

**TABLE A2: OLS RESULTS**

<i>Variable</i>	<i>Coef</i>	<i>t-stat</i>
Log Sales	8.931924	2.44
Employees	604.7007	10.5
Log Sales*tlt3	-3649.016	-0.7
Empl*tlt3	70.62899	8.66
tlt3only	77020.73	0.98
sic20	-1755.433	-2.05
sic22	691.3118	0.65
sic23	44.79012	0.11
sic24	318.945	0.64
sic25	360.0978	0.7
sic26	3409.822	2.48
sic27	-239.4503	-0.54
sic28	11209.05	1.87
sic29	1106.057	0.62
sic30	3255.237	1.27
sic31	-4146.657	-8.52
sic32	1690.859	2.01
sic33	2794.07	0.97
sic34	61.05031	0.09
sic35	282.1825	0.59
sic36	505.8743	0.58
sic37	175.905	0.22
sic38	855.9999	1.37
sic39	250.762	0.51
sic40	109084.5	4.98
sic41	1493.314	2.5
sic42	458.807	0.7
sic43	-1720.287	-7.09
sic44	-572.8058	-1.02
sic45	10317.23	0.84
sic47	122.54	0.22
sic48	529.2712	0.54
sic49	342.3274	0.48
sic50	466.9819	1.03
sic51	356.5711	0.75
sic52	-295.7376	-0.7
sic53	280.9645	0.33
sic54	-794.8311	-3.41
sic55	-606.5038	-2.3
sic56	456.4498	0.87
sic57	419.0875	1.08
sic58	-289.301	-1.13
sic59	-411.815	-1.84
sic60	2930.585	2.19
sic61	693.772	1.18
sic62	19773.06	3.68
sic63	-739.021	-2.19
sic64	362.8737	0.8
sic65	-9.711415	-0.03
sic67	333.326	0.55
sic70	571.8106	1
sic72	93.59073	0.32
sic73	259.373	0.92
sic75	-480.5393	-2.02
sic76	-245.6405	-0.97
sic78	-139.3247	-0.17
sic79	532.8244	1.34
sic80	954.6378	2.4
sic81	323.5522	1.01
sic82	1658.2	2.09
sic83	-378.8856	-1.26

**TABLE A2: CONTINUED**

sic84	811.9921	0.36
sic86	-595.0956	-2.29
sic87	1358.045	2.61
sic89	5314.506	32.58
sic91	-151.7468	-0.23
sic92	4752.646	1.75
sic93	2124.459	4.35
sic94	7610.165	1.86
sic95	951.5706	0.8
sic96	4995.596	1.71
sic97	-144.8866	-0.08
sic20*t1t3	39665.64	0.91
sic22*t1t3	30695.46	0.6
sic23*t1t3	127404.6	7.92
sec24*t1t3	-10785.39	-1.08
sic25*t1t3	-12789.72	-0.69
sic26*t1t3	20134.63	0.85
sic27*t1t3	22727.65	0.97
sic28*t1t3	22318.22	0.77
sic29*t1t3	22800.56	2.44
sic30*t1t3	22578.2	0.75
sic33*t1t3	5813.656	0.29
sic34*t1t3	30610.18	1.13
sic35*t1t3	28812.83	1.2
sic36*t1t3	20198.3	0.92
sic37*t1t3	-29481.87	-2.02
sic38*t1t3	4133.172	0.1
sic39*t1t3	-13199.24	-0.85
sic41*t1t3	118568.9	8.81
sic42*t1t3	16403.14	1.31
sic43*t1t3	-24834.13	-2.19
sic44*t1t3	68580.93	10.55
sic45*t1t3	-14826.71	-0.96
sic47*t1t3	12287.93	1.6
sic48*t1t3	267226.8	1.25
sic49*t1t3	21499.53	0.9
sic50*t1t3	23876.29	1.42
sic51*t1t3	21443.2	1.19
sic52*t1t3	18681.06	2.16
sic53*t1t3	4376.552	0.32
sic54*t1t3	21561.22	2.18
sic55*t1t3	2179.611	0.13
sic56*t1t3	309515.3	1.84
sic57*t1t3	-20185.16	-2.35
sic58*t1t3	-30093.02	-3.25
sic59*t1t3	-11989.22	-1.19
sic60*t1t3	19236.04	1.43
sic61*t1t3	18828.4	0.55
sic62*t1t3	3327.541	0.12
sic63*t1t3	26540.35	0.7
sic64*t1t3	-19359.95	-1.8
sic65*t1t3	68855.42	3.46
sic67*t1t3	69238.21	1.15
sic70*t1t3	-5411.835	-0.56
sic72*t1t3	-27443.61	-3
sic73*t1t3	24771.06	1.39
sic75*t1t3	925409.8	26.69
sic78*t1t3	-15772.6	-1.21
sic79*t1t3	54512.72	1.59
sic80*t1t3	9787.458	0.85
sic81*t1t3	-13947.87	-0.72
sic82*t1t3	9458.276	0.8
sic83*t1t3	-15868.36	-1.63
sic84*t1t3	-4615.127	-0.65
sic86*t1t3	-17486.48	-1.66
sic87*t1t3	23572.93	1.4
sic91*t1t3	2716.057	0.2
sic92*t1t3	-21414.94	-1.8
sic94*t1t3	8261.672	0.28
sic95*t1t3	151586.8	0.9
sic96*t1t3	-27662.83	-2.29
sic97*t1t3	-36787.51	-4.26
Const	-6087.14	-8.54

**C. Assumptions of the CSMG Cost Model**

57. A CLEC that extends its network to an “off-net” customer will incur incremental capital and operating expenses. Those costs can be broken down into three categories: (1) customer-premise costs, (2) fiber extension costs, and (3) incremental existing network costs. Assumptions for each of these cost categories are outlined below.

58. There are several capital expenditures associated with gaining access to a building. The labor cost required to install customer premises equipment and electronics is assumed to vary by market. Those differences are based on variances in wage data by market.<sup>50</sup> The one-time fee initially paid to the building owner to gain access to the building and its tenants varies by market, typically with higher premiums in larger cities than smaller cities.<sup>51</sup> The costs of an Optical ADM for the customer premises and for the associated port cards are assumed to be constant across markets.<sup>52</sup> The cost of the non-ADM equipment, including Racks, HVAC, Security, UPS, and Risers is assumed to be constant across markets.

59. There are several capital expenditures associated with the installation of a lateral fiber connection. The installation cost of fiber by trenching, boring, and plowing varies by market. The market differences are based on two factors. *First*, a simple blend of trenching, boring, and plowing is labor intensive, and therefore is assumed to vary by market. *Second*, the layout and terrain of different cities can create situations where this cost can be large. The size of this cost generally is greater for large cities than for small cities. The cost per foot also increases dramatically for short distances because most contractors will charge a minimum amount for a

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50. Bureau of Labor Statistics Occupational Employment Statistics.

51. Based on CSMG interview with a national building owner/operator.

52. Based on CSMG interview with provider currently in negotiations with building equipment vendors.

project regardless of the distance, depending on the labor costs of the given market.<sup>53</sup> The installation cost of aerial fiber is assumed to vary by market. The market differences are based on variances in wage rates by market.<sup>54</sup> The percentage of terrestrial versus aerial plant has a substantial impact on the fiber installation costs because terrestrial installations can cost ten times as much as aerial installations.<sup>55</sup> Permit costs associated with installing terrestrial fiber depend on city specific calculations and usually include a flat processing fee and a distance-dependent fee. The city specific formulas are promulgated within each city's municipal regulations.<sup>56</sup> The cost of fiber optic cable is assumed to be constant across markets.<sup>57</sup> The cost of terrestrial duct is assumed to be constant across markets.<sup>58</sup>

60. There are several capital expenditures associated with the extension of the existing network. The costs of a splice box, a POP Optical ADM Port Card per DS-3, and a POP ATM Port Card per DS-3 are assumed to be constant across markets.

61. There are several operating expenses associated with ongoing access to a customer's premises and maintenance of the facilities. The rent required by the building owner from provider is assumed to vary by market. The rent is typically slightly higher per month in larger cities, but is based on expected revenues more than property market value.<sup>59</sup> The electricity required to supply the customer premise electronics is assumed to vary by market.

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53. Bureau of Labor Statistics Occupational Employment Statistics and interviews with several fiber installation contractors.

54. *Id.*

55. Based on CSMG interviews with city officials from Cleveland, Dayton, Greenville, Seattle, St. Paul, and Tucson.

56. *Id.*

57. Based on CSMG interview with provider currently in negotiations with fiber vendors and with several fiber installation contractors.

58. *Id.*

59. Based on interview with a national building owner/operator).

Those differences are based on variances in electricity rates by market.<sup>60</sup> The cost of monitoring the customer premises equipment and electronics are assumed to vary by market, based on variances in wage data.<sup>61</sup>

62. There are several operating expenses associated with the maintenance of a lateral fiber line. The maintenance cost of the installed fiber is assumed to vary by market. Those differences are based on variances in wage data by market.<sup>62</sup> The franchise agreement details with each city vary widely.<sup>63</sup> The fees associated with pole attachment for the aerial portion of the fiber lateral is assumed to be constant across markets.

63. There are several operating expenses associated with servicing building tenants. The cost of customer care, the cost of billing expense, and the cost of bad debt are assumed to be constant across markets.<sup>64</sup> An initial one-time sales and marketing effort targeted at the customer premises is constant across markets.<sup>65</sup>

64. There are several business assumptions built into the CLEC Network Extension Cost Model. Capital reinvestment per month is assumed to be 1.04 percent. This reinvestment is assumed to start in year 5. The corporate income tax rate for 2001 is assumed to be 40 percent. The weighted-average cost of capital is assumed to be 15 percent. To estimate cash flows beyond Year 10, Year 10's EBITDA is multiplied by 10. Account receivables expressed as the number of days of revenue is assumed to be 30. Inventory as percent of non-current assets is assumed to be 2 percent. Current liabilities expressed are assumed to be 45 days of operating expenses.

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60. 2000 Energy Information Administration Report.

61. Bureau of Labor Statistics Occupational Employment Statistics.

62. *Id.*

63. Based on CSMG interviews with city officials from Cleveland, Dayton, Greenville, Seattle, St. Paul, and Tucson.

64. CLEC Annual Reports.

65. *Id.*

**D. Addressability of Potential Customers for Subject Cities**

65. Tables A3 and A4 show the distribution of current addressability of potential customers in Seattle, Tucson, St. Paul, Dayton, and Greenville, respectively.

**TABLE A3: DISTRIBUTION OF ADDRESSABILITY FOR POTENTIAL CUSTOMERS, AT LEAST ONE CLEC FIBER LINE**

City	500 feet	1,000 feet	1,500 feet	2,000 feet	2,500 feet	3,000 feet	3,500 feet	4,000 feet
Cleveland	67%	76%	84%	91%	94%	96%	98%	98%
Seattle	86%	93%	95%	96%	98%	99%	100%	100%
Tucson	41%	51%	59%	62%	67%	71%	74%	76%
St. Paul	43%	67%	74%	81%	86%	88%	90%	92%
Dayton	36%	40%	44%	50%	54%	57%	61%	63%
Greenville	47%	64%	74%	79%	82%	84%	86%	88%

**TABLE A4: DISTRIBUTION OF ADDRESSABILITY FOR POTENTIAL CUSTOMERS, AT LEAST TWO CLEC FIBER LINES**

City	500 feet	1,000 feet	1,500 feet	2,000 feet	2,500 feet	3,000 feet	3,500 feet	4,000 feet
Cleveland	50%	59%	65%	72%	76%	82%	86%	88%
Seattle	69%	79%	82%	83%	85%	86%	87%	88%
Tucson	24%	34%	40%	44%	49%	54%	57%	59%
St. Paul	6%	21%	31%	46%	49%	60%	63%	68%
Dayton	21%	30%	31%	37%	40%	43%	44%	46%
Greenville	20%	27%	33%	38%	42%	44%	47%	52%

**E. Breakeven Levels of Revenues Necessary to Expand the CLEC Network**

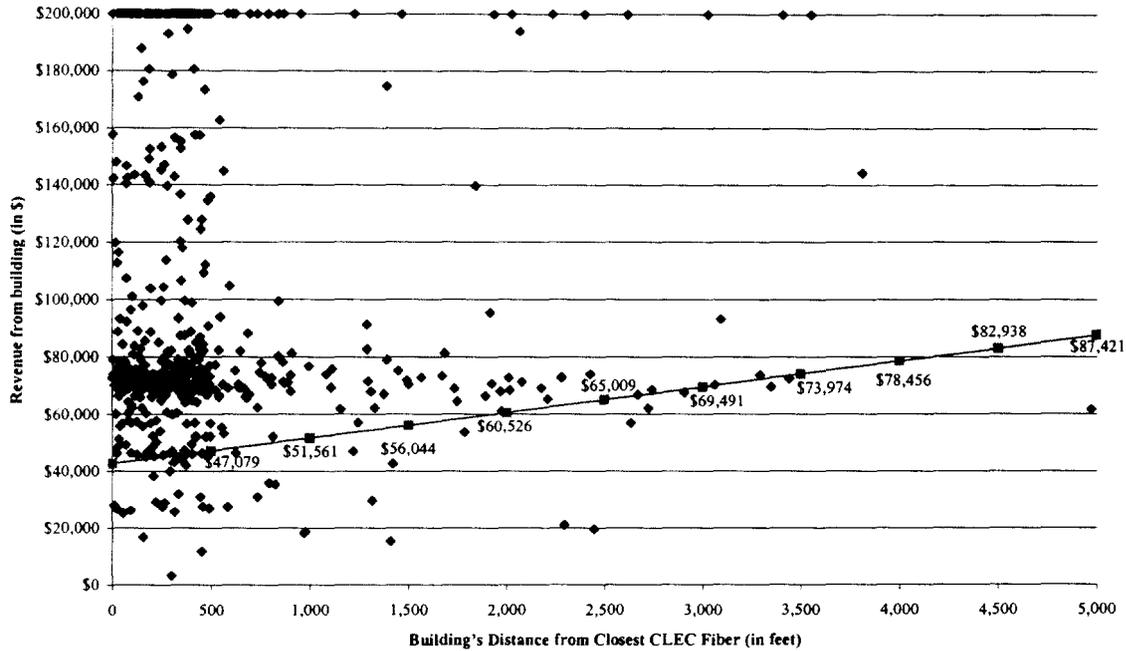
**TABLE A5: BREAKEVEN LEVELS OF ANNUAL REVENUES REQUIRED FOR A CLEC TO EXPAND ITS NETWORK, BY DISTANCE AND CITY**

City	500 feet	1,000 feet	1,500 feet	2,000 feet	2,500 feet	3,000 feet	3,500 feet	4,000 feet
Tucson	\$44,124	\$47,399	\$50,677	\$53,955	\$57,233	\$60,509	\$63,780	\$67,051
Cleveland	\$46,988	\$51,155	\$55,321	\$59,488	\$63,655	\$67,821	\$71,988	\$76,155
Dayton	\$40,476	\$43,656	\$46,836	\$50,015	\$53,195	\$56,375	\$59,555	\$62,734
Greenville	\$40,294	\$42,970	\$45,646	\$48,322	\$50,998	\$53,674	\$56,350	\$59,026
St. Paul	\$42,800	\$46,816	\$50,833	\$54,850	\$58,867	\$62,883	\$66,900	\$70,917
Seattle	\$47,079	\$51,561	\$56,044	\$60,526	\$65,009	\$69,491	\$73,974	\$78,456

Source: Cambridge Strategic Management Group.

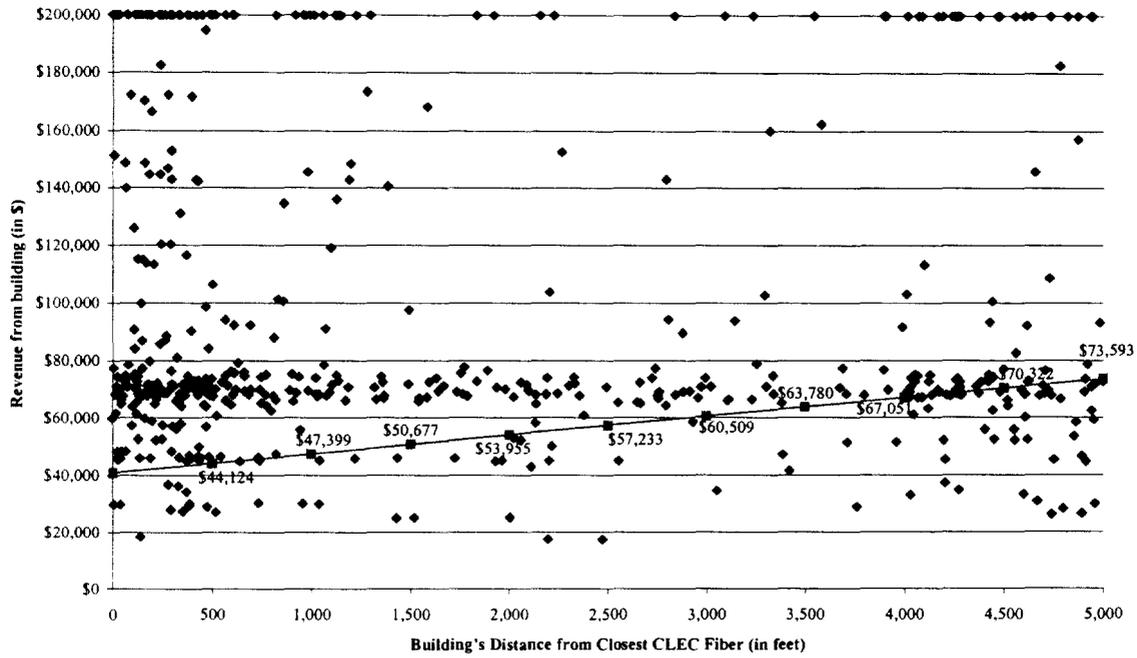
F. Percent of Potential Customers That Would Be Served by the Nearest CLEC

**FIGURE A1: BREAKEVEN FRONTIER FOR CLEC TO EXTEND ITS NETWORK  
EXPECTED BUILDING REVENUES FROM EACH BUILDING, SEATTLE, WASHINGTON**



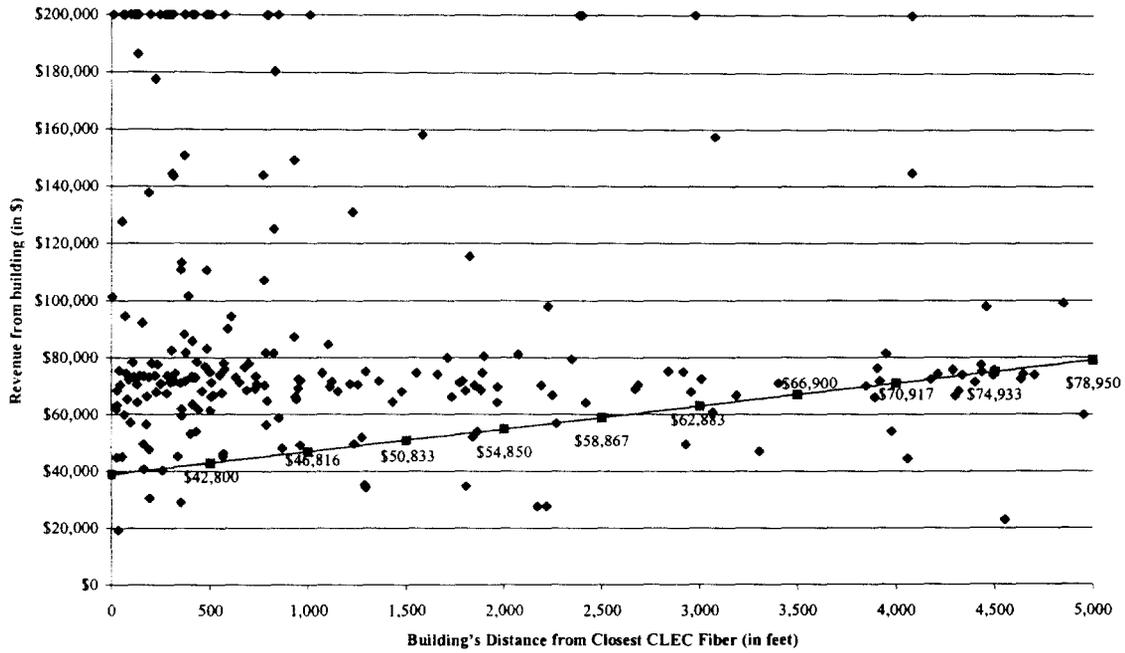
*Note:* 128 of the 627 Seattle buildings with an anchor tenant had expected telecommunications revenue greater than \$200,000. Those buildings are represented by the points at the top (\$200,000) of the graph. 92.0 percent of all buildings with an anchor tenant lie above the breakeven frontier. When those buildings are weighted according to revenues, 98.2 percent of all special access revenues lie above the breakeven frontier.

**FIGURE A2: BREAKEVEN FRONTIER FOR CLEC TO EXTEND ITS NETWORK  
EXPECTED BUILDING REVENUES FROM EACH BUILDING, TUCSON, ARIZONA**



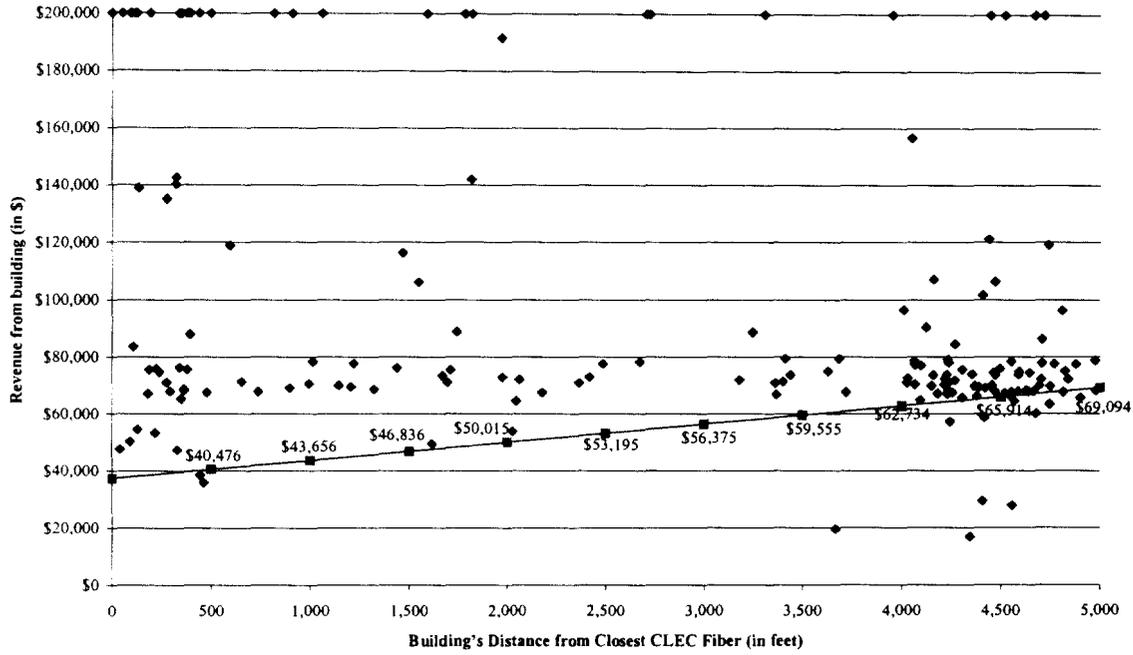
*Note:* 88 of the 524 Tucson buildings with an anchor tenant had expected telecommunications revenue greater than \$200,000. Those buildings are represented by the points at the top (\$200,000) of the graph. 82.1 percent of all buildings with an anchor tenant lie above the breakeven frontier. When those buildings are weighted according to revenues, 93.7 percent of all special access revenues lie above the breakeven frontier.

**FIGURE A3: BREAKEVEN FRONTIER FOR CLEC TO EXTEND ITS NETWORK  
EXPECTED BUILDING REVENUES FROM EACH BUILDING, ST. PAUL, MINNESOTA**



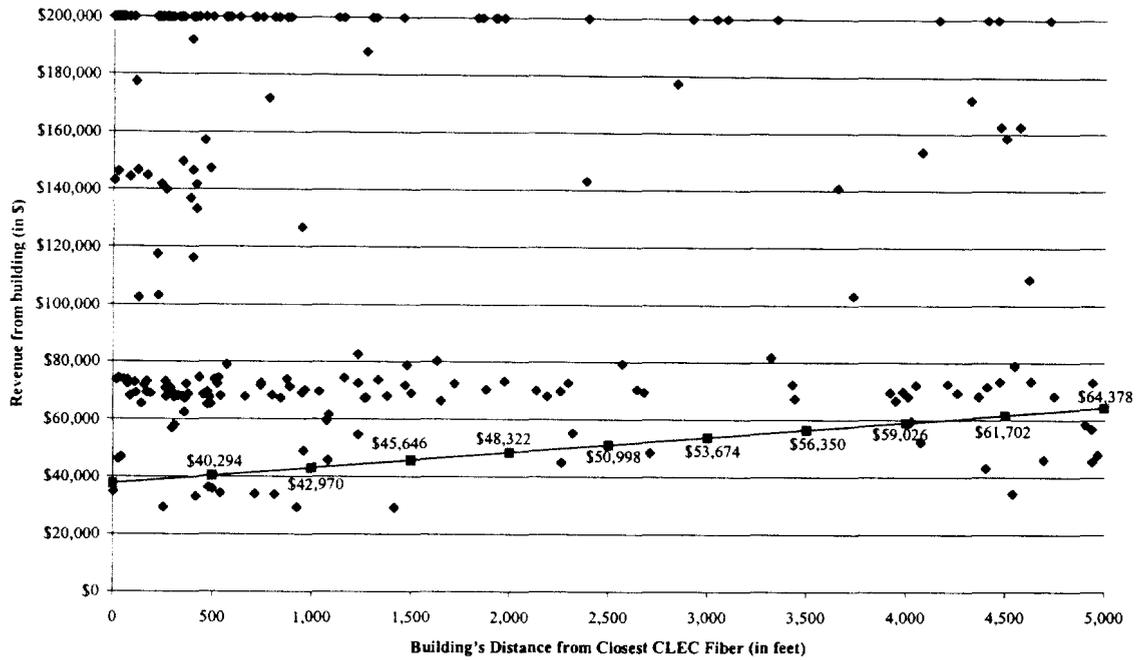
*Note:* 32 of the 228 St. Paul buildings with an anchor tenant had expected telecommunications revenue greater than \$200,000. Those buildings are represented by the points at the top (\$200,000) of the graph. 88.6 percent of all buildings with an anchor tenant lie above the breakeven frontier. When those buildings are weighted according to revenues, 95.8 percent of all special access revenues lie above the breakeven frontier.

**FIGURE A4: BREAKEVEN FRONTIER FOR CLEC TO EXTEND ITS NETWORK  
EXPECTED BUILDING REVENUES FROM EACH BUILDING, DAYTON, OHIO**



*Note:* 27 of the 166 Dayton buildings with an anchor tenant had expected telecommunications revenue greater than \$200,000. Those buildings are represented by the points at the top (\$200,000) of the graph. 91.6 percent of all buildings with an anchor tenant lie above the breakeven frontier. When those buildings are weighted according to revenues, 97.3 percent of all special access revenues lie above the breakeven frontier.

**FIGURE A5: BREAKEVEN FRONTIER FOR CLEC TO EXTEND ITS NETWORK  
EXPECTED BUILDING REVENUES FROM EACH BUILDING, GREENVILLE, SOUTH CAROLINA**



*Note:* 68 of the 219 Greenville buildings with an anchor tenant had expected telecommunications revenue greater than \$200,000. Those buildings are represented by the points at the top (\$200,000) of the graph. 90.9 percent of all buildings with an anchor tenant lie above the breakeven frontier. When those buildings are weighted according to revenues, 98.3 percent of all special access revenues lie above the breakeven frontier.

**G. Addressability of Central Offices for Subject Cities**

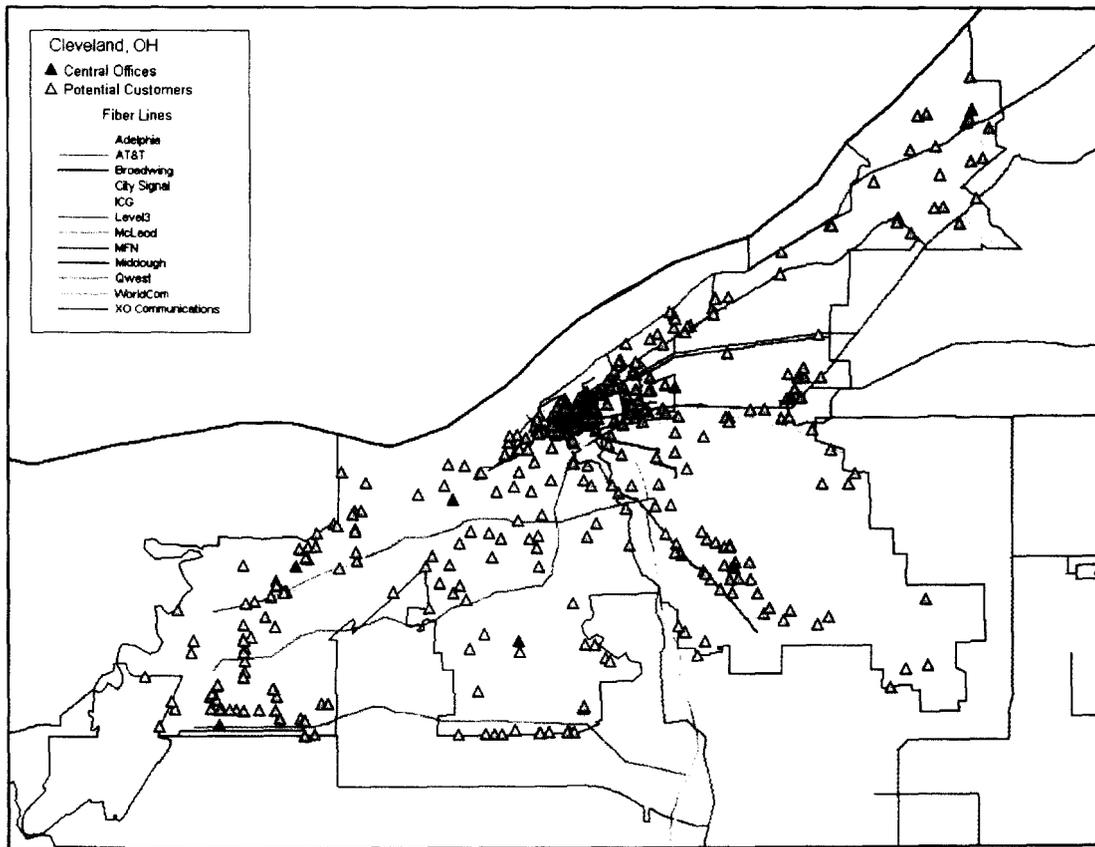
**TABLE A6: DISTRIBUTION OF ADDRESSABILITY OF ILEC CENTRAL OFFICES,  
AT LEAST ONE CLEC FIBER LINE**

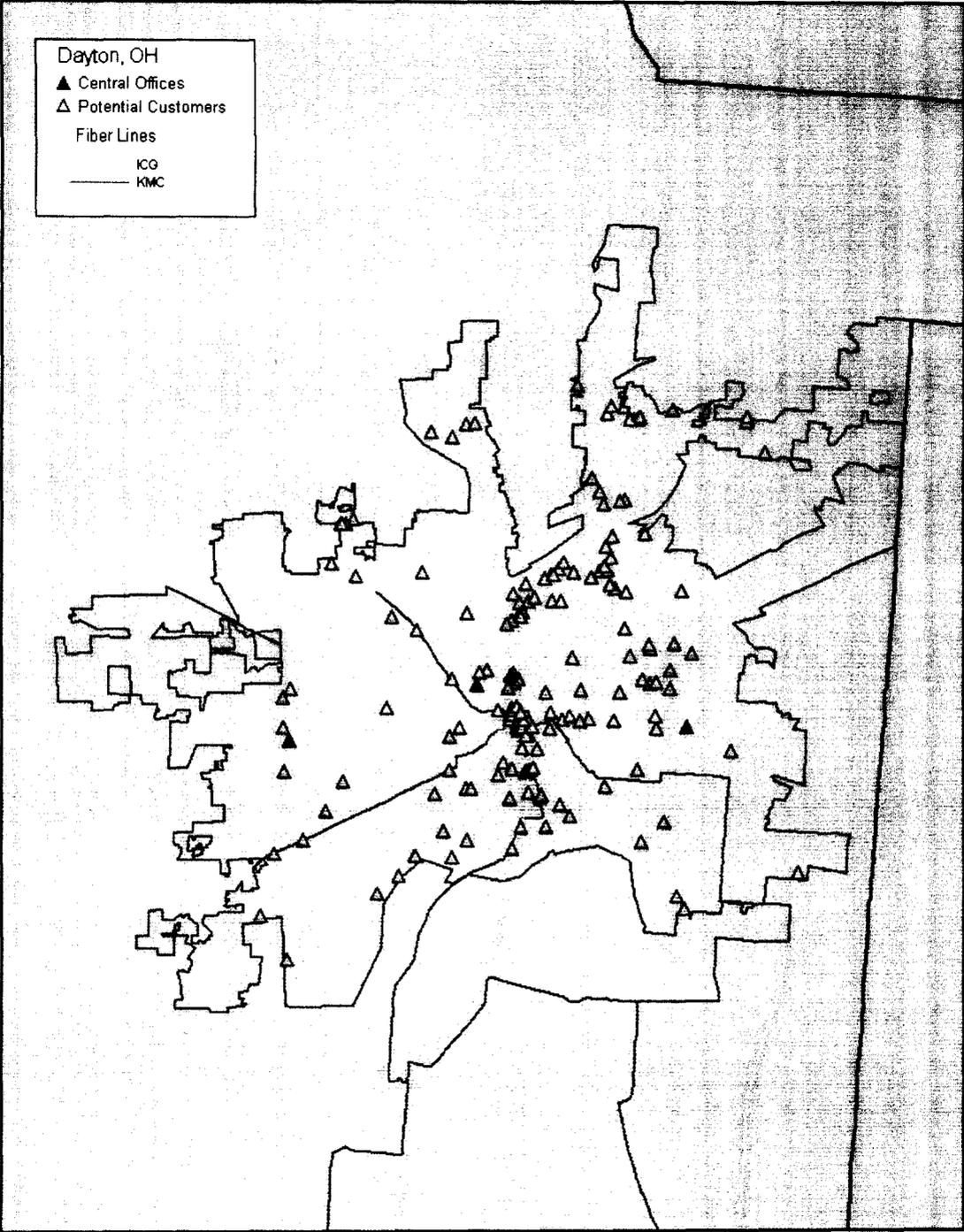
City	500 feet	1,000 feet	1,500 feet	2,000 feet	2,500 feet	3,000 feet	3,500 feet	4,000 feet
Cleveland	54%	77%	85%	92%	100%	100%	100%	100%
Seattle	69%	75%	75%	94%	94%	94%	94%	94%
Tucson	30%	60%	60%	60%	60%	60%	60%	90%
St. Paul	43%	71%	86%	86%	86%	86%	86%	86%
Dayton	0%	0%	25%	25%	50%	50%	75%	75%
Greenville	100%	100%	100%	100%	100%	100%	100%	100%

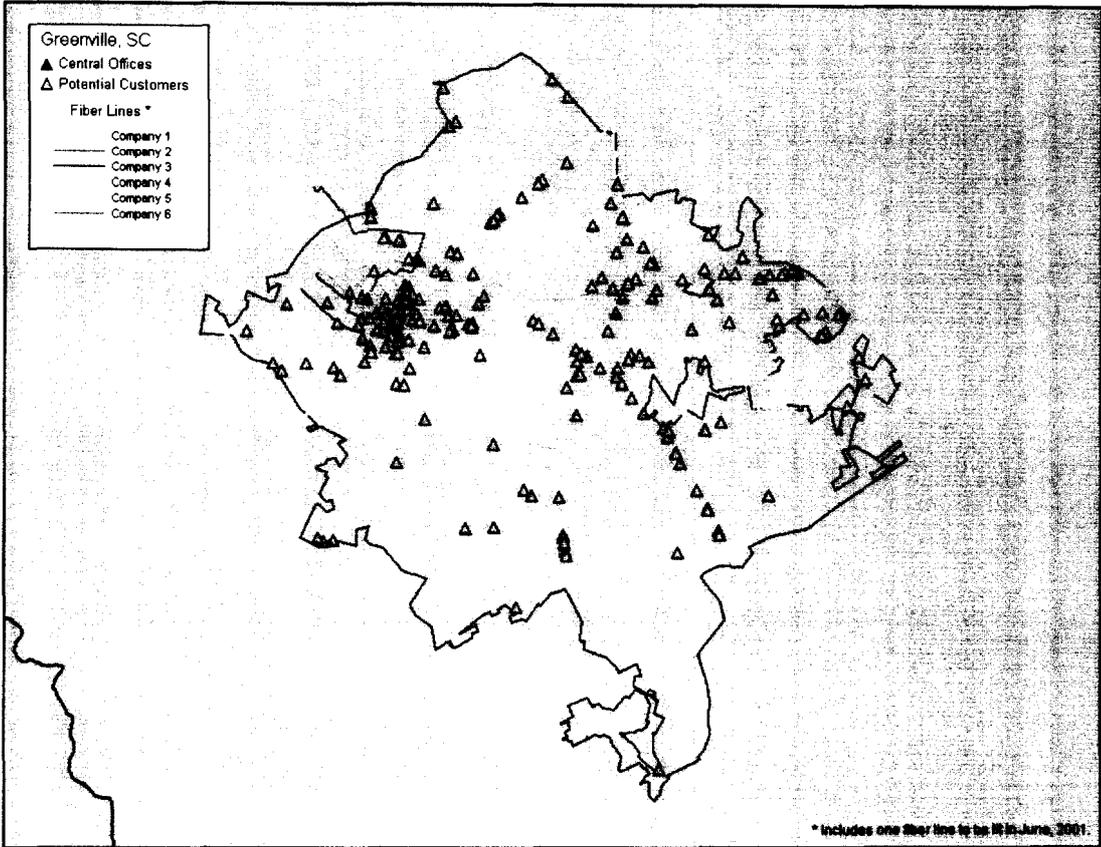
**TABLE A7: DISTRIBUTION OF ADDRESSABILITY OF ILEC CENTRAL OFFICES,  
AT LEAST TWO CLEC FIBER LINE**

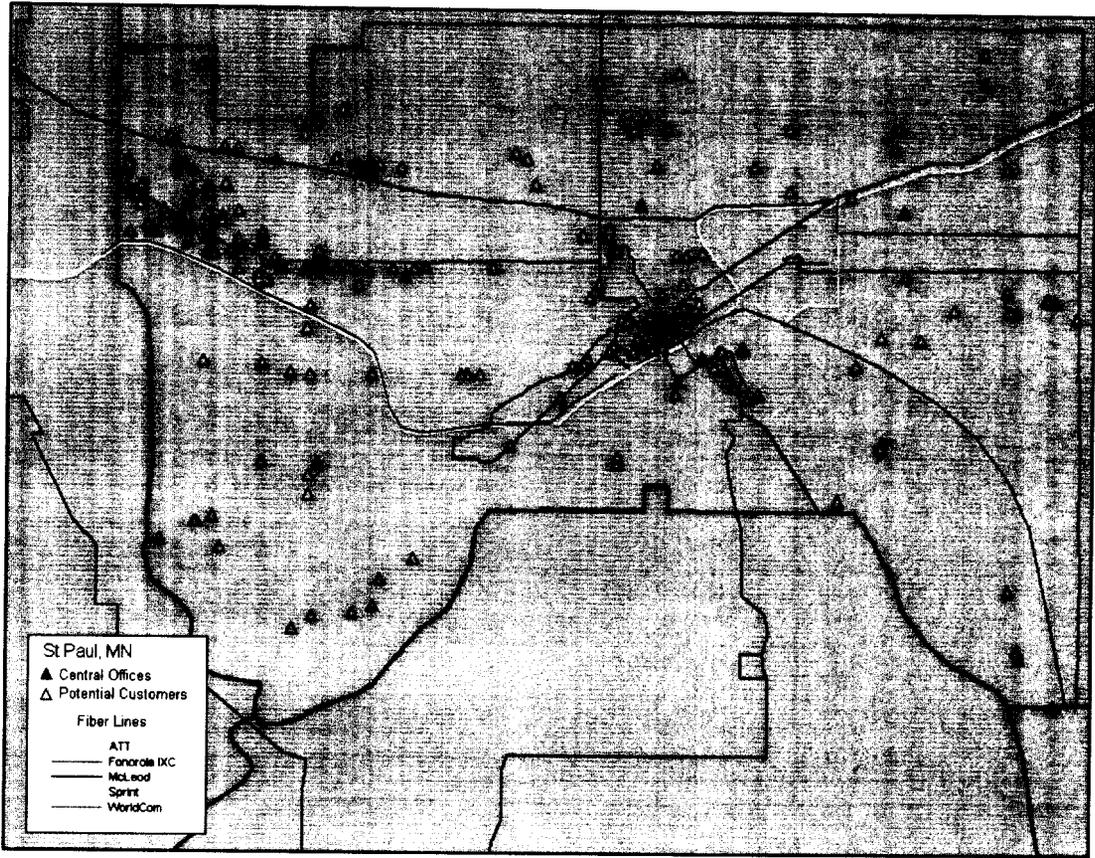
City	500 feet	1,000 feet	1,500 feet	2,000 feet	2,500 feet	3,000 feet	3,500 feet	4,000 feet
Cleveland	38%	46%	54%	69%	100%	100%	100%	100%
Seattle	38%	44%	69%	69%	94%	94%	94%	94%
Tucson	0%	0%	20%	20%	60%	60%	60%	90%
St. Paul	14%	29%	43%	71%	86%	86%	86%	86%
Dayton	0%	0%	0%	0%	50%	50%	75%	75%
Greenville	50%	100%	100%	100%	100%	100%	100%	100%

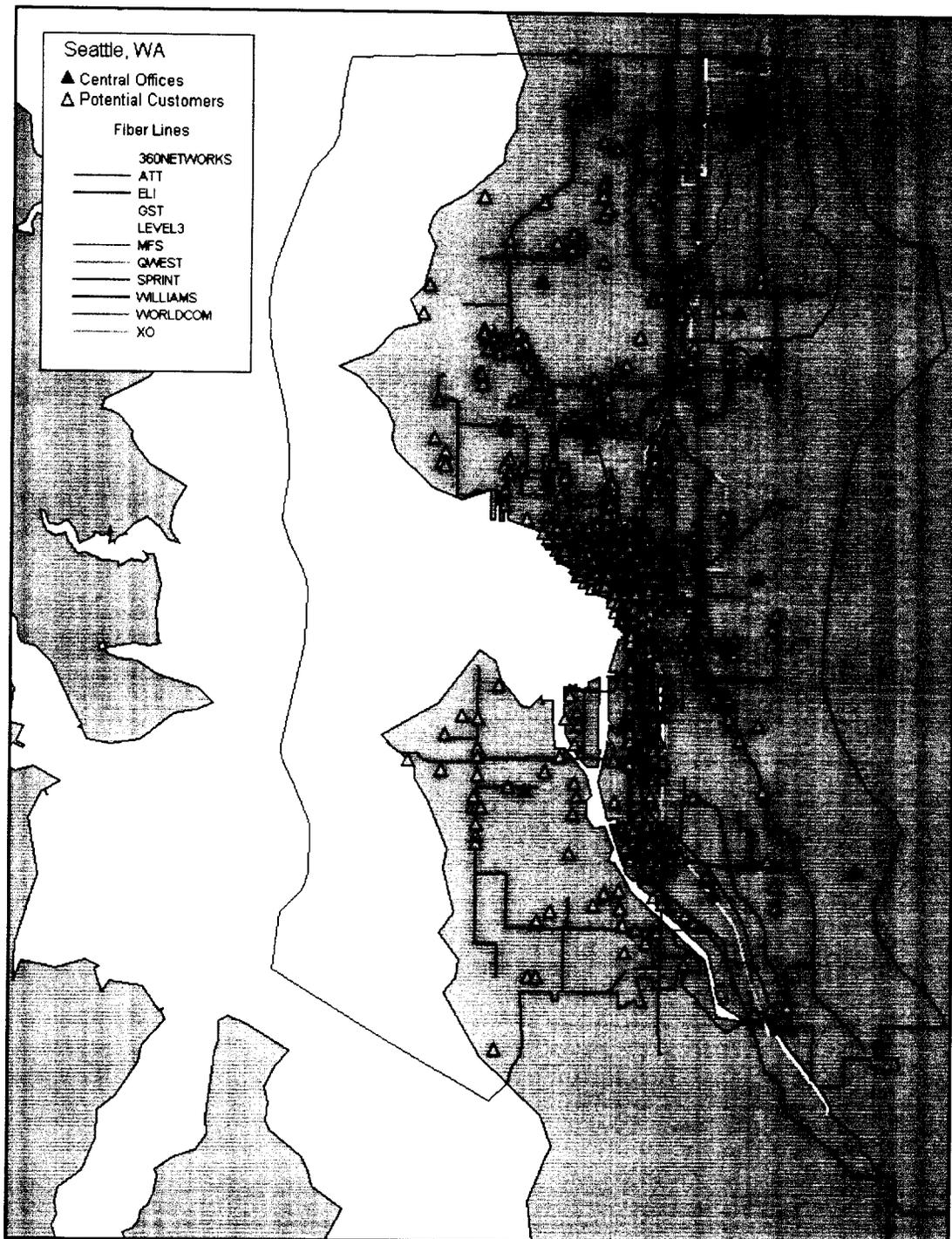
**F. Fiber Deployment Maps by City**

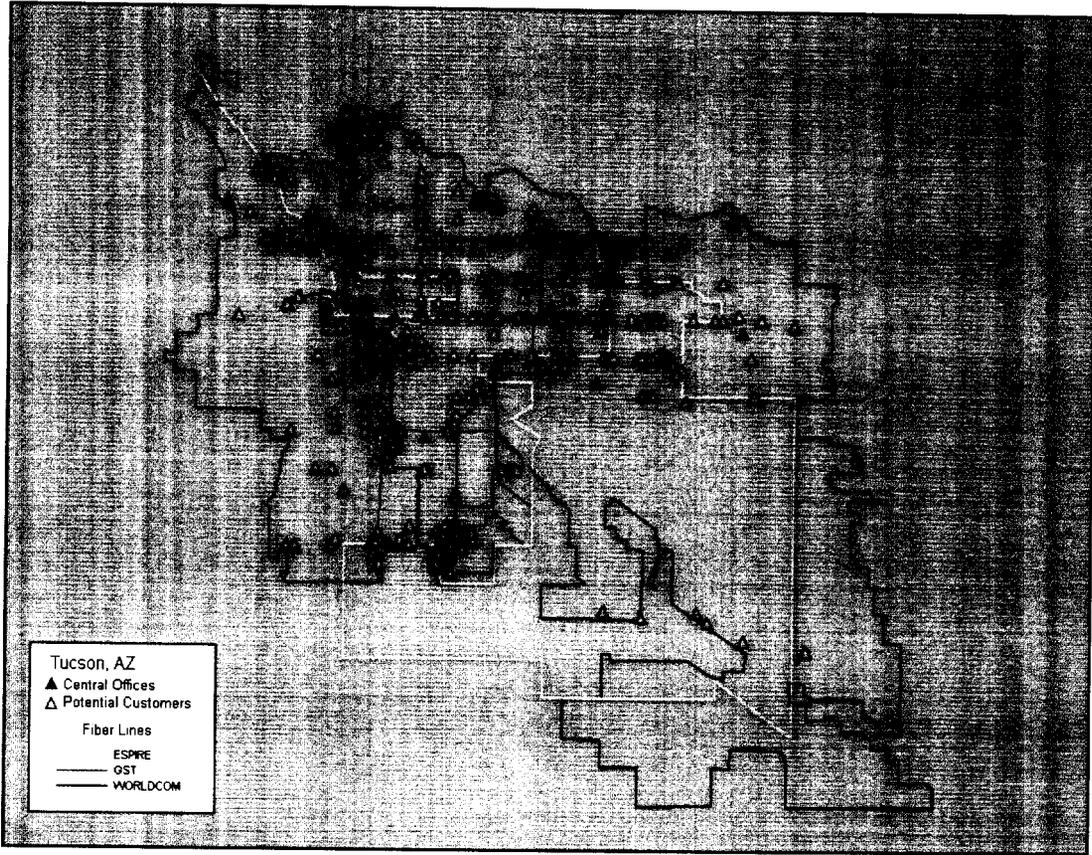




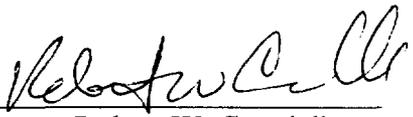








I declare, under the penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.

 4/28/01  

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Robert W. Crandall