

APPENDIX 4

Competitor Profile: Intermedia Communications

Intermedia Overview

Intermedia Communications, based in Tampa, Florida, was founded in 1987 as a Competitive Access Provider (CAP) whose primary line of business was special access services. This included leased private line networks and dedicated facilities. As a CAP that has evolved into a CLEC, Intermedia provides integrated telecommunications services to customers in the eastern United States. Intermedia currently targets business and government end users, as well as interexchange carriers requiring special access services. Intermedia delivers local network services primarily over digital fiber optic networks that it owns or leases. In addition, Intermedia offers enhanced data services on an extensive intercity network that connects its customers to its locations throughout the country and internationally. This intercity network combined with Intermedia's local/long-distance switches allows the company to provide interexchange long distance service domestically and internationally.¹ Intermedia's enhanced data portfolio includes frame relay, ATM, and Internet connectivity and web hosting.

By 1992, Intermedia began offering enhanced data services to provide flexible capacity (bandwidth on demand) and end-to-end data services for its business and government customers. In 1994, the company branched out beyond its special access emphasis to offer long distance interexchange services. This was followed by Internet services the following year and finally local exchange services in 1996. This quick pace of new service offerings enabled Intermedia to achieve substantial growth, improve its mix of customers, and diversify its sources of revenue.² This led to an acquisition spree starting in 1996. Intermedia acquired LDS Communications Group, the telecommunications unit of EMI Communications Corporation, the Internet service provider Digex, and, most recently, Shared Technologies Fairchild, which provides telecommunications services to business and government customers.

¹ New Paradigm Resources Group, *1998 Report on Local Telecommunications Competition*.

² New Paradigm Resources Group, *1998 Report on Local Telecommunications Competition*.

Intermedia, including its Digex acquisition, currently has data switches in the following areas in Bell Atlantic territory:

MA: Boston
MD: Baltimore
NY: Albany (also local exchange)
Buffalo (also local exchange)
New York (also local exchange, plus a voice switch)
Rochester
Syracuse (also local exchange)
PA: Philadelphia (also local exchange, and a voice switch planned)
Pittsburgh
DC: Washington, DC

In addition to the cities with data switches noted above, Intermedia also offers data services in:

NJ: Bridgewater
Mahwah
Marlton
NY: Pittsford
Uniondale
VA: Springfield

Intermedia provides a wide array of services including special access (DDS/DS0, DS1, DS3), Integrated Access Services (where all services are carried over a single circuit), data services (including Internet access and frame relay), local and long distance services. (See Appendix)

Intermedia's 1997 approximate revenue breakdown was as follows: switched local services - 17%; long distance - 46%; data, including special access and Internet access - 35%; and other - 2%. The proportion of revenue from data services continues to grow; it was just 31% the previous year.³ As one analyst commented: "Intermedia is focusing on controlling the (network) intelligence and customizing their services". (Tim Horan, BancAmerica Robertson Stephens, NY).⁴

Intermedia's Acquisition Spree

In July 1997, Intermedia bought Digex Inc. for \$150 million in cash. Intermedia needed the Internet expertise of this ISP, given its focus on data services for business customers. In March 1998, Intermedia acquired Shared Technologies Fairchild for \$640M, including the assumption of \$274M in debt. This acquisition adds 15,000 business customers to

³ New Paradigm Resources Group, *1998 Report on Local Telecommunications Competition*.

⁴ Investors' Business Daily, April 15, 1998.

Intermedia's customer base and over 110,000 business access lines.⁵ Approximately 82% of Shared Technologies customers are in cities where Intermedia already had a major presence.⁶ In addition, this acquisition positioned Intermedia as the nation's largest shared tenant services provider. According to Intermedia's CFO, "By acquiring Shared Technologies, the nation's leading provider of shared tenant telecommunications services, we immediately expand our addressable customer base through their franchises in over 460 Class A office buildings nationwide."⁷

Intermedia also completed its acquisition of LDS Communications Group in March 1998 and the acquisition of the privately held National Telecommunications Company of Florida, an emerging CLEC and established IXC, in April 1998

Strategy

According to Intermedia, instead of building fiber optic networks (the tactic chosen by many new entrants in local phone markets) the company focuses on switching technology. Because it uses switches to send data along networks, Intermedia has much less fiber than other CLECs. This is consistent with Intermedia's philosophy that it's better to own the customer and build the fiber highway later when it makes economic sense.⁸

This strategy is often referred to as "Smart Build". Many analysts agree that this strategy makes sense for the company. As one puts it: "Intermedia isn't missing the boat by not investing heavily in its own fiber. The customer doesn't really care how you put the service together as long as it works. Second-generation CLECs are pursuing a strategy of owning the key assets, the switches, not necessarily the fiber."⁹

Leasing facilities enables Intermedia to rapidly initiate service to customers, reduce the risk of network construction/acquisition, and potentially improve cash flow due to reduction or deferment of capital expenditures.¹⁰ In addition, Intermedia recently purchased nationwide transmission capacity from the Williams Network under a twenty year indefeasible right of use. This agreement, valued at \$450 million, provides Intermedia with high capacity transport for its integrated voice and data services, connecting major markets throughout the continental U.S. The deal will immediately reduce Intermedia's unit cost for digital, intercity transmission capacity, and unit costs will further decline as additional capacity is installed. Williams will provide Intermedia

⁵ Company Press Release by Intermedia, March 10, 1998.

⁶ "Intermedia Looks to New Services", *Internet Week*, Vol. 3, No. 47, December 1, 1997. Statement attributed to James Geiger, Sr. Vice President of Sales & Marketing for Intermedia.

⁷ "Intermedia Website, Press Release, March 10, 1998. Statement of Robert M. Manning, CFO, Intermedia.

⁸ *Investors' Business Daily*, April 15, 1998.

⁹ Richard Tomlinson, Connecticut Research, Inc., Glastonbury, CT, *Investors' Business Daily*, April 15, 1998.

¹⁰ New Paradigm Resources Group, *1998 Report on Local Telecommunications Competition*.

with transmission capacity at rates up to 9.952 billion bps (OC-192). Approximately 50 cities nationwide will be connected by April 1999.¹¹

In addition to business customers, Intermedia is heavily focused on providing services to state and local government entities. Intermedia recently signed two contracts with government agencies in the Bell Atlantic footprint. In New Jersey, Intermedia signed a one year contract to sell dedicated private line Internet services and Internet frame relay services to state entities. Under the terms of a two-year contract worth over \$600,000, Intermedia will provide microwave transmission services to the five-station Maryland Public Television network.¹²

According to New Paradigm Resources Group, over the past 12 months, Intermedia has evolved into a key player in the telecommunications industry. The Company has deployed one of the most robust data networks in the country.¹³ James Henry of Bear Stearns notes that, "The Bells are filing for regulatory permission to do next-generation data networks. Intermedia has that kind of network running today."¹⁴ Henry also points out that the company may be grooming itself to be acquired and move on to bigger and still better things.

¹¹ Company Press Release by Intermedia, April 3, 1998.

¹² Company Press Release by Intermedia, June 29, 1998

¹³ New Paradigm Resources Group, *1998 Report on Local Telecommunications Competition*.

¹⁴ Investors' Business Daily, April 15, 1998.

Intermedia Products/Services:

Access Services:

DDS/DS0 - Designed for high-speed, high-volume data transmission linking computers and terminals. Data is transmitted at subrates from 9.6Kbps to 56Kbps. Intermedia also provides 64 Kbps clear channel.

DS1 - All-digital, full duplex transmission of up to 1.544Mbps. Allows for integration of service requirements for voice, video and data across a single circuit. Provides flexibility to direct individual DS0s or groups of DS0s to separate long distance carriers or other business locations. DS1 may be requested as **E1 service**, which provides a digital transmission path of 2.048Mbps and maintains the integrity of international private line applications.

DS3 - One DS3 is equivalent to 28 DS1s or 44.736 Mbps. DS3 often used in conjunction with full motion video applications, and can support voice and data transmission across the same path.

Integrated Access Services - Intermedia can serve as a full service local and long distance telephone company. A single circuit can carry local, long distance, data, and special applications such as Internet access. Integrated Access services include:

- **FrameISM** - packages frame relay connectivity with managed router services and customer premise equipment including the frame relay circuit, all customer WAN equipment, and proactive monitoring and maintenance services.
- **SingleTSM** – Uses T1 lines for voice and data. Includes DIGEX Business Internet. Intermedia partnered with VINA Technologies to create this package.
- **SmartPath HighSpeed InternetSM** - DSL service for Class A office buildings made possible by Intermedia's acquisitions of Digex and Shared Technologies Fairchild. SmartPath offers the speed and functionality of a fractional T1 connection at about half the price. This provides a full-time connection to the Internet with flat rate pricing and unlimited usage. With SmartPath, Ascend DSLAM equipment is housed in the customer's building to provide the security of dedicated access.

Managed Extended Private Line Service - enhances Intermedia's intercity private line product by introducing end-to-end proactive monitoring and maintenance. The service bundles a custom-built Osciom ROUTERmate with the private line to improve Intermedia's view into the circuit and the local loop. This allows Intermedia to identify a problem, isolate the exact location on the circuit, and initiate maintenance often before the customer is even aware of a problem.

Data Services:

Internet Access - Frame Relay based, fully out sourced Internet solutions, turnkey access, firewall security, server capacity, e-mail, www browsers, etc.

View SPAN - Customer network management system enabling customers to view their logical networks for errors, frame discards, burst, and CIR utilization for performance management of their frame relay networks.

Managed Router - Provides management of customers' physical network for "approved CPE".

Frame Relay - Offered over a high-density distributed switched network which provides an efficient and low-risk method of delivering data between branch and host sites. Frame relay supports LAN and serial data communications protocols, and can support any number of permanent virtual connections, ranging from 9.6 kbps to DS1 speed. Intermedia's frame relay offering focuses on mid-sized organizations that have geographically distributed branch sites. Details of the frame relay network are:

- The frame relay platform is based on Cascade Communications 9000 B-ISDX switches. This network platform provides a high throughput, protocol independent architecture, allowing transport of data, voice, video, and imaging applications.
- Distributed network architecture extends the benefits of frame relay closer to the branch site.
- The frame relay network has a cell based DS3 ATM backbone and is standards-based, enabling a migratory path to ATM networking services as they become available.
- Full scalability of access speeds from dial access speeds of 9.6 Kbps to dedicated access of 20 Mbps in available areas.
- Every switch in Intermedia's network is connected by at least two diverse routes, creating a self-healing network infrastructure with 99.997% network availability guarantee.
- The network also features a large number of service points, many distributed switches, short local loop back haul, inter-network transport of polled protocols, and full management access across the network for each connection.

Frame Relay Guarantees - Provided for end-to-end frame relay delivery, end-to-end network availability, end-to-end network transit delay, and end-to-end mean time to repair.

Local Exchange Service**Long Distance Services**



Intermedia is an integrated communications provider (ICP) with products and services that encompass the broadest range of networking solutions available from any single supplier. These solutions include local and long distance calling services, frame relay networking, Business Internet, ATM, and bundled services which provide both voice and data communications on a single access circuit.



Intermedia's ViewSPAN offers performance monitoring across numerous platforms, integrating even those networks owned by other carriers into the view.



Intermedia's products and services include industry-leading guarantees, customer service, and technical support for design, implementation, and operations. Intermedia's DIGEX services for business Internet connectivity and complex web site management are recognized among the world's best.



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MILESTONES

LINKS

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- Overview
- National Reach
- Key Relationships
- Spectacular Financial Growth
- Key Products
- Leading Technologies and Services
- Industry Leading Standards
- Network Strength and Reliability
- Data Differentiators
- Voice Service Differentiators

Overview

Founded in 1987, Intermedia Communications is one of the nation's fastest growing communications companies, providing integrated communications solutions to business and government customers. These solutions include voice and data, local and long distance, and advanced network access services in major U.S. markets. Intermedia's enhanced data offerings, including frame relay, ATM, and a full range of business Internet solutions and web hosting services, offer seamless end-to-end service virtually anywhere in the world. DIGEX, an Intermedia Communications company, is a first-tier national Internet carrier providing connectivity and complex web site management services to business customers.

Headquartered in Tampa, Florida, Intermedia trades on the Nasdaq Stock Market's National Market under the symbol ICIX. News and product/service information about DIGEX is available at www.digex.net.

Currently Intermedia employs more than 3,500 people and will have over 90,000 business subscribers in 1998.

National Reach

Intermedia is certified in all 50 states and Washington DC for toll and long distance service. The company is certified in more than 30 states and Washington DC for local service. Intermedia has completed interconnection coverage from the Mississippi River eastward, creating a virtually uninterrupted footprint in the eastern United States.

Key Relationships

Intermedia provides access to national carriers AT&T, Sprint, and MCIWorldCom. The company also provides frame relay services to US West and has partnered with Ameritech to offer jointly provided services to customers on a nationwide basis. Intermedia is Ameritech's vendor of choice for certain out-of-region

interLATA frame relay and ATM services. Intermedia also provides out-of-region frame relay services for Bell Atlantic. Intermedia also has a network of international data partnerships that provide customers with worldwide frame relay and private line connectivity to more than 250 centers of commerce outside of the United States.

Spectacular Financial Growth

After an explosive growth year in terms of acquisitions, customers, and revenue, Intermedia's 3Q 1998 performance was phenomenal.

- Positive EBITDA of \$15.1 million in third quarter 1998, an increase of 50% over the prior quarter.
- Consolidated revenue of \$192.4 million, an increase of 170% over third quarter 1997.
- Revenue for the first nine months was \$519.4 million, up 214% over the \$165.3 million reported for the first nine months of 1997.
- EBITDA of \$15.4 million for the first nine months of 1998 represented an improvement of \$55.3 million versus an EBITDA loss of \$39.9 million for the first nine months of 1997.

Key Products

Intermedia's product and service line includes: premium Internet connectivity; "*SingleT*," a package of integrated local, long distance and Internet services over a high-speed, multi-purpose T1 access line, frame relay; the ViewSPAN family of frame relay management services; ATM; enhanced data services; ISDN; switched transport services; switched access and switched local and long distance services.

Leading Technologies and Services

- High quality, secure, and reliable frame relay service to provide increased bandwidth and throughput above current levels;
- Efficient and comprehensive implementation of the new network;
- Cost effective data and voice services;
- Ranked a top-tier frame relay carrier by Network World magazine and The Gartner Group.

Industry-Leading Standards

Unlike most telecommunications companies, Intermedia has built its networks from the ground up, using only the most trusted and sophisticated components on the market, such as Cascade Frame Relay/ATM data switches and Nortel DMS 500 voice switches.

Intermedia:

- Has the highest switch density in the industry;
- Provides more than 164 frame relay switches geographically distributed for reliability and redundancy;
- Deploys a minimum of three switches in each state, and up to 25 in some states, compared to our competitors' networks average of one;
- Provides connectivity to over 250 centers of commerce outside the United States with frame relay services to over

- 40 countries and private line services to over 50 countries.
- Boasts more than 30,266 service points, more frame relay nodes in place than the combined total of America's top three local telephone companies;
- Designs for compatibility with all evolving data networking technologies, as well as with new and additional applications and services;
- Makes industry-leading service level guarantees. Intermedia is the only carrier offering end-to-end performance guarantees that include the local loop.

Network Strength and Reliability

Intermedia's frame relay service offers many enhancements that serve to ensure a congestion-free, uninterrupted traffic flow.

- Congestion management
- Dynamic routing around failures
- Network platform
- Customer support capabilities
- Diversity of access/CIR speeds
- Single source (turnkey) service.

Data Differentiators

- Frame relay backbone has highest switch density in the industry
- Service level agreements are market leading in their scope (end-to-end coverage), qualifications (12 nodes minimum) and credit percentages
- Customer service features "live" representatives rather than a deeply nested menu

Voice Service Differentiators

- More than 40,445 fiber route miles in 9 digital, fiber optic local access network markets throughout the South and Southeast
- End-to-end connectivity throughout U.S. and certain international markets, including Canada, South America, Europe and the Far East
- Interconnect agreements with every independent LEC and RBOC in the country

NOTE: All information is current as of 3rd quarter 1998.

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Performance is key.

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Reliable performance is imperative.

In a fiercely competitive environment, Intermedia has grown at lightning speed by providing the industry's best network performance. No excuses. We've integrated several networks into a single system that works *all the time*. No complicated explanations. Just an efficient, open, scalable network and solutions-based applications that meet every customer's need.

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Access

[DATA SERVICES](#)

[INTERNET ACCESS](#)

[FRAME RELAY](#)

[VIEWSPAN](#)

[MANAGED ROUTER](#)

[FRAME RELAY
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Access Services are the flagship product of Intermedia's fiber optic metropolitan area networks. Intermedia offers Access Services to your company for long distance, frame relay, leased private line networks, Internet and more.

Intermedia's commitment is to provide the maximum quality in the most cost-effective manner

DDS/DS0 Access Service

Intermedia's Digital Data Service (DDS) is designed for high-speed, high-volume, data transmission linking computers and terminals. Data is transmitted as subrates from 9.6Kbps to 56Kbps. Intermedia also provides 64 Kbps clear channel.

DS1 Access Service

Intermedia's DS1 Access Service provides an all-digital, full duplex transmission of up to 1.544Mbps, which allows your company to integrate your service requirements for voice, video and data across a single circuit. Intermedia's DS1 Access Service also provides your company with the flexibility to direct individual DS0's or groups of DS0's to separate long distance carriers or other business locations.

Intermedia's DS1 Access Service may also be requested as E1 service. E1 service provides a digital transmission path of 2.048Mbps and maintains the integrity of international private line applications as set forth by the Consultative Committee on International Telegraphy and Telephony (CCITT).

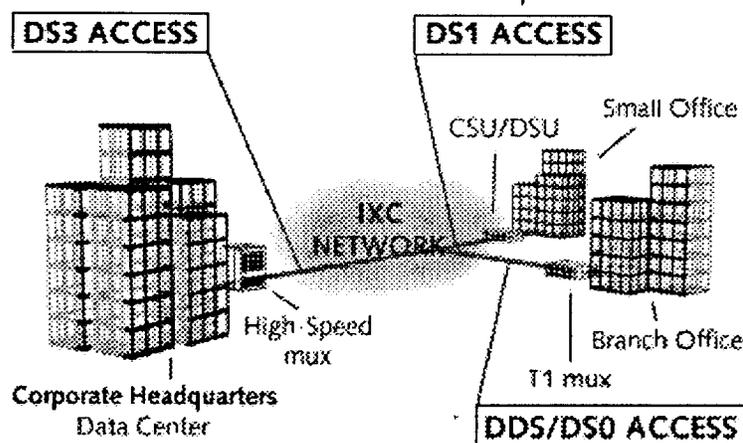
DS3 Access Service

Intermedia's DS3 Access Service provides an economical way for large corporations and large

telecommunications users to conduct business in today's changing corporate environment. One DS3 is equivalent to 28 DS1's or 44.736Mbps. DS3 Access Service is often used in conjunction with full motion video applications, as well as the ability to support voice and data transmission across the same path. For a fast growing company with above normal communications needs, Intermedia's DS3 Access Service provides the most cost effective, flexible way to manage your company's bandwidth requirements.

Integrated Access Services

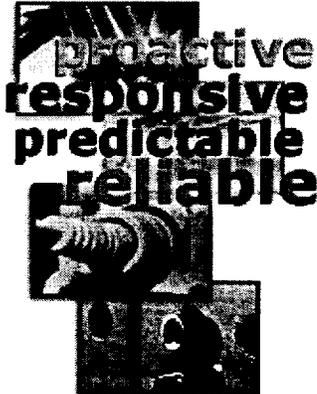
Now Intermedia can be your full service local and long distance telephone company; a single access circuit can carry all of your local telephone service, as well as long distance, data, and special applications such as access to the Internet.



▲TOP OF PAGE

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Data Services



Internet Access

Intermedia has provided frame relay-based Internet access services since 1992 and has developed a comprehensive offering that not only gives you a customized presence, but dramatically reduces the hidden costs of Internet access. Services range from fully-outsourced Internet solutions to turnkey access. Low, fixed monthly rates include Internet gateways, firewall security, server capacity, hosted applications such as e-mail and Usenet news, World Wide Web browsers, and customer premise equipment.

Intermedia Relies on Ascend's Data Switching Technology

Frame Relay

Frame Relay services from Intermedia Communications offers you all the advantages of private data circuit lines without distance or packet charges. The service supports LAN and serial data communications protocols. Any number of permanent virtual connections can be supported, ranging from 9.6 kbps to DS1 speed. Intermedia offers a high-density distributed switched network that not only lowers the cost of communicating, it provides an efficient and low-risk method of delivering data between branch and host sites.

ViewSPAN

Our unique customer network management system enables our customers to view their logical networks for errors, frame discards, burst and CIR utilization for performance management of their frame relay network. ViewSPAN provides the ability to manage traffic on both segments of an NNI provisioned circuit (where available) on a single network management station screen. ViewSPAN provides multiple levels of performance management data including network performance reports, graphical user interface, and SNMP trap forwarding.

Managed Router

Intermedia provides the management of our customers physical network for "approved CPE", ranging from basic monitoring to full configuration management of IP routing tables. Intermedia's managed router services extends our end-to-end network availability guarantee down to the LAN port of the customers' router.

Frame Relay Guarantees

The guarantees cover all of Intermedia's NNI (network to network interfaces), backbone and local loops on four key parameters. Each of these categories has market-leading benchmarks.

Access

Access Services are the flagship product of Intermedia's fiber optic metropolitan area networks. Intermedia offers Access Services to your company for long distance, frame relay, leased private line networks, Internet and more.

Intermedia's commitment is to provide the maximum quality in the most cost effective manner.

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Operating Statistics

QUARTER	2Q 97	3Q 97	4Q 97	1Q 98	2Q 98
Category: Local & Long Distance Services					
Buildings Connected(1)	1,680	2,703	3,005	4,071	4,309
Voice Switches in Operation	12	13	16	19	21
Long Distance Billable Minutes (millions)	102	111	139	184	551
Access Line Equivalents	30,733	50,740	81,349	220,587	280,144
Network Cities in Operation	10	10	10	10	13
Route Miles	692	762	757	770	807
Fiber Optic Miles	33,197	33,801	34,956	35,999	39,400
VGEs	314,364	334,239	338,725	367,488	382,466
Category: Data Services					
Data Switches Installed	111	130	136	150	153
Frame Relay Cities	2,720	3,787	4,104	4,146	4,320
Nodes in Service	15,096	17,286	20,209	22,789	27,123
NNI Connections	321	366	386	433	553
Totals					
Gross PP&E (millions)	\$347	\$453	\$545	\$1,120	\$1,247
Employees	1,143	1,820	2,036	3,320	3,597