It is simply untrue that reclassification has or will hurt network investment. Investment analysts agree.

JP Morgan Analyst Report, November 2014:

"While we recognize the long-term threat of additional regulation, we keep in mind that current business practices would be very little changed, and identify Monday's sell-off [after President Obama's statement supporting Title II reclassification] as a buying opportunity."

- When the FCC proposed net neutrality rules in May 2010, ISP stocks sold off less than the overall market during the same period. Shares rebounded to prior levels by July as investors became comfortable with the new regime and realized little had changed. The stocks barely reacted when the final rules were adopted in December 2010.
- President Obama and FCC Chairman Wheeler both support the forbearance of rate regulation under a Title II/common carrier regime.
- Carriers likely to talk up the disaster scenario to keep pressure on FCC. Again, we believe that actual implementation will have little to no effect on current business practices.
- Proposed mergers currently under FCC review would likely have to agree to abide by the new rules as a condition for their merger.
- We expect ISPs to sue the FCC regardless of the final form of the rules.
- We wouldn't change any of the fundamental assumptions on cable companies under our coverage under Title II, and shares are likely to rebound over time.[1]

Guggenheim Securities Analyst Report, December 2014:

We would not view a Title II decision by the FCC as changing the existing Washington framework for cable broadband service. The marketplace reality under Title II would be far less problematic for cable/telcos than most believe.[2]

Bernstein Research Analyst Report, November 2014:

During the three years in which the 2010 rules were in place while Verizon pursued its (unnecessary) litigation there did not appear to be any effect on investment decisions from the

1 Philip Cusick et al., "Net Neutrality: Prepared for Title II but We Take Less Negative View," J.P. Morgan, Nov. 11, 2014.

2 Paul Gallant, "Title 2 Appears Likely Outcome at FCC, but Headline Risk May Exceed Real Risk," Guggenheim Securities, LLC, Dec. 8, 2014.

resulting litigation uncertainty. Further, the evidence carriers produce to support their argument that Title II classification will reduce investment tends to consist of commentary from analysts and network-equipment suppliers, as well the results of their own discretionary choices.[3]

Bidding in the FCC's AWS-3 spectrum auction showed that the specter of Title II reclassification hasn't affected investment in wireless networks.

- Bidding in the FCC's AWS-3 spectrum auction began days after President Obama called for wireless and fixed broadband networks to be regulated under the FCC's Title II authority.
- The FCC's minimum target price for the auction was $10.1 billion. Bids surpassed the minimum target price in less than a week.[4]
- Final winning bids totalled $44.9 billion, quadrupling the reserve price and raising record revenue.[5]
- Predictions that possible Title II reclassification would undermine auction revenue were proven unfounded. AT&T and Verizon, along with 68 other bidders, participated, with AT&T and Verizon paying $18.2 billion and $10.4 billion in winning bids, respectively.[6]

ISPs have explicitly stated on that Title II reclassification won't affect investment

Verizon

Q: Wells Fargo Analyst: Obviously, kind of a curve ball on Monday with President Obama's commentary about Title II. Can you talk to how this will or will it affect your investment in broadband?

A: Verizon CFO: No. I think that -- I mean, our policy on broadband is on our website. But to put it real simply, I mean, Verizon has always operated under open Internet policy and we will continue to operate that way.[7]

3 Paul de Sa et al., Bernstein Research, Nov. 17, 2014.

4 "U.S. Auction of AWS-3 airwaves reaches $10 billion reserve price," Reuters, Nov. 18, 2014.

5 Alina Selyukh & Malathi Nayak, "AT&T top buyer at U.S. airwaves auction; Dish spends big," Reuters, Jan. 30, 2015.

6 *id*.

7 Verizon Communications, Inc., Wells Fargo Technology, Media & Telecom Conference, Nov. 12, 2014.

Q: UBS Analyst: Obviously there's a lot of commentary coming out of Washington about this move to Title II. Obviously Verizon has been one of the . . . stiffer opponents of any sort of increased regulation, especially on the wireless side. What's your view of that potential occurrence down in Washington and does it affect your view on the attractiveness of investing further in the United States?

A: Verizon CFO: I mean to be real clear, I mean this does not influence th eway we invest. I mean we're going to continue to invest in our networks and our platforms, both in Wireless and Wireline FiOS and where we need to. So nothing will influence that. I mean if you think about it, look, I mean we were born out of a highly regulated company, so we know how this operates.[8]

Comcast

Q: UBS Analyst: The FCC has released a Title II. First of all, does that potential initiative in Washington change your view of the sort of long-term ROI potential of these or even your existing cable assets?

A: Comcast Vice Chairman & CFO: I don't think so yet.

Q: UBS Analyst: Do you think it would change how you run the business or your ability to lessen your price flexibility, are there any sort of day-to-day isues that you think would change as a result of it?

A: Comcast Vice Chairman & CFO: I certainly hope not.[9]

Time Warner Cable

Q: UBS Analyst: Maybe turning to broadband, how do you think of the pricing power you hae on the broadband side? You and the rest of the cable industry have been – continue to increase speeds and with all the video being watched it obviously creates more value. But on the other side of the point, you've got potential Title II which I think with all the forbearance

8 Verizon Communications, Inc., UBS 42nd Annual Global Media and Communications Conference, Dec. 9, 2014.

9 Comcast Corporation, UBS 42nd Annual Global Media and Communications Conference, Dec. 8, 2014.

we're talking about won't put a cap on anything anytime soon. But does that change your view on how much pricing power you have in that business?

A: Time Warner Cable Chairman & CEO: It really doesn't. . . . No one, Title II proponents and opponents alike, have suggested that whatever the FCC does it should include any component of rate regulation.[10]

Charter Communications

Q: UBS Analyst: Obviously, Title II has gotten a lot of attention. What's your view on the President's proposal?

A: Charter Communications President & CEO: Well, I was surprised by it. . . . So I was surprised that they came out with the plan the way they did. And obviously forbearance done properly could work and we think that the fundamental objective seems reasonable. We practice net neutrality. We already signed up for it once previously. Comcast already has a consent decree that requires it. So its not like we can't operate in that world and that we don't want to.[11]

Google Fiber

"Asked whether the growing prospect of aggressive federal net neutrality rules has done anything to shift Google Fiber's investment plans — either in the short term or long term — the company told [the *Washington Post*], basically, no."

"'The sort of open Internet rules that the [Federal Communications Commission] is currently discussing aren't an impediment to those plans,' Google said in a statement, 'and they didn't impact our decision to invest in Fiber.'"[12]

Sprint

"Sprint does not believe that a light touch application of Title II, including appropriate forbearance, would harm the continued investment in, and deployment of, mobile broadband services."[13]

10 Time Warner Cable Inc., UBS 42nd Annual Global Media and Communications Conference, Dec. 8, 2014.

11 Charter Communications, Inc., UBS 42nd Annual Global Media and Communications Conference, Dec. 8, 2014.

12 Brian Fung, "Google: Strong net neutrality rules won't hurt the future rollout of Google Fiber," Washington Post, Jan. 27, 2015.

13 Letter from Stephen Bye, Chief Technology Officer, Sprint, to FCC, GN Docket No. 14-28 (filed Jan. 15, 2015).

"[Title II is] one of those topics that is highly charged, highly politicized and we took a step back and said it works in the interest of our customers, our consumers and the industry and we frankly found some of the arguments (of our competitors) to be less than compelling. . . . Our competitors are going to continue to invest so they are representing a situation that won't play out."

"In the terms of Title II with the appropriate forbearance we made the point that we really don't see this as a negative for the industry at all."[14]

T-Mobile

"T-Mobile Chief Operating Officer Mike Sievert said the carrier doesn't see anything alarming in the [open Internet] proposal by the Federal Communications Commission."

"'There is nothing in there that gives us deep concern about our ability to continue executing our strategy,' Mr. Sievert said in an interview Thursday."[15]

Cablevision

"Speaking on a fourth-quarter conference call, [Cablevision CEO James] Dolan said 'the idea of more regulation is never great for us. But to be honest, we don't really see at least what the Chairman's been discussing as having any real effect on our business.'"[16]

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14 Malathi Nayak, "Sprint says U.S. Telecoms will invest despite stronger net neutrality rules," Reuters, Feb. 10, 2015.

15 Thomas Gryta, "T-Mobile Joins Sprint in Downplaying FCC's Broadband Reclassification," Wall Street Journal, Feb. 19, 2015.

16 Shalini Ramachandran & Michael Calia, "Cablevision CEO Plays Down Business Effect of FCC Proposal," Nasdaq, Feb. 25, 2015.