ATTACHMENT 2 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

Technology

Project Pronto

SBC Becomes America's Largest Single Broadband Provider With $6 Billion Initiative

In October 1999, SBC announced it would launch a $6 billion initiative that would transform the company over the next three years into the largest single provider of advanced broadband services in America, making super-fast, always-on Internet access available to nearly all of its customers and creating a platform to deliver next-generation, broadband-powered services.

Through the initiative-dubbed Project Pronto-SBC intends to:

- Provide an estimated 77 million Americans-about 80 percent of its Southwestern Bell, Ameritech, Pacific Bell, Nevada Bell, and SNET customers-with always-on, high-speed voice, data and video services via faster Digital Subscriber Line (DSL) services than it currently offers by the end of 2002. Ultimately, the company intends to make broadband services available to all of its customers.
- Rearchitect its network to push fiber deeper into the neighborhoods it serves and accelerate the convergence of its voice and data backbone systems into a next-generation, packet-switched, designed-for-the-Internet network.
- Dramatically reduce its network cost structure. Expense and capital savings alone are expected to offset the cost of the entire initiative.
- Create a platform to deliver next-generation services including, potentially, entertainment quality video, and expand development and marketing to more quickly bring customers emerging products such as Voice-over-ADSL, personal videoconferencing, interactive online games and home networking.

"e-Tone" Unlocks Promise of the Internet
SBC's broadband service, which the company calls "e-tone" or dialtone for the Internet age, features Internet connectivity speeds that are up to 200 times faster than traditional access, allowing for near instantaneous downloads of files and graphics, and effectively ending the "World Wide Wait."

In the future, mass availability of broadband service will spur demand by consumers for broadband-dependent applications, such as video messaging, home networking and in-home cordless web devices.

Migrating to Converged Voice, Data, Video Network
The Pronto initiative is an important step in the company's migration to a converged voice, data and video network, which will be predominantly packet-switched and utilize an Asynchronous Transfer Mode (ATM) distributed network system (ADNS) architecture. Converging voice, data and video into a single network dramatically increases the efficiency of the network and provides end-users with a powerful, single source for all of their communications needs. It will be possible to continuously upgrade this enhanced network to meet growing capacity needs and incorporate future technological advances as they happen.

Laying the Foundation of the Future
"This initiative is about the future-about building a new company around how all of our residential and business customers use, and will use, the Internet while providing them with dialtone-like reliability, or 'e-tone'," said Edward E. Whitacre, Jr., chairman and chief executive officer of SBC. "It is also about giving SBC the opportunity to continue to capitalize on incredible growth in data and broadband services and achieve significantly more operating and cost efficiencies well into the new millennium."

For more information about Project Pronto, click on the documents below:

Get the free Acrobat Reader
The Adobe® Acrobat Reader lets you view and print PDF files on all major computer platforms.

News Release

- **SBC Launches $6 Billion Initiative to Transform It Into America's Largest Single Broadband Provider**
  'Pronto' to Provide 'e-Tone' - Dialtone for the Internet - to 77 Million Americans. Accelerate Company's Move to Advanced Voice, Data, Video Converged Network
- **SBC To Provide Super-Fast DSL Internet Service To IBM Telecommuters**
  Agreement Establishes Largest High-Speed Remote-LAN Application Of Its Kind
- **SBC And E*Trade Partner To Provide Online Traders With High-Speed DSL Internet Access**
  DSL Delivers Stock Quotes, Market Trends to Traders at Speeds Up To 50 Times Faster Than Standard Dial-Up Modems

Maps: Maps of Top Cities in SBC's Service Area, Pre- and Post-Project Pronto.

All maps are available in pdf format.
Note: Maps for the Ameritech region are now available and will be posted soon.

Southwestern Bell — Select A City

SNET — Select A City

NEVADA BELL — Select A City

PACIFIC BELL — Select A City

*If you are experiencing problems downloading the map PDFs, please go to our Maps Download Page.

Fact Sheets

- SBC's Network Vision and Strategy
- SBC's Current Data Communications and Internet Offerings
- Emerging Broadband Applications
- What Others Are Saying About the Future of Broadband
- DSL vs. Cable Modems
- Glossary of Key Telecommunications Terms
- About SBC Communications Inc.

Graphics

- The Broadband Office
- The Broadband Home
- SBC's New Broadband Neighborhood Network
- Making the Right Connection; What Speed Do You Need?

Photos: Feature Photos of DSL Service and Next-Generation Broadband-Powered Products

- Photo of two SBC employees at the company's TRI technology development lab in Austin using next-generation hand-held cordless Web device, enabling mobility in the home for Internet access
- Photo of Sacramento consumer trying DSL service at the company's mobile DSL van, which is helping to educate consumers on the benefits of super-fast, always-on Internet access

ATTACHMENT 3 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
THE PUBLIC UTILITY COMMISSION OF TEXAS
AUSTIN, TEXAS

SECTION 271 COMPLIANCE MONITORING OF SOUTHWESTERN BELL TELEPHONE COMPANY OF TEXAS	)))	PUC PROJECT NO. 20400

AND

IMPLEMENTATION OF DOCKET NUMBERS 20226 AND 20272	))	PUC PROJECT NO. 22165

WORKSHOP
THURSDAY, APRIL 13, 2000

BE IT REMEMBERED THAT at 9:45 a.m. on Thurdsay, the 13th day of April 2000, the above-entitled matter came on for hearing at the Offices of the Public Utility Commission of Texas, 1701 North Congress Avenue, 7th Floor, Commissioners Hearing, Austin, Texas 78701, before KATHY FARROBA, Administrative Law Judge; and the following proceedings were reported by Nancy Salinas, William Beardmore, Lou Ray, Michelle Bulkley, and Aloma J. Kennedy, Certified Shorthand Reporters of:

VOLUME 1 PAGES 1-455

1 P R O C E E D I N G S

2 THURSDAY, APRIL 13, 2000

3 (9:45 a.m.)

4 JUDGE FARROBA: All right. Let's

5 go ahead and go on the record. This is a

6 workshop in Project No. 20400, Section 271

7 Compliance Monitoring of Southwestern Bell

8 Telephone Company of Texas and Project

9 No. 22165, Implementation Docket -- or

10 Implementation of Docket Numbers 20226 and

11 20272.

12 My name is Kathy Farroba. I'm one of

13 the staff assigned to this workshop. And before

14 we take appearances of the various parties,

15 let's go ahead and have the staff introduce

16 themselves.

17 MR. SRINIVASA: My name is Nara

18 Srinivasa. I'm with the telecommunications

19 industry analysis division, PUC.

20 MS. MALONE: I'm Melanie Malone

21 with the office of policy development and an

22 assigned arbitrator to 21165.

23 MR. MASON: John Mason, office of

24 regulatory affairs.

25 MS. NELSON: Donna Nelson, office

1 of regulatory affairs.

2 MS. DAVIDSON: Joyce Davidson,

3 Oklahoma Corporation Commission.

4 JUDGE FARROBA: And I think we

5 have another commission representative if you

6 want to go ahead and identify yourself on the

7 record.

8 MR. Van ESCHEN: I'm John Van

9 Eschen, I'm with the Missouri commission.

10 JUDGE FARROBA: And I think the

11 way this was done yesterday is if we could have

12 the subject matter experts go ahead and

13 introduce yourselves on the record, and then we

14 will get one attorney for each of the parties to

15 make the appearance for the companies.

16 And we will start over here at the

17 left.

18 MR. LOCUS: I'm John Locus with

19 Southwestern Bell.

20 MS. CHAPMAN: Carol Chapman,

21 Southwestern Bell.

22 MR. DYSART: Randy Dysart,

23 Southwestern Bell.

24 MS. LOPEZ: Ann Lopez, Rhythms.

25 MS. McCALL: Cindy McCall,

1 MCI/WorldCom.

2 JUDGE FARROBA: Any other subject

3 matter experts?

4 MS. GENTRY: Jo Gentry, IP

5 Communications.

6 MR. SIEGEL: Howard Siegel, IP

7 Communications.

8 MS. DEPOY: Michelle Depoy, Covad

9 Communications.

10 MS. CHAMBERS: Julie Chambers,

11 AT&T.

12 MS. EMCH: Marsha Emch,

13 MCI/WorldCom.

14 MS. LEWANDOWSKI: Jessica

15 Lewandowski, NorthPoint.

16 MS. DILLARD: Maria Dillard,

17 Southwestern Bell.

18 MS. SMITH: Mark Smith, Sprint.

19 MS. CULLEN: Angie Cullen,

20 Southwestern Bell.

21 MR. MAPES: Andy Mapes with

22 Southwestern Bell.

23 MR. MAY: Jerry May with

24 Southwestern Bell.

25 MR. FIRSA: Ed Firsa, Southwestern

1 Bell.

2 MR. CRUZ: Rod Cruz, Southwestern

3 Bell.

4 MR. McQUEARY: Don McQueary,

5 Southwestern Bell.

6 MR. CROSBY: Jeff Crosby,

7 Southwestern Bell.

8 MR. BERRINGER: John Berringer,

9 Southwestern Bell.

10 MS. HAMM: Kim Hamm, Southwestern

11 Bell.

12 MR. TRIMMIER: Gary Trimmier,

13 Southwestern Bell.

14 UNIDENTIFIED SPEAKER: Mary

15 (inaudible), Southwestern Bell.

16 MS. HALE: Michelle Hale,

17 Southwestern Bell.

18 MR. PETERSON: Mike Peterson,

19 Southwestern Bell.

20 MR. BAUTISTO: Rick Bautisto,

21 Southwestern Bell.

22 JUDGE FARROBA: Okay. I guess we

23 will start with an attorney for Southwestern

24 Bell.

25 MR. LEAHY: Tim Leahy representing

1 MR. SRINIVASA: I believe that was
2 AT&T's proposal. Can you respond to that?
3 MS. CHAMBERS: Right. We
4 recognize that one of the proposals was to --
5 where our proposal included DSL loops --
6 regardless of line sharing, DSL loops -- well,
7 the high frequency portion of the loop that --
8 the high frequency portion of then loop when
9 part of line sharing with Southwestern Bell.
10 And then the third scenario would be a
11 voice provider who also has access to the high
12 frequency portion of the loop. Basically we'd
13 like to know why you wouldn't consider
14 performance measure -- we're talking about not
15 only measures today that are currently
16 available, but also potentially future scenarios
17 that we would be interested.
18 And at the six-month review, I would
19 think that this would be the appropriate place
20 to talk about that.
21 MR. CRUZ: Hi. This is Rod Cruz,
22 with Southwestern Bell. It's our current -- I
23 guess when we pick up the line sharing order and
24 review Paragraph 72, the FCC has somewhat given
25 us some direction to say that the incumbent

1 provider has no obligation to unbundled the high
2 frequency portion of the loop with a UNE
3 platform arrangement.
4 Obviously, if that is not -- you know,
5 obviously subject to other further proceedings,
6 I believe that AT&T and MCI have filed a
7 petition with the FCC to reconsider that.
8 That's something that's still underway
9 and we would wait to see that. But the current
10 (inaudible) offering does not sustain or support
11 that offering. Obviously if the Commission here
12 and other states review that and change that, we
13 would fully oblige and comply with the law once
14 that's mandated.
15 However, our position today is that the
16 segregation of that performance measurement or
17 (inaudible), we do not currently offer would not
18 be appropriate.
19 MS. CHAMBERS: There have been
20 different forums where we've had the opportunity
21 to discuss this scenario. And specifically in
22 the last plan of record we pointed out that
23 there is a footnote in a filing to the FCC where
24 Southwestern Bell -- which it says "271 filing
25 for Texas." So I think it's appropriate to ask

1 here.

2 Southwestern Bell specifically says

3 that today a UNE-P provider could have access to

4 the high frequency portion of the loop. So what

5 you're saying here in front of the Commission is

6 very different than what you're portraying at

7 the FCC.

8 MR. CRUZ: Actually, I think Mike

9 Gunnels sent us an e-mail on that and several

10 internal folks, including some of our outside

11 counsel at the FCC (inaudible) reply to that,

12 and it was really taken out of context. Reading

13 the other footnote in regard with the paragraphs

14 that precede and follow the discussion, I think

15 it was a misinterpretation of the sound bite.

16 It's always been our position that -- I

17 mean, in every forum we've had, whether it be

18 the line sharing trial discussions in the plan

19 of record or any other discussion we've had with

20 our CLEC customers, that UNE-P is not something

21 we're offering on line sharing at this time.

22 JUDGE FARROBA: Which ex parte or

23 what filing is it.

24 MS. BOURIANOFF: Your Honor,

25 Michelle Bourianoff, on behalf of AT&T. We were

1 the testing of the data, writing the voice and
2 making sure we get to the end user. So there's
3 just a few processes that are different than
4 would be required just to provision a regular
5 8 dB loop.
6 JUDGE FARROBA: Right. I was just
7 concerned about the line station transfers when
8 you've got the --
9 MR. CRUZ: Right.
10 MS. CHAPMAN: Right.
11 JUDGE FARROBA: -- situation --
12 MR. GOODPASTOR: If I could
13 interject, the FCC order obligates you provide
14 line sharing over DLC. And I think we should
15 have a performance measure for that. So I'm not
16 sure if you intended to exclude that from
17 performance measures or not --
18 JUDGE FARROBA: I guess that's
19 why -- where I was trying to go with this.
20 That's what I'm trying to clarify.
21 MR. SMITH: This is Mark Smith.
22 For the record, we believe that when looking at
23 the stands, it's a very parity relationship
24 there and that should be the standard, not a
25 benchmark. A benchmark, in our opinion, is a

1 fall-back only when parity can't be (inaudible)
2 or any of the other standards.
3 MS. BOURIANOFF: And excuse me
4 for -- Michelle Bourianoff for AT&T. Could I
5 get some clarification?
6 Carol, you're with Southwestern Bell
7 Telephone. Is that right?
8 MS. CHAPMAN: Yes.
9 MS. BOURIANOFF: And, Rod, are you
10 with SBC ASI?
11 MR. CRUZ: No.
12 MS. BOURIANOFF: You're with
13 Southwestern Bell also?
14 MR. CRUZ: I actually am on the
15 SBC management services payroll, but I have
16 Southwestern Bell responsibilities.
17 MS. BOURIANOFF: I was trying to
18 figure out if anyone here is speaking for SBC
19 ASI?
20 MR. CRUZ: I don't represent ASI.
21 MS. BOURIANOFF: So no one that's
22 speaking with the SBC group is -- because I was
23 going to say, are they in favor of Southwestern
24 Bell Telephones Company's proposed changes to
25 performance measurements?

1 MR. LOCUS: They'd be sitting over
2 there with you.
3 MR. GOODPASTOR: -- interesting to
4 have them here so they could answer some of
5 these parity questions.
6 MS. BOURIANOFF: I know, it's just
7 really -- we're getting into parity discussions
8 of what SBC is going to do, and I don't -- I
9 wasn't sure if anyone was speaking for them or
10 just guessing about what their operations were.
11 MR. LEAHY: ASI receives notice of
12 these sorts of hearings. It's a public hearing
13 and as an entity it could have been represented.
14 The issue, of course, is the performance
15 measures of -- offered by Southwestern Bell
16 Telephone.
17 JUDGE FARROBA: Okay. Hang on. I
18 mean, I think parity is -- well, I think it's
19 less of a concern to the extent we're looking at
20 benchmarks rather than starting off just
21 directly with some parity measurements. But if
22 we are going to have some of these be based on
23 parity rather than benchmarks, you may want to
24 invite your corporate affiliate to attend these
25 discussions.

1 MR. GARCIA: Your Honor, this
2 Gabriel Garcia with Mpower Communications. I'd
3 like to point out that ASI does have a contract
4 with Southwestern Bell and Southwestern Bell is
5 their attorney.
6 MR. CRUZ: I'm sorry?
7 MR. LEAHY: I'm sorry, I didn't
8 understand your name.
9 MR. GARCIA: My name is Gabriel
10 Garcia, with Mpower Communications.
11 MR. LEAHY: I'm sorry, with who?
12 MR. GARCIA: With Mpower
13 Communications.
14 MR. LEAHY: Mpower Communications?
15 Well, I don't know the basis of your statement.
16 MR. GARCIA: It's your website --
17 MR. LEAHY: Yes.
18 MR. GARCIA: -- has all of the
19 agreements between ASI and Southwestern Bell.
20 MR. LEAHY: Yes.
21 MR. GARCIA: There is one which
22 states that the legal counsel is provided by
23 Southwestern Bell.
24 MR. LEAHY: Can be provided by
25 Southwestern Bell Telephone. Is that your

1 position?

2 MR. GARCIA: That's what --

3 MR. LEAHY: Not that it is in

4 total, but that it can be provided by

5 Southwestern Bell Telephone.

6 JUDGE FARROBA: Well, I mean, that

7 sounds like that's your position or is that a

8 question --

9 (Laughter)

10 MS. MEULEMAN: Let me clear it up.

11 No one -- no attorney here is representing ASI

12 today.

13 THE REPORTER: And you are?

14 MS. MEULEMAN: Ann Meuleman.

15 MR. LOCUS: Your Honor, if you'd

16 like, we can continue to work through the other

17 proposals on 55.1.

18 JUDGE FARROBA: Yes.

19 MR. LOCUS: From the standpoint of

20 the benchmark versus parity, I think we

21 understand your intentions on that --

22 JUDGE FARROBA: Right. I mean,

23 I'm not saying that we might not want to

24 consider it, but I know for the measures we've

25 been talking about I think we're interested in

1 looking at benchmarks.

2 MR. SRINIVASA: Right. What I'm

3 interested in right now is the benchmark for

4 stand-alone. What I mean by "stand-alone" is

5 without line sharing, five business days. I

6 need a benchmark proposal for less than or equal

7 to 20 loops per order per end-user location

8 without conditioning or loops that are line

9 sharing.

10 MS. CHAPMAN: That would still be

11 five.

12 MR. LOCUS: John Locus for

13 Southwestern Bell. We'd propose the five days

14 and the ten days just as we have on the

15 stand-alone loops.

16 MR. SRINIVASA: Let me get a

17 proposal from the CLEC for that are.

18 MS. DEPLOY: Covad

19 Communications -- this is Michelle Duploy -- and

20 we propose three days since they don't have to

21 provision the line. It's already there.

22 MR. LOCUS: This is John Locus

23 with Southwestern Bell --

24 MR. SRINIVASA: I need to hear

25 from other --

1 ought to just leave them -- you either ought to
2 leave them aggregated and put the incentive to
3 get a missed due date rate for CLECs with their
4 collective mix of orders that's no worse than
5 what ASI or SWBT retail is getting --
6 experiencing for their mix of orders. Or if
7 you're going to break them apart, you do need a
8 benchmark for stand-alone, the uncertainty about
9 volumes. And there ought to be a pretty tight
10 one.
11 MS. GENTRY: Jo Gentry, IP
12 Communications. I have a recommendation and a
13 justification behind it. I believe at this
14 point collapsing the two -- the DSL loop and the
15 DSL loop with line sharing for due date issues,
16 for all the reasons AT&T were just saying. I
17 won't reiterate those. The thought behind that
18 would be is that the quantity of DSL loops that
19 ASI is going to sell, I believe are going to be
20 so minuscule, they're going to be lost in the
21 volumes. It's not going to be a comparable
22 statistic. And at this point I think that we
23 would have a more valid of seeing what's going
24 to happen with DSL.
25 MR. SRINIVASA: Let me ask you

1 this. Percentage missed due dates, for one of
2 them you have missed due date referenced as five
3 days. The due date is five days from the day
4 you order, and for another kind it is three days
5 from your order. How can you --
6 MS. GENTRY: You miss the due
7 date. The issue is you miss the due date. I
8 don't care what the interval was, but if the --
9 if the performance measurement is a missed due
10 date, I don't care what the interval is.
11 MR. DYSART: This is Randy Dysart
12 with Southwestern Bell. I understand that you
13 don't care, but I think you have to look at the
14 reality of the situation. First of all, what
15 you say is that ASI will not be ordering a lot
16 of loops, and we ought to be combining them.
17 Well, the fact of the matter is with
18 line sharing, you don't have near the facility
19 problems and lack of facilities as you do if you
20 have to order a new loop. I mean, I don't think
21 anybody will argue that.
22 Secondly, if you combine them, then
23 your proportion of new loops versus line sharing
24 is more than likely going to be different than
25 what ASI's is. So it distorts the measurement.

1 The fact of the matter is the majority of the
2 missed due dates on DSL, about 70 percent are
3 due to lack of facilities.
4 MS. GENTRY: Jo Gentry, IP. But
5 to counter what you're saying, with ASI's line
6 sharing scenario, they're going to be using
7 their own DSLAM and their own splitter. If they
8 don't have facilities, they're not going to ding
9 you on lack of facilities. They're not going to
10 place an order with you for line sharing,
11 because it's their facilities. Is there a way
12 that you're going to give them a CF when they
13 don't have facilities?
14 MS. CHAPMAN: Well --
15 MR. DYSART: I think you're
16 missing my point. The performance measurements
17 are my ability to provision what is required
18 from us to you as a CLEC and to ASI. Our
19 performance measurement does not measure ASI's
20 performance. It measures my performance to ASI
21 and to you. If my job is to do whatever I do on
22 a line sharing, to give that to them, the
23 chances of lack of facilities are much less on
24 that than they are if I have to provision you a
25 brand new loop. I mean, surely we can agree to

ATTACHMENT 4 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

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Communications Daily

The Authoritative News Service of Electronic Communications

FRIDAY, MARCH 10, 2000 VOL. 20, NO. 48

Today:

FCC SEEKS WAYS TO ELIMINATE TELECOM INDUSTRY CHARGES: Common Carrier Bureau targets access charges, reciprocal compensation. Proposal is in early stages, Strickling says. (P. 1)

BELL ATLANTIC AGREES TO PAY PENALTIES FOR OSS PROBLEMS IN N.Y.: Company to pay total of $13 million in settlement with FCC, N.Y. PSC, with more due if BA misses performance targets for 4 consecutive weeks. (P. 2)

FCC ADOPTS RULES FOR 6 MHz OF GUARD BAND SPECTRUM: Guard band manager license created. Cellular-like services prohibited. (P. 3)

U S WEST's TRUJILLO SAYS COMPANY WILL 'PROTECT' MERGER with Qwest, amid new wave of reports that DT has proposed $100-billion in offers for USW and Qwest. (P. 3)

INTERNET CASTS SHADOW OVER HILL AGENDA: Online issues not only appear almost daily on House and Senate calendar, Thurs. boasted multiple hearings and briefings, including online gambling, cybercrimes and cyberterrorism, digital divide. (P. 4)

ARMEY CRITICIZES WHITE HOUSE CYBERCRIME REPORT, agrees with ACLU that Internet anonymity should be protected. Report sets out general principles, has few specifics. (P. 5)

DIGITAL SIGNATURES HITS ROUGH PATCH IN SENATE: Daschle indicates at least another week before conferees will be named, while consumer groups defend action of some Democrats in action they say isn't 'delaying.' (P. 7)

RBOC HEADS EMPHASIZE DATA GROWTH, with SBC and BellSouth mum on wireless venture, although BS's Ackerman says company still is mulling Latin American tracker. Credit Suisse Conference Notebook. (P. 7)

OPEN ACCESS RIVALS DEBATE NEXT MOVES IN BROADBAND BATTLE, during lively investors' conference panel. OpenNet Coalition head sees Comcast, Cox and Charter pledging to carry multiple ISPs next. (P. 9)

VIRTUAL GEO SUPPORTS NORTHPOINT FIGHT FOR SPECTRUM: NGO becomes first to support Northpoint claim of no interference. (P. 10)

FTC INTERNET SAFETY PROGRAM GETS UNDER WAY as first 'safe harbor' application is put out for comment by FTC. PrivacyBot.com would charge $30 to Web site operators and $1.50 to register complaint. (P. 10)

Bureau Proposal Planned

FCC EYES ELIMINATING 'INTERCARRIER' CHARGES

FCC's Common Carrier Bureau is working on "sweeping" proposal to eliminate phone industry's archaic system of "intercarrier" charges and let carriers charge customers what things cost, Bureau Chief Larry Strickling said today at conference sponsored by Legg Mason Precursor Group. Strickling, who made comments as part of panel discussion, said Bureau will offer commissioners proposal in fall.

Consumer Groups Lobby

YET ANOTHER WEEK FOR DIGITAL SIGNATURE CONFEREES

Latest word from office of Senate Minority Leader Daschle (D-S.D.) is that Democrats won't consent to naming of digital signature conferees for at least another 7-10 days. House named its 5 conferees, all from Commerce Committee, Feb. 16. Republican floor effort to move legislation Tues. failed, and consumer groups Thurs. came to defense of Senate Democrats they said weren't trying to delay conference, but rather help to ensure concerns they had with House bill (HR-1714) would be addressed.

Part of dispute is procedural, as House bill includes some electronic banking and related transactions that would fall under jurisdiction of SEC. In House, such matters fall under Commerce Committee, but in Senate it would be Banking Committee. Proposal on table for conferees in Senate from Majority Leader Lott (R-Miss.) would have 6 Republicans and 5 Democrats from Commerce and 2 Republicans and one Democrat from Banking, even though Senate bill (S-761) doesn't include banking-related items. Some Democrats, however, want representative from Judiciary Committee to be conferee, and Judiciary Committee Ranking Democrat Leahy (D-Vt.) has said repeatedly he has strong interest in bill, and worked on modifications before with sponsor Sen. Abraham (R-Mich.). On Tues., impatient Lott tried to move legislation on floor by unanimous consent, which was quickly objected to by Minority Whip Reid (D-Nev.). Daschle rushed to floor, and after working out misunderstanding with Lott, he told Lott he saw "no reason for this legislation to be delayed anymore. Let's have the conferees work their will." However, he now is saying that won't be for at least another week.

"The Democrats trying to help us out are being labeled as holding up the bill," said Consumers Union Legislative Counsel Frank Torres at Hill briefing Thurs., but "they're trying to protect consumers." He and Margot Saunders of National Consumer Law Center said they heartily support S-761, which allows contracts online and validates digital signature. Said Saunders: "That's more than adequate." House bill, however, greatly extends what would be permitted, and she said groups had 4 basic concerns: (1) Consent for electronic notification, such as warranty or recall information, isn't voluntary if seller can coerce consent through lower prices, etc. (2) Electronic notification may come in attachment format consumer can't open. (3) Unlike postal mail, e-mail isn't easily forwarded if intended recipient has changed e-mail address and it requires computer and ISP account, so consumers could miss important notices. (4) House bill could affect ability of states to regulate commerce. To Republican charges that consumer groups are complaining but don't have specific remedies, she said she has language and would be happy to provide it "but no one has asked."

Torres disputed talk in House that they "took care of consumer groups" on floor when approving HR-1714. Perhaps most significant amendment was by Rep. Inslee (D-Wash.), which required consumer to opt in before receiving important notices electronically. But Torres pointed out coercive power of mortgage lenders, banks and other institutions: "You can't say consent equals protection." He also noted all 51 attorneys gen. wrote to Hill leaders last month that HR-1714 "could be interpreted to completely preempt state enforcement of consumer protection disclosure laws."

Many industry groups eager to expand online business after passage of electronic signature legislation remain baffled by tussle in Senate, however, and say they believe consumer groups' concerns were addressed in House modifications. Bernard McKay, vp-corporate affairs for Intuit, said there were number of issues in original legislation that could cause concern, but "a series of modifications were done aimed at reassuring" consumer groups. From his perspective, current situation is harmful to consumers, for users of Intuit's Quicken.com often have to resort to paper transactions even when they'd eagerly opt for electronic method. "This should be about the medium of transaction" and not about politics or other concerns, he said. — ***Patrick Ross***

Executives Accelerate Rollouts

RBOC CHIEFS STRESS DATA GROWTH POTENTIAL, WIRELESS, DSL

RBOC executives speaking at Credit Suisse First Boston conference this week have stressed plans to ramp up digital subscriber line (DSL) numbers in 2000, with carriers planning at least to double subscriber levels from 1999. Chiefs of Bell Atlantic, BellSouth, SBC and U S West spoke at N.Y.C. conference Thurs., with GTE Chmn. Charles Lee starting off on Wed. All touted revenue projections for wireless, data and international operations, with some bemoaning Wall St.'s reluctance to value their stocks higher. "Our revenue and our earnings growth is not sufficiently capturing investors attention," said BellSouth Chmn.-CEO Duane Ackerman.

In case of Bell Atlantic (BA), Chmn.-CEO Ivan Seidenberg said company has goal of 500,000 DSL lines by year-end, with nearly half coming from BA's own retail channels. BA is on course to add 60,000 customers in first

quarter, "which puts us on a ramp to 250,000" on retail side, he said. Other half is expected to come from ISPs who will bundle Internet access service with DSL from BA to create bundled offering, he said. "There, frankly, we thought that AOL would have ramped up a little bit faster," Seidenberg said of company's DSL agreement with AOL. "But there we're still confident" that in first quarter, broader range of ISPs will start to sell BA's DSL service, he said. To help reach target, BA plans to raise current self-installation level among customers from current 50-60% to 80% by year-end, decreasing need for truck-rolls to home to install service, he said. BA also has increased its DSL sales force by about 25% since Dec. In past 3-4 weeks, company has been averaging about 3,000 DSL orders per week. Goal, by year-end, is to reach 3,000 orders per day on retail end, Seidenberg said. In 1999, 36% of homes were in BA's territory were qualified to receive DSL, with that figure expected to rise to 90% of homes qualified to receive DSL at speeds of 640 kbps or higher, Seidenberg said. Stepped up investments for DSL could be seen as BA's "response to the types of announcements such as Project Pronto," he said, referring to SBC's $6-billion high-speed data initiative.

"SBC is ramping on DSL big time," said Chmn.-CEO Edward Whitacre. Declining to elaborate on precise subscriber levels in response to question, he said, "whatever number you think it is, it's a lot more than that." SBC's Whitacre said company's DSL plans are "ahead of schedule," with 18 million customers to have DSL-capable lines by year-end. DSL subscriber levels are projected to reach 1 million by year-end, with 60% at speeds of 6 Mbps, he said. In response to question about video over DSL at these faster speeds, Whitacre said company is offering service in northern Dallas. "Where cable and DSL compete in our markets, DSL wins," he said, citing Dallas and Houston: "This is not industry versus industry. This is being fought company by company and market by market." He said SBC has been surprised that cannibalization of existing T-1 lines hasn't been greater in light of broader DSL offerings. "We expected to see some," he said. "It's much less than we thought," he said, citing estimates that levels are less than 5%.

Separately, Whitacre said SBC is accelerating its national-local strategy of entering 30 markets outside SBC-Ameritech region. Original plan set timetable for 36 months, but Whitacre said company has shaved another 6 months from target that already had been scaled back to 30 months. Now SBC will be in those markets by Oct. 2001, with many running by Sept. Whitacre dismissed idea that national-local plan is simply "regulatory strategy." He said: "That simply isn't true. It was our idea all along." Among business benefits of plan is that it extends SBC's reach to largest business customers, he said. On wireless side, Whitacre declined to comment on recent reports that company is mulling wireless joint venture with BellSouth as way of breaking out what some view as wireless assets that are undervalued by market. "We have plans for a national wireless footprint; we are going to do that," he said.

BellSouth's (BS) Ackerman said company expects to see data revenue double in next 3 years to $5 billion. Nearly 95% of company's customers will be within at least 12,000 ft. of fiber, meaning if there's not direct link to central office, BS can use remote terminals to connect customer to DSL service. To help streamline internal acquisition processes, BS has been involved in Commerce One initiative, which bills itself as first telecom industry exchange for buying and selling equipment on-line. Exchange will begin operations in 2nd quarter, with BS expecting that this means of improving supply chain management will produce savings up to $1 billion in next 2-3 years.

Ackerman said company still plans to make decision in April or May on whether to move ahead with Latin American tracking stock for company's assets in that region, which are mostly wireless. Move is seen as way of potentially placing higher market value on assets in that region that include 7 of 10 nationwide wireless licenses that have been awarded to date. "We are seriously reviewing that now," Ackerman said of tracker. — ***Mary Greczyn***

Credit Suisse Conference Notebook...

Asked whether he views AT&T as potential partner or competitor, AOL Chmn. Steve Case said in Wed. evening dinner at Credit Suisse First Boston conference that it's "unclear." Company "certainly is a potential partner in some markets and a potential competitor in some," he said, noting lines are no longer drawn between "list of friends and a list of enemies." That is "a little naive. I think it's going to be more subtle than that." Without elaborating, he said AOL is holding discussions with AT&T and others: "We recognize people would love some clarity on a number of things." Referring to "framework" that AOL and Time Warner signed last week to offer TW cable subscribers choice of multiple ISPs once merger of 2 is completed (CD March 1 p1), Case expressed assurance that other cable companies would follow suit. He said, "we believe it's in cable companies' financial interest to provide access" to their network: "We are confident other cable companies will be doing so as well." He emphasized that "we want to support all the major [access] platforms in the future," citing cable, digital subscriber line, wireless as examples. On continuing declines in access charges that affect dial-up customers, Case said drop in unit costs per hour give AOL opportunity to either launch new services or improve its own pricing structure. But on growth in free ISP services, Case said trend doesn't pose threat to AOL. "In the long run, I don't think it's a viable business model," he said. — MG

Telecom Italia Mobile (TIM) CEO Marco de Benedetti described wireless growth opportunity in Latin America as "equivalent to growth prospects in Europe a few years ago." Speaking Wed. at CSFB conference, he said: "Growth

ATTACHMENT 5 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

News Release

SBC Cuts Price of DSL Internet Service

Aggressive pricing will enable more consumers and businesses to experience high-speed, "always-on" Internet service, and accelerate broadband subscriber growth

San Antonio, Texas, February 14, 2000

SBC Internet Services (SBCIS), a subsidiary of SBC Communications Inc. (NYSE: SBC), is accelerating mass-market penetration of broadband DSL service by making high-speed Internet access even more affordable. SBCIS will offer its Basic DSL Internet service for just $39.95 a month with free equipment and installation, saving customers more than $300. The promotion is available through April 30 to new and existing SBCIS customers. Digital Subscriber Line (DSL) technology turbo charges the Internet experience, enabling members to enjoy the company's award-winning Internet service while surfing the Internet at speeds up to 50 times faster than a standard dial-up modem.

- In the Pacific Bell, Southwestern Bell, Nevada Bell and SNET regions, SBCIS will offer Basic DSL Internet service, which provides downstream connection speeds up to 1.5 megabits per second (Mbps) and a 128 kilobits per second (Kbps) upstream connection speed. Subscribers are currently guaranteed a minimum downstream connection speed of 384 Kbps.
- In the Ameritech region, the promotion includes SpeedPath 768 service, which provides downstream connection speeds up to 768 Kbps and an upstream connection speed of 128 Kbps.
- In addition, SBCIS will waive equipment (excluding routers) and installation charges for customers who wish to receive Premium DSL Internet service in Pacific Bell, SNET, Southwestern and Nevada Bell regions, and SpeedPath 768 Office, SpeedPath 768 Office Plus and SpeedPath 1500 Office Plus in the Ameritech region. Equipment covered through the promotion includes a DSL modem, a network interface card and splitter. The equipment package regularly costs $198.

"This is great news for our customers," said Valeri Marks, president and CEO of SBCIS. "The attractive pricing and free installation and equipment will enable even more consumers and businesses to experience the benefits of our lightening-fast, always-on DSL Internet service, and will significantly accelerate our subscriber growth." With SBC's $6 billion Project Pronto initiative progressing rapidly, more than 12 million homes and businesses can now receive DSL service. In February alone, SBC's subsidiaries have launched DSL service in approximately 50 new markets, and will add 300 additional markets by year-end. At its current pace, SBC expects to exceed its initial goal of 16 million DSL-eligible homes and business at the end of 2000, and by 2002, Project Pronto will make DSL service available to 80 percent of SBC's customers.

"We're quickly creating a vast, sophisticated broadband network that's unrivaled in terms of customers reached and access speeds," said James D. Gallemore, executive vice president of strategic marketing for SBC. "SBC is putting 77 million Americans within reach of DSL service, and in the process, we're dramatically increasing service speeds to ensure we provide customers with a better value than any other broadband provider."

The initiative is expected to make SBC America's largest single broadband provider. SBC is already the nation's leading DSL provider with 169,000 DSL lines sold through

the end of 1999.

Today, the phone line running from customers' homes to the DSL-equipped central office must be no longer than 3.3 miles, and must meet certain transmission criteria. SBC's Project Pronto will virtually eliminate this distance limitation and dramatically increase service speeds by using fiber and neighborhood broadband gateways to move capabilities now housed in central offices closer to customers.

Unlike traditional dial-up Internet access, DSL is an "always-on" service that allows customers to instantly connect to the Internet without the frustrations of busy signals or waiting for the modem to dial-up. DSL enables a variety of applications, including streaming video and audio, distance learning and interactive online gaming.

DSL service uses the same copper phone lines that run into almost every home and office, and enables customers to be on the phone and Internet simultaneously. Subscribers receive a dedicated connection to their central office, which results in consistent service speeds.

Customers can learn more about DSL, determine if they qualify for service and place an order by visiting one of the various Web sites.

- www.swbell.com in the Southwestern Bell region;
- www.pacbell.com in the Pacific Bell region; and
- www.ameritech.com in the Ameritech region.

Or, customers may call the following numbers:

Southwestern Bell.....1-888-2DS-L888
Pacific Bell.....1-888-884-ADSL
Nevada Bell.....1-775-688-7200
Ameritech.....1-800-910-4369
SNET.....1-877-999-9DSL

SBC Communications Inc. (www.sbc.com) is a global communications leader. Through its subsidiaries - Southwestern Bell, Ameritech, Pacific Bell, SBC Telecom, Nevada Bell, SNET and Cellular One - and world-class network, SBC provides local and long-distance phone service, wireless and data communications, paging, high-speed Internet access and messaging, cable and satellite television, security services and telecommunications equipment, as well as directory advertising and publishing. In the United States, the company currently has 90.4 million voice grade equivalent lines, 11.2 million wireless customers and is undertaking a national expansion program that will bring SBC service to an additional 30 markets. Internationally, SBC has telecommunications investments in 23 countries. With more than 204,000 employees, SBC is the 13th largest employer in the U.S., with annual revenues that rank it among the largest Fortune 500 companies.

SBC Internet Services, which includes Pacific Bell Internet Services, Nevada Bell Internet Services, Southwestern Bell Internet Services and SNET Internet, is among the top three Internet services providers in its respective regions, offering a broad range of high-quality, affordable and reliable Internet access and Web hosting services to more than 650,000 business and residential customers.

ATTACHMENT 6 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

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Equity Research

Americas | U.S./Telecommunications/Wireline | March 1, 2000

BUY

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LARGE CAP

SBC Communications

SBC

SBC Analyst Meeting

Dan Reingold
1 212 325 5440
dan.reingold@csfb.com

Julia Belladonna
1 212 325 5288
julia.belladonna@csfb.com

- SBC held its annual analyst meeting on Friday, February 25 and reiterated the financial goals of 10% revenue and 15% EPS growth—in line with forecasts.
- SBC's major issue is whether it will incur further dilution to achieve its strategic goals of a national profile in wireless and further expansion in Europe. Repeated assurances were provided by top management that there was "nothing in the pipeline that would cause our financial guidance to be revised downward." We also learned in conversation that national wireless might be achieved either via (1) a joint venture with BLS (ideal in our view, as it would involve little, if any, cost, to EPS and would create a massive footprint); or (2) acquisition of, say, Voicestream via a tracking stock—hence avoiding EPS dilution to the SBC core.
- No change to our EPS of $2.25 in 2000 or $2.58 in 2001 or Buy opinion. Our target price of $71 is the average of our P/E target ($60) and our sum-of-parts valuation ($79).

Price 2/28/00[1]	Target (12 Months)	Dividend	Yield	Mkt. Value (Millions)		52-Week Price Range
USD 37	$70	$0.94	2.2%	$128,131		$35.50–59.88
	Annual EPS	**Prev. EPS**	**Abs. P/E**	**Rel. P/E**	**EV/ EBITDA**	**EBITDA/ Share**
12/01E	$2.58	—	14.3X	56%	6.8X	$7.10
12/00E	2.25		16.4	67	7.5	6.40
12/99A	2.15		17.2	70	8.1	6.00
	March	**June**	**September**	**December**		**FY End**
1999E	$0.73	$0.75	$0.76	$0.77		Dec. 31
1998A	0.66	0.68	0.69	0.69		
	Total Debt (12/98)		13,900	**Book Value/Share (12/98)**		$4.41
	Debt/Total Capital (12/98)		28%	**Common Shares**		3.463 bil.
	Est. 5-Yr. EPS Growth		15%	**Est. 5-Yr. Div. Growth**		—

[1]On 2/28/00 DJIA closed at 10,039 and S&P 500 at 1348.

SBC is a full-service regional telephone company in the Midwest, Southwest, and West.

Investment Summary

SBC held its annual all-day analyst meeting on Friday, February 25. The company reiterated all of its financial goals including CAGRs from 2000 to 2002 of 10% for revenues and 15% for EPS, and capex of $13-14B in 2000 and 2001 and $12-13B in 2002—all consistent with our forecasts.

We reiterate our Buy rating and our EPS estimates of $2.25 for 2000 and $2.58 (up 15%) for 2001. Our 12-18 month target price is $71. We recognize money is flowing at a very rapid rate away from old-economy to new-economy companies and believe SBC, indeed, most telecom companies are nicely levered to Internet and wireless-related traffic growth, yet they are not yet categorized as such by investors.

SBC's major issue is whether it will incur further dilution to achieve its strategic goals of a national profile in wireless and further expansion in Europe. Repeated assurances were provided by CFO Don Kiernan and Chief Strategist Jim Kahan that there was "nothing in the pipeline that would cause our financial guidance to be revised downward." We also learned in conversation that national wireless might be achieved either via (1) a joint venture with Bell South (the ideal solution in our view as it would involve little if any cost to EPS and would create a massive footprint covering over 175M POPs—all but NY metro and the US West states, which could be handled via roaming); or (2) acquisition of, say, Voicestream via a tracking stock—hence avoiding EPS dilution to the SBC core.

Other important things we learned: SBC's out-of-region plan targets 3% share and $1.1B in revenues by 2002—but, importantly, only 1/3 of those revs will be takeaways from local ILECs, and CLECs and almost 2/3 will be inter-LATA voice and data, taken from current long-distance players. SBC expects its core voice business to lose 4% share per year, recover half in wholesale, netting to annual revenue growth of 10% overall, 16% from business wireline, 17% from wireless, and double-digit growth from overseas. Further, AIT synergies are running 20% above expectations.

Valuation: SBC believes its stock is worth $75-80 on DCF basis, $67-91 at a market P/E (ours is $69), and $65-85 on sum of parts (our SOP is $72 in 2000 and $79 in 2001). International assets alone are worth $30B (our estimate is $28B). Any way you look at it, some financial engineering, e.g., tracking stocks could unlock enormous upside. We do not want to miss that move—hence our overweighted view of the sector.

Highlights of Meeting

Project Pronto Update: SBC recently reduced its DSL offering from $49.99 to $39.95 and will waive installation fees until the end of April. This should help boost subscriber numbers in 2000. SBC is currently adding close to 2,000 subscribers per day and expects to ramp to 4,500 per day in order to hit its YE00 target of 1M subscribers. Other DSL highlights include:

- SBC plans to have 50% or more lines self-installed by late 2000. SBC will first use self-install in CA at the end of March, with the other states following by end of 2000.
- In conversation, we learned that today a typical technician does 2.5–3 installs/day, moving to 3-4 by end of year. This is one truck, one technician.
- SBC has sold more DSL service than anyone else.
- In five of SBC's cities (San Francisco, Los Angeles, Dallas, Houston, San Antonio), DSL has 53% market share to cable's 47%—implying to us that perhaps the common conception that DSL is behind cable is not always

correct. In SBC's whole region, cable is currently at 38%, and DSL is at 33% market share. SBC forecasts that by the end of the year, cable will offer modem service to 48% of homes in SBC territory and DSL will be offered to 50%—thus SBC sees its DSL offering overtaking cable modems.

- 12M SBC homes are now DSL-enabled, and 18M will be by YE00. This is 2M ahead of the original target.
- DSL sales volume tripled the first day after SBC lowered the price to $39.95 and offering free modem and install—SBC had the same experience with caller ID when it offered a free box.
- SBC's DSL advertising budget, if grossed up to the whole country, would equal $100M, 5x cable's $19M.
- SBC had 800 DSL sales reps at YE99, 5,000 at February 2000 and expects 9,000 by April 2000 and 13,000 by the end of 3Q00.
- 20% of SBC's DSL sales come from its Web site.

SBC continues to make data-oriented investments. Most recently, SBC acquired Sterling Commerce, a business-to-business e-commerce solutions company that is migrating its customers from EDI legacy systems. Sterling currently realizes 30% margins. Once Sterling's migration from EDI is complete, SBC expects to realize revenue growth of 25% and margins of up to 50%.

National Wireless Profile: SBC is "pursuing an increased wireless footprint," which it plans to do through attractive roaming agreements, small strategic acquisitions, and its own buildout. We expect the wireless business to grow customers at 15% and revenues (net of acquisitions) by 11-13% over the next few years. We further expect wireless data to account for 5-10% of total revenues over the next five years.

New products and initiatives include: (1) two-way messaging in 2Q00; (2) a WAP offering in 4Q00; (3) consolidated call centers or "megacenters," which will help reduce costs by late 2001; (4) conversion of the Ameritech CDMA footprint to TDMA by YE01; and (5) the use of IRDB (Intel Roaming Data Base) to "search" for SBC's preferred roaming partners.

North American Coverage: With SBC's 20% investment in Bell Canada and nearly 10% investment in Telmex, these three companies have 84M access lines and 240M wireless POPs. Through Bell Canada, SBC has an indirect ownership of Teleglobe—which houses a global internet backbone. Domestically, SBC has access to Williams Communications long-haul network (which hits 125 cities).

Financial Targets:

- EPS growth of 15%: We maintain our 2000 EPS of $2.25 and our forecast of 15% growth off of 2000. Therefore, we make no change to our 2001 EPS of $2.58.
- Revenue growth of 10%: We maintain our 10% revenue growth in 2001 and beyond as wireless and data revenues drive slowing local revenue growth. Over the years 1999-2002, SBC expects revenues to contribute the following amounts to the total: Core—25% or $19B; Data—38% or $25B; Wireless—17% or $11B; Long distance—14% or $9B; National Expansion—6% or $1.1B. Growth initiatives in wireless, data, and national expansion are expected to contribute 75% to total revenue growth. Within the wireline segment, which is expected to grow 7% y/y, local access should decline from 69% of the pie to 57%, while data is expected to expand from 1% to 7%, verticals from 19% to 22%, and long distance from 11% to 14%. This assumes a 4% annual market share loss to competitors.

- Focus on Business Markets: Business wireline revenues are forecast to grow from $13B in 99 to $21B in 2002, representing a 16% CAGR. Driving this growth will again be: *Data*, which is expected to contribute 41% of the total by 2002, up from 24% in 99; *Long Distance*, which should contribute 12%, up from 7%; *Business Systems*, which should contribute 7%, up from 6%. Each expansion will be offset by a decline in *traditional local service*, which is expected to contribute only 40% in 2002, down from 63% in 1999.

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Americas

Eleven Madison Avenue
New York, NY 10010, U.S.A.
1 212 325 2000

Atlanta	1 404 656 9500	Mexico City	1 525 202 6000
Baltimore	1 410 223 3000	Pasadena	1 626 395 5100
Boston	1 617 556 5500	Philadelphia	1 215 851 1000
Buenos Aires	1 541 394 3100	San Francisco	1 415 836 7600
Chicago	1 312 750 3000	São Paulo	55 11 822 4862
Houston	1 713 220 6700	Toronto	1 416 352 4500

Europe

One Cabot Square
London E14 4QJ, England
44 171 888 8888

Amsterdam	31 20 575 4890	Paris	33 1 40 76 8888
Budapest	36 1 202 2188	Prague	42 2 248 10937
Frankfurt	49 69 75380	Vienna	43 1 512 3023
Geneva	41 22 707 0130	Warsaw	48 22 695 0050
Madrid	34 91 532 0303	Zug	41 41 726 1020
Milan	39 02 7702 1	Zurich	41 1 335 7711
Moscow	7 501 967 8200		

Asia Pacific

Three Exchange Square
8 Connaught Place
Central, Hong Kong
852 2101 6000

Auckland	64 9 302 5500	Shanghai	86 21 6219 0808
Beijing	86 10 6410 6611	Singapore	65 538 6322
Melbourne	61 3 9 280 1666	Sydney	61 2 9394 4400
Mumbai	91 22 284 6888	Taipei	8862 2718 5919
Osaka	81 6 243 0789	Tokyo	81 3 5404 9000
Seoul	82 2 3707 3700	Wellington	64 4 474 4400

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