

**Demonstration of Projection Bias  
Rate of Return Companies  
Special Access**

Exhibit A-3

Company	Test 1			Test 2				
	B # of Observations	C # of Obs. < 11.25%	D Probability of (C) or less Obs < 0	E Average Rate of Return	F Standard Deviation of the Average Rate of Return	G Calculated t-statistic	H Critical t-statistic at 95% Confidence Level	I Significant Outlier
A Virgin Islands	7	0	0.78%	16.91%	0.011934	4.745051	1.943	Yes
Alitel Arkansas	6	0	1.56%	12.54%	0.003942	3.276442	2.015	Yes
Alitel Florida	9	3	18.36%	16.31%	0.026534	1.907833	1.860	Yes
Alitel Missouri	9	1	1.95%	14.98%	0.013101	2.850525	1.860	Yes
Alitel Oklahoma	9	2	1.95%	15.88%	0.020998	2.202888	1.860	Yes
JSI - Concord	NOTES: Colu	1	1.95%	28.11%	0.036932	4.565197	1.860	Yes

NOTES: Column D is the probability that the number of actual observations less than 0, or less than that number are all less than 0.

For example, for Alitel-Oklahoma, the number of observations less than 0 is 2. The probability that 2 or

2

$$Pr(2 \text{ or less observations} < 0) = \sum_{i=1}^9 \binom{9}{i} (0.5)^9 = \left(\frac{1}{2}\right)^9 \{1 + 9 + 36\} = 46 / 512 = 0.0898.$$

Column E is the simple average of a LECs rate of return. The average is derived by simply summing the

Special Access return identified for each observation and dividing by the number of observations.

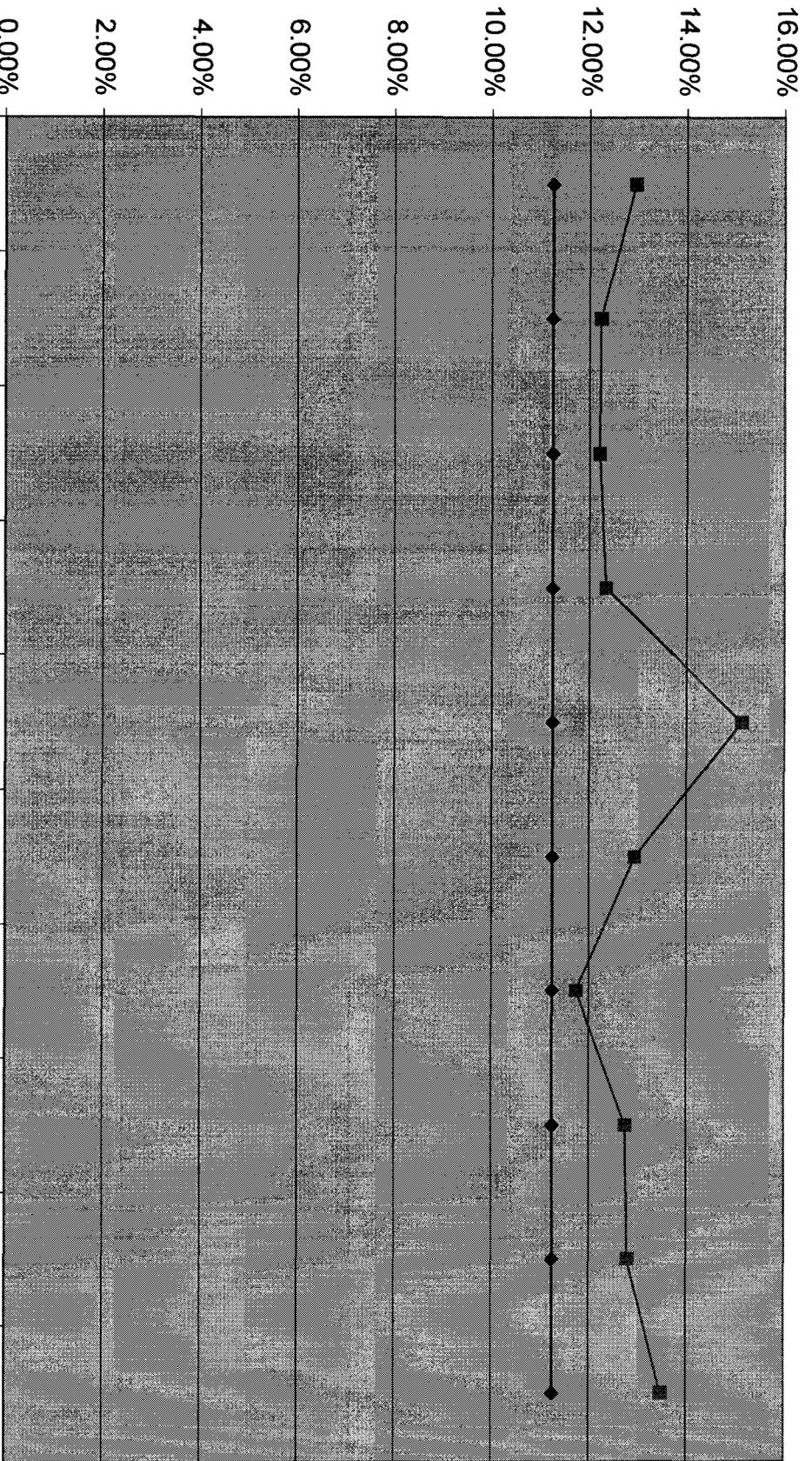
Switched Access return identified for each observation and dividing by the number of observations.

Column E is the simple average of a LECs rate of return. The average is derived by simply summing the

Special Access return identified for each observation and dividing by the number of observations.

## NECA Rate-of-Return (FCC form 492 data)

Exhibit A-4

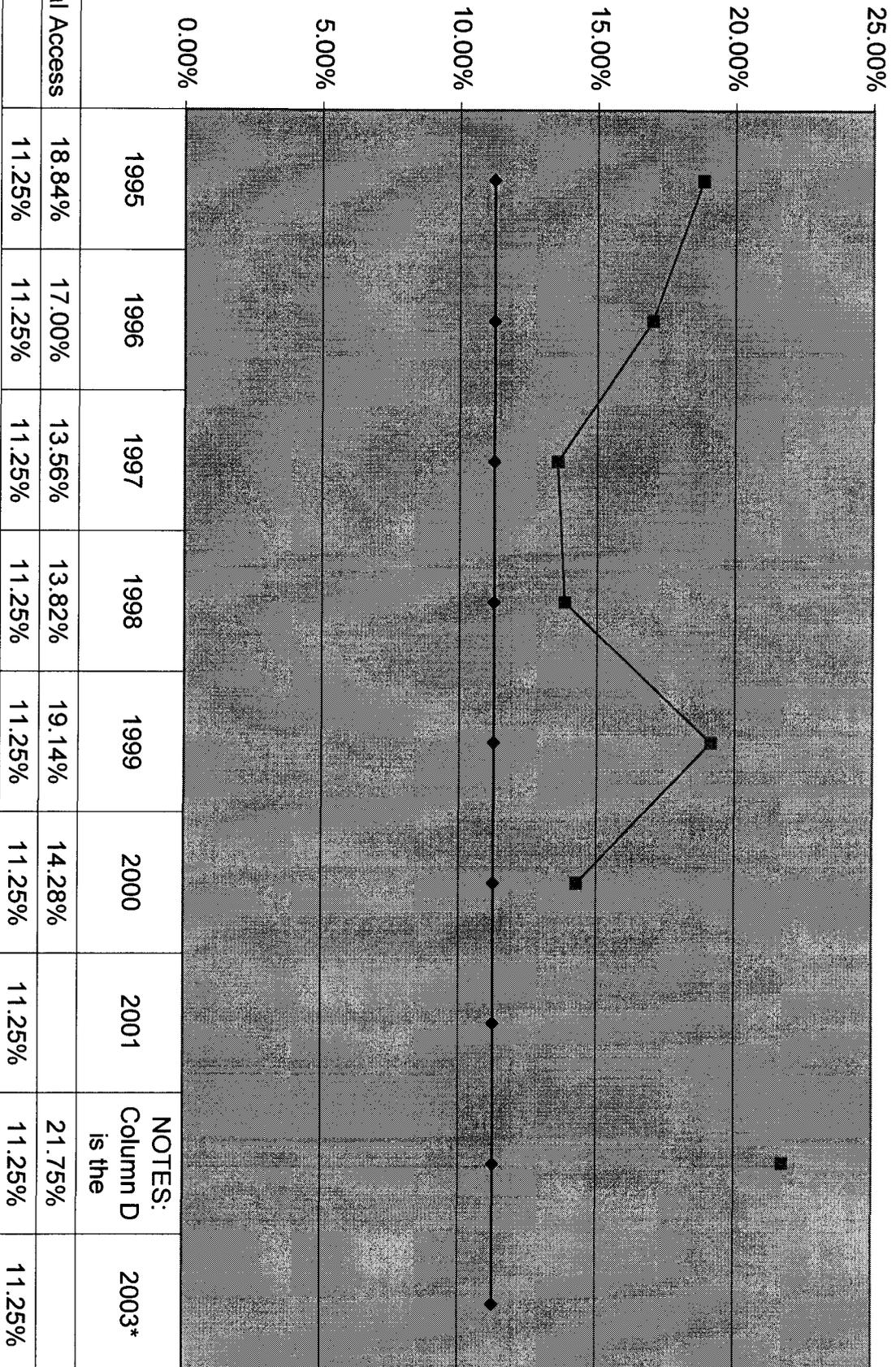


1993-1994	1995	1996	1997	1998	1999	2000	NOTES: Column D is the	2002	2003*
12.94%	12.23%	12.20%	12.34%	15.12%	12.93%	11.73%	12.74%	12.78%	13.47%
11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

\* Preliminary 492 Form

## Virgin Islands Rate-of-Return (FCC form 492 data)

Exhibit A-5

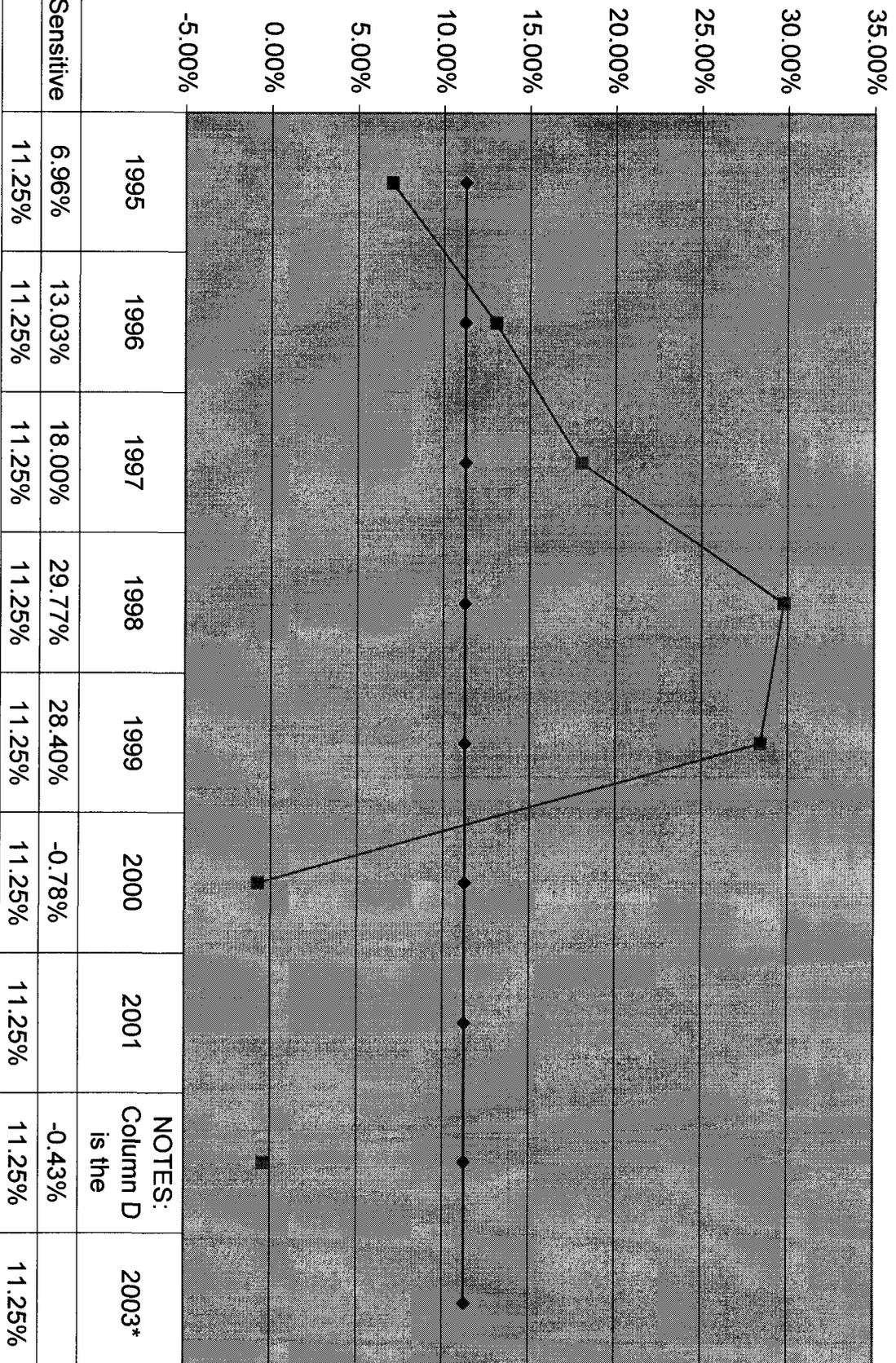


\* Preliminary 492 Form

NOTES:  
Column D  
is the

## Virgin Islands Rate-of-Return (FCC form 492 data)

Exhibit A-6

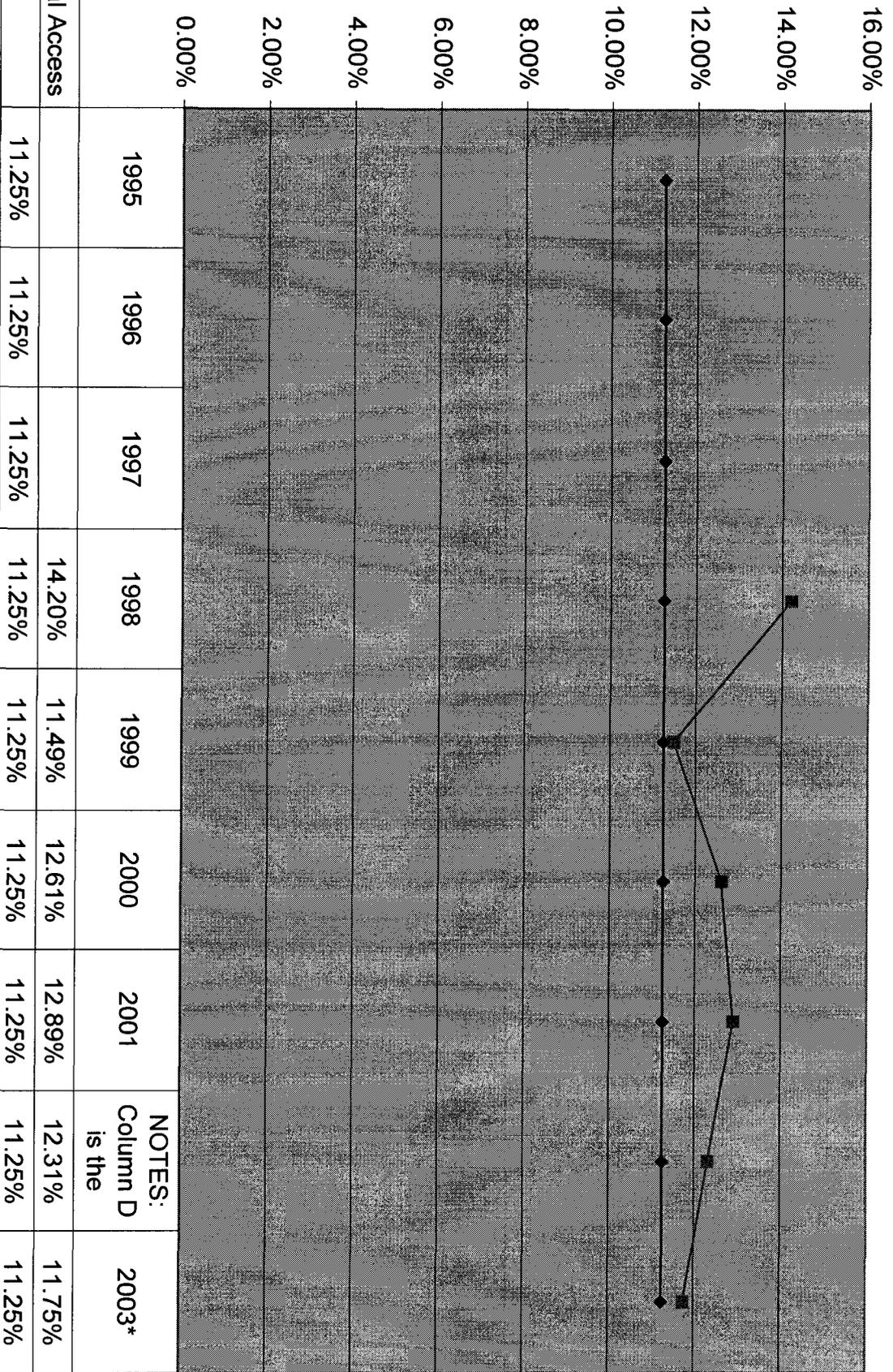


NOTES:  
Column D  
is the

\* Preliminary 492 Form

## Alltel Arkansas Rate-of-Return (FCC form 492 data)

Exhibit A-7



\* Preliminary 492 Form

NOTES:  
Column D  
is the