checklist.

Note: Brooks, AT&T, LCI, Ameritech Communications Inc. (ACI), MCImetro, MFS, TCG, Continental, USN Communications, and Winstar Wireless have been approved by the Michigan Public Service Commission (PSC) to provide competitive local exchange services in Michigan. To date, only Brooks, AT&T, LCI, and ACI have targeted the Grand Rapids area. The focus of this study is on Brooks, the first Competitive Local Exchange Carrier (CLEC) to offer facilities-based local exchange services to businesses and residences in Grand Rapids.

ORGANIZATION

Following the Executive Summary and Methodology, this study is organized into four main sections:

- *Brooks' Facilities-Based Network Features* -- Description of Brooks' facilities-based network and associated features are provided.
- *Telecommunications Act Section 271 Part (B) Competitive Checklist* -- Evidence of the unbundling of AMERITECH's network and Brooks' ability to provide facilities-based local exchange services is provided in support of the four elements (IV through VII) of the Competitive Checklist. Mapping overlays depicting several scenarios provide evidence to support Section 271 of the Telecommunications Act.
- *MOU Results* -- Estimates of Brooks' originating and terminating switched access MOUs.
- *Brooks Marketing and Expansion Strategies* -- Details of Brooks' business and residential promotional campaigns and marketing strategies are provided. Brooks' future expansion plans are also provided to demonstrate its intentions to further penetrate its existing market as well as additional markets beyond the Grand Rapids MSA.

Additionally, supplemental information is provided in the four appendices at the end of this document. Specifically:

- Appendix A -- Brooks' Promotional Materials
- Appendix B -- Brooks' Regulatory Status and Local Service Tariffs
- Appendix C -- Brooks Local Service Sample Invoices: Business and Residential
- Appendix D -- Glossary

EXECUTIVE SUMMARY

TELECOMMUNICATIONS ACT SECTION 271 COMPLIANCE AND BROOKS' FACILITIES-BASED NETWORK

The existence of Brooks' facilities-based network in conjunction with AMERITECH's compliance with items IV through VII of the Competitive Checklist (Part B) affords Brooks the ability to offer local facilities-based switched services to business and residential consumers in Grand Rapids. Since the onset of its offering of local switched services in the first quarter of 1996, Brooks has captured significant switched access MOUs from AMERITECH. The extent of AMERITECH's MOU (originating and terminating) losses to Brooks for the month ending June 30, 1996 in the Grand Rapids Zone of the Grand Rapids Local Calling Area are approximately 18,518,000.

Brooks operates its own facilities-based, 250 route mile fiber network that serves downtown Grand Rapids and its surrounding areas. Brooks utilizes its facilities-based network to provide switched services to its on-net business customers. Brooks currently has approximately 50 buildings on-net. In addition, Brooks resells elements of AMERITECH's local loop (unbundled from switching or other services) to provide local loop transmission and local transport that reaches Brooks' business (off-net) and residential customers. All of Brooks' local exchange traffic, regardless if it originates on Brooks' network or on elements of AMERITECH's unbundled local loop, flows through Brooks' own switching facilities.

QUALITY STRATEGIES identified local exchange customer losses throughout the Grand Rapids area, where Brooks local exchange customers (business and residential) extend beyond the Grand Rapids Zone. Customers were identified as far north as Rockford, as far east as Cascade, as far south as Cutlerville, and as far west as Hudsonville (Refer to the map on page 15 for an overview of Brooks' local exchange and dedicated circuit (HICAP)

customers in the Grand Rapids area). Despite the extent of its facilities-based network and ability to resell unbundled elements of AMERITECH's local loop, Brooks currently does not offer local exchange services throughout the entire Grand Rapids local calling area. Several respondents in the Grand Rapids surrounding areas of Walker, Lowell, Byron, Caledonia, Ada, Dutton, and Marne requested Brooks' local exchange services, but were informed that Brooks does not presently serve their respective areas.

DEDICATED ACCESS EXPERIENCE

Brooks acquired City Signal, Inc., a Competitive Access Provider on January 17, 1996. City Signal has been in operation in Grand Rapids since 1990. Brooks has garnered a significant share of dedicated circuits (including special access and private line circuits) in Grand Rapids. Additionally, Brooks has captured a significant number of transport circuits in the Grand Rapids area.

Although no conclusions can be made regarding Brooks' potential success in local exchange, high capacity circuit penetration is a strong indicator of Brooks' ability to penetrate the business customer market in a relatively short period of time.

MARKETING STRATEGY AND PROMOTIONAL CAMPAIGN

Brooks' strategy is to provide "one-stop" shopping to its customer targets, including bundling of local lines, local usage, and dedicated (HICAP) services. Brooks has focused its marketing campaign on the benefits of switching local providers including cost-savings, bundling of customer traffic, bundling of all calls for increased volume and term discounts, productivity enhancements, and consolidated billing.

To generate consumer awareness for its local exchange services, Brooks first targeted its existing business dedicated circuit (HICAP) customers. Brooks then launched an aggressive local marketing campaign in Grand Rapids during the latter stages of the first quarter of 1996. According to customers, Brooks sent direct mail promotions (refer to Appendix A) to all business customer size categories in the Grand Rapids MSA. Brooks strengthened its direct mail promotion with telemarketing calls to medium and large business consumers.

Brooks launched an aggressive residential local marketing campaign in the Grand Rapids MSA during the latter stages of the first quarter of 1996 (concurrently with its business promotional campaign). Brooks conducted a massive direct mail blitz that preceded the onset of its facilities-based local service offering. Brooks flooded all potential residential customers within the Grand Rapids Local Calling Area with a marketing campaign that offered significant cost-savings for bundled local services. Brooks' goal appears to be to attain mass market penetration through extensive introductory sales promotions aimed at inducing a trial, i.e. "switching". Like Brooks' business promotions, Brooks' residential promotions waive installation fees to further reduce the customers' perceived risk of adopting a new local provider.

Grand Rapids is serving as the prototype for Brooks' national marketing strategy to offer residential local services. The strategy has proven successful to date, as evidenced by Brooks' capturing of significant

switched access MOUs in the initial months following its offering of local facilities-based services.

Based on these events, Brooks is expected to further penetrate the local exchange services market in the near term with continued comparative marketing strategies aimed at capturing additional local exchange customers from AMERITECH.

METHODOLOGY

QUALITY STRATEGIES analyzed the extent of AMERITECH's local exchange losses in Grand Rapids. Results are based on QUALITY STRATEGIES' standard local exchange MOU survey and actual invoice analysis of Brooks customers' telecommunications bills. Results are also based on additional analysis of Reciprocal Compensation MOU (originating and terminating) data, as provided by AMERITECH.

SOURCE OF SAMPLE LISTS

QUALITY STRATEGIES obtained lists of businesses and residences in the Grand Rapids MSA from list brokers. QUALITY STRATEGIES selected samples from these lists.

SELECTION PROCESS

In determining the extent of AMERITECH's local exchange MOU losses, QUALITY STRATEGIES obtained information from respondents identified based on samples derived from random number generation algorithms. MOU results are based on the number of switched access MOUs for the month ending June 30, 1996.

SURVEY

QUALITY STRATEGIES used its standard local exchange MOU survey to collect information from business and residential customers in Grand Rapids. QUALITY STRATEGIES obtained responses regarding utilization of local exchange lines. The survey includes approximately fifteen itemized questions including provider(s), services in use, and type(s) of service. QUALITY STRATEGIES also obtained private line information from customers (see next section).

INVOICE ANALYSIS

Usage data is based on survey and call detail analysis of business and residential customer invoices. QUALITY STRATEGIES obtained local service call detail invoice information from Brooks' business and residential customers. Local exchange results are based on actual call detail analysis of customer invoices.

Note: MOU estimates in this analysis are based on customer-billed usage for the month ending June 30, 1996. Samples of Brooks' business and residential invoices are provided in Appendix C. Invoice information is subject to copyright and non-disclosure agreement and cannot be released.

STATISTICAL VALIDITY

This study is designed to provide local exchange MOU estimates (originating) that are statistically valid for comparing AMERITECH's MOUs to the MOUs of its local exchange competition in Grand Rapids.

MOU estimates are based on a 95% confidence interval with a $\pm 5\%$ margin of error.

SAMPLE SIZES

QUALITY STRATEGIES compiled results for the month ending June 30, 1996 based on the following number of surveys completed in the Grand Rapids MSA:

Business	581
Residential	<u>422</u>
	<u>1,003</u>

OTHER SOURCES

QUALITY STRATEGIES utilized additional research techniques to support several key elements of the Telecommunications Act's Competitive Checklist. Analysis of local exchange MOU losses (terminating) is presented for Grand Rapids. Data is based on the following sources:

IXC Interviews

IXC interviews provide insight into specific usage of both CAP/CLEC and AMERITECH-provided switched access MOUs. Multiple representatives of the following IXCs were interviewed for this report:

- AT&T
- MCI
- Sprint
- LCI
- LDDS/WorldCom

LERG

QUALITY STRATEGIES utilized the Local Exchange Routing Guide (LERG) to identify elements of Brooks' facilities based network.

RESULTS AND OUTPUT

Mapping

AMERITECH provided QUALITY STRATEGIES with a listing of its four wire centers that presently provide unbundled local loops in the Grand Rapids area (as of August 1, 1996). The listing identified the address of each unbundled local loop, the number of unbundled local loops per address, and whether the address was a business or residence. QUALITY STRATEGIES created a mapping database by utilizing the AMERITECH-provided data as a baseline and augmenting it with

additional information regarding local exchange customer and MOU losses. The mapping overlays provide evidence as to the penetration of Brooks' facilities-based network, as well as the unbundling of AMERITECH's local loop. In addition, the mapping overlays feature the geographic extent of Brooks' 250 route mile fiber-optic network, coverage of AMERITECH's local exchange MOU losses, and coverage of AMERITECH's dedicated circuit (HICAP) losses.

MOU Losses

MOU losses are presented on the following bases:

- Switched Access MOUs Through CAP/CLEC Switching Facilities (Originating)
- Switched Access MOUs Through CAP/CLEC Switching Facilities (Terminating)
- Brooks' Switched Access MOUs Originating from the Trunk-Side of AMERITECH Switching Facilities

AMERITECH - provided MOU data

AMERITECH provided QUALITY STRATEGIES with the following MOU data for the month ending June 30, 1996:

- MOUs originating from AMERITECH and terminating on CAP/CLEC
- 11,247,000
- MOUs originating from CAP/CLEC and terminating on AMERITECH
- 2,910,000

GEOGRAPHIC AREA

Results are provided for the following areas within the Grand Rapids Zone of the Grand Rapids Local Calling Area, which includes, but is not limited to:

- Grand Rapids
- East Grand Rapids
- Kentwood
- Wyoming
- Grandville
- Georgetown
- Jenison
- Walker
- Comstock Park
- Northview
- Forest Hills
- Cascade
- Cutlerville

Additional customer losses were identified and mapped for other areas within the Grand Rapids Local Calling Area, but were not included in the determination of Local Exchange MOU losses.

*Refer to the map on the following page for the geographic extent of Brooks' customer reach.

BROOKS FACILITIES-BASED NETWORK FEATURES

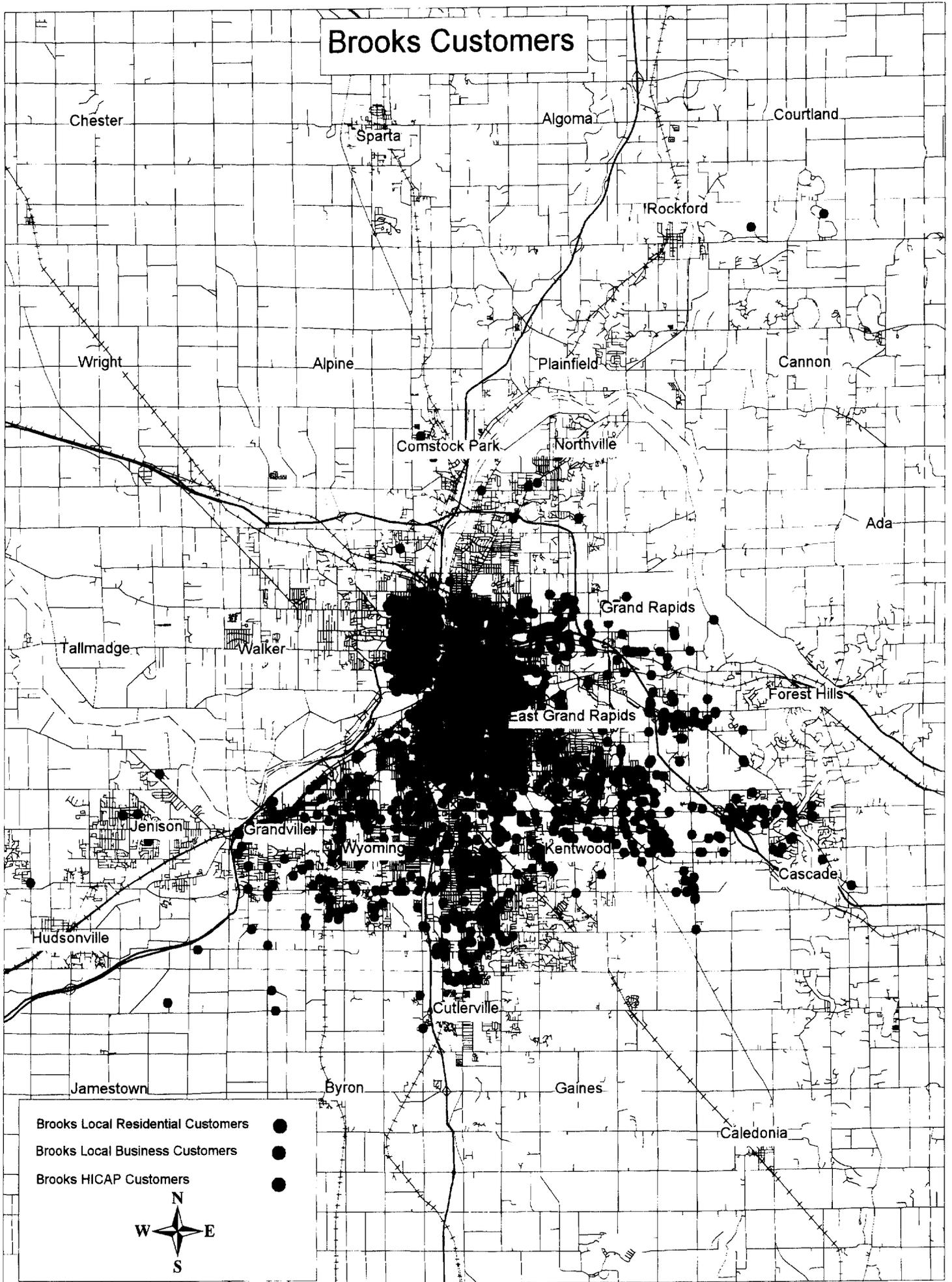
In Grand Rapids, Brooks operates as a facilities-based CLEC by utilizing its own switching facilities to reach business customers on its local network and by utilizing a combination of AMERITECH's unbundled local loop elements and its own switching facilities to reach residential and off-net business customers. Although Brooks' must use AMERITECH's unbundled local loop elements to provide local exchange to residential and off-net business customers, all local exchange traffic is routed through Brooks' central office. Brooks' initial offering of switched services, during the third quarter of 1995, marked its transition to a full service provider of local exchange services.

The Brooks facilities-based network consists of the following features:

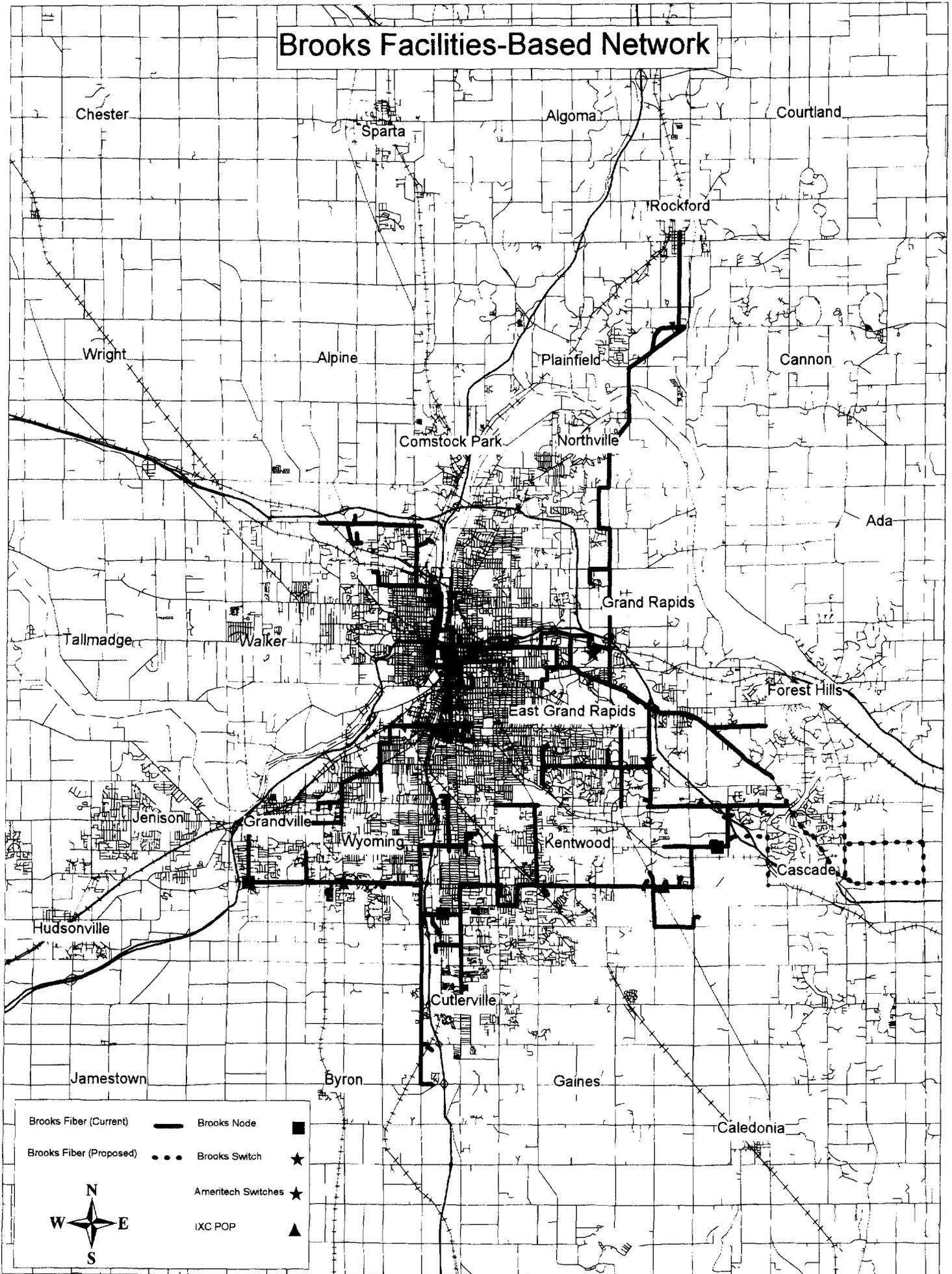
Feature	Description
Grand Rapids Route Miles	250
Grand Rapids On-net Buildings	50
IXC POPs on-net	3
Switch Deployed	1 Nortel DMS-500
Network Architecture	100% SONET-based architecture with OC-12 and OC-48 speeds
Node Site/Equipment Locations	Five unique locations, plus four collocated with Ameritech

Refer to the map on the following page for a representation of Brooks' facilities-based local network.

Brooks Customers



Brooks Facilities-Based Network



TELECOMMUNICATIONS ACT SECTION 271 PART (B)
COMPETITIVE CHECKLIST

Section 271 of the Telecommunications Act sets the ground rules for RBOCs to provide access or interconnection to their networks, along with the unbundling of network components, prior to providing in-region interLATA services. Many of the new rights enjoyed by AMERITECH, as a result of the Telecommunications Act, are contingent upon its ability to create an environment allowing economically efficient competition in its local business and residential markets.

Brooks and AMERITECH reached a co-carrier interconnection agreement on August 14, 1996 that will facilitate the provision of local exchange services by Brooks to residential and business customers in Michigan. The agreement has been submitted to the Michigan PSC for approval. Terms of the agreement include the provision for the interconnection of Brooks' and AMERITECH's networks for termination of local calls at "mutual and reciprocal" rates. In addition to the aforementioned interconnection agreement, AMERITECH must comply with a specific 14 point co-carrier "competitive checklist" that defines various pro-competitive actions that AMERITECH must take prior to being allowed to provide interLATA long-distance service within its own service territory.

Subsequent legislation, as outlined in the Federal Communications Commission (FCC) Interconnection Order of August 8, 1996, mandated additional interconnection and local loop unbundling guidelines by which AMERITECH must also abide. The Interconnection Order also set broad national rules that state regulatory agencies must follow in setting prices for leased network elements. (Note: On October 15, 1996, the United States Court of Appeals for the 8th Circuit imposed a "partial stay" on the pricing provisions of the interconnection order. The stay will remain in effect until

the appeals court rules some time in 1997 on the challenge. Oral arguments are scheduled for January).

The issue at the core of the "competitive checklist" is the unbundling of the local loop. To offset the competitive advantage gained by incumbent Local Exchange Carriers (LECs) in the local loop, AMERITECH must allow competitors to selectively gain access to its wires from any technically feasible point at cost-based, non-discriminatory rates.

In the sections that follow, QUALITY STRATEGIES provides information regarding the unbundling of AMERITECH's Local Loop Transmission (part IV); the unbundling of AMERITECH's Local Transport (part V); the unbundling of AMERITECH's Local Switching (part VI); and AMERITECH's providing of non-discriminatory access to emergency and operator services (part VII).

MAPPING SCENARIOS

A series of scenarios outlined in mapping overlays provides evidence of the unbundling of AMERITECH's Local Loop and the existence and extent of facilities-based competition. The following scenarios are provided:

Scenario #	Description	Page #
1	Brooks facilities-based service between Brooks' customers	21
2	Unbundled local transmission: Brooks customer placing call to Ameritech customer	22
3	Unbundled local transmission: Ameritech customer placing call to Brooks' customer	23
4	AMERITECH local switching	24
5	Brooks local transport: IXC POP traffic originating from Brooks' on-net customer	25
6	Brooks local transport: IXC POP traffic originating from Brooks' off-net customer	26

For presentation purposes on the mapping overlays, the following customers have been identified and labeled accordingly:

- Customer A: Brooks residential customer originating traffic (via Brooks central office)
- Customer B: Brooks residential customer terminating traffic (via Brooks central office)
- Customer C: AMERITECH residential customer terminating traffic (via Brooks central office)
- Customer D: AMERITECH residential customer originating traffic (via Brooks central office)
- Customer E: AMERITECH residential customer originating traffic (via AMERITECH central office)
- Customer F: AMERITECH residential customer terminating traffic (via AMERITECH central office)

Note: The four AMERITECH customers identified for this study are not based on factual information. They were created for presentation purposes only.

Brooks Facilities-Based Service Between Brooks' Customers (Scenario 1)

