LNPA PROCUREMENT PRESENTATION AND Q & A

IN DENVER, COLORADO

NEUSTAR, INC.

August 7, 2013

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Moderators:

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Ron Steen

Transcribed by:

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1 ATTENDEES

2 FROM FoNPAC:

3 Eric Monkelien, Level 3 Communications
Tim Kagele, Comcast
4 Paula Jordon Campagnoli, Chair of FoNPAC, T-Mobile
Ron Steen, Tri-Chair, AT&T
5 Deb Tucker, Verizon Wireless, Tri-Chair
Luke Sessions, T-Mobile
6 Todd Daubert, Esq., Dentons
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7 Michele Gehl, Sprint
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8 Rosemary Emmer, Sprint
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9 Roly Freed, Verizon
Tim Decker, Verizon
10 Laura Dalton, Verizon
Dawn Lawrence, Xcel Communications
11 Mary Retka, CenturyLink
Teresa Patton, AT&T
12
13
FROM NEUSTAR:
14
Steve Edwards
15 [redacted]
16
17
18
19
20 Bill Reidway
Paul Lalijie
21 [redacted]
22
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24
25

1 RON STEEN: I'm Ron Steen. I'm one of the
2 three tri-chairs of the FoNPAC. And I'm also from
3 AT&T. In a moment what we'll do is introduce all of
4 the FoNPAC participants, and then I'll ask Steve if
5 he'll introduce the Neustar participants.
6 So I guess just welcome you to Denver,
7 welcome you to the meeting. We're glad you're able
8 to come and participate. So at that, let me just
9 start at this end and we will introduce ourselves.
10 (FoNPAC roll was called.)
11 Okay. Steve?
12 STEVE EDWARDS: Good morning, everybody.
13 Thank you for the opportunity to present our value
14 proposition to you. We've got a small group of
15 experts with us today, so let me kind of run through
16 exactly who they are and what they do. So if we
17 want to start at this end.
18 (Neustar roll was called.)
19 So this group of characters represent
20 customer relations team, our product team, chief
21 information security officer, customer support, our
22 legal team, our regulatory advisors, corporate
23 development, and representing our executive office,
24 Paul Lalijie, who many of you know is the CFO.
25 So let me kick this off, if I may. As I

said, we really do appreciate this opportunity to provide an overview of our value proposition, but more importantly to address any questions or clarifications that you may have as a result of our proposal.

We're privileged and we're proud of our partnership with you and to be associated with the U.S. LNPA, which is recognized across the globe as the world's leading number portability and telephone number management service.

When you consider the breadth of services that this supports, the performance consistently achieved and the overall consumer experience, what you guys have created over these last 16 years is remarkable.

It delivers exceptional service and value to consumers, to service providers, law enforcement, federal and state regulators.

Just from a personal prospective, when I engage with members of the industry or members of our customer advisory board, of which many of you have executives that participate, they're amazed that this real-time system can update every single service provider within seven seconds. By the way, they're always telling me of new opportunities to

1 further leverage this critical asset.
2 If you take a step back, this unique
3 service, it cannot be matched. It cannot be
4 compared anywhere else in the world. What you have
5 created is not just best in class, but it's in a
6 class of its own.
7 Now, as we move on and start to describe
8 the service and all the elements, I want you to
9 remember there are four key aspects to this
10 foundation of this service.
11 There's the technology, there's the
12 operational procedures and processes, neutrality,
13 and a level of expertise and institutional knowledge
14 that can't be replicated and it can't be
15 transferred.
16 This team of experts are supported by a
17 much larger group that have a passion and a
18 commitment to deliver for you.
19 Now, I can't profess to understand all the
20 steps in your selection process, but I can assure
21 you of this, that we are committed to work with you,
22 hopefully address probably the most challenging
23 questions that you're facing.
24 How do I value certainty versus
25 uncertainty? Continuing with Neustar, building on

1 that partnership, particularly at the time where
2 we're going to see unprecedented changes within the
3 industry from technology migrations, or embracing a
4 transition, introducing one or more new partners and
5 adopting a process that hasn't been defined, yet
6 alone tested.
7 Or maybe look at the value of what's at
8 stake versus what's at risk. Because this
9 information today is responsible for ensuring four
10 billion voice calls, six billion text messages that
11 are successfully delivered every single day versus
12 what's at risk, competitive porting that generates
13 over $40 billion of value for the wireless industry
14 on an annual basis.
15 Now, our value proposition builds on our
16 partnership. And our proposal is based on
17 increasing our commitments on every aspect of our
18 relationship. But it's more than that. It's
19 addressing what I know to be your most critical
20 issue, cost.
21 Our proposal delivers [redacted] of
22 savings in year one, over [redacted] of credits
23 and SOWs over the term of the contract.
24 And what does that mean? [redacted]

1 [redacted]

2 So what I'd like to do is hand over to
3 Bill, who's actually going to build on some of these
4 points and actually lead our presentation, and also
5 actually quarterback our Q and A as well.
6 BILL REIDWAY: Thank you, Steve.
7 RON STEEN: Okay, hold on a minute. I just
8 wanted to make sure we had a few things here. Thank
9 you, Steve.
10 I want to point out as we've already done
11 that we do have Geneva here to record and do a
12 transcript. And Todd has pointed out that if you'd
13 like to have a copy of the transcript when it's
14 available, we'll be glad for you to have one. So
15 should I assume that you'd like to have one?
16 BILL REIDWAY: I think we'd very much like
17 to have one, yes.
18 RON STEEN: All right. Good. We want to
19 reiterate that our purpose here is to assure that we
20 have an accurate understanding of your proposal. So
21 we've given you time to present and we're also going
22 to then go into a question and answer period.
23 Just a few ground rules, please silence
24 your cell phones and pagers.
25 (Cell phones were turned off.)

We know that some people are on call. If you must take or make a call, please go outside so that you won't be a distraction.

Okay. We're going to allow you one hour for your presentation. And Dan will keep time for us.

BILL REIDWAY: Okay. Thank you.

RON STEEN: And would you like to have like a ten-minute warning or anything?

BILL REIDWAY: No, I think we'll be fine.

RON STEEN: Okay.

BILL REIDWAY: I may ask in the middle how much time I've got. I assume that's okay?

RON STEEN: Yeah, it's okay. We'll be glad to do that. And if you would like a warning, it's just either way.

And one of the things too, unless it's just a clarifying question, we will refrain from asking you questions during the presentation.

BILL REIDWAY: That's fine.

RON STEEN: If you say something that we didn't understand, we might say please clarify, but we won't take up your time by getting off track with you.

BILL REIDWAY: No, I understand. And like

1 I said, if there's anything on here that you can't
2 see, please do interrupt me. We'll take the time to
3 clarify.
4 RON STEEN: After the presentation we'll
5 take about a 15-minute refreshment break and then
6 we'll begin the question and answer session.
7 During the question and answer, Todd will
8 facilitate our questions and you can feel free to
9 ask us to clarify if you need to. And we will try
10 to take a ten-minute break every hour during the
11 Q&A.
12 BILL REIDWAY: And Ron, I had two
13 clarifications that I've spoken with Dan about I'd
14 just like to -- if you don't mind?
15 RON STEEN: Go.
16 BILL REIDWAY: One is, as you can see we've
17 got a whole cast of characters here to support the
18 technology and management Q & A that you might have.
19 When we get to cost and price, we may want to
20 dismiss some folks and do that with a smaller number
21 of people. I assume that's okay?
22 RON STEEN: That's fine.
23 BILL REIDWAY: Will the questions be kept
24 sort of separated along those lines?
25 RON STEEN: We're trying to, yes.

1 BILL REIDWAY: So we'll do what we can. I
2 appreciate your flexibility.
3 RON STEEN: We'll work with you on that.
4 BILL REIDWAY: Great.
5 RON STEEN: So unless there's more
6 questions -- oh, there is one more thing I need to
7 tell you. At the end of the Q & A, we will ask you
8 to leave the room for a few minutes so that we can
9 collectively see if we've got anymore questions.
10 BILL REIDWAY: Okay.
11 RON STEEN: And then we'll ask you to come
12 back in.
13 BILL REIDWAY: Great. And one final
14 clarification from our side. We did what we could
15 to bring the relevant experts here. Of course,
16 we've got a whole bunch of people back in [redacted]
17 and other places that can provide more information.
18 If we make a determination during the Q & A
19 process that we might want to provide you more
20 information, will we have the ability to recess, go
21 back and get some additional info and bring it to
22 you before we adjourn?
23 RON STEEN: Yes.
24 BILL REIDWAY: With luck, we won't be
25 there, but I just want to make sure that that's

1 okay.

2 RON STEEN: We'll facilitate that if need

3 be. So I think that's everything that I needed to

4 address with you. So you can start your

5 presentation.

6 BILL REIDWAY: Thank you. So I'm Bill

7 Reidway. The first thing I want to say is just to

8 echo what Steve said is that we're really, really

9 pleased to finally be here talking to you all about

10 our proposal for the next term.

11 What I'm going to do over the next hour or

12 so is I'm going to take you through a couple of

13 things that most of you may already know. I'm going

14 to take you through a little bit about Neustar's

15 resume, which is another way of saying who we are,

16 what we do, and how we do it.

17 [redacted] is going to help me with that as we

18 kind of go under the hood in terms of how does the

19 NPAC work today and how do we support the service

20 levels we support.

21 Once we get through that piece, we're going

22 to go through the ingredients of our proposal

23 itself. That's going to include the innovations

24 that we have proposed, the investments that we plan

25 to make and how those innovations and investments

1 relate to the pricing elements of the proposal.
2 And then the third thing that we're going
3 to do, should we have the time, I expect that we
4 will, is we're going to provide a little bit of
5 perspective from Neustar's point of view on
6 transitions.
7 Obviously, we didn't include a transition
8 section, per se, in our proposal because with
9 Neustar there is no transition. That said, we do
10 have some thoughts that we'd like to share.
11 This is all another way of saying, to echo
12 Steve, is that this team and those behind them at
13 Neustar are absolutely 100 percent committed to
14 getting you all the information that you need in
15 order to make this critical decision.
16 We are humbled by the opportunity to come
17 and speak to you about this. We're very, very
18 grateful for the opportunity. So why don't we go
19 ahead and get started?
20 So before I kind of get into Neustar's
21 resume, before we start re-interviewing for our job,
22 I wanted to talk a little bit about the numbers.
23 I can't believe I'm about to say this, but
24 we're numbers people, so that's where we wanted to
25 start. We wanted to talk a little bit about what is

1 being transitioned today, what is being evaluated
2 for the next ten years.
3 First of al,l as of this morning, there are
4 about 635 million telephone numbers in the NPAC.
5 That is equivalent to just about three out of every
6 four numbers in active service according to FCC
7 reports.
8 And of course, for all those 635 million
9 telephone numbers, there's critical routing, rating,
10 and billing information. And on that registry we
11 process over 1.4 million updates every day.
12 Given the sheer number of connected SOAs
13 and LSMS's and the breadth of reach that the LNPA
14 service has to communicate with industry, that
15 results in over 12 billion CMIP operations every
16 single year.
17 So obviously, this is an operation of
18 enormous complexity and performance is
19 extraordinarily important, so a few more numbers.
20 There are 2268 individual SLR measurements
21 every single year. Every year we send out a
22 customer survey to over 3500 representatives of the
23 industry, the companies in this room and those that
24 you represent.
25 In order to gauge the sophistication and

1 capabilities of our technology, we support an
2 Article 14 audit that has over 136 individual
3 measurements of our operations.
4 And then finally, as you all know, there
5 are ten annual neutrality and service-related
6 audits. So this is what we call a 360-degree view
7 of the performance of the LNPA.
8 How do we meet those performance levels?
9 Once again, a few more numbers, two fully redundant
10 data centers. Our application layer has over
11 [redacted].
12 We have a management team with hundreds of
13 years of dedicated unique experience specifically to
14 delivering the LNPA service. And over the last 16
15 years we collectively have evaluated, developed, and
16 deployed over 500 NANC and Illinois change orders.
17 So that's reflective, not only of a static
18 system, but of the pace of change that our industry
19 in our business kind of represents.
20 Now, this is all us. This is NAPM and
21 Neustar. But what's really important to Steve's
22 point earlier is what does this all represent?
23 So the final numbers I want you to keep in
24 mind are every single year $40 billion of total
25 contract value passes through the NPAC in

1 competitive porting.

2 In addition to that, every single day over

3 100,000 telephone numbers come through the NPAC into

4 service provider inventory.

5 And this last one here is not like the

6 others, but the NPAC supports countless technology

7 upgrades, mergers and acquisitions, and emergency

8 preparedness planning.

9 So this is all to say what? This is to say

10 that what Neustar is offering for the next term is,

11 above all, certainty -- certainty of continued

12 performance, certainty of continued knowledge in

13 customer support, and certainty of commitment to the

14 values that have jointly made us successful for the

15 past 15 years, things like neutrality, security,

16 privacy, and partnership.

17 So with that, let me get into a little bit

18 about Neustar as a company. Neustar is a

19 publicly-traded company on the New York Stock

20 Exchange. We have over 1600 employees in 14 global

21 locations.

22 Neustar is organized according to three

23 functional business units in a shared back office.

24 The first of those business units is Carrier

25 Services managed by Steve Edwards. That's the group

1 that contains the NPAC and ROMS services in addition
2 to Pathfinder and a number of other services.
3 Our Enterprise Services Group is focused
4 primarily on supporting Internet infrastructure, the
5 arena of DNS query and information security.
6 And then our newest group is Neustar
7 Information Services, which is focused on delivering
8 high-value meaning and analysis on complex data
9 sets.
10 So this here is a sampling of the kinds of
11 businesses that Neustar is currently in. You know
12 us as the LNPA, obviously, in the U.S. and Canada.
13 You also know us as the North American
14 Numbering Planned Administrator and Pooling
15 Administrator, which is another way of saying you
16 know us as the company that service providers and
17 the FCC trust, above all others, to manage
18 high-performance, neutrality-administered registries
19 and services that rely heavily on industry
20 collaboration.
21 And that's really what our specialty is.
22 What we are, what we specialize in, in all three of
23 our business units is bringing diverse groups of
24 constituents together to create shared value.
25 Now the other thing I want to point out on

1 this chart here before I move off of it is that
2 Neustar is first and foremost a services company,
3 which is another way of saying we are not a
4 traditional technology company per se that develops
5 intellectual properties, secures patents on it and
6 then turns them over to somebody else to manage.
7 That's not who we are.
8 After all, the code for the NPAC, that
9 [redacted] that I mentioned earlier, that
10 belongs to you as much as it belongs to us.
11 The value of what Neustar brings to the
12 table is a services model where accountability is
13 directly with us for every single phase of the
14 operation.
15 A lot of these people here have front-line
16 responsibilities to interact with customers, fulfill
17 requests, and actually create the LNPA service.
18 And that's who we are. We don't rely on
19 subcontractors as a general rule. We keep things
20 all inside Neustar. And that's the principles that
21 have made the NPAC successful and we've infused that
22 into the majority of our businesses throughout our
23 operation.
24 So that's kind of chapter one of Neustar's
25 resume. I want to talk about chapter two, which is

1 our performance up until this point.
2 Now, as I mentioned earlier, what we have
3 done collectively over the last 12 to 15 years is
4 put together a 360-degree evaluation procedure for
5 the LNPA service.
6 It's everything from the SLAs to the
7 customer survey scores to the Article 14 audits and
8 every other pit of visibility that you have into
9 everything that we do. So let's talk about where we
10 are.
11 First of all, in terms of the SLRs. Now I
12 will say, it took us some time to get here. But
13 over the last five years there have been 11,340
14 individual service-level measurements for the LNPA.
15 And in that five years we've missed seven of them.
16 Now, I'll tell you that the ones that we
17 missed, they mean more to us than the ones that we
18 hit. And in 2012, as you know, we missed an SLA
19 related to the after-hours voicemail system. Not
20 service impacting, but nevertheless, the SLA is 99
21 percent of all calls returned within 30 minutes.
22 Now, in the next contract, we're going to
23 be on a 24-by-7 help desk and that's not going to
24 apply. But last year our after-hours voicemail
25 system experienced a problem. We got two calls that

1 month, missed one of them and missed the SOA.
2 And even though we hadn't had an issue with
3 that system in over the past three years before, not
4 only did we develop the RCA and share everything
5 with you, we replaced that system in order to
6 ensure, to minimize the chances that that kind of
7 thing wouldn't happen again.
8 So that's where we are in terms of
9 reporting to the NAPM directly our service level
10 performance.
11 I want to move on to the customer survey
12 scores, because ultimately, this is partly about you
13 folks in the room, but you're among the largest and
14 most sophisticated service providers in the nation.
15 You represent an entire industry of folks
16 that don't have a day-to-day interaction with us as
17 a contractor.
18 So that's what the customer survey is
19 about. The customer survey is a way to let you know
20 that the vendor relationship that you're
21 administering is providing value not only to
22 yourselves but to the companies that you represent
23 on behalf of the FCC.
24 So as I said earlier, we send that customer
25 survey out to over 3500 respondents. Last year we

1 got I think about 950 of them back, which is a
2 pretty good response rate actually.
3 And across every single measure, customer
4 service, billing, our industry forum participation,
5 new service rollouts, measuring our accessibility,
6 our knowledge, our support for day-to-day
7 operations, we got an overall client focus of 3.9
8 out of 4. That was our highest score ever.
9 And I think it's important to note, this is
10 an average. This isn't people getting in a room and
11 saying, what are we going to give Neustar this year?
12 This is coming from all sides of the
13 industry, fixed line and wireless, large companies,
14 small companies. All of them have a universally
15 positive opinion of the service and support that
16 Neustar is providing.
17 Now, these two things here on the left-hand
18 side, this is how we look back. This is how we
19 evaluate the previous period of performance.
20 But what's even more important than that,
21 at least from our perspective is are we set up to
22 provide positive experiences in the future?
23 And that's what the Article 14 and other
24 audits are about. That's assessing Neustar's
25 current operations to ensure that the piece parts

are there, not only to have great performance in the past but also great performance in the future.

And as you can see -- I don't know if you can see it actually -- I'll read it. Across all of the categories of Article 14, that's our data center, our network operations, our storage, our security, our software release management. And keep in mind what I said, this is all Neustar. The accountability is directly with us.

Not only are we achieving exceptional scores but most of them are going up over time. As a matter of fact, the one that hasn't gone up from 2008 to 2012 is still 4.5 out of 5. That's still best in class.

But we don't tend to be satisfied with these types of things, which is why we have Mr. [redacted] here, our Chief Information Security Officer. And our expectation is that that line's going to start going up as well.

So just a couple of things to round out here. There's other elements that don't necessarily make its way into the audits but that we're very, very proud of.

One of them is the help desk first-call resolution. This is [redacted] team. This is what I

1 meant when I said that the experts are right there
2 on the front lines in Neustar service.
3 Over four out of five calls that come into
4 the NPAC help desk, regardless of what they're
5 related to, are answered with the first individual
6 that picks up the phone.
7 That saves you money. That saves you time
8 when you know that you're dealing with people that
9 have deep-rooted experience in what's going on and
10 can solve those problems right there on the phone.
11 And I'll just kind of go through these.
12 I'm sure it's impossible, at least for you folks in
13 the back to read. Our GEP, bench-marking new-user
14 evaluation, LEAP and WDNC, our neutrality-off audits
15 all have achieved 100 percent compliance for the
16 last five years.
17 So that's the what. These are our
18 commitments to you for the future. But we want to
19 take a little bit of time now and talk about how.
20 For this process we don't want to just make
21 an additional commitment to you. We want to show
22 you how it works. We want you to be confident that
23 our commitments and our investments are going to
24 support not only the operations of today but also
25 for the future.

1 So with that, I want to turn it over to
2 [redacted] knows the software architecture and design
3 principles of the NPAC certainly better than me,
4 better than most. I want to ask him to go through
5 the next couple slides.
6 [redacted] Thank you, Bill. And thanks
7 for giving me the opportunity to come here to talk
8 about our NPAC technology. We're very proud to be
9 part of the LNP environment.
10 What I wanted to talk to you about today
11 over the next ten minutes are a few things. Number
12 one, how complex the NPAC really is; number two,
13 Neustar's security expertise; and number three, how
14 we design this service to let you sleep at night.
15 We've designed the NPAC in a five-layer
16 architecture really based on design principles that
17 come from you.
18 These design principles like security and
19 high availability, they come from a lot of different
20 places. They come from the contract. They come
21 from LNPA meetings. They come from NAPA meetings.
22 They come from one-on-one discussions with all of
23 you. But this is something that we've created
24 together.
25 But don't get me wrong, this is difficult

1 to do. This is interpreting the requirements,
2 deploying this, operating this. It takes very
3 specialized knowledge, not only knowledge of
4 hardware and software but knowledge of what the
5 system is designed to do, to manage telephone
6 numbers in networks.
7 [redacted]
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1 This is designed on your most specific requirements,
2 those defined in the FRS and IIS and through the
3 LNPA with people in this room, people all across the
4 industry. And this really defines the software that
5 you control.
6 And as you can see, it's a highly complex
7 set of software. Bill talked a little bit about
8 this, but it's been custom-built for the NPAC. It
9 [redacted]
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16 software you can't get at Walmart. It's not as
17 simple to use as an iPhone application.
18 There are people that understand number
19 portability. There are people that understand the
20 systems that connect to the NPAC. There are people
21 that understand how number portability works in
22 [redacted]
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1 [redacted]
2
3 This would be nearly impossible for another
4 company to come and take and deploy, modify it for
5 sure, and then maintain it without causing
6 significant disruption in the LNP environment.
7 We know we have to modify this. We have to
8 modify it to meet the new SLR3, the increased SLRs
9 one, three, and five. This is work we're going to
10 have to do. And it's going to be hard enough work
11 with experienced engineers in our existing stable
12 environment.
13 So this would be difficult for someone else
14 to take. And on top of that, what have other
15 bidders potentially told you that they want to do?
16 They told you other things.
17 [redacted]
18
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22 They're not going to be able to use this
23 software to do that. This has been optimized for
24 our network. [redacted]
25 [redacted].

1 While it's nearly impossible for somebody
2 to take this and to modify it, I would say it's
3 absolutely impossible for somebody to build software
4 themselves to run this very complex system.
5 It would be -- certainly 15 months is not
6 enough for a new company to come in, develop this
7 from scratch, even from some existing capabilities
8 they may have without causing disruption in the LNP
9 environment.
10 Now, let me talk a little bit about
11 security. We take security very seriously at
12 Neustar.
13 We, like you, are the target of attacks
14 constantly. You're the target of attacks because
15 you're high-profile communications and Internet
16 service providers.
17 We're the target of attacks because we
18 operate important industry infrastructure like the
19 NPAC, like the UltraViolet digital-rights lockers,
20 which are used to download movies by most of the
21 major Hollywood studios. If you've bought a DVD
22 recently, you've seen the UltraViolet logo on it.
23 So we also operate a significant amount of
24 the Internet's DNS infrastructure. We operate top
25 level domains for the U.S., for the UK, for Japan.

1 We also operate a significant amount of
2 enterprise DNS infrastructure. Large enterprises
3 come to us. If you look at your Yahoo stock ticker
4 or open up The New York Times business section,
5 chances are pretty good that many of those companies
6 in there are customers of ours. And they're
7 customers of our because of our security processes
8 and procedures.
9 It's possible that other bidders don't
10 really have this kind of experience with security.
11 Do you want to let the NPAC be a training ground for
12 some company to learn about how to do security?
13 And our security practices are constantly
14 evolving. They have to. The attackers do, they
15 constantly evolve.
16 Over the past few years we have implemented
17 a [redacted]
18 [redacted]
19 [redacted]. We have hired a chief
20 information security officer. When it comes to
21 security, we're good because we have to be.
22 So along with security, the other thing
23 that we do -- well, in addition to many other things
24 that we do to help you sleep at night is monitoring
25 and maintenance.

1 So we have to monitor our systems, make
2 sure they're healthy really to give you the best
3 service possible.
4 And let me stress that. This is a service.
5 It's not a system. You heard Bill talk about it.
6 It's a theme that we have. You'll hear it today.
7 You've read it in the RFP. We give you all the
8 people, processes, systems, capabilities to provide
9 a full service.
10 In fact, again, it's not unlike you. You
11 don't just provide a phone to customers. You
12 provide a complete communication service.
13 [redacted]
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1 really to bring you the service that you need.
2 So I've really just covered a small portion
3 of our technology here, but I wanted to leave you
4 with something. People don't go backwards. People
5 don't take less mobility. People don't take less
6 bandwidth. People don't take slower service.
7 The NPAC is constantly evolving. The NPAC
8 is constantly improving. You'll see -- there's a
9 great slide that Bill shows later about how this
10 happened over the years, how we, as an industry,
11 have done this.
12 The NPAC really should not go backwards.
13 And you should think about allowing other companies
14 to use the NPAC as a training ground to learn all
15 these things that we've told you about here today.
16 And with that, I'm going to hand it back
17 over to Bill who's going to tell you about the
18 people that bring you this service. Thanks for your
19 time.
20 BILL REIDWAY: May I have a time check,
21 please.
22 STEVE EDWARDS: How long have they been
23 talking?
24 MR. SCIULLO: You've been talking 23
25 minutes.

1 BILL REIDWAY: So hopefully this gives you
2 just a sense, a sliver of the complexity and
3 sophistication of the NPAC software itself.
4 For more, I refer you here. And there's a
5 readers guide that we were going to sort of put
6 together. But as [redacted] was saying, this technology,
7 never mind the degree of custom engineering and
8 specifically-tailored solutions from a technology
9 point of view, the technology is actually not
10 Neustar's most valuable asset.
11 The NPAC isn't just code and databases and
12 servers and circuits and so on. Those are the
13 things that the NPAC needs.
14 What the NPAC is, as we mentioned, is a
15 service. And the service relies upon individuals.
16 I'm privileged to work with these people who have
17 really spent the majority of their careers dedicated
18 to learning how to do one thing really, really well
19 and that is deliver a world-class LNPA service to
20 the U.S. communications industry.
21 And behind each one of these people there's
22 an army of individuals that answer the phones, that
23 simulates the failovers, that develops the releases.
24 I don't need to put the org chart up here
25 because you know a lot of these people. You know

1 that they've been there for you when you've needed
2 them. And that's something once again that Neustar
3 continues its commitment to you for the next term.
4 Now, in addition to the people that we've
5 got in place, and by the way, each of these
6 individuals has responsibility not only for direct
7 accountability to their constituents, but also
8 building a team that has redundancy and resiliency
9 to absorb personnel changes over the long term.
10 And in addition to that what we've done is
11 develop what we call a proactive and predictive
12 approach to managing the LNPA service, which is
13 another way of saying we're focused constantly on
14 looking two, five, ten steps ahead.
15 What's the transaction forecast going to
16 be? What's the pace of release schedules? What do
17 we need to do to ensure that issues down the road
18 are either avoided before they happen or mitigated
19 in terms of impact to the industry. That's the
20 focus. That's the service.
21 On top of the people, the connective tissue
22 that ties them all together, we've also created a
23 rigorous internal and external monitoring program
24 around every aspect of what we do.
25 Everything that these people do is measured

1 internally. And most of the time it's available to
2 you externally as well.
3 And that together, excellence and
4 transparency is what creates the level of service.
5 And it's institutional knowledge and memory that we
6 have built up over a long time and we're constantly
7 improving.
8 What does this mean to you? What it means
9 is that your data is protected. What it means is
10 that your network projects happen on time. It means
11 that your consumers have the best number portability
12 experience in the entire world.
13 So that's a little bit about, in terms of
14 under the hood, our technology, our processes, our
15 people.
16 The final thing I want to talk about for a
17 little bit in terms of Neustar's resume is
18 neutrality. And I know that you all know about
19 neutrality.
20 I will offer that neutrality is one of the
21 easiest things in the world to say or to put on your
22 marketing literature. It's one of the most
23 difficult things in the world to actually do because
24 the reality of it means it is exactly as important
25 as the perception.

1 I want to give a couple of examples. Mr.
2 [redacted] right there, back of the room, challenges
3 the industry, change management administrator for
4 the LNPA.
5 He brokers the discussions amongst a
6 diverse, competitive group of constituents that
7 really only come together for this. And it's his
8 responsibility to ensure that as the NPAC and the
9 LNPA service evolves, it evolves for the benefit of
10 everybody.
11 Now [redacted] worked for a company that got its
12 primary revenue from one service provider or from a
13 particular segment of the industry.
14 Imagine how things would be different when
15 we were talking about things like the one-day
16 porting change, for example, or how are we going to
17 evolve the NPAC to support IP migrations or
18 emergency preparedness, all of these arenas where
19 there has to be a level playing field, large versus
20 small, wireless versus fixed line versus Voice over
21 IP.
22 So we have a comprehensive approach to
23 this. We don't seek to shield elements of our
24 business, any elements of our business, from the
25 requirements of neutrality.

1 From our board of directors composition,
2 our investor composition through our universal code
3 of conduct which has created our success since its
4 inception, every single one of our employees,
5 regardless of how close they are to the NPAC itself,
6 goes through annual neutrality training and
7 quarterly certification.
8 And finally our neutrality officer, whom
9 you know, who has absolute independence from
10 management in order to report on and ensure our
11 compliance with neutrality.
12 [redacted] on my team. I can't tell him what
13 to do. Steve can't tell him what to do. [redacted]
14 reports directly to the board with regard to
15 Neustar's neutrality.
16 And again, what does this mean to you? It
17 means confidence. It means comfort. It means the
18 knowledge that in every single aspect of our
19 operations from transaction processes and to release
20 management and to change management that the
21 industry is being supported in a neutral fashion.
22 And that's what creates fluidity in the
23 market. That's what creates competition. We've
24 achieved this in partnership with long history and
25 it's something that we can commit to you down the

1 road.
2 And by the way, this is another reason why
3 we don't outsource. If you are providing any
4 element of the LNPA service, whether you're
5 operating a data center or a help desk or if you're
6 developing code, if you have any opportunity to
7 treat one service provider differently from another
8 service provider, neutrality has to apply.
9 And that's our commitment to you. All
10 right. That concludes Neustar's resume. Now, I
11 want to shift gears a little bit and talk about the
12 proposal itself.
13 The first thing that we did when we set out
14 to respond to the RFP, section one, was an inventory
15 of everything that we delivered today.
16 And this is kind of what it looks like.
17 This is about 200 pages thrown up onto a single
18 slide. We offer to you everything that we could
19 with regard to the functionality that is supported,
20 the architecture behind it, how it works, the myriad
21 services that we apply around the technology itself
22 in order to deliver the value, and finally the
23 volumes that the architecture and the service
24 supports.
25 Now, hopefully you got what you needed out

1 of this document. One of the things that I want to
2 point out is that a lot of these things in the top
3 right-hand corner here are not codified in the FRS
4 and the IIS.
5 These are, as I said, these are services
6 with methods and procedures that we have developed
7 in partnership over time, a created institutional
8 knowledge in the way that we monitor the LSMS
9 ecosystem.
10 All those little charts that [redacted] had up on
11 the board here with little green dots and red dots
12 and things like that, those are your circuits and
13 systems that we're watching and managing.
14 The mass update and mass change process, we
15 process over 55,000 mass update requests through our
16 help desk every single year.
17 Now, we have a 99.9 percent accuracy on
18 those projects, and over 60 percent of them come to
19 us not fully formed.
20 Remember, you all are among the largest and
21 most sophisticated carriers in the country. Most
22 people out there don't necessarily know top of mind
23 what the difference between a modify and an
24 intraport is.
25 They rely on experts in order to help them

1 through that. And that's how we ensure continued
2 customer confidence by applying that level of rigor
3 to every single interaction.
4 Now, this is who we are and what we do.
5 The second thing that we did is we wanted to look
6 externally.
7 We wanted to gauge the U.S. system, what
8 we've built collectively over the last 15 years, and
9 compare it to what goes on around the world. Over
10 70 countries around the world are offering some
11 version of local mobile number portability.
12 And the requirements, there's enormous
13 variation in terms of what that actually means. So
14 we actually published a couple of white papers doing
15 some comparisons between the U.S. and systems around
16 the world.
17 We found that the second largest, the
18 second largest LNPA platform in the world belongs to
19 the nation of India.
20 So just for comparison's sake to show what
21 have we done versus the next largest and most
22 sophisticated in the world, and that's what it looks
23 like. I was wondering how that graphic was going to
24 play.
25 But you can see a fraction of the

1 functionality, right, a fraction of the
2 architecture, a fraction of the actual services that
3 are offered, and their volumes are smaller by a
4 factor of ten, including the number of service
5 providers that are connected, the number of
6 transactions that flow through the system. And of
7 course, the porting times are seven days in the
8 wireless industry in India.
9 I ported my number a couple months ago. I
10 do it from time to time as my own personal
11 contribution to NPAC volumes.
12 I went to the counter and I said to the --
13 you know, we were in the midst of this process,
14 obviously. I said to the gentleman, okay, I got my
15 pen in my hand. I'm going to sign this contract and
16 I'm going to time you. How quickly can I get calls
17 associated to this phone?
18 He said, why are you going to do that? And
19 I said, well, I work for Neustar. My friends and I,
20 we operate the number portability platform in the
21 U.S.
22 Hey, that's fascinating, and we talked
23 about it for a little while. And six minutes later
24 I could receive calls from any other network in the
25 country.

1 He may have had a Port PS behind him,
2 because that was how he was able to go and say, oh,
3 you're done. You're good. Try it now.
4 So this is the experience that we've
5 created here. And by the way, this is not to
6 bad-mouth India either as a country or the
7 technology that's supported here. RPU in India is
8 $3. In the U.S. it's close to $50.
9 The requirements are different. The
10 requirements are different from one market to
11 another. And what we've built is reflective of the
12 sophistication and complexity of the U.S. market.
13 And as Steve said at the beginning, this is not just
14 best in class. This is a class of its own.
15 So I talked about what we do. We talked
16 about how we compare. Now I want to talk about
17 investment and innovation.
18 I was reading an article in the trade
19 press. This goes back about 18 months. And there
20 was a gentleman that was quoted, who, at first
21 glance I would imagine would have a decent finger on
22 the pulse of what goes on in this industry.
23 And what this gentleman said was that
24 Neustar and the industry have created great service,
25 but their level of innovation has been somewhat

1 lacking.
2 And the first thing I thought was, what a
3 nice compliment about the service. The second thing
4 that I thought is here is somebody that really
5 hasn't necessarily been paying attention.
6 We started 16 years ago, fixed-line porting
7 only. Over the last 16 years, every single year has
8 had shown some level of transformation in what we
9 do.
10 The pace of change has actually been
11 enormous. We have adopted whole new communities in
12 wireless and Voice over IP. We have doubled the
13 transaction throughput in a single release.
14 We've added the concept of resellers and
15 over-the-top in wholesale players. We've supported
16 law enforcement. We've laid the foundation for
17 IP-to-IP interconnection.
18 And right now, as we speak, developers and
19 testers at Neustar and around the industry are
20 planning to overhaul the very methods by which we
21 all connect to the NPAC to establish new use cases
22 and new value with the [redacted].
23 So we've had an enormous pace of change.
24 And we haven't waited. And when I say "we", I mean
25 we haven't waited either for an RFP process or

1 anything else to continue this pace. When we have
2 an idea, we bring it to you.
3 Now, we took or opportunity in the RFP to
4 document where we think things stand now in terms of
5 what does the next several periods look like in
6 terms of innovation.
7 And what we wanted to do was to provide you
8 maximum predictability in that environment of
9 enormous change. So let's talk a little bit about
10 that.
11 So, first of all, there are a bunch of
12 named RFP requirements in the RFP. All of these are
13 covered.
14 Now, some of these are actually already
15 done, as you know. Some of them are in progress and
16 the requirements have been fully defined. Some of
17 them like ICP and the NPAC, for example, are going
18 to require a lot more work.
19 Because when there's impact to service
20 providers, our principles have always been backward
21 compatibility and cost avoidance.
22 So there's a lot of work to do here. But
23 what we've committed to you in the RFP is that
24 regardless of how all that turns out, things are
25 covered. But we didn't want to stop there.

1 We engage with the industry on multiple
2 levels. We talk with you all constantly. We have a
3 customer advisory council on which most of your
4 companies are represented.
5 And of course we have several close
6 one-on-one relationships with the business owners
7 within the industry that are evolving networks and
8 supporting new consumer requirements.
9 We took all of that information and put it
10 into an investment and innovation plan that we've
11 committed to you for the next decade.
12 So a couple of things to start out with.
13 And as I say again, all of this comes from our
14 interactions with you. This isn't Neustar saying,
15 hey, this is some cool stuff we want to go ahead and
16 throw on the NPAC. This is what we have heard from
17 our customers.
18 So first and foremost from a performance
19 point of view, [redacted] mentioned this. What you have
20 done in the RFP is taken us from an environment
21 where we have 40 allocable minutes of downtime down
22 to four.
23 And as [redacted] said, even though we've been
24 operating at five nines or even better than that for
25 the last several periods, the software isn't built

1 to do that. That's a combination of the technology,
2 the people, and the processes that have gotten us
3 there.
4 So what we know is that our code, in order
5 to meet the requirements that start on July 1st of
6 2015, is we know that we have to make changes. We
7 have to improve the automation in the local and site
8 failover systems.
9 In order to meet the after-hours help desk
10 requirements, you know, we're committed to move to a
11 24-by-7 help desk sometime before the beginning of
12 the next contract.
13 We've heard from your businesses that among
14 the top priorities are information security and
15 business continuity across all aspects. So what
16 we're proposing is two additional audits
17 specifically to gauge, specifically to give you the
18 transparency into those aspects of our business
19 which mean the most to you.
20 We've heard from your businesses that one
21 of the top priorities over the next few years is
22 going to be the value of information, taking complex
23 databases and being able to derive insight to make
24 business decisions based on that.
25 Our acquisition of TARGUSinfo two years ago

1 has given us access to market-leading information
2 and analytics tools which we propose to make
3 available to all NPAC users to slice and dice and
4 analyze their NPAC data at no cost.
5 And then finally there's this notion of
6 industry-wide innovation. In the RFP, you refer to
7 it as PSTN-to-IP migration.
8 Now, as many of you know, this train has
9 already started. Most of your companies are
10 participating in our IP interconnection forum. It's
11 all over the FCC's Notice of Inquiry and the
12 responses to it.
13 And if I might say, after speaking to you
14 guys and to your companies, we believe that we are
15 own verge of something big.
16 We're on the verge of something
17 transformative. We call it TN3.0. And I give
18 credit to [redacted] again for that formulation.
19 TN2.0, that was the introduction of local number
20 portability in 1996.
21 TN3.0 is the migration of communications
22 technology to the Internet. Interconnection is one
23 aspect of it. Machine-to-machine is another aspect
24 of it. Reports are that an additional 500 million
25 devices are set to be added to the network in the

1 next five years. Many of them will require
2 telephone numbers.
3 Going back to the FCC's Notice of Inquiry,
4 we're talking now about things like individual
5 telephone number pooling, about separating the
6 relationship from the telephone number to a fixed
7 geography. All of these things are happening now.
8 And what we did in the RFP is we included a
9 single section that was dedicated to these things,
10 and we commissioned ten white papers to describe how
11 these things can be met through an evolution of the
12 NPAC software and the Local Number Portability and
13 Administration Service.
14 Now, once again, I want to reiterate. This
15 is not Neustar dictating an innovation plan. This
16 is us learning from you in terms of what your
17 priorities are and committing to you over the next
18 term, no matter what it is that you believe you're
19 going to need, no matter how all this evolves, that
20 we're prepared to support you, not just through
21 investments in our technology but through
22 investments in our service.
23 As I said, this is an exciting time to be
24 in numbering, which is a really weird thing to say,
25 but it's true. I've been doing this for five years.

And the number of things that are going on now -- you know, this is unprecedented from our point of view. And it's something that creates a lot of energy inside Neustar and hopefully with you all too.

Now, one measure of how all this impacts us is transactions. So I want to talk through a little bit about how we see that evolving in the future.

So I reported to you, I guess it was two weeks ago when we met, that the transaction growth between the first half of 2012 and the first half of 2013 was just over 14 percent.

And this is before -- as I mentioned, this is before things like IP interconnection and machine-to-machine, all those things sort of start going.

But we assumed that part of that was going to continue. We put together a realistic forecast that shows a [redacted] increase in transactions for the remainder of the contract.

And what that creates is this, assume that your exit rate in 2015 is [redacted] cents a transaction. Now, I want to make something else clear. We put this proposal together a few months ago and this was the forecast.

1 The forecast has changed a little bit since
2 then. As I mentioned, we're ahead of where we
3 thought that we would be. So these numbers could be
4 somewhat different.
5 But regardless, in our proposal for the
6 next term, the percentage difference between your
7 exit rate at the end of this contract and the rate
8 that begins at the start of the new is [redacted]
[redacted]
10 And over the course -- over the duration of
11 the contract you get a per unit cost reduction in
12 the NPAC of [redacted]
13 As I said, this is one way of looking at
14 value. We think that there are a lot of ways to do
15 it. But this is one way to do it.
16 So let me zoom out a little bit and talk
17 about what our holistic pricing solution is. What
18 we wanted to do in our proposal is first of all
19 comply with the requests of the RFP.
20 The second is we wanted to include some
21 items that have provided mutual benefit in the past.
22 And the third thing most important was to
23 create a level of predictability and commitment so
24 that Neustar is absorbing the majority of all manner
25 of risk between now and the end of the next

1 contract.

2 [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

1 [redacted]

3 The other thing that we did to round out
4 our proposal is we've increased our commitments to
5 deliver you high performance, okay, [redacted]

9 Once again, this is about absorbing more
10 risk on to Neustar and committing to you, putting
11 our money where our mouth is, that you're going to
12 get, not only the same performance that you're
13 getting now, but enough to absorb the incredible
14 pace of change that we expect is coming.
15 How much time have I got?
16 MR. SCIULLO: Fifteen minutes.
17 BILL REIDWAY: Fifteen minutes. That's
18 just enough time. I want to shift gears here. I
19 want to talk about transition.
20 And I'm going to ask your forgiveness in
21 advance because this is a highly-charged topic. I
22 know I feel passionately about it myself. I'm sure
23 you do as well.
24 Neustar doesn't have a transition plan to
25 offer the industry. We don't know how transition is

1 going to go. I would submit that nobody does at
2 this point. There's still a lot more questions than
3 there are answers.
4 But what Neustar can do is provide
5 perspective given our experience as the only company
6 in the country that has built, deployed, and
7 operated an LNPA, ever.
8 So what we wanted to do is give you a
9 little bit of our perspective, as I said, to give
10 you as much information as we could in terms of
11 helping you to make this decision. So let's zoom
12 out a little bit.
13 Now, any prospective LNPA provider, the
14 very first thing they're going to have to do is
15 they're going to have to build a stack that looks
16 something like this.
17 And I know there are five things here, but
18 I only really want to talk about two of them. I
19 want to break this into two parts. There's the
20 technology and the service.
21 And my guess is that where most people's
22 minds go immediately is to the technology. How am I
23 going to roll out a data center? How am I going to
24 develop the code? How am I going to convert the
25 data from one system to another.

1 Now, [redacted] mentioned all the relevant
2 complexity in just pulling off that piece of it,
3 [redacted], 635 million telephone numbers
4 where there's over 1.4 million changes a day.
5 That's 12 billion data fields populated and
6 unpopulated in the NPAC. All of that we'd have to
7 transition.
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted].
12 And then once that was completed, there's a
13 whole litany of administrative services, the top
14 right-hand side of that chart that I put up before,
15 that would have to be stood up. And of course,
16 those would have to be staffed. And all of it would
17 have to be done in an environment of absolute
18 neutrality. [redacted]
19 [redacted] Yes.
20 BILL REIDWAY: The one-day porting project
21 from 2010, how long did that take?
22 [redacted]: Eighteen months or so.
23 BILL REIDWAY: That took 18 months.
24 [redacted] Yeah.
25 BILL REIDWAY: The Wickest (phonetic) 4.0

1 upgrade?
2 [redacted] Three years -- a little
3 over three years.
4 BILL REIDWAY: A little over three years.
5 [redacted] They impacted the entire
6 wireless industry. And it was just, you know,
7 building on top of something we already had. It was
8 not --
9 BILL REIDWAY: Right. That wasn't a
10 transition. That was requirements to delivery on
11 effectively a software upgrade.
12 So that's the sort of complexity and
13 sophistication that we're talking about. But even
14 then, even after this is done, which once again, I
15 would submit that there's more questions than
16 answers in terms of how that's going to be done.
17 Even then it's not completed because your
18 responsibility isn't to make sure that the vendor
19 builds all of these things, it's to make sure that
20 the industry, that's 243 LSMSs and 604 SOAs,
21 convert.
22 And then there are things in this process
23 that haven't been done before. There's an
24 acceptance testing period. Remember, the industry
25 testing that we have right now is to ensure that

1 these things work, right?
2 It assumes that there's a fully-functioning
3 NPAC there in place. And the transition isn't done
4 until every single service provider has moved.
5 So as I said, there's more questions than
6 there are answers in terms of how is this going to
7 be done? What's the governance going to be?
8 Do we have the time? Does a new vendor
9 have the time to establish that entire stack in such
10 a way that it can deliver you the same level of
11 confidence?
12 Now, one school of thought is that the best
13 way to mitigate that risk would be to move to a
14 regional model, to separate the country into two
15 different halves.
16 Now in the RFP, what you all indicated is
17 that if a vendor wants to deliver a regional price,
18 there was a set of questions that they had to
19 answer, a proposal in terms of how additional costs
20 were going to be identified, evaluated, mitigated.
21 We didn't answer those questions. I would
22 submit that a lot of those answers would ultimately,
23 because they would impose some burden upon the
24 industry as a whole, they would have to be evaluated
25 by the industry as a whole to see if they were

1 reasonable because everybody's affected.

2 And just in terms of whether or not this is

3 the kind of thing that can work, the analogy that I

4 like to use is an airplane.

5 Imagine the industry as a fuselage of an

6 airplane and your consumers are passengers. If you

7 have one vendor building the right wing, another

8 vendor building the left wing, even though those two

9 wings don't necessarily need to talk to each other,

10 that plane might not fly straight.

11 So if a regional model came in, we would

12 have changes to make. We would have to look at our

13 services and evaluate how we would have to change in

14 order to accommodate communicating with the other

15 wing.

16 And one more thing. We just got through

17 this notion with the FCC's Notice of Inquiry about

18 separating geography from individual telephone

19 numbers so that LATA boundaries and rate center

20 boundaries would cease to exist.

21 If the proposal from a second LNPA is to

22 replace all those things with a regional boundary, I

23 would submit that you're not really getting the

24 value of those innovations.

25 You're not getting full mobility. You're

1 not getting full personalization. You're not taking
2 advantage of this conversion of communications onto
3 the Internet.
4 So this is all in the clouds, to continue
5 with my plane analogy. Neustar wanted to take this
6 one step further and look at it from a financial
7 point of view.
8 We commissioned -- we worked with an
9 independent economist who looked at the
10 sophistication of the NPAC and did a study -- oh, by
11 the way, this economist has a specialty in
12 telecommunications cost assessment and works with
13 your companies on a regular basis, and often
14 testifies before Congress with regard to his
15 results.
16 What he identified is that the very first
17 phase of transition would cost the industry $71
18 million. That's just the stand up, a new provider.
19 That includes, once again, all the acceptance
20 testing, all the industry testing.
21 It's not the cost incurred by the new
22 vendor. It's the cost incurred by industry.
23 That's not where the real trick is though.
24 The trick is when lack of experience and lack of
25 understanding about how this platform and service

1 works allows errors to creep into the database.
2 Two years ago United Airlines converted its
3 reservation system from its Legacy platform over to
4 Continental. They had four dress rehearsals. They
5 had risk mitigators. They had redundancy. They had
6 back-out plan. They had everything that you would
7 need in order to make this successful.
8 On the first day of that transition, only
9 26 percent of United Airline flights took off from
10 their hubs. And when it was over, it wasn't really
11 over, because the system crashed seven months later
12 and stranded another thousand or so people.
13 That's airplanes taking off. For you guys
14 it's not reservations, it's connecting calls. It's
15 customer's ability to be acquired, right? It's
16 network migrations. It's emergency preparedness.
17 It's customer upgrades.
18 And what that means, as errors potentially
19 creep into that, remember, 12 billion data elements
20 to be converted.
21 The calculation that our economist arrived
22 at was $648 million for a total year-one cost of
23 $719 million in industry transition costs.
24 That's if everything gets done inside of a
25 year. If it takes longer than a year, you're up

1 over a billion dollars of transition costs.
2 And there's a lot of things that this
3 doesn't include. There's a lot of things that this
4 estimate leaves aside. It leaves aside the
5 opportunity cost -- all of you in this room and a
6 number of your best people working on this as
7 opposed to what your businesses should be focused
8 on, which is strategy and customers.
9 It doesn't include a loss of subscriber
10 confidence. Not to put too fine a point on it, it
11 doesn't include the costs from Neustar to support
12 transition or potentially an extension of the
13 contract if there are delays.
14 So, as I said, there's a lot of open
15 questions about how this could be done. There's a
16 lot of uncertainty.
17 But if I might leave you with some good
18 news is that there's one thing that you can be
19 certain of and that is Neustar's continued
20 commitment to you.
21 As I mentioned on the first day of the new
22 contract, the industry can bank nearly [redacted]
23 in savings. These people here in the room,
24 Neustar's executive management team, are 100 percent
25 committed to this service. It remains the largest

1 contract that Neustar has.
2 We offer you certainty of continued
3 performance, certainty of continued customer
4 support, certainty of commitment to the values and
5 principles that have caused success up until this
6 point.
7 We believe this will offer you peace of
8 mind. We're very, very much looking forward to any
9 questions that you might have, and thus ends
10 Neustar's presentation. Thank you.
11 RON STEEN: Thank you, Bill. We'll take
12 about a 15-minute break until about five till the
13 hour, and then we'll let Todd begin with the
14 questions.
15 (A break was taken at 10:35 a.m.)
16 (Back on the record at 10:52 a.m.)
17 TODD DAUBERT: We want to facilitate a good
18 and thorough conversation, and I want to make sure
19 that the process is open, facilitates the greatest
20 exchange of information possible and is neutral with
21 respect to all bidders. That that's my role here.
22 So what we've done is we've created a set
23 of slides to essentially guide the conversation.
24 We're not bound by following exactly every question
25 here. That's not the intent, but rather it's to

1 keep us on track and keep us organized in terms of
2 topics, at least to make sure that we get all of the
3 questions that the various different members have
4 asked me to raise with you on their behalf.
5 And you had asked that we tell you when we
6 wanted to talk about cost and pricing. And we have
7 that set up at the very beginning of the
8 presentation.
9 So if you have people that you would like
10 to ask to go now, that might be good, and then you
11 can call them back in after we finish this.
12 BILL REIDWAY: And Todd, just to repeat
13 what you said, the cost category is cost and
14 pricing?
15 TODD DAUBERT: Yes.
16 BILL REIDWAY: Is that right?
17 TODD DAUBERT: Absolutely.
18 BILL REIDWAY: Okay. So in that case why
19 don't we ask everyone other than myself, Steve,
20 Sean, and Paul to step out for the first part, and
21 then we'll invite everybody back in to talk through
22 the technical.
23 (The Neustar people exited the room except
24 for Steve Edwards, [redacted] Paul Lalijie and
25 Bill Reidway.)

1 BILL REIDWAY: And Todd, if I may, one
2 thing I might suggest is that we do categories one
3 and six.
4 TODD DAUBERT: Oh, while people are out?
5 BILL REIDWAY: Well, and once again, not
6 knowing what the actual questions are, my
7 expectation is that those things might be related in
8 some way.
9 TODD DAUBERT: Makes perfect sense. And
10 again, the goal here is to get as much information
11 exchanged as possible. So we're very flexible on
12 all of this.
13 We'll go through one and then we'll hit six
14 and see where it goes. We're flexible with all of
15 this. I do want to make sure that we get through
16 everything today so that you guys don't miss an
17 opportunity to address any of the questions that the
18 members have provided me.
19 But apart from that, we're open. And
20 again, the dialogue is the most important part.
21 BILL REIDWAY: So can we expect after the
22 initial question that there will be follow-ups and
23 discussion, or is this a question and answer period?
24 TODD DAUBERT: So the way this will work is
25 again, I'll be facilitating the questions here.

1 There will be follow-up. I'll be following up based
2 on your responses because again, I've spent a lot of
3 time talking with them and they know exactly what
4 they want me to make sure that you've addressed.
5 BILL REIDWAY: Understood.
6 TODD DAUBERT: And then at the end of all
7 the topics what we'll do is, you guys will go out.
8 They'll tell me whether there's anything that we
9 missed, meaning other questions that came up.
10 And then we'll bring everybody back in as
11 necessary and have another follow-up question and
12 answer session.
13 So that's how we plan on working it. And
14 again, if you do need to get follow-up on something,
15 we have these breaks throughout the day. You can go
16 get your information that you need. And then in the
17 next session, just let me know that you want to go
18 back to a certain topic and we can address it.
19 BILL REIDWAY: So the way that we'll do
20 this is, just to kind of set the expectations, is as
21 each individual question is answered, I'll tee up
22 our response and defer to Sean, Steve, or Paul, as
23 necessary. We'll be tag teaming this throughout the
24 day.
25 TODD DAUBERT: Perfect. Great. So the

1 first topic for discussion is we wanted to get you
2 to explain your pricing proposal. And give us some
3 details regarding how did you arrived at this
4 proposed pricing, both the structure and the level,
5 and sort of your theories and thoughts around that?
6 BILL REIDWAY: Bill Reidway speaking,
7 Neustar. So I'm going to turn this over to
8 Steve Edwards, but I'll reiterate what I said in the
9 presentation to start out, which is that our
10 approach towards developing the pricing proposal was
11 to comply with the requirements of the RFP, to
12 introduce immediate savings and additional elements
13 that have worked well in the past with regard to
14 mutual benefits, and to set a foundation to create
15 and ensure long-term value and predictability in the
16 proposal.
17 So with that, Steve, any additional details
18 you'd like to add?
19 STEVE EDWARDS: No. I think at the end of
20 the day, the basis of our proposal was based on a
21 fixed-price contract but with fixed price and
22 incentive credits you have through the term.
23 And as Bill said, this is a structure
24 that's worked well for both of us in the past and we
25 applied that now. And in some ways that also

1 overlays some of the business drivers. So maybe if
2 I could just give you an example.
3 As Bill talked about, through the PSTN
4 migration to IP, we're proceeding extremely well
5 with the pilots and the technology aspects.
6 But when we meet with the business folks,
7 they say, what can Neustar do to drive broader
8 adoption across the industry?
9 So once again, we've used the benefit of
10 using incentive credits to get the industry behind
11 this so it becomes an application that everybody can
12 deploy.
13 So as I said, these approaches that we've
14 used in the past, they work well for both of us,
15 covering short-term benefits as well as planning
16 long-term enhancements and how we materialized the
17 value of the service.
18 TODD DAUBERT: So I think that where the
19 members were trying to go with this question was
20 taking a look at your assumptions about sort of the
21 actual cost that you incurred to provide the
22 services, sort of the profit margin, the management
23 risk margin worked in, your assumptions about volume
24 over time, you know, whether your costs are
25 decreasing because again, the cost of storage, the

1 cost of equipment seems to be decreasing, and sort
2 of your assumptions that went into this, how you've
3 worked this into coming up with the particular
4 proposal that you have?
5 STEVE EDWARDS: Well, I think there are a
6 couple of elements, and Paul, then maybe I'll hand
7 it back to you because I think there's a couple of
8 questions here. One is kind of a structural cost
9 question and the other one is some of the
10 assumptions that we built in our model.
11 TODD DAUBERT: That's right.
12 STEVE EDWARDS: And many of those kind of
13 came out in the presentation. We do have a good
14 kind of inventory of new features and capabilities
15 that we envisage, you know, talking to you or your
16 business people that are likely to materialize over
17 the next seven years or so.
18 So based on that we have factored to show
19 that transaction growth growing at [redacted]
[redacted] And once again that doesn't mean --
21 TODD DAUBERT: Is that [redacted] per annum
22 or is that for the total life of the contract?
23 BILL REIDWAY: That's [redacted] annual
24 growth between now and the end of the contract.
25 TODD DAUBERT: Okay.

1 PAUL LALIJIE: So it's a compounded annual
2 growth rate.
3 TODD DAUBERT: Okay.
4 STEVE EDWARDS: And once again, that
5 compares to what we've seen in the first half of '12
6 versus '13, up 14 percent.
7 So that was one of the baseline elements.
8 The other are really the chart where Bill showed the
9 commitments that we've got already in flight.
10 Those other ones are performance or
11 function kind of related, including performance and
12 the step up for the SLRs, the GEPs, and the other
13 attributes.
14 We're taking the business risk on as we
15 kind of execute the requirements in the proposal.
16 TODD DAUBERT: So when you talk about those
17 functions and features that you anticipate to come
18 into play, what I think I hear you saying is that
19 your price is set at a level that includes the
20 creation and implementation and deployment of those
21 various different features.
22 Is that set out so concretely -- did you
23 base your pricing so concretely on those that
24 they're established and set out actually in your
25 offer, or how do we, as members, factor that into

1 our consideration of your pricing if it's not
2 something that's explicitly set out and guaranteed?
3 What's your thoughts on that?
4 STEVE EDWARDS: I think there are three key
5 things in answer to that question.
6 The first is what we outlined were, if you
7 like, our best view of today of new features, new
8 capabilities that are going to be required, either
9 as defined in the RFP or talking to your business
10 people. We didn't make an assumption that any one
11 of those in the list is specifically going to
12 happen.
13 Probably the ones -- and this kind of goes
14 back to you in terms of looking at, out of that list
15 which ones do you believe are going happen, and
16 what's the growth rate that's going to support it?
17 Once again, going back to PSTN to IP
18 migration, I think that's a good example, which is
19 going to drive substantial increase in transactions
20 over that period, and probably exceed the assumption
21 that we made that's conservative of [redacted]
22 BILL REIDWAY: I'll add a little bit to
23 that. And as I said, I'll reiterate what Steve said
24 is that the proposal does not codify and
25 compartmentalize each additional bit of increased

1 value to industry and put a price on it. That's not
2 how we did it.
3 The contract is a five-year proposal with
4 two years on at the end. We wouldn't necessarily
5 presume to say this is exactly what the NPAC is
6 going to look like between now and the end of the
7 year.
8 What we did is provide a proposal that
9 assumes that a certain subset of the kinds of things
10 that we're working on right now are going to
11 continue.
12 But we also put in the added predictability
13 that no matter what happens, no matter how telephone
14 numbers and communications and networks and IP
15 transitions evolve, whatever is required from the
16 NPAC is going to be available to industry.
17 And just to comment back on something else
18 you had said, Todd, you know one element of this is
19 the hardware/software storage, et cetera, right?
20 But one of the things I want to make sure
21 that I bring home is that Neustar's continued
22 investment into the service, the technology is a
23 fraction of what's there. The level of commitment
24 and expertise and knowledge is a service element
25 that requires constant refresh.

1 So the volumes obviously will go up.
2 They've gone up in the past. We expect that they're
3 going to go up. But that's not the only driver of
4 increased cost.
5 TODD DAUBERT: So let me ask you, what's
6 the relationship between the increase in volume and
7 the increase in cost that you incur? Because you
8 said that the hardware is just part of it and it's
9 just a fraction of it.
10 So help us get an understanding because the
11 reason -- where I'm going with all of this is as we
12 evaluate the various different proposals, we need to
13 have a real understanding of what cost basis is
14 included in that, how the pricing relates to the
15 cost that you incur, and what kinds of margins
16 you're talking about, you know, what happens when
17 these things -- you know, do we say that if all five
18 things happen and we come to you then there's
19 guarantee that there's no cost impact to us? This
20 is where I'm going.
21 BILL REIDWAY: Yes. Let me answer a little
22 bit, and then I want to turn it over to Paul.
23 The way to think about it is that no matter
24 what happens in the future, no matter what increased
25 capacity or throughput or personnel support are

1 required between now and seven years, you're going
2 to get the same level of commitment and expertise
3 that you're getting today, accommodating that new
4 growth. That's open-ended.
5 With regard to how it's costed, I want to
6 ask Paul to speak about it, because that's not
7 precisely how we operate the business.
8 STEVE EDWARDS: Actually, Bill, before we
9 do that, I'm just digesting your comment and maybe
10 we didn't make it clear that our proposal is based
11 on a fixed-price, all-you-can-eat contract.
12 So if that growth projection of an average
13 of [redacted] transaction growth, if that happened
14 to be [redacted] the risk is all on Neustar. It's
15 not with you.
16 And that was our goal. Our goal was to
17 give you confidence that you had predictability of a
18 cost model at a time where there's going to be
19 significant changes in the industry.
20 We want to let you know that we're going to
21 take the risk, our systems, whether it's hardware,
22 software, people, process, performance, we're going
23 to exceed the targets that we are contracted to do
24 today against all of that. The risk is with us, not
25 with you.

1 TODD DAUBERT: Understood. And on the flip
2 side, if the pricing assumption is based on this [redacted]
[redacted] growth, if these things don't come to
4 fruition or they take longer than five years and it
5 goes to a lesser growth, that is on us because it
6 means that we've essentially paid for an
7 all-you-can-eat pricing based on a [redacted]
8 assumption when it grew at -- I don't know, just so
9 that we understand.
10 BILL REIDWAY: Sure.
11 TODD DAUBERT: If it goes above it, it's on
12 you. If it goes above us, we overpaid.
13 BILL REIDWAY: No -- well, and I think
14 that's the nature of a fixed-price agreement. We're
15 in an environment where it's complex territory. It
16 is difficult to predict.
17 But as I said, from Neustar's point of
18 view, not an independent assessment but an
19 assessment in partnership with the industry and in
20 looking at where we've been in the past, seven years
21 ago, we believe that this is reasonable.
22 And again, I don't want to focus on this is
23 the impact on server capacity or network capacity.
24 This is about service capacity. It's about having
25 people there to provide knowledge and expertise to

1 ensure the continued value.

2 And so as I said, we believe that this is a

3 reasonable place to forecast.

4 But once again, with regard to how costs

5 are allocated and reported, I want to ask Paul just

6 to talk for a few minutes about that.

7 PAUL LALIJIE: I was hoping to dodge the

8 cost question. In 2006, (inaudible) from Frontier

9 asked me the same question. In 2009, I think Tim

10 Kagele asked the same question.

11 But at the end of the day, Neustar started

12 out from inception as a functional organization.

13 For those of you who remember us then, it was

14 addressing interoperability infrastructure.

15 Companies basically have choices. You can

16 arrange your business based on geographies, you can

17 arrange your business based on products, or you can

18 arrange your businesses based on the customers that

19 you serve.

20 Today we've chosen to do carriers,

21 enterprise, and information services. We report

22 profitability, revenue, and cost by carriers, by

23 enterprises, by information services.

24 TODD DAUBERT: All separately as a function

25 of your business.

1 PAUL LALIJIE: All separate, yes. Those
2 are the three segments of our business. As you can
3 imagine, this contract falls within the carrier
4 services business.
5 How do we do this and why did we decide to
6 do this? We did this simply because in the '80s the
7 concept of centralization versus subsidization came
8 into effect, if you will. It was the going thing in
9 the marketplace.
10 In those days you could buy an Oracle
11 license. It was yours and you paid a lot for it and
12 you paid maintenance on it.
13 Today it's software as a service. You buy
14 things as a service. The NPAC service that Neustar
15 provides on your behalf is a service. It is not a
16 product. It is not a thing.
17 So said differently, it is the incremental
18 cost and incremental revenue and the plethora of
19 services around it. And if we are organized in a
20 centralized manner, then it allows us to benefit and
21 to provide that cost in the best possible manner.
22 What do I mean by that? The guy who's
23 quoting the NPAC is not the guy who quotes registry
24 on Wednesdays and NPAC on Tuesdays. That's not how
25 it works.

1 The quoters of the NPAC are dedicated
2 folks. However, in most of your businesses you have
3 a Division CFO. You have a Division CTO. You have
4 a Division Chief Technology Officer. We don't have
5 that at Neustar.
6 Our chief technology officer provides
7 guidance to everyone in the engineering team. I
8 provide guidance to everyone in the company. Steve,
9 as the owner of the carrier services business,
10 provides guidance to everything within that
11 organization.
12 So it allows us to benefit across the
13 organization from an administrative perspective.
14 Why is this important to all of us?
15 Privacy, security. If you have a [redacted] as we
16 do, he can then have best-in-class services.
17 It allows us to provide standardized and
18 efficient service or optimal service to our
19 customers in each the those areas. It allows us to
20 bring together a confluence of ideas.
21 And look, at the end of the day, I want to
22 make this abundantly clear. We're not trying to
23 hide anything. We're not trying to be cute. We are
24 partners in this.
25 The reason why we do it this way is because

1 that's the way we started to do it from inception.
2 The SEC generally accepted accounting principles, we
3 are audited this way.
4 If we managed the business one way and we
5 don't report it that way, we will get reprimanded by
6 the FCC and by (inaudible).
7 So essentially what I'm saying here is that
8 we've organized this way as our organization since
9 the beginning of time. We have come up this way.
10 There are certain immaterial portions of
11 our business, NAPA, pooling, statement of work.
12 Those are time and material-based businesses.
13 They are less than -- a statement of work
14 on average is [redacted] a year. National pooling
15 and NAPA is about [redacted] a year for us on a
16 $900 million revenue-based business.
17 So for us it's a decision for us. Do we
18 abandon Neustar as we know it today? Do we
19 reorganize by contract? Do he go hire a CFO for
20 this business, a COO for this business, a CTO for
21 this business?
22 It will end up being a more costly
23 proposition and probably a lower quality of service
24 from our perspective. And because of that, we have
25 chosen to do this.

1 And what I'm doing is bridging the gap
2 between where we are, the background, the thought
3 process of us getting there, because it's important.
4 Where we are today, I'll never give you an
5 answer that will satisfy you on where we are today.
6 But I hope that with the perspective of the journey
7 of how we have gotten here to this point adds some
8 perspective for you.
9 TODD DAUBERT: It does. And one of the
10 reasons why we're getting around these questions is
11 we, as part of the RFP process, have to go through
12 all the proposals and understand what we're
13 comparing apples to apples, oranges to oranges.
14 And what we really need to get to is, I
15 understand that your model is a software of service.
16 A couple of issues that we'd like to get
17 more understanding about is, as a layperson, if you
18 knew nothing about Neustar, you would look at what
19 was happening over time between both the cost of
20 bandwidth, the cost of storage, the cost of
21 equipment, the knowledge that you have.
22 The presentation was fantastic about all
23 the knowledge that you've gained. A layperson might
24 think that the cost would go down and the volume
25 would be a very incremental part of that cost.

1 So why, for example, doesn't the cost go
2 down dramatically over time given the fact that
3 you've developed such an excellence and knowledge in
4 this industry that can't really be repeated?
5 So when I ask, what assumptions are built
6 into your costs, what's your profit margin, what's
7 your risk built in, this is what we're getting at.
8 PAUL LALIJIE: And you would respect that
9 as an organization that follows the guidelines. We
10 are not aligned by contract. We are aligned by
11 carrier services.
12 So that information is available on carrier
13 services as a whole. That's number one. Point
14 number two --
15 TODD DAUBERT: Let me stop you there real
16 quickly. I understand. I hear what you're saying.
17 I understand why you're saying it. And I'm not
18 trying to be difficult at all.
19 But for our standpoint, that doesn't help
20 the members from evaluating a proposal from one
21 proposal to the next proposal or to the third or to
22 the fourth.
23 So right now, even though in theory we
24 understand what you're saying, it would probably be
25 a great idea to give us as much that we can use in

1 the framework of this particular RFP to make those
2 comparisons, so just to explain for the context of
3 why we're asking.
4 PAUL LALIJIE: And those are very
5 understandable. From our perspective the thought
6 process that we went through to putting this
7 together -- and [redacted] I think it was $2.58 on a
8 per-unit basis. That has come down to 75 cents
9 today.
10 We've had an experience of partnering
11 together as a team and coming together, whether it's
12 credits, whether it's lower per transaction prices,
13 whether it's a fixed fee, we've demonstrated it. We
14 had the ability to pass on in 2003 with wireless,
15 number portability. So I think we've partnered
16 together. We've done that together.
17 TODD DAUBERT: And we understand that. We
18 really respectfully understand that. That's the one
19 thing that you have coming into this process that we
20 know you, as the incumbent, we know all of that.
21 So we understand that aspect. And so
22 again, I'm really not trying to be difficult at all.
23 It's not in my personality even.
24 I just want to make sure that you guys have
25 the chance to put the specific information that

1 people are focusing on here back to us so that it
2 gets fully digested and considered. We can sort of
3 come back to it, but let me jump to something that's
4 somewhat related and it might help us get past this.
5 You talked about the all-you-can-eat thing.
6 When we look at 7.2.4, and it says, future mandated
7 changes, your answer was actually no.
8 So when we hear you say this to us, that
9 seems different than what the proposal was. And so
10 help us get there.
11 BILL REIDWAY: Understood. And we
12 anticipated that that would raise a question.
13 And understanding once again -- I'll say it
14 back to you, understanding where the NAPM is coming
15 from the future mandated changes, the way we
16 interpreted that is, you know, things that
17 potentially come from the FCC.
18 Maybe this is an opportunity for
19 clarification. The way that we interpreted it from
20 a legal point of view, the way that we interpreted
21 that question is that the FCC could force us to
22 completely overhaul anything that they wanted in any
23 amount of time, ever.
24 So that was something that just as a
25 business without understanding a little bit more

1 about what the intent was there that it was
2 something that we had to apply some clarification
3 to.
4 Now, the response that we put together was
5 with the SOW credit -- the SOW allocation. Now, we
6 looked back at the history of how much the industry
7 has incurred in SOW costs and what kind of
8 development staff we would need to have on hand to
9 support any requests that would come in, in terms of
10 enhancement.
11 And that's how we identified a rising
12 allocation throughout the remainder of the contract.
13 And just even over the last several years, [redacted] That commitment
17 remains.
18 But given that we kind of invited a third
19 party into this discussion when we said future
20 mandated changes, we wanted to provide a responsible
21 answer to that question.
22 TODD DAUBERT: Understood.
23 BILL REIDWAY: And that's where the SOW
24 allocations came in.
25 So as I say, this may be an opportunity for

1 clarification from us to you to provide that context
2 and background.
3 The fixed price, that's with regard to
4 service elements as opposed to individual
5 enhancements. And on those, on those service
6 elements, the commitment is exactly what we said,
7 regardless of what happens, the no floors, no
8 ceilings, no additional charges.
9 It was those SOWs, those changes where a
10 third party was in the mix that may not understand
11 the details of how we do what we do and what the
12 real legitimate technology constraints are, that's
13 where that came from. Sean or Steve or Paul,
14 anything else to add?
15 STEVE EDWARDS: Well, I think maybe there's
16 a couple of things. I mean, the first thing -- and
17 maybe Paul, you mentioned this, but using the SOW
18 structure that we put in place. I mean, if you look
19 back for the last few years, on average, SOW value
20 has been about [redacted] a year.
21 So what we decided to do, given the
22 sensitivity of this, given that you guys want
23 predictability on cost, we said, right, we're going
24 to start year one at [redacted] We're going to
25 increase that by [redacted] every year for the

1 contract term.

2 So we believe that is sufficient headroom

3 to address the requirements that either we've

4 outlined or what we think your needs are going to

5 be. Yeah, that's the key thing.

6 The other piece, and I don't want this to

7 come across the wrong way.

8 TODD DAUBERT: Well, Steve, can I ask you a

9 question just to verify. What I think I hear you

10 saying is that when you say the all-you-can-eat,

11 that's really based on volume.

12 And then you try to address the specific

13 changes that you think might lead to those volume

14 increases by increasing the SOW cap from [redacted]

15 is that right?

16 BILL REIDWAY: If I could clarify, it

17 starts with the volume. I know I've reiterated this

18 in several ways, but what we're talking about in

19 terms of all-you-can-eat isn't just transactions.

20 It's whatever we need from a service point

21 of view to run the NPAC in such a way that not only

22 does it meet service expectations and SLRs and

23 things like that, but that it can accommodate

24 fundamental and transformative changes that have not

25 yet been defined. That's where the all-you-can-eat

1 kind of comes in.
2 From a development costing point view,
3 which, as Paul mentioned, we typically do those time
4 and materials, right, which is different from the
5 service itself.
6 We do those time and materials. And what
7 we wanted to do was provide a practical and
8 responsible answer to that question that guaranteed
9 the best we could that we would have staff,
10 development, testing, deployment on hand in order to
11 accommodate software changes.
12 And honestly, a lot of it had to do with
13 the fact that there's a third party in the mix here.
14 It wasn't to seek incremental revenues down the road
15 five years from now. That's not what that was
16 about.
17 TODD DAUBERT: Real quickly, is that
18 something where, as part of this clarification, you
19 can point to specific sections in the response that
20 we can put together, or rather to the extent that we
21 issued a request for a best and final offer, you
22 could clarify that with more specificity so that we
23 can match up the answers.
24 And I hear what you're saying, that that's
25 why there is a no there.

1 BILL REIDWAY: No. Any further
2 clarification we can provide here or in writing,
3 absolutely.
4 STEVE EDWARD: Assumptions or
5 specifications, anything that will give us better
6 visibility on how you're thinking about it, we'll be
7 more than happy to do that.
8 PAUL LALIJIE: And that's a good point
9 because the piece I'd like to add here is that one
10 of the first things we did was to try to put
11 ourselves in your shoes.
12 What are the things that you're going to
13 need to take back to your constituents? What are
14 you going to need to take back to your companies,
15 and how can we put you in a position where we're
16 giving you things that are meaningful?
17 The transition presentation today was meant
18 to say, it is probably an envelope that we don't
19 know the corners for. And you can't sign up for
20 stuff without corners, without an envelope. And the
21 same thing with the statement of work. We use
22 history to inform us on that.
23 The same thing with the future. There is a
24 cap on the future from our perspective, but from
25 your perspective it has no boundaries in terms of

1 what we can accommodate.

2 And we will need clarification. We can

3 work together. We can get to a better place on

4 those things. But at the end of the day, our

5 overarching guiding principle, put ourselves in your

6 shoes.

7 What do we need to give you to make sure we

8 have a partnership into the future? That was the

9 theme of what we used to put this together.

10 TODD DAUBERT: And I interrupted you,

11 Steve, I'm sorry. You were going to make a good

12 point about --

13 STEVE EDWARDS: No, it was kind of a small

14 point. I mean, at the end of the day, and maybe

15 Bill's on this, you guys had visibility.

16 You know, there was a specific project in

17 year two or in year three that meant that actually

18 would exceed the [redacted] Just like we've done

19 in the past year and the trusted relationship, we

20 would get round the table and say, how do we make

21 this work?

22 None of that's going to change. It's just

23 we had to have something because this is a formal

24 response that we could bound in some way and give

25 you the predictability and confidence.

1 TODD DAUBERT: That's helpful. And I'm not
2 -- I promise you, I'm not trying to pick on this
3 subject. It's a neutral question that we ask
4 everybody.
5 Again, sort of based on these assumptions
6 that you've said, what is your expected profit
7 margin and your risk margin in the pricing that's
8 provided in the current proposal as it is today?
9 Like where are you on that? How much fat is in
10 this?
11 PAUL LALIJIE: From Neustar's perspective,
12 we expect to maintain the margins that we have in
13 carrier services today. We expect to maintain that
14 into the future.
15 We have said that publicly to our
16 investors. I'm saying that to you today. We are
17 not expecting margin expansion in our businesses as
18 we go through the future.
19 We're in the business of relationship.
20 We're a service-oriented organization. We don't
21 have vendor relationships. We have client
22 relationships. We are partners in this, whether
23 it's information services, whether it's enterprise,
24 or whether it's carriers. That's the model we're
25 trying to adopt.

1 So we're not looking to increase our
2 margins into the future here. We are simply
3 focusing on growing the company as a whole in terms
4 of top-line revenue.
5 TODD DAUBERT: So what margins have you
6 reported to the investors as part of that carrier --
7 PAUL LALIJIE: [redacted]
8 [redacted]
9 [redacted]
10 Now, I'm speaking out of school here
11 because I don't have my computer with me, but my
12 notebook is on.
13 TODD DAUBERT: I understand. And as I
14 understand your response before --
15 PAUL LALIJIE: We can follow-up with that.
16 TODD DAUBERT: -- the carrier thing covers
17 more than just this contract because you're not
18 organizing the contract.
19 BILL REIDWAY: That is right.
20 TODD DAUBERT: That's across everything.
21 STEVE EDWARDS: But once again, you can
22 look at those results and work out what percentage
23 the NPAC contract is against those carrier results.
24 And they're all publicly-audited statements, so
25 these are readily available for you.

1 TODD DAUBERT: No, I understand. And
2 that's why we didn't view it as a gotcha. We were
3 just trying to make sure that we're all on the same
4 page.
5 PAUL LALIJIE: We didn't take it that way.
6 BILL REIDWAY: Not at all.
7 TODD DAUBERT: Yeah, I'm trying to figure
8 that out. So let me ask you this. So you were
9 talking about different options, different things.
10 You know, what are the main cost drivers here?
11 Again, the role that we have is picking the
12 best proposal amongst all the bidders. And we want
13 to make sure that we're taking into account all the
14 relevant factors that we're accurately comparing the
15 different proposals, right?
16 But when it comes to the pricing thing,
17 what are the factors that drive that? I mean, what
18 can be adjusted? What are your drivers here?
19 PAUL LALIJIE: When you think of pricing in
20 a service environment, it is primarily about the
21 service. It is about the things that we need to do
22 as we get through into the future.
23 Twelve, 15 years ago, privacy and security
24 was never part of something like this. When we
25 started this in the '97, '98, '99 timeframe,

1 neutrality was not that much big of a deal.
2 Because when you were starting an
3 organization, neutrality is easy to do. You just
4 put it in place and you move on.
5 It's hard to retrofit neutrality. And from
6 our perspective, neutrality is a cost to Neustar.
7 There's certain businesses that we don't do today
8 because of neutrality.
9 For us today neutrality means we have to
10 have someone monitor our public shareholders.
11 Anyone who approaches 4.9 percent, we have to pick
12 up the phone and call their legal department. That
13 alone takes a long while to get done. Lawyers, you
14 know the cost of lawyers, we do all that stuff.
15 So at the end of the day neutrality is a
16 big cost for this organization. We think of
17 privacy. We think of the technology. We think of
18 the things that can help us scale a business that
19 performs at the transaction volumes that Bill talked
20 about earlier.
21 That's a different proposition when it's
22 porting in six minutes. That's a much different
23 proposition than when we were porting at 250, 400
24 million transactions the last time we sat around the
25 table in these types of discussions.

1 And those are things that we are planning
2 ahead and moving ahead. [redacted]
3 [redacted]
4 [redacted]
5 [redacted].
6 We are going to go ahead and put those
7 things in place because at the end of the day when
8 our customers tell us they want something, we don't
9 want to tell them, you know what, you all have to
10 wait two years, three years to have it done.
11 So we try to think ahead of those things as
12 we build up our organization.
13 STEVE EDWARDS: I think the only other
14 thing, Todd, it was interesting because you
15 introduced this as comparing pricing from competing
16 players.
17 Another way of looking at this is, where's
18 the value? So whether it's the $40 billion of value
19 the wireless carriers get on an annual basis,
20 whether it's the value that you get from the
21 consumer experience, whether it's the value because
22 we're doing 1.4 million transactions a day as people
23 are transforming their networks, integrating other
24 companies and assets, that is a key part of, if I
25 need to rely on something, the performance and the

1 expertise, it's more than just how many servers and
2 how much does it cost you and how many transactions
3 are those servers processing?
4 TODD DAUBERT: That's very helpful. And
5 please do understand that when we address these
6 proposals in these sort of narrow specific things
7 they can come across as distorted. But I'm digging
8 down on very specific questions that we had.
9 BILL REIDWAY: We are at your disposal.
10 PAUL LALIJIE: Perfectly fine.
11 TODD DAUBERT: So if you would help point
12 us to parts in your proposal and help provide us
13 with more information like you just did.
14 What I'm hearing you say is, that when we
15 consider your proposal -- well, let me back up a
16 little bit.
17 Let's say that we are trying to evaluate a
18 number of different proposals, right? And that
19 there might be significant disparities in terms of
20 pricing, both lower and higher, right?
21 And what I think I hear you saying, and I
22 think you've said it a couple of different ways a
23 couple of different times is, that your RFP, your
24 proposal and your response is not really focused on
25 pricing but rather on the total overall value that

1 you provide.
2 And you would urge us, when we're
3 evaluating various different competing proposals to
4 focus on value in lieu of price.
5 Here's your opportunity to sort of tell us
6 everything you can that would help us examine
7 proposals that have disparate pricing, very
8 different pricing.
9 PAUL LALIJIE: So let me kick it off and
10 then you can all jump in. In order to compare
11 anything, the first thing is creating a baseline.
12 And I'm highly confident you all recognize
13 that. And how do you create a baseline in these two
14 systems?
15 And to start one from scratch and to have
16 one that's running, it requires a baseline
17 understanding that is nuance, that has a lot of
18 intangibles associated with it.
19 So I would start with recognizing what
20 those intangibles are, how could we put those two
21 together?
22 And I'd go back to your earlier comment in
23 neutrality. I do believe that neutrality is a very,
24 very significant portion of it. That's number one.
25 Number two, you all remember '97, '98, '99,

1 2000, 2001, I would argue all the way up to 2003.
2 We used to have penalties, Neustar. We didn't get
3 it right. There's a learning curve. And that
4 learning curve factors into today's concept of that
5 value that is being offered.
6 And then number three, there is a contract
7 and there is paper, and then there is a relationship
8 that comes with all of this.
9 And we've had ups and downs in our
10 relationship, but for the most part I believe, and
11 I'm not as close as my colleagues, but I believe
12 that we enjoy a relationship that says we are
13 willing to work and to collaborate with each other.
14 Those are all prices and factors that should be
15 contributing to making that baseline the same.
16 And then we can get into the tangible
17 things. We can get into the volumes that are
18 supported, the value, the revenue that is derived
19 from these services.
20 We can get into the number of times that we
21 had to go to the FCC as a unit to explain something
22 that went wrong. Those types of things are the
23 tangible things that can then be added to it.
24 BILL REIDWAY: Yeah, I think the only thing
25 I would add to it, because that's the real question,

1 right? I mean, if we answer that one, we can --
2 right? No, not to be glib.
3 TODD DAUBERT: No, no, but it's helpful.
4 BILL REIDWAY: But I think if you're asking
5 Neustar how to think about it, I would point out
6 that the performance that we are delivering today,
7 as I said that continuity, the always-on nature,
8 that does have real value, as Paul pointed out.
9 It also isn't something that can be done
10 just because we've been doing this for 15 years.
11 It's achieved through a constant level of investment
12 in all aspects of the service, right? And I went
13 through some of that earlier today.
14 And the question in terms of evaluating
15 proposals is really about what does it mean to your
16 businesses?
17 And then the final thing that I would
18 mention is there is a cost and risk associated with
19 not having that confidence. And I think the way
20 that Neustar is committing to that is not by resting
21 back on our laurels and saying we're in place today.
22 We're going to continue expanding our value
23 and expanding our commitment and expanding our
24 personnel expertise in order to accommodate what we
25 believe is coming from industry point of view based

on speaking to your businesses, right? So it's about that level of confidence, I think.

STEVE EDWARDS: Without being over-simplistic, because I don't think you can distinguish between value and price. They are one and the same, right?

TODD DAUBERT: The factors, right.

STEVE EDWARDS: It's what you feel comfortable with, it's what you can justify. Let's just put it back to what we do every month, right?

I pay a service provider for a mobile device which I have so many minutes. I have so many voice calls. I have access to a certain amount of data. I experience a level of quality. I mean, do the applications in the device meet my needs?

At the end of the day I pay a fee that I am comfortable with. I think it's great value and enables me to do my job.

Now, could I get that cheaper from somebody else? Yeah. But am I going to compromise quality? Am I going to compromise features? Am I going to compromise minutes? Am I going to compromise what device I can use?

I have to judge that and weigh that up and say for me to do my job, what do I need?

1 TODD DAUBERT: Understood. And that's all
2 very helpful. And again, my role is to get as much
3 of this information about your thinking.
4 BILL REIDWAY: Absolutely.
5 TODD DAUBERT: On that note let's talk a
6 little bit -- you know, we've said that you guys
7 have always been responsive to the customers and
8 everything.
9 What are the main factors that -- and
10 again, I know it's myopic because I keep going back
11 to pricing but just because of this. What are the
12 main factors that could change or that drive a
13 particular pricing?
14 Let's just say that we were interested in
15 significantly lower pricing. What would have to
16 change in -- for example, in response to a best and
17 final offer. What aspects would have to change in
18 order to have a materially significant impact on
19 pricing? Or is there anything?
20 BILL REIDWAY: Without cutting off
21 discussion, it's a difficult question to answer,
22 because as I mentioned earlier, our offer isn't
23 compartmentalized by individual segments of the
24 proposal.
25 And I think what would change would be

1 measured across all aspects. Our ability to
2 incorporate change into the system, our level of
3 kind of personal and educated and committed support
4 to individual service providers, not just in the
5 room but around the country, our partnership in
6 jointly representing the industry to the FCC. All
7 of these things have values.
8 And forgive me, we haven't really explored
9 that question, but I would suggest that it's a
10 wholistic answer.
11 STEVE EDWARDS: In some ways you kind of
12 addressed it in the presentation because at the end
13 of the day, if you look at the example between the
14 U.S. and India, the fact that RPU in India is $3,
15 the RPU in the U.S. is $50.
16 And clearly there's a cost difference as
17 well or a price difference or a value difference,
18 however you want to kind of look at it, but then you
19 actually look at well, what does it really mean?
20 Well, it's a fraction of the services.
21 TODD DAUBERT: Sure.
22 STEVE EDWARDS: The customer experience is
23 seven days to port, not six minutes. The services
24 of this post, instead of a page full of services,
25 it's two or three. The volumes are at ten.

1 So I guess in responses, hey, if you felt
2 your companies wanted to radically change the level
3 of service offering that you provide to consumers,
4 then that would change the pricing.
5 TODD DAUBERT: Understood. And I just
6 wanted to see -- really where I was going is whether
7 there were specific discrete things that you had
8 taken into account or not.
9 And what I think I hear you saying is, not
10 really, because given your model as a service, as a
11 wholistic service, it's very difficult for you even
12 in response to a best and final offer to say all
13 right, we included this in the first one, we're
14 going to take this out for the next one. That has
15 the following impact on pricing.
16 STEVE EDWARDS: What came back in a best
17 and final offer and said actually, as I used the
18 example before, you've got this list of new features
19 -- actually device registry. We want this sooner.
20 You know, how would that effect the SOW credits or
21 something?
22 If there are other things that you can help
23 us better understand how we may be able to model
24 those things, we're happy to kind of work with you.
25 BILL REIDWAY: Yeah, we'd do our best to

1 answer any questions that the FoNPAC have.
2 As I say, at the moment this isn't an a la
3 carte offer. Of course, we try to answer any
4 questions that we could.
5 TODD DAUBERT: Understood. And so help me.
6 You don't have to do this right at this moment, but
7 to the extent -- you know, it's very helpful having
8 this conversation about why the answer was no to the
9 mandated changes.
10 To the extent that you can over today point
11 us to different sections in the response that can
12 help us tie together your concept that these things
13 will be included, this is part of the value mix that
14 we're offering, that would be very useful.
15 BILL REIDWAY: Yeah.
16 STEVE EDWARDS: And just so I'm clear,
17 you're saying that's what you would expect from a
18 best and final offer for us to give you that?
19 BILL REIDWAY: Are you talking just about
20 the discussion today?
21 TODD DAUBERT: Well, I mean, if it's
22 already in the proposal and we haven't put it
23 together because we haven't had that conversation
24 about why there is no there, right? If there are
25 things today that you can put together, we'd happily

1 take it.

2 If we do do a best and final offer, then

3 that's something that we might want to get more.

4 BILL REIDWAY: Sure. I'm glad to be having

5 these conversations. It sounds like there might

6 have been some confusion between the SOW allocation

7 and the all-you-can-eat portion of the price.

8 And like I said, I think the clarification

9 that I would offer is, as we've done in the past,

10 SOWs are time and materials based. The service is

11 designed to be all-you-can-eat. That's the way that

12 we've been working with it. And we understand that

13 to be the NAPM's requirement.

14 With regard to the SOWs, it's a very, very

15 specific element in terms of how do we negotiate

16 time and materials on changes?

17 What we wanted to do was kind of dispel any

18 notion that the NAPM had to be worried about

19 incremental costs but also provide a responsible

20 answer.

21 Once again, given the fact that there's a

22 third party in the mix -- like I said, the word I

23 keep coming back to is we wanted to be responsible

24 in answering that question because we're in a

25 somewhat unpredictable environment.

1 TODD DAUBERT: It makes perfect sense, you
2 know, the explanation. This is why these meetings
3 are so very helpful.
4 BILL REIDWAY: Okay.
5 TODD DAUBERT: And so what I'm really
6 trying to pull out here is, first, exploring how
7 much room there is, if any, in pricing.
8 Second, if you have a value proposition and
9 everything that you said today from the very first
10 beginning presentation to this is you're not
11 focusing solely on a price competition, you're
12 focusing on a value proposition.
13 So since your focus is on a value
14 proposition, there's many different constituents in
15 this NAPM, right? They have to be to be able to
16 understand and articulate to all of their
17 stakeholders why value makes sense. And price is
18 one factor in value.
19 BILL REIDWAY: Yeah.
20 TODD DAUBERT: If they don't have a good
21 enough understanding of the full reason why the
22 value, you know, how they can evaluate the value,
23 then pricing seems to become far more important than
24 it might otherwise become.
25 You're absolutely right, everybody's

1 looking at value. The RFP is set up that way so
2 that we consider everything. It's not just one
3 factor or another.
4 But I just want to make sure that you've
5 taken the opportunity to give every bit of clarity
6 and specificity to exactly how that value
7 proposition is so that it's wholesome and doesn't
8 get misinterpreted by some parties as marketing.
9 So that's really why I'm trying to --
10 BILL REIDWAY: No, no, of course. And
11 that's why we're here. Should you choose to go down
12 a best and final approach and give us a further
13 opportunity to provide clarifying details, we'll be
14 happy to do so.
15 But you said it very well. Not knowing
16 what the rest of the field looks like, so to speak,
17 we are focused on providing a best value solution
18 that includes technology and management and
19 financial terms.
20 And those things are available here,
21 obviously, but anything that we can do to continue
22 to clarify, we're happy to do so.
23 PAUL LALIJIE: And the last point in that I
24 think we should let history inform us a little bit
25 here.

1 If we had sat down in 2006 and decided to
2 come up with a fixed-fee model instead of a
3 transaction-based model, we probably would have gone
4 above in the transaction and the fixed fee would
5 have been somewhere below.
6 And to some extent we struggle with that as
7 we think of the future. How can we develop a model
8 for you that says, we are including from a
9 technology and from a features perspective the
10 things that you and your organization may want to
11 have into the future, and at the same time you don't
12 have to go back to your companies and ask for
13 additional funding to support that.
14 And to some extent it is that balance that
15 we're trying to strike as we do this as an
16 organization.
17 Because to sign up for unlimited cost on
18 any one side, your side or our side, is probably not
19 responsible from a governance perspective. I would
20 encourage you to make sure you're signing up for
21 reasonable stuff that we would want to do the same
22 as an organization.
23 TODD DAUBERT: And the interesting thing
24 you just said is when you're talking about the
25 features and value, that's why that clarification

1 that we're talking about, because today it's not
2 entirely clear from the proposal, that full scope of
3 value. So I think that that would be a good --
4 BILL REIDWAY: And let's just stay on this
5 point for a little while because I think you allude
6 to something that's interesting, which is that it's
7 very difficult to put these numbers into a business
8 case and see an ROI out of it, right?
9 This value proposition is to industry, it
10 is to consumers, it is to regulators, right? There
11 are multiple measurements of value. And I
12 understand the responsibilities that you all have.
13 And there's all of those different
14 perspectives. Steve was kind of making this point
15 here in terms of how value is measured. And when
16 you think about the breadth of things that are sort
17 of at stake here, there's a consumer element.
18 How is this impacting my subscriber
19 acquisition? What happens if I can't port somebody
20 over in two hours, do I lose that person?
21 There's access to telephone numbers. What
22 happens if that stream drys up even for a day? What
23 happens to inventory? None of those things are easy
24 to quantify specifically.
25 We have endeavored to lay out a

1 comprehensive discussion of what all those different
2 value elements are. And we can continue to clarify
3 that when you give us the opportunity.
4 But I will say that however the value is
5 measured, we do know how to deliver it. We do know
6 what it requires. That's how we've gotten to this
7 point in partnership with you in terms of measuring
8 and monitoring and delivering.
9 TODD DAUBERT: And I think that's a good
10 point. And I think you're right. It's hard to put
11 an ROI on those particular points.
12 I think that we understand that part from
13 the proposal, right? It's a difficulty, but it's
14 one that has to be done. So we have to do that.
15 The part where any clarity you can provide,
16 additional clarity is really around sort of the more
17 concrete parts of that ROI.
18 Like your business is going to have
19 certainty because they're not going to pay for X, Y,
20 and Z, or this is probably going to happen or it's
21 not going to happen, because again, when we evaluate
22 these proposals and we're trying to fully take into
23 account the value that you're saying that your
24 pricing proposal reflects, it's going to be critical
25 for people to say all right, we've got these various

1 different proposals here. We've got pricing here.
2 We've got pricing here.
3 When we're trying to assign an overall
4 value to that, right, it's even more important for
5 any proposal that relies primarily on value as
6 opposed to a price competition to be able to assist
7 the evaluators in the concrete ways that that value
8 can be translated.
9 BILL REIDWAY: And a lot of that is based
10 on assumptions, right? Maybe even a lot of people
11 in the room wouldn't necessarily agree on what those
12 assumptions are, so we'd have to be somewhat careful
13 about that.
14 I think that part of what we did and we
15 talked by little bit about the risk of transition.
16 I'll just give you an example.
17 What we had this economist look at, right?
18 So right now we have 99.9 percent accuracy on
19 network changes that come in. And that affects
20 whether people can generate calls. That number that
21 we displayed on the screen, that assumes a 98.5
22 percent accuracy.
23 So those are the kinds of things that we
24 can do. We can make some assumptions. We can share
25 them with you and apply them across the board.

1 So $40 billion in subscriber revenue, what
2 happens if there are two percent more outages and
3 when they happen and so on and so forth.
4 The other thing I would caution is my
5 answers might be different for everybody in this
6 room. And that's part of the mix, right, is that
7 there are different views of the market.
8 We have to look at it from a neutral point
9 of view. We have to look at it from a point of view
10 that represents everyone equally.
11 So as I say, in a best and final we would
12 do everything that we can in order to provide
13 additional support and information to help you guys
14 make the decision.
15 I'll just say that it's not as black and
16 white an exercise as --
17 TODD DAUBERT: We completely understand,
18 which is why we want to make sure that we get every
19 bit of information you can provide us.
20 And I think that we're less worried about
21 the individual company, the assumptions, and more --
22 BILL REIDWAY: From an industry point of
23 view is --
24 TODD DAUBERT: From an industry standpoint
25 --

1 BILL REIDWAY: Yeah, yeah.

2 TODD DAUBERT: -- and from a service

3 standpoint, you can count on X, Y, and Z happening

4 or the pricing is based on our assumptions that the

5 following are going to happen.

6 Because what happens is, then each company

7 might have a different opinion about it, right? But

8 company X can say, all right, you've based your

9 pricing on this assumption that we're going to have

10 [redacted] percent growth. It's helpful, right?

11 If somebody thinks that we're only going to

12 have [redacted] then they're going to evaluate the

13 value of that pricing in a different way than maybe

14 one of the other members who thinks there's going to

15 be [redacted]

16 And so we'll have to deal with the

17 different companies views --

18 BILL REIDWAY: Sure.

19 TODD DAUBERT: -- of whatever those

20 assumptions are.

21 BILL REIDWAY: We'll present you our best

22 -- you know, our best --

23 STEVE EDWARDS: We did intend to do that,

24 clearly not very well. [redacted]

[redacted]

1 [redacted]

2 [redacted]

3 So if you look at some of those, you would

4 look at the PSTN-to-IP migration and the fact that

5 this is a dependant functionality to roll out a

6 Voice over LTE.

7 Now rolling out that probably applies to 50

8 percent of the people on the NAPM, not the other 50

9 percent.

10 So you're going to take that $300 million

11 number and somebody's going to say, roll it out and

12 Voice over LTE is really important to me, whereas it

13 may not be to somebody else.

14 TODD DAUBERT: Absolutely. And it's

15 helpful to put those pieces together. Because

16 again, sometimes when you see the answers, when you

17 explain why you answered no, it makes more sense.

18 We can evaluate it.

19 So sometimes it makes -- those connections

20 are really clear to you, and just given the nature

21 of an RFP --

22 BILL REIDWAY: Oh, of course.

23 TODD DAUBERT: -- and the stilted way that

24 you have to have these conversations, it's more

25 difficult at times to put that together.

1 So anything that you can do to help your
2 own bid by providing to us, we're ready, willing,
3 and able to take it into account.
4 BILL REIDWAY: Sure. And the more guidance
5 that you can give us in terms of the real questions
6 that you want to see answered, the happier.
7 (Discussion about lunch.)
8 TODD DAUBERT: So the next one, and you've
9 addressed this a little bit, but do you believe that
10 your proposal is fully responsive to the RFP's
11 flat-rate pricing requirement, you know, taking into
12 account some of the other features of the pricing,
13 right, because it's not just one component.
14 So help us walk through that so that if
15 there were members who weren't certain about that,
16 how would you explain that? How would you justify
17 that?
18 BILL REIDWAY: Yeah, of course. I think
19 the answer to the question is yes. The pricing
20 proposal begins with a flat-rate industry fee. And
21 from there we added additional elements on to it to
22 provide additional benefit.
23 So to the extent that NAPM has additional
24 facts, additional requests and things like that,
25 we're happy to go back and take a look at that.

1 But the intent was to begin our offer with
2 the RFP's requirement of a flat rate and then
3 provide some additional benefits on top of that.
4 STEVE EDWARDS: And as we said before, this
5 is a structure that's worked well for both of us in
6 the past. This isn't something new. This isn't
7 coming out of left field. This is something that is
8 building on existing procedures.
9 And the only other thing that I'd probably
10 add is, I mean, there were certain kind of
11 requirements in the RFP, but we also have engaged
12 with your business people as well in trying to
13 interpret the timing of those things.
14 Like the example I gave of PSTN-to-IP
15 migration and say, what can Neustar do to ensure
16 that as many of the industry get their shoulder
17 behind this as possible?
18 So we've taken that onboard and tried to
19 optimize what we think is the pricing strategy.
20 TODD DAUBERT: Understood. What I hear you
21 saying is that you believe that your pricing
22 proposal is fully consistent with the flat-rate
23 pricing, that you believe you have flat-rate pricing
24 plus other elements.
25 If in response to a best and final offer,

1 would you be able or willing to consider alternative
2 or options or something that doesn't have the
3 elements, has all that worked into something that's
4 like a single element flat rate?
5 BILL REIDWAY: [redacted]
[redacted]
14 TODD DAUBERT: Perfect. And I know that
15 there was one question. There was one point where
16 in the -- I may come back to it later.
17 There was one point in the RFP where you
18 said that no, you're not complying. You don't agree
19 with this idea of pricing transparency by region, by
20 -- I'll come back to it after lunch. I'm sorry.
21 It's a specific question.
22 [redacted]

1 [redacted]

3 TODD DAUBERT: Okay.

4 BILL REIDWAY: You're just reiterating --

5 those words -- floors and ceilings were in the RFP.

6 TODD DAUBERT: Right.

7 BILL REIDWAY: So yeah, you're just

8 reiterating that.

9 TODD DAUBERT: I am. And keep in mind that

10 one of my other functions as part of this process is

11 some of the questions are very proposal specific.

12 Others are intended to be as broad and neutral as

13 possible so that we get --

14 BILL REIDWAY: Generate discussion.

15 TODD DAUBERT: -- the most information from

16 all. So again, my goal here is the last thing from

17 being sort of a gotcha. I just want to make sure

18 that we get on the same page about what your beliefs

19 are about the offers. Great.

20 And then somebody remind me that one of the

21 other questions has the other point that I was going

22 to make so -- is the food ready? Shall we break for

23 now?

24 RON STEEN: Yeah. I'm going to go ahead

25 and mention something now that I should have

1 mentioned earlier. You've probably taken some
2 notes. I hope so.
3 We would like for anything that you take
4 out, we've got a stamp over here, if you can stamp
5 it with confidential --
6 BILL REIDWAY: Dan informed us, yeah.
7 RON STEEN: Okay. Great. So we would just
8 appreciate that. And Dan, would you like to give us
9 the specifics of lunch?
10 (Discussion regarding lunch.)
11 DAN SCIULLO: How long do you want to do
12 it?
13 RON STEEN: How about 45 minutes. So let's
14 reconvene at 12:45.
15 (A lunch break was taken at 12:00 p.m.)
16 (Back on the record at 12:45 p.m.)
17 TODD DAUBERT: So keep in mind these
18 questions are phrased in a way that's a little bit
19 stilted because we're not trying to presume an
20 answer on it. We just want to get a full
21 understanding.
22 So in the proposal there was a choice to do
23 all regions or partial regions. And what we really
24 wanted to get an idea from you and a little bit more
25 explanation is was not providing a regional bid

1 based on a business choice, or was it something that
2 you think it's not feasible or not possible or you
3 cannot or nobody can? Talk to us.
4 BILL REIDWAY: As you can tell, this is
5 something that we've been following the discussions
6 about regionalization for a number of years now.
7 As I mentioned in the presentation, in the
8 RFP itself there was a number of questions that you
9 had, right? I think those questions were
10 appropriate. I think that they were a sampling of
11 the kinds of decisions that would have to be made as
12 an industry in order to revert to a regional model.
13 I'm going to let Steve kind of respond with
14 some thoughts as well since this is kind of related
15 to our overall proposal in kind of going forward.
16 But I will say that your question was
17 whether we were unwilling or unable. There are
18 elements of both. I think going to a regional model
19 does raise a lot of questions with regard to how
20 vendors would interoperate together, what would
21 happen to common assets, how would change management
22 work, and all of those things would impact our
23 proposal.
24 The second thing that I would add though is
25 with regard to what we perceive to be the industry's

1 requirements that regionalization would impose a
2 material impediment towards the industry's
3 objectives, and for both of those reasons, we
4 declined. Steve, anything else to add?
5 STEVE EDWARDS: As you know Bill, right,
6 he's going to let somebody else answer it and then
7 he answers it for him.
8 BILL REIDWAY: Sorry.
9 STEVE EDWARDS: I think just in the spirt,
10 Todd, you said this is a kind of a dialogue.
11 Clearly as we've demonstrated in the past, if there
12 are specific requirements that the industry need,
13 whether it's performance, functionality, commercial
14 or otherwise, we're more than happy to get around
15 the table.
16 But from where we look at this in terms of
17 regionalization, there isn't a specification. There
18 isn't even an understanding of how this could be
19 implemented today.
20 So it makes it very difficult to even
21 engage to any level of detail beyond that.
22 And as we kind of outlined both in the
23 proposal and the presentation, just the level of
24 complexity that this would entail because it
25 literally does affect every single service provider,

1 all back office systems.
2 This isn't as simple as just changing
3 connections to the server and LSMS, but it would be
4 material.
5 And we think just from the experience that
6 we demonstrated as the LMPA that this would result
7 in delay, would result in increased complexity, loss
8 of efficiency. That would impact consumers. And we
9 actually think it would increase the cost.
10 But in the absence of a specification or a
11 plan, it's pretty hard to be definitive more than
12 that.
13 The only other thing I would say is that we
14 do have a trusted relationship and we've had this
15 for a long time.
16 To give you some comfort, we wouldn't
17 respond to something that we didn't think was
18 feasible or practical. It would damage our
19 relationship. It would damage your position in the
20 industry. It would damage your relationship with
21 consumers. And to be honest, it wouldn't be good
22 for the rest of the business that we have in
23 Neustar.
24 So if the question was, would you do it at
25 any price? The answer would be no, we wouldn't,

1 because of the damage it would have -- the material
2 damage it would have to us.
3 Does that --
4 TODD DAUBERT: No, no. I understand what
5 you're saying. I'll paraphrase it back.
6 What you're saying is that what you think,
7 essentially it's not a good idea. It would have
8 very real impacts; that at some point in the future
9 technically it might be possible but there's no
10 standards or specifications clear around it.
11 So that's why you made a choice not to
12 respond to that. And the same factors that led you
13 to that decision for an original one would probably
14 lead you to make the same decision in response to a
15 best and final offer --
16 STEVE EDWARDS: Yes.
17 TODD DAUBERT: -- because nothing would
18 have changed from your perspective.
19 BILL REIDWAY: Well, like I said, if you
20 have additional information to offer us, we will
21 absolutely take it into account and try to engage
22 with you on it.
23 With the information that we have right
24 now, we just want it to be clear that at the moment
25 that with the information that we have in hand with

1 what we perceive to be the obligations on industry,
2 that we didn't have enough information to do it.
3 And from every angle that we've looked at
4 it inside Neustar, it doesn't provide the
5 incremental value or benefit to the overall
6 ecosystem.
7 So I think just to reiterate what Steve
8 said, if you've got additional information for us
9 that you'd like us to evaluate, absolutely.
10 But I think what we try to do is articulate
11 it at this point, it really does not seem like a
12 good idea.
13 TODD DAUBERT: Understood. So a
14 clarification question. So under the proposal, as
15 submitted, how would going under or over the annual
16 SOW allowance affect costs?
17 BILL REIDWAY: So on this one, and it kind
18 of harkens back to our earlier discussion.
19 The way that we would envision the SOW
20 process working is much the same way that it does
21 today where SOWs are evaluated from a time and
22 materials basis, a cost is identified for that SOW
23 as well as a timeframe, and then we come to terms,
24 sign it, and move on.
25 The same thing would apply except in the

1 case of the allocations. Instead of getting an
2 additional invoice, you would have things deducted
3 from your allocation within that calendar year.
4 That's the mechanics. And in the event
5 that things went over the allocation, then whatever
6 the balance was, according to the terms and
7 conditions that we negotiated, would apply.
8 That's the academic answer. The practical
9 answer is much as we have done in the past with
10 regard to investments that we believe provide mutual
11 value to the industry, if we found ourselves in that
12 situation, we would sit down and we would discuss
13 it.
14 So speaking purely mechanically, things
15 would work much the same way that they do today. We
16 would agree on the price of an SOW and apply it to
17 the allocation and work with it from there.
18 In practical terms, I would imagine that
19 would drive a discussion between Neustar and the LLC
20 about how best to proceed.
21 TODD DAUBERT: So if things went according
22 to plan this way, there's no mechanism under the
23 current proposal -- say, for example, if we don't
24 end up needing to use the [redacted] allocation,
25 right --

1 BILL REIDWAY: Yeah.
2 TODD DAUBERT: -- there's no mechanism to
3 regain that cost that's been worked into the pricing
4 model.
5 BILL REIDWAY: Yeah.
6 TODD DAUBERT: And likewise, if we went
7 over, it would just be based on a negotiation. We'd
8 have to figure out how much over we paid.
9 BILL REIDWAY: That's right. That's right.
10 And once again, the way that we designed this, and
11 once again happy to provide further clarification.
12 We designed it to ensure that we could keep a
13 functioning and high-performing team in place to
14 absorb SOW requests as and when they came in.
15 That was how we sized it. That was how we
16 made the plans internally in order to support it.
17 So, no, there's no rollover built in. But
18 like I said, in speaking in practical terms this
19 isn't designed to drive incremental revenue to
20 Neustar based on industry needs. That's not what
21 it's there for.
22 If we had found ourselves in that
23 situation, it would be an opportunity for us to sit
24 down and determine how best to proceed to meet your
25 needs.

1 And there's history there. A number of the
2 SOWs that have come up over the last several years,
3 you know, we've made that determination to say,
4 well, Neustar will do this investment on its own.
5 So does that answer the question?
6 STEVE EDWARDS: The only other thing, and
7 you said it, but maybe I can be explicit. What we
8 were trying to do from your perspective was to give
9 you cost certainty so that you can plan and you know
10 that you're managing your costs on a forward-looking
11 basis.
12 From our perspective we just need to do
13 resource planning. This would be a good example
14 where if we got together, we might look at that and
15 say, hey, there's a better way of doing it.
16 But from that point on, as long as we're
17 trying to achieve those two goals, I think, yeah,
18 there's a flexibility on this one.
19 BILL REIDWAY: Yeah.
20 TODD DAUBERT: Okay. So the next one is,
21 we talked about how this is put together with the
22 carrier services.
23 We wanted to get an understanding about how
24 resources are allocated between sort of ancillary
25 uses of the same infrastructure and what impact that

1 has, if any, on revenues and costs.
2 Does the ancillary uses drive down the cost
3 of this contract? And if not, why not, you know,
4 just the relationship between ancillary services and
5 the core services under this contract.
6 BILL REIDWAY: Sure. I'm reading as well
7 as listening. I hope you don't mind. So I think
8 with regard to revenues from ancillary services
9 offsetting costs paid by the industry --
10 PAUL LALIJIE: Let me jump in here for a
11 little bit. There is no concept of subsidization at
12 Neustar, absolutely none.
13 Subsidization means in its very simplistic
14 term, if I buy this cup for Bill and then I'm using
15 this cup to also give to Steve some water, then Bill
16 would have paid for it, but I'm also using it for
17 Steve.
18 In a service model the concept of
19 subsidization does not exist because we're not
20 selling a thing. We're selling a service.
21 And then when it comes specifically to the
22 services that we provide from a back office
23 perspective, we do have dedicated folks that are not
24 moving across from one to the other.
25 TODD DAUBERT: So what I think I hear you

1 saying is based on your service model, you're not
2 taking into account the specific revenues from other
3 services as a subsidization or offset of others.
4 You might have some common infrastructure,
5 but that portion of the cost may be less because you
6 have dedicated resources in terms of human beings
7 that are solely allocated to the contract as opposed
8 to shared --
9 BILL REIDWAY: Dedicated technology
10 resources as well.
11 PAUL LALIJIE: One other point before you
12 go ahead, Bill. Please forgive me. The one other
13 point is the dedicated resource may have a steeper
14 learning curve because they can leverage resources,
15 meaning common standards, common practices across
16 the business.
17 That's the only piece that it really
18 matters at. So it allows us to stay best in class
19 in terms of procedures and the way we do things.
20 TODD DAUBERT: Yeah. And again, by the way
21 these things are worded, we're not trying to suggest
22 a good or a bad because some people could say, hey,
23 if you're sharing your resources, it could bring
24 down the cost of the contract. It could be good.
25 So for us it really genuinely is a neutral

1 question to sort of understand when we evaluate your
2 proposal how costs are incurred.
3 BILL REIDWAY: And has come up with us many
4 times with regard to the technology resources that
5 we talk about, and it's possible that for this
6 question we might want to bring [redacted] to
7 explain a little bit further, but we have an
8 unyielding practice with regard to NPAC resources
9 that they are not impacted by other things that are
10 going on in Neustar's business.
11 When we talk about things like adding LEAP
12 and you mentioned Port PS and other things like
13 that --
14 TODD DAUBERT: Can I interrupt you for just
15 a second?
16 BILL REIDWAY: Yeah.
17 TODD DAUBERT: I just want to make sure I
18 understand the input. What I think I hear you
19 saying is that the reason you have that practice is
20 that you don't want to have other services impact
21 availability or reliability of the NPAC services.
22 BILL REIDWAY: That's exactly right. And
23 that's true even of the elements that are underneath
24 the overall NPAC umbrella, things like the law
25 enforcement platform, for example. So those are

1 querying impact data and so on and so forth.
2 We isolate all of that to ensure that from
3 a performance point of view, no matter what happens
4 over there doesn't impact the value and the
5 performance delivered to industry and the NPAC
6 proper.
7 So the same thing is true across all
8 elements of this service, the dedicated teams that
9 we mentioned, the same principles. We've got the
10 ability to bring best-of-breed approach, but that
11 doesn't change the fact that the infrastructure,
12 both technological and human, is dedicated where
13 appropriate.
14 TODD DAUBERT: Okay. That's helpful.
15 BILL REIDWAY: Is there anything else from
16 a technology point of view that we can answer in
17 terms of how all works?
18 TODD DAUBERT: No, I think it was more of
19 just a cost end thing.
20 BILL REIDWAY: Okay. All right. No
21 problem.
22 TODD DAUBERT: We've addressed some of
23 these issues before. Again, this was before your
24 presentation. And so one of the things was a
25 primary objective the RFPs secure a substantial

1 reduction in costs.

2 And we understand that you believe that it

3 is a substantial reduction in cost. And so this

4 slide is probably redundant because we've sort of

5 beaten this horse to death.

6 But if we do a best and final offer, we're

7 sort of getting to what can we do as far as our ask

8 or our clarification or whatever we provide that

9 could allow for an additional reduction in costs?

10 BILL REIDWAY: Yeah.

11 TODD DAUBERT: So I feel sort of bad. If I

12 had known our first conversation, I would have this

13 slide here because I feel like I'm coming back to

14 it.

15 BILL REIDWAY: No, no, that's all right.

16 Steve, you look like you were about to --

17 STEVE EDWARDS: No, I think the takeaway

18 certainly for me from this morning's session is

19 should we go to a BAFO? Then I think there are

20 things that we could do to provide further detail on

21 how we can break out our proposal based on cost or

22 value.

23 It's going to be a combination of each,

24 whether it's the innovations, whether it's

25 performance, or otherwise.

1 So I think, as I said, just looking at that
2 question and the conversation this morning, I think
3 there's more information we could provide to you.
4 TODD DAUBERT: Great. And we talked about
5 this again, about transition. What we're trying to
6 get our heads around, since you didn't address the
7 transition, we understand now based on your
8 presentation this morning some of the feeling behind
9 that.
10 But really, whether there are any charges
11 the industry would pay in the event of a potential
12 transition of one or more regions that were not set
13 forth in your proposal.
14 Do you have any thought around that? Or
15 because of your feeling about the transitional
16 issues you just haven't, you know --
17 BILL REIDWAY: Well, just one thing to be
18 clear. The reason why we didn't include anything
19 about Neustar's cost in our proposal is that the
20 proposal was for 2015 through '22.
21 Those transition costs that you refer to
22 there are elements of our existing Master Agreement.
23 So we didn't find them to be appropriate for this
24 response.
25 But I think I'm going to turn this one over

1 to Paul since he may have the most history here with
2 regard to how we might go about providing those
3 kinds of estimates.
4 PAUL LALIJIE: Yeah. I mean it goes back
5 again to -- we'll work this out, we'll have to do
6 this together.
7 But at the end of the day, if you look at
8 the language, I think you would agree that it's
9 relatively ambiguous. So we'll have to consult with
10 counsel. We have to add that piece of it.
11 And then the second part of it is there's a
12 scope associated with that.
13 TODD DAUBERT: Yep.
14 PAUL LALIJIE: What's the scope? You know,
15 we need to have that type of stuff before we can
16 associate numbers with that.
17 And I think the common theme across
18 everything that we've said today, we try to apply a
19 governance model to these things. It's unfair to
20 throw out a number there. It's unfair to you and
21 it's unfair to us.
22 TODD DAUBERT: Understood.
23 PAUL LALIJIE: It's probably one of those
24 things that we haven't gone through yet. And we can
25 do that together when we get to that stage.

1 TODD DAUBERT: Understood. Okay. So this
2 is that question. Remember earlier this morning
3 when I said, oh, yeah, you have a response somewhere
4 and I couldn't put my finger on it? I had forgotten
5 that we had put it in a slide.
6 This really has to go with Exhibit L. And
7 we wanted to know what your thoughts were on the
8 Neustar's royalty fees or the dollar value, the
9 unrecovered costs for software development.
10 Have you guys put anything together? Have
11 you focused on that?
12 STEVE EDWARDS: No, we haven't put anything
13 together for this one.
14 TODD DAUBERT: Okay.
15 PAUL LALIJIE: Well, there are a couple of
16 pieces to it, right? I mean, again, we need some
17 clarification and understanding. And it's not
18 something that we focused on as you went through
19 this.
20 TODD DAUBERT: Understood. And yet our
21 whole point here is just to get what you're
22 thinking.
23 PAUL LALIJIE: Yeah.
24 BILL REIDWAY: No, no, of course. And like
25 I said, all the questions that we would have to

1 answer in the event that Neustar was not renewed, to
2 Paul's point, we have not gone through those
3 processes because that's something that we would
4 have to do with you.
5 TODD DAUBERT: Yes.
6 BILL REIDWAY: We'd have to agree on how
7 the terms are going to be interpreted and then we'd
8 have to talk about scope.
9 STEVE EDWARDS: Because it's part of the
10 existing Master --
11 BILL REIDWAY: Yeah, and it's part of the
12 existing Master Agreement. So as part of this RFP
13 process, we have not done that.
14 TODD DAUBERT: Understood. Well, I think
15 that we have finished up the cost portion of the
16 questions.
17 BILL REIDWAY: Yeah, if we would do that
18 last section as well.
19 PAUL LALIJIE: If you don't mind, could we
20 just flip through the last section to make sure we
21 don't need any of these guys out here. Because it
22 may be one of those where they can come in for it.
23 We just want to make sure --
24 TODD DAUBERT: That was the last one. We
25 have other questions that you may need them for, but

1 we're trying to focus on this, on the ones before

2 you bring everything back in.

3 [redacted]

PAUL LALIJIE: [redacted]

TODD DAUBERT: [redacted]

1 [redacted]

[redacted]

[redacted]

4 [redacted]

5 [redacted]

6 [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

10 [redacted]

11 [redacted]

12 [redacted]

13 [redacted]

14 [redacted]

15 [redacted]

16 [redacted] -- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

1 [redacted]

17 STEVE EDWARDS: You use the word compare.
18 So there's kind of two sides of this, right?
19 Because if you're a private company or you're an
20 international company, you're not bound by SEC
21 guidelines or (23:37).
22 So to be honest, you can summarize any of
23 your business activities in any way you like. And
24 actually, you're not even subject to any formal
25 audits.

1 Whereas, what Paul described was given the
2 structure that we've got and the fact that we
3 already do segment reporting on carrier services,
4 arguably you probably have more visibility and you
5 probably have more confidence to understanding what
6 the financial structure is of our businesses.
7 And as I said before, if you look at
8 carrier services and then determine what the value
9 of the NPAC contract is, you have a lot of
10 visibility that you can deduce from that.
11 And that's audited, it's public, and has a
12 discipline with it, which is different from using
13 your word compare or private company that could
14 structure anything.
15 TODD DAUBERT: And I very much appreciate
16 that answer. And again, that's the great value of
17 having these discussions.
18 So I think we've gotten through the part
19 where you'd said you might want to have just the
20 four of you. So now we're going to go to some of
21 the other topics.
22 BILL REIDWAY: Would you excuse me a
23 minute? I'll go out and get everything else.
24 TODD DAUBERT: Perfect.
25 (The rest of the Neustar group returns to

1 the room.)

2 (Back on the record.)

3 BILL REIDWAY: As we get into these, I may

4 rove a little just in terms of making sure that I

5 can try to orchestrate this.

6 When we get into the next question, this is

7 where the wider group can provide a lot more than

8 certainly that I can provide by myself. So with

9 that, at your convenience.

10 TODD DAUBERT: Well, I wanted to remind

11 everybody, and this will be absolutely hypocritical

12 because I always forget to do it myself, but for our

13 court reporter's sake, if we can say our names

14 before we start talking. So this is Todd Daubert.

15 Then it will make her job a lot easier.

16 So a lot of you weren't in the room for the

17 discussion. And one of the things that we're trying

18 to do here is we're just trying to give Neustar an

19 opportunity to provide as much information and

20 context as possible around certain issues.

21 Some of the questions are about Neustar's

22 specific proposal. Other ones are more general

23 questions that we have.

24 And since we've written the questions

25 before the presentation, before we learned certain

1 things, they might seem redundant at times. We
2 don't have to stick slavishly by each sentence.
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 BILL REIDWAY: So for that, kind of
8 following the model of the presentation, I'll ask
9 [redacted] to provide an answer. And then anyone else that
10 has a follow-up, we'll go from there. [redacted]
11 [redacted]: This is [redacted]. If I
12 understand the question correctly, [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 It has offices for people who are
17 operations people. And it also has offices for
18 people who are from some of our product groups. Did
19 that answer your question?
20 TODD DAUBERT: Yes. What we're getting to
21 is, again, we understand that your facilities are
22 Neustar dedicated. The whole building is Neustar
23 dedicated.
24 So your structuring of the facilities
25 within your building might be different than a

1 facility that hosts a number of different companies
2 in a number of different facilities.
3 And so if I understand your response
4 correctly, you treat that entire facility as a
5 Neustar facility. You secure it based on the fact
6 that everything is Neustar.
7 But within the building you don't
8 necessarily have strict separation between
9 facilities that are used for NPAC services versus
10 things that are necessarily used for other non-NPAC,
11 like Neustar services.
12 [redacted]:
13 [redacted]
14 [redacted]
15 [redacted]
16 But as far as separation within the data
17 center of what is NPAC infrastructure and what is
18 non-NPAC infrastructure?
19 TODD DAUBERT: Well, we meant that more
20 generally. Data center meaning the building where
21 your data center is housed.
22 So I understand what you're saying. And so
23 if you had multiple data centers the way you're
24 using it. [redacted]y
25 [redacted]

1 [redacted]t
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]: There are other functions
10 that are within the data center, you know, other
11 products of ours. [redacted]
12 [redacted]
13 TODD DAUBERT: [redacted]
14 [redacted]
15 [redacted]: Yes, that's right.
16 TODD DAUBERT: Okay. That's all.
17 MICHELE GEHL: This is Michele. You
18 mentioned earlier in one of the other questions that
19 you had dedicated resources. I think you said that
20 several times, through the NPAC.
21 How is that separated from -- do you have
22 separation at the SA level, at the hardware team
23 level, at the database level that focus on NPAC or
24 do you have someone that might be working on Pro PS
25 server working on NPAC servers?

1 [redacted]: Our operations, the people
2 that work on the NPAC are mostly dedicated to the
3 NPAC. They do handle some other numbering services,
4 the engineering people similarly. Then when it
5 comes to database administrators, the NOC, the cost,
6 that's shared, and network engineers.
7 And we like to do that because we don't put
8 something new in the NPAC. Anything that we do new
9 we'll put in another product of ours, have it worked
10 over there and then maybe eventually move it into
11 the NPAC, if it's successful and we think it makes
12 sense.
13 So we like to get the benefit of that
14 experience from the other people, from the database
15 people, from the network people. So there's some
16 shared and there's mostly dedicated.
17 BILL REIDWAY: And then the principle, like
18 we were talking about before, is isolation for
19 performance purposes.
20 So in addition to the shared environment
21 from a power and that sort of perspective, the NPAC
22 facilities are dedicated such that they're not
23 affected by anything that's going on with things
24 that are even housed in the same facility.
25 PAULA CAMPAGNOLI: You said that you have

1 individuals who work on the NPAC and then maybe work
2 on other things also. How do you keep that -- in
3 other words, let's say somebody works on the NPAC
4 for four hours and then they go four hours somewhere
5 else.
6 How do you keep that difference -- I mean,
7 how do you charge time to the NPAC and -- or if you
8 do or not?
9 [redacted] I think I'd have to hand that
10 over to Paul.
11 PAUL LALIJIE: I think [redacted] is speaking from
12 a functional perspective. So, for example, if we
13 have a statement of work that requires certain
14 specialized functions, we draft that person from
15 that role into this role on purpose.
16 But the person is not working a portion of
17 their day on the NPAC and then a portion on
18 something else. We didn't intend to make it sound
19 that way, if that's the way it came out.
20 BILL REIDWAY: We're talking about the
21 shared facility level functions, those kinds of
22 things.
23 PAULA CAMPAGNOLI: Thank you.
24 MICHELE GEHL: This is Michele with one
25 more. [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 BILL REIDWAY: This is probably a good time
6 for us to introduce [redacted] who I'm not
7 sure any of you have met before. He's our Chief
8 Information Security Officer. And he can talk
9 through some of our policies and best practices with
10 regard to that.
11 [redacted] So for
12 the folks who actually need access to the NPAC and
13 to the data center, we use what we call a
14 [redacted]
15 [redacted]
16 [redacted].
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted]

2 [redacted]

3 [redacted]

4 MICHELE GEHL: S[redacted]

5 [redacted]

6 [redacted]

7 [redacted] --

8 [redacted]

9 [redacted]

10 [redacted]

11 [redacted]

12 [redacted]

13 [redacted]

14 [redacted].

15 BILL REIDWAY: So before we move on, I

16 think Rob, you wanted to add a clarification?

17 [redacted] This is [redacted]

18 [redacted]

19 [redacted]

20 [redacted]

21 [redacted]

22 [redacted]

23 [redacted]

24 [redacted]

25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 MICHELE GEHL: Thank you.
12 BILL REIDWAY: So that was [redacted]
13 And something that [redacted] just pointed out, with
14 regard to all these procedures this is a big part of
15 Article 14.
16 All of the kinds of things that we're
17 talking about here with regard to the execution of
18 security and maintenance in the data center is all
19 independently assessed.
20 There's a lot of documentation developed on
21 that that's available for you at your disposal.
22 TODD DAUBERT: So the next question really
23 gets to capacities. And so we'd like you to explain
24 a little bit of the reason for citing the difference
25 between [redacted]

1 [redacted]

2 BILL REIDWAY: I'm going to ask [redacted] to

3 respond to that as well.

4 [redacted]: This is [redacted]. And

5 [redacted]

6 [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

10 TODD DAUBERT: Yeah, it makes sense. [redacted]

11 [redacted]

12 [redacted]

13 [redacted]

14 [redacted]

15 [redacted]

16 [redacted]

17 [redacted]: [redacted]

18 MICHELE GEHL: [redacted]

19 [redacted]

20 [redacted]: [redacted]

21 [redacted]

22 UNIDENTIFIED SPEAKER: [redacted]

23 [redacted]

24 MICHELE GEHL: [redacted]

25 [redacted]: [redacted]

[redacted]

1 [redacted]: Sure, yeah. I thought the
2 only person we didn't bring is our data center.
3 RON STEEN: [redacted]
4 [redacted]
5 [redacted]
6 BILL REIDWAY: We'll take a break and we
7 know exactly who to call. We'll get the answer.
8 TODD DAUBERT: [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 BILL REIDWAY: [redacted]
15 [redacted]
16 [redacted]: [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted]
2 [redacted]
3 TODD DAUBERT: This is Todd. If you could
4 please find out a little bit more detail on that
5 again because we're -- the thinking is this.
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 And so if that's something you can help us
13 out with, that would be fantastic.
14 [redacted]: Sure. [redacted]
15 [redacted]
16 [redacted].
17 PAULA CAMPAGNOLI: I'm sorry. I couldn't
18 hear you?
19 [redacted]: [redacted].
20 TODD DAUBERT: What was the first one?
21 [redacted]: [redacted]
22 PAULA CAMPAGNOLI: I'm sorry, I couldn't
23 hear you. [redacted]
24 [redacted]: [redacted]
25 [redacted]

1 PAULA CAMPAGNOLI: Thank you.

2 MICHELE GEHL: [redacted]

3 [redacted]

4 [redacted]

5 [redacted]

6 [redacted]: [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

10 [redacted]

11 [redacted]

12 [redacted]

13 [redacted]

14 BILL REIDWAY: [redacted]

15 [redacted]

16 [redacted]

17 [redacted]

18 [redacted]

19 [redacted].

20 [redacted]

21 [redacted]

22 [redacted]

23 NAUMI WHITE: [redacted]

24 [redacted]

25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 BILL REIDWAY: S[redacted]
24 [redacted]
25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted].
17 TODD DAUBERT: [redacted]
18 [redacted]
19 [redacted]
20 BILL REIDWAY: So once again, I'm going to
21 not do what I did to Steve, and I'm going to be
22 quiet and let [redacted] answer this question.
23 [redacted]: [redacted]
24 [redacted]
25 [redacted].

1 TODD DAUBERT: [redacted]
2 [redacted]: [redacted]
3 [redacted]
4 TODD DAUBERT. [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]: [redacted]
10 [redacted]
11 [redacted]
12 TODD DAUBERT: I understand. I'm not
13 asking the question very well.
14 BILL REIDWAY: No, you're asking about
15 something specific. [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 TODD DAUBERT: Yes.
20 BILL REIDWAY: So, [redacted] can we talk a
21 little bit about that?
22 [redacted]: Yes. So let me answer and
23 see if it answers your question.
24 So there's a lot of different elements,
25 right? Let's start closer to the front. There are

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 TODD DAUBERT: And so what I was asking
6 about the [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]: Well, again, I think you're
12 asking a different question. [redacted]
13 [redacted]
14 TODD DAUBERT: That's right.
15 [redacted]: [redacted]
16 [redacted]
17 [redacted]
18 TODD DAUBERT: Understood.
19 [redacted]: Sure. So probably the best
20 person to answer this question is [redacted] And
21 probably, [redacted] you might want to talk about the
22 [redacted]
23 [redacted] Right. [redacted]
24 [redacted]
25 [redacted].

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted].
8 TODD DAUBERT: [redacted]
9 [redacted]
10 [redacted]
11 [redacted] That's correct. This is [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 LUKE SESSIONS: [redacted]
17 [redacted]
18 [redacted]
19 [redacted] So for the [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted].

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted].
6 TODD DAUBERT: Perfect. That's very
7 helpful. That's what I was trying to get.
8 MICHELE GEHL: I have two more questions.
9 This is Michele.
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 MICHELE GEHL: [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted] Are you talking about what the
23 SLA is or what we experience typically?
24 MICHELE GEHL: What do you expect it to be?
25 [redacted]

1 MICHELE GEHL: To replicate based on --
2 [redacted] And just to be clear, we're
3 operating previous to whatever incident that we're
4 speaking of, we're operating [redacted]
5 [redacted]
6 [redacted].
7 It's just a matter of -- and it also
8 depends on [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 MICHELE GEHL: Okay.
16 BILL REIDWAY: I just want to ask a
17 question of the Neustar people. Is there anything
18 else about this question that we might want to
19 regroup outside and provide additional information?
20 PAUL LALIJIE: We probably should regroup,
21 yes. There are a couple of things that we can do
22 here that would support that answer.
23 BILL REIDWAY: Yeah. And so I'd like to
24 offer that, if we could at the next break come back
25 to this question and provide you with some

1 additional --

2 TODD DAUBERT: That's fine. We're almost

3 finished, believe it or not. Once we get through

4 that, then when we take our 15-minute break, we'll

5 be talking about if there's any additional questions

6 and you guys can regroup, come back in and tell us

7 what you had before we go to our next question.

8 BILL REIDWAY: Yeah. This is a topic that

9 there's actually some -- there's some commentary

10 inside the RFP about how things could potentially

11 evolve.

12 So why don't we regroup and come back and

13 present that a little bit?

14 [redacted] Wait. And just to make

15 sure, we owe you answers on -- I'm sorry. [redacted]

16 [redacted]

17 [redacted]

18 [redacted]

19 [redacted] Yeah. This is

20 [redacted]

21 [redacted]

22 [redacted]

23 [redacted]

24 BILL REIDWAY: [redacted]

25 [redacted]

1 LUKE SESSIONS: But Bill, to your point
2 where you were saying that you had a proposed
3 solution, that definitely kind of ties to some of
4 our curiosity.
5 BILL REIDWAY: Good. And that's what it's
6 there for. And you know, I'll preamble by saying
7 that the solution that we have right now is
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 TODD DAUBERT: [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 BILL REIDWAY: So I'd like to say, you all
21 are making me feel really good that we picked the
22 right group of people to come and speak to you. So
23 [redacted] would you mind talking about this one?
24 [redacted] Sure. This is [redacted]
25 [redacted] again. On the first question, we have had

1 [redacted]
2 [redacted].
3 In regards to the second question, we've
4 done a lot of work over the last couple of years, as
5 you can imagine, picking up a paper or looking in
6 the news lately. There's just a huge increase in
7 both complexity and number of cyber attacks over the
8 last couple of years.
9 [redacted]
10 [redacted]
11 [redacted].
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted].
6 [redacted]
7 [redacted]
8 [redacted]
9 BILL REIDWAY: Thank you.
10 [redacted]: This is [redacted] I just
11 want to add, specifically for the NPAC databases, in
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted].

2 [redacted] This is [redacted]

3 [redacted]

4 [redacted]

5 [redacted]

6 [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

10 [redacted]

11 [redacted]

12 BILL REIDWAY: [redacted] something else to

13 add?

14 [redacted] Yes. This is

15 [redacted] I just wanted to add that we have [redacted]

16 [redacted]

17 [redacted]

18 [redacted]

19 [redacted]

20 PAUL LALIJIE: This is Paul Lalijie. So

21 consistent with the first question we had, we took a

22 long time. I think it's appropriate if we take a

23 long time with this one, as a public company, and

24 this will give you something to sleep well at night.

25 Most audit committees now for public

1 companies go through security testing, audits,
2 things like that.
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted].

2 TODD DAUBERT: And so this next question is

3 about self-reporting. Again, as I'm sure you all

4 are already aware, the NAPM, LLC expects the LLPA

5 vendor or vendors to self-report service-impacting

6 failures.

7 How does Neustar plan to self-report

8 service-impacting failures?

9 BILL REIDWAY: So on this one, I'm going to

10 turn it over to [redacted] I think there's maybe

11 two answers.

12 How do we self-report today and how do we

13 plan to do so in the future? [redacted] would you

14 mind?

15 [redacted] Sure. So at the

16 very outset let me just explain [redacted]

17 [redacted].

18 [redacted]

19 [redacted]

20 [redacted]

21 [redacted]

22 [redacted]

23 [redacted]

24 [redacted]

25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 So we've evolved the process of
21 communication. There is no reason to not follow on
22 that same evolution path. I hope that answers the
23 question.
24 TODD DAUBERT: I think, believe it or not,
25 we've gotten through our slides. So if we can take

1 a break.

2 What we'll do is we don't know exactly how

3 long we need because we've got to get input on

4 whether there are any follow-up questions. And then

5 you guys can have your discussion of the follow-up.

6 We'll go on a break and we'll come back.

7 BILL REIDWAY: Would you like to start with

8 Neustar and then go to --

9 TODD DAUBERT: Yeah, that would be great.

10 BILL REIDWAY: All right. We'll be out

11 here.

12 TODD DAUBERT: Perfect.

13 BILL REIDWAY: Thank you.

14 (A break was taken from 1:45 p.m.)

15 (Back on the record at 2:30 p.m.)

16 BILL REIDWAY: So there were two things

17 that we took back that we wanted to answer. First

18 is some questions, follow-ups with regard to the

19 [redacted]

20 [redacted]

21 [redacted]

22 [redacted]

23 [redacted]

24 [redacted]

25 [redacted]

1 the office and we think that's something that we can
2 go back and provide you some additional information
3 on really as soon as possible.
4 We don't have the information at this
5 moment, but we're certainly open to that.
6 I did however wanted just in response to
7 the question as best we can point you to the Article
8 14 scores for the data center.
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 try to provide you with some additional info. But I
2 did want to draw your attention to this.
3 The other thing I just wanted to note from
4 a practical point of view over the last several
5 years, first of all, [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 So once again, I think there's more
2 information that we could provide you on this, but I
3 did want to make sure that you had everything else
4 available to you.
5 Now, with regard to your specific
6 questions, we had our guy on the phone and [redacted]
7 going to report out.
8 [redacted]: So let me cover a few things
9 here. [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 PAULA CAMPAGNOLI: [redacted] I'm sorry. What
19 did you say it was? You said currently it's at
20 what?
21 [redacted]: [redacted]
22 PAULA CAMPAGNOLI: [redacted]
23 [redacted]: [redacted]
24 [redacted]
25 RON STEEN: That's [redacted]

1 [redacted]: That's [redacted]
2 RON STEEN: Okay. Thanks.
3 [redacted]: And your question, Ron, your
4 curious question as far as the [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 BILL REIDWAY: [redacted]
11 [redacted] For that,
12 I'm going to ask Ed and [redacted] to do a little jazz on
13 this one and expand a little bit in terms of what we
14 put through in the proposal. Take it away, Ed.
15 [redacted] Sure. And I apologize, by the
16 way. When we were having that discussion before it
17 was so kind of free-flowing, I didn't actually look
18 up to see the question you had on the board.
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 this -- I'll call it cloud, all being masters that
2 update each other. Any one that goes down doesn't
3 affect service.
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 MICHELE GEHL: I'm sorry. [redacted]
18 [redacted] I missed what you said.
19 [redacted]: [redacted] --
20 MICHELE GEHL: [redacted]
21 [redacted]: [redacted]
22 [redacted]
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted]
2 [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 BILL REIDWAY: [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 So I think just the upshot of this is that
21 I think we would be happy to sit down with the
22 industry and talk through.
23 [redacted]
24 [redacted]
25 [redacted]

1 [redacted]

2 [redacted]

3 TERESA PATTON: I just wanted a

4 clarification to make sure I understood what you

5 said. So did you say [redacted]

6 [redacted]

7 [redacted]

8 [redacted]: [redacted]

9 [redacted]

10 [redacted]

11 [redacted]

12 [redacted]

13 [redacted]

14 [redacted]

15 [redacted]

16 [redacted]

17 [redacted]

18 [redacted]

19 [redacted]

20 [redacted]

21 [redacted]

22 [redacted]

23 BILL REIDWAY: [redacted]

24 [redacted]

25 [redacted] [redacted] did you want to --

1 [redacted] Yeah. [redacted] As far
2 as [redacted]
3 [redacted]
4 [redacted]
5 [redacted]
6 [redacted]
7 [redacted]
8 [redacted]
9 [redacted]
10 [redacted]
11 [redacted]
12 [redacted]
13 [redacted]
14 [redacted]
15 [redacted]
16 [redacted]
17 [redacted]
18 [redacted]
19 [redacted]
20 [redacted]
21 [redacted]
22 [redacted]
23 [redacted] And so we would need to talk about
24 what the implications are of moving to an
25 asynchronous model.

1 And it's very complicated. The system is
2 already complicated. But this would add additional
3 complexity because you can imagine that if I have
4 two providers that are doing a similar operation at
5 the same time, for example, they're both creating
6 the same telephone number, well, you can end up with
7 conflicts if you're not operating in a synchronized
8 way.
9 So it's a balance between wanting to have a
10 seamless infinite nine system versus some of the
11 complexities -- and I have to add editorially that
12 we're talking about very rare circumstances. Where
13 do we want to come down on that?
14 And we're excited that the [redacted] is
15 going to give us the opportunity to explore some of
16 those.
17 BILL REIDWAY: Just to wrap this up a
18 little bit, I think Neustar has consistently
19 invested in the infrastructure of the NPAC to
20 support those design principles that we talked
21 about, the stability, the redundancy, the
22 resiliency, the flexibility, the modularity, all of
23 those things. We've always done so in partnership
24 with the industry.
25 This particular topic, as I said, as Ed

1 mentioned, this is something that we've touched on
2 as one of the reasons why migrating to [redacted] could
3 provide benefit across the board as it provides
4 additional flexibility and options in this case.
5 So one of the things I might suggest that
6 we could continue this discussion even at the
7 working group, as the service providers have
8 priorities and requirements with regard to
9 [redacted].
10 That's not something that is by any means
11 out of reach. It just changes the way that we
12 interact with the NPAC as an industry.
13 So I think that this has been great
14 discussion for us because it provides us additional
15 food for thought in terms of how to accommodate
16 that.
17 LUKE SESSIONS: So I just want to make sure
18 I -- sorry, Luke Sessions -- make sure that I
19 understand that concept. I'm happy to discuss it at
20 the LNP working group.
21 I want to understand in relation to this
22 offer that you brought to the table, would a change
23 like this be included in the flat-rate pricing or
24 would this be something that fits under our SOW
25 concept that you've described?

1 BILL REIDWAY: So because it probably --
2 what distinguishes an SOW from a technology upgrade
3 is when specific requirements come from industry.
4 So let me say that technology upgrades are
5 something that Neustar provides as part of the fixed
6 price constantly. There are SOWs that we could do
7 in the same way.
8 Speaking a little bit off the cuff here,
9 the intent of evolving the architecture of the NPAC
10 to support latest-generation technology is something
11 that would be in Neustar's interest just as much as
12 it would be in the industry's.
13 TODD DAUBERT: Bill, can I ask you a
14 question? I'm sorry for interrupting, but that's a
15 very interesting point and a very good point.
16 And so one of the things that I know that
17 people are concerned about in one of the
18 conversations that we've had is, when people are
19 trying to evaluate value, where can they look to see
20 that criteria to see when they include it in that
21 and they can say that's going to be covered --
22 BILL REIDWAY: No, I understand.
23 TODD DAUBERT: -- and then it goes into an
24 SOW or something like that. That's a very critical
25 component.

1 BILL REIDWAY: Understood. And let me go
2 back to something that we talked about earlier. The
3 practical intent of the proposal that we put in
4 place is to provide the industry changes at no cost.
5 There are certain things that we have the
6 authority to do as the LNPA, and it has nothing to
7 do with whether it's billable to the industry. It's
8 just a question of maintaining our service.
9 So most of the time those things happen
10 without SOWs. We do them because there's no impact
11 on you and it's necessary to support increasing
12 volumes.
13 I think that there's a flavor of what could
14 be done here that would fall into that category.
15 There's a flavor of things that we could potentially
16 do that would be in the category of purely of a
17 technology upgrade.
18 I wouldn't want to make that determination
19 from a final perspective right now. And once again,
20 it's not so that I can try to make money off of it
21 later. It's because I want to make sure that I
22 defer to industry if there are specific requirements
23 that come.
24 But in practical terms and to answer your
25 question the best way that I can for a take-away,

1 something like this is exactly the kind of value
2 that is included in the fixed price.
3 It's that level of investment and staying
4 up to pace with not only the needs of the industry
5 but the technology available to us to deliver on
6 those needs.
7 So I hope I'm not coming off as cagey here.
8 This isn't about which category. It's about making
9 sure that I don't supplant the role of the LNPA.
10 TODD DAUBERT: And maybe what we can do is
11 we can put a pin in that because for that final
12 question that we're talking about maybe we can --
13 BILL REIDWAY: Okay. Let's do.
14 PAUL LALIJIE: I was just going to be black
15 and white, use history as a predictor.
16 Historically, technology changes. Neustar bore the
17 risk of that and that was included in the fixed
18 price. Functionality changes, SOW.
19 BILL REIDWAY: That was a much more
20 succinct way of saying what I said. Okay. So that
21 concludes, I think -- anything else from the Neustar
22 team?
23 PAULA CAMPAGNOLI: I didn't hear the last
24 comment that Mr. Lalijie made.
25 BILL REIDWAY: So Paul's comment was

1 technology changes historically have always been
2 done on Neustar's investment.
3 Functionality changes, changes in the way
4 that service providers interact, have typically been
5 SOWs.
6 TODD DAUBERT: So to paraphrase back, which
7 I think sometimes is helpful. Technology upgrades
8 that are transparent to us --
9 BILL REIDWAY: That's right.
10 TODD DAUBERT: -- are -- apart from the
11 service quality, but from a day-to-day basis that
12 are transparent to the industry have been covered
13 there.
14 BILL REIDWAY: That's right.
15 TODD DAUBERT: Functionality changes,
16 meaning changes that impact the way industry
17 interacts or takes service or features or functions
18 have typically been covered by the SOW.
19 And your proposal is based on moving
20 forward with that same concept.
21 BILL REIDWAY: That same paradigm. And
22 once again, it's not about putting them in two
23 financial categories. It's about who makes the
24 decision. It's about who determines the detailed
25 requirements.

1 And with functionality changes, the
2 definition of a functionality change, we were
3 talking about it now, is something that has an
4 impact on the service providers. We don't dictate
5 those requirements, ever.
6 We facilitate the discussion around them
7 and we kind of drive things forward, but that is the
8 industry's decision to make.
9 So that's typically been the breakdown. In
10 both of those cases we're talking about delivering
11 those things at no cost to industry.
12 But if we need to draw a distinction to
13 categories, that's the lens through which to look.
14 TODD DAUBERT: Why don't we, for your sake,
15 let's put a pin on that because there may or may not
16 be follow-up things.
17 BILL REIDWAY: That would be fine.
18 TODD DAUBERT: That will be easier for us.
19 Do we want to do our first question then?
20 (No response.)
21 So we had two questions. One of them is a
22 general and one the other one's a cost.
23 BILL REIDWAY: All right.
24 TODD DAUBERT: So it's a long question.
25 But it's just meant to provide the context, right?

1 So when we look at the additional
2 qualifications, you reserve the right to amend your
3 proposal in the event that FoNPAC, NAPM LLC, or the
4 FCC publicly announces a recommendation for the
5 selection of another respondent for any U.S. region
6 or to schedule material from the dates outlined in
7 the RFP.
8 The question in essence is, what exactly do
9 you mean by that? And how do you foresee the
10 procedures even permitting that to happen outside of
11 a BAFO?
12 BILL REIDWAY: I may need to take this one
13 outside --
14 TODD DAUBERT: Yeah, you can take it
15 outside.
16 BILL REIDWAY: -- if you don't mind and
17 then come back and respond.
18 TODD DAUBERT: That's perfectly fine. But
19 it's more really just --
20 BILL REIDWAY: And I understand what you're
21 saying. This is a big document. There's not
22 everything that I recall with regard to terms and
23 conditions.
24 TODD DAUBERT: Understood.
25 BILL REIDWAY: I think I'd like to take

1 this one outside.
2 TODD DAUBERT: That's fine. If you want,
3 you can take it outside. And then when you come
4 back in --
5 BILL REIDWAY: And we'll provide an answer
6 to this and then we can talk.
7 (A brief break was taken.)
8 (Back on the record.)
9 UNIDENTIFIED SPEAKER: So I think this
10 probably concludes your interaction with most of the
11 folks in the room.
12 UNIDENTIFIED SPEAKER: Ron, do we want to
13 do like closing comments for the big group?
14 RON STEEN: Yeah, we can do that. We can
15 do our closing comments.
16 Well, basically we just wanted to thank
17 Neustar for both for submitting a proposal and
18 participating in the RFP process and coming to talk
19 with us today to help us to understand the proposal.
20 We just want you to know that we're working
21 diligently to meet the July 1st contract deadline,
22 to have a selection and everything done to make it
23 so that everything is in place on that date.
24 We'll go ahead and advise you of something.
25 All through the discussion today we've said if we do

1 a best and final offer. We do intend to do a best
2 and final offer. So maybe that will take some
3 uncertainty out of your heads.
4 We'd ask you to take any documents with you
5 that you brought and not leave anything here. And
6 for those of you that are walking out the door,
7 thanks again for coming.
8 PAUL LALIJIE: And one other request --
9 RON STEEN: Okay. Paul reminded me. I
10 think this will be the third or fourth time, but any
11 notes you've got, be sure and stamp them.
12 DAN SCIULLO: And one final, if Neustar
13 could provide a copy of their slide presentation
14 appropriately stamped to me, we need to provide it
15 to the person transcribing so they have it as part
16 of the record.
17 BILL REIDWAY: So that we have the
18 appropriate language on every slide, were you
19 looking for a hard copy stamped?
20 DAN SCIULLO: No, no, electronic's fine.
21 We need to just provide it.
22 BILL REIDWAY: I know that some of us are
23 coming back in. But I think I speak for everybody
24 when I add our thanks to the FoNPAC. This has been
25 an educational experience for us as well. And

1 thanks.
2 [redacted]
3
4
5
6 exited the room.)
7 (A break was taken at 2:50 p.m.)
8 (Back on the record at 2:55 p.m.)
9 BILL REIDWAY: First of all, I apologize.
10 This is actually much simpler than I thought.
11 So really there's the two possible
12 categories. All this is really saying is that in
13 the event the NAPM selects a regional model, in
14 other words doesn't accept our full combined
15 proposal, then the pricing in there obviously would
16 not apply.
17 So this is standard language associated
18 with those kinds of material changes in the way
19 things can proceed.
20 And as far as the material delay is
21 concerned, we're undergoing work right now. We've
22 got a lot of things that we would need to do to
23 prepare for the July 1st date.
24 So all this is suggesting is that if there
25 are material changes that would potentially require

1 an extension with Neustar, then we'd have to go back
2 and revisit the proposal. In other words, if it
3 didn't begin on July 1st anymore.
4 So once again, and [redacted] did miss anything
5 here?
6 [redacted] That's correct.
7 BILL REIDWAY: And once again, I apologize
8 for the head fake section. It's much simpler than I
9 had initially --
10 TODD DAUBERT: So what we are getting into
11 though is -- that's helpful to know that you just
12 view it as a disclaimer on the rate that you offer.
13 But since you didn't offer a regional rate,
14 one of the questions that the members had was from a
15 procedural standpoint, unless it's through the
16 mechanism of the BAFO --
17 BILL REIDWAY: Yeah.
18 TODD DAUBERT: -- how and when could you
19 offer a revised proposal? Did you have something in
20 mind?
21 BILL REIDWAY: No. Procedurally we would
22 defer to the FoNPAC. But I mean the RFP put it
23 forward as an option. Right?
24 TODD DAUBERT: Absolutely.
25 BILL REIDWAY: So we did not take that

1 option up. There would have to be another
2 mechanism, another request from the FoNPAC
3 requesting it.
4 TODD DAUBERT: Understood.
5 STEVE EDWARDS: I think you're right. And
6 then there will probably be other situations with
7 changes that would probably -- the only way to do
8 it, it would be through the vehicle of the BAFO.
9 TODD DAUBERT: Understood. And we just
10 wanted to make sure that that's really where you
11 were going.
12 BILL REIDWAY: Yeah. No, we didn't have
13 any other ideas in mind with regard to that. Like I
14 said, the plain thing, I just --
15 TODD DAUBERT: I thought it was a pretty
16 plain explanation.
17 BILL REIDWAY: It may be getting late.
18 TODD DAUBERT: And on that note we can go
19 to our second question.
20 [redacted] Shall I go?
21 BILL REIDWAY: Yeah. Thank you, [redacted]
22 [redacted] was here to rescue me if I needed.
23 [redacted] left the meeting at 2:57 p.m.)
24 TODD DAUBERT: So one of the questions that
25 one of the members brought up earlier when we were

1 talking about costs, you say that your goal was for
2 carrier services to retain the same margins as now.
3 And so people were thinking about that and
4 thinking about if that's true, then why do the costs
5 increase year over year? Can you help us out with
6 that?
7 PAUL LALIJIE: Well, I mean there are a few
8 things that are in carrier services we're
9 experiencing as an organization, our aspirations
10 that we've shared publicly is a double-digit,
11 meaning ten plus percent year-over-year growth.
12 The NPAC is a fixed-fee contract to us. So
13 when we talk about growth in our businesses, we are
14 focused on a non-NPAC businesses.
15 And if we are going to grow that non-NPAC
16 business, then we'll be able to generate greater
17 margins in those businesses as we move forward
18 because we do have the service-based model and we
19 don't have fixed fees in those businesses, we have
20 subscription-based revenue in those businesses.
21 So those businesses as you grow becomes
22 higher revenue steams and higher margins as you go
23 forward.
24 I mean, we had this explanation in our
25 earnings call last quarter. It was a quarter where

1 we generated greater growth in our non-NPAC
2 businesses and we showed a commensurate margin in
3 those businesses.
4 TODD DAUBERT: So I understand your
5 response. What you're saying is that when you said
6 keep the margin the same, you meant across the
7 carrier services and you --
8 PAUL LALIJIE: Correct.
9 TODD DAUBERT: -- foresaw increasing the
10 margin.
11 PAUL LALIJIE: A lowering in NPAC, whatever
12 that is, and then a greater in the others, if that's
13 making it more transparent.
14 TODD DAUBERT: No, that makes sense. But
15 the question that I think led the members to bring
16 this question back was, all right -- and we also
17 said you were thinking about this set growth rate in
18 volume over time.
19 Let's set aside SOW. Set them aside. The
20 incremental cost of that increased volume, does that
21 match in Neustar's mind the increase in cost of the
22 price year over year, or why wouldn't there be
23 efficiencies that would either keep it level or make
24 it go down over time?
25 PAUL LALIJIE: So repeat that for me. Or

1 help me understand what you're getting at here.
2 Because I think we do show that --
3 DAN SCIULLO: Just look at that question.
4 I think you answered it. People are asking why is
5 the contract going up, not down?
6 TODD DAUBERT: So what you said to us was
7 -- and that addresses sort of the first part about
8 margins are the same, right?
9 You had said that the comment about keeping
10 the margins the same for carrier services, you can
11 have the margins go down for NPAC services but up
12 for the other service, so it has to be the same
13 service.
14 PAUL LALIJIE: Net/net, we end up the same.
15 TODD DAUBERT: So let's just say that your
16 margins, just for assumption sake, that your margin
17 went down for NPAC services over time is one
18 possibility, right?
19 PAUL LALIJIE: Yeah.
20 TODD DAUBERT: We said that the pricing
21 model was based on this assumption that a set growth
22 in volume over time based on assumptions about what
23 would happen, right? And so the price increase year
24 over year, why wouldn't efficiency --
25 PAUL LALIJIE: What do you mean by a price

1 increase year over year?

2 DAN SCIULLO: See, that's what I think you --

3 PAUL LALIJIE: I don't know what you mean

4 by price increase?

5 [redacted] Paul, can I chime in here?

6 PAUL LALIJIE: Yeah.

7 [redacted]

1 [redacted] --

2 PAUL LALIJIE: Correct.

3 BILL REIDWAY: Can I offer -- let me offer

4 something here that maybe we weren't a hundred

5 percent clear on.

6 The slope of the contract as it exists

7 today is not designed to be a reflection of

8 increasing volumes.

9 [redacted]

TODD DAUBERT: Understood.

BILL REIDWAY: And so I apologize if I

wasn't clear about that before.

[redacted] --

1 STEVE EDWARDS: And to kind of bring that
2 back to the point that you raised earlier, you
3 talked about risk and predictability.
4 I would have thought it was the industry's
5 benefit to [redacted]
11 TODD DAUBERT: [redacted]
15 BILL REIDWAY: Yeah. So once again,
16 apologies if this didn't come clear in the proposal
17 or the presentation. [redacted]
25 TODD DAUBERT: And you know, one of the

1 things that one of the members just pointed out that

2 [redacted]

1 BILL REIDWAY: I think we had a question
2 about this before, which is when we go back and look
3 at the structure. And I think, you know, the answer
4 to that question was yes, right?
5 STEVE EDWARDS: It was, yeah. And once
6 again, not to kind of overcomplicate this, but let
7 me come back to that business driver again.
8 So people are saying to us, look, PSTN to
9 IP migrations is going to happen. Many of the
10 people have actually submitted plans to the FCC. It
11 says it's going to happen by 2018. Okay? So maybe
12 it's more like 2020, but it's going to happen.
13 So then people say, so how do we get the
14 rest of the industry on board as early as we can,
15 2016 to 2017?
16 And this is what I mean by the mutual
17 benefit here, because we're basically saying, look,
18 [redacted]

1 [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

TODD DAUBERT: Understood. And it's very

9 helpful to understand the initial business

10 considerations and what you're taking into account.

11 MICHELE GEHL: Just for clarification,

12 because I think we talked about this on one of the

13 breaks. That particular initiative, is that an SOW

14 activity?

15 BILL REIDWAY: No.

16 MICHELE GEHL: And is that included or not?

17 BILL REIDWAY: No. So that initiative

18 doesn't actually require changes.

19 So that's baseline functionality. And the

20 additional -- the value is coming from additional

21 services, additional use cases.

22 And this is kind of the things that we've

23 been talking about in the inner-connection forum

24 where we don't actually have to make software

25 changes with the infrastructure that we have right

1 now.
2 But to answer your question, the increased
3 activity that comes from using the NPAC for this
4 purpose is built into the fixed price. You don't
5 have to worry about that.
6 STEVE EDWARDS: And once again, not to boil
7 the ocean here, but initially it was conceived there
8 will be a completely different registry with
9 different systems and a whole different investment
10 in cost and operations to support IP migration.
11 BILL REIDWAY: Not conceived by Neustar.
12 STEVE EDWARDS: Yeah. But now by actually
13 extending the functionality of the NPAC to absorb --
14 the ability to migrate to an IP network under a
15 fixed-cost model, it doesn't cost the industry
16 anything to actually make that migration.
17 So going back to your question about how do
18 you value these things --
19 TODD DAUBERT: Yes.
20 STEVE EDWARDS: -- that's a great value.
21 TODD DAUBERT: Yes. Understood. And so
22 that sort of brings up this other point.
23 And so we listened very carefully to your
24 responses. We're really trying to take into account
25 your thinking and the methodology and everything.

1 And one of the things that you said a couple of
2 different ways is talking about how we really need
3 to look at the overall value of this.
4 [redacted]
25 DAN SCIULLO: And just to lock it in as the

1 implementing lawyer who has had some history, I
2 can't figure out the distinction between these two
3 silos. And it sounds like now maybe it's a no
4 software change test, that the other test was
5 architecture.
6 So if you could help us identify when it
7 falls into which pocket.
8 BILL REIDWAY: Yeah, no -- sorry. Go
9 ahead.
10 STEVE EDWARDS: There's a difference
11 between governance and approval versus cost.
12 Because as we've done in the past, we've had SOWs
13 that require industry approval but we've done for
14 zero cost.
15 But it's not as black and white as just
16 saying SOWs are always fee-based and technology is
17 always free because Neustar bears the cost.
18 In some cases we bear the cost for SOWs
19 that we've determined is the right thing to do for
20 the industry at zero cost. And my belief is we'll
21 still continue to do that.
22 BILL REIDWAY: Yeah. I think this is very
23 helpful for us to understand because the distinction
24 in my mind between an SOW versus the technology
25 investment, once again, it's when Neustar doesn't

1 decide what's going on, right?
2 Neustar doesn't make a determination to
3 either invest or innovate on the services delivery.
4 Now that distinction is made based on the
5 principle of backward compatibility and industry
6 control.
7 [redacted]
15 As I mentioned earlier, there's a third
16 party that's in the mix that, frankly, over ten
17 years not knowing what could happen politically,
18 regulatory, or whatever, we had to be responsible in
19 terms of answering.
20 But the allocation that we created was
21 intended to support a staff of people that could
22 support the industry's needs, whatever they were,
23 and effectively create an all-you-can-eat, not only
24 volume-based proposal but a change management based
25 proposal was well.

1 And to the extent -- the question that was
2 asked before, should additional instructions come in
3 the best and final process, we will take those back
4 and make every effort to support the industry's
5 desires.
6 TODD DAUBERT: So here's the challenge.
7 And I try very hard to articulate it on behalf of
8 the industry and the members.
9 [redacted] even
18 if you appreciate value, to compare different types
19 of strategies with responses and different things,
20 and that's tough.
21 [redacted]

1 [redacted]

4 BILL REIDWAY: Sure.

5 TODD DAUBERT: So the structure that you
6 put forward can be viewed in many different ways.
7 And in the end trying to put this ROI on this idea
8 of sort of trust us on this, we've had a lot of
9 history together, that may be true and it may be
10 totally justified.

11 But when it comes to individual companies
12 trying to go back to management and evaluate and
13 assign values, that's extraordinarily challenging.

14 BILL REIDWAY: No, and this is very
15 helpful. So let me say two things. Hopefully,
16 we've been clear, not only about the animating
17 principles behind what this says, but also our
18 willingness to accept feedback.

19 But let me offer something else as well.
20 And I'm going step out on a limb here and maybe I'll
21 ask forgiveness in advance.

22 [redacted]

1 [redacted]

4 And like I said, this is our attempt to
5 answer this responsibly.
6 TODD DAUBERT: Understood.
7 BILL REIDWAY: And as I said, we are
8 absolutely happy to go back and engage with you in
9 further dialogue about this.
10 Because it's not our intent to have you
11 accept risk that you're not comfortable accepting.
12 The point of this exercise was for Neustar to absorb
13 risk.
14 And if we have more work to do, we'll look
15 at that. But I would consider that long and hard.
16 TODD DAUBERT: No, understood. And we
17 fully appreciate that. I mean, that's something
18 that people are working extraordinarily hard on all
19 these things.
20 We just want to make sure that within the
21 framework, within the BAFO process that we get as
22 much clarity about not only what your current
23 proposal was and what it fits in, but also things
24 that you're willing to change and consider versus
25 things that you feel as a business that you either

1 cannot or will not do as part of the BAFO process.
2 . Because we want to make this process, this
3 procedure as neutral and as fair, as defensible as
4 possible.
5 STEVE EDWARDS: Understood.
6 TODD DAUBERT: So that when we come back
7 out with a BAFO, you guys understand the questions
8 that we've been asking and you can, in responding to
9 the BAFO, understand the uncertainty or the
10 questions that we've been raising and come back with
11 your best offer.
12 BILL REIDWAY: And by that measure, today
13 has been extraordinarily helpful. It exceeded my
14 expectations and thank you all very much for that.
15 TODD DAUBERT: Thank you.
16 STEVE EDWARDS: Thank you. Really enjoyed
17 it.
18 (The meeting concluded at 3:17 p.m.)
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1 REPORTER'S CERTIFICATE

2 STATE OF COLORADO)
) ss.
3 COUNTY OF ADAMS)

4 I, Geneva T. Hansen, do hereby certify that
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6 I further certify that the foregoing
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7 to the best of my ability to hear and understand the
audio recording.
8
I further certify that I am not related to,
9 employed by, nor of counsel for any of the parties
or attorneys herein, nor otherwise interested in the
10 result of the within action.

11 IN WITNESS WHEREOF, I have affixed my

12 signature and seal this 27th day of August, 2013.

13

14 My commission expires 11-18-15.

15

16 GENEVA T. HANSEN

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