

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of requirements arising
From Federal Communications Commission
Triennial UNE review: Local Circuit Switching
For Mass Market Customers

Docket No. 030851-TP

Filed: December 4, 2003

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DIRECT TESTIMONY AND EXHIBITS
OF
MICHAEL REITH
ON BEHALF OF
Z-TEL COMMUNICATIONS, INC.

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In the Matter of the Implementation of the Federal
Communications Commission's Triennial Review
Regarding Local Circuit Switching in the Mass
Market)
)
) Docket No. 030851-TP
)
)

**TESTIMONY OF MICHAEL REITH
ON BEHALF OF
Z-TEL COMMUNICATIONS, INC.**

December 4, 2003

1 **Q. Please state your name, business address and occupation.**

2

3 A. My name is Michael Reith. I am the Director of Industry Policy for Z-Tel
4 Communications. My business address is 601 S. Harbour Island Boulevard,
5 Tampa, Florida 33602.

6

7 **Q. Please briefly outline your educational background and related experience.**

8

9 A. I received my Bachelor's degree in Engineering from the University of Florida.
10 Since that time, I have had more than 15 years of telecommunications industry
11 experience in the critical areas of regulatory policy, operational compliance and
12 implementation. From 1986 through 1997 I was employed by the Florida Public Service
13 Commission as a Utility Systems Engineer. There I held various technical staff positions,
14 was an advisor to the Commissioners and represented the Florida Public Service

1 Commission (FPSC) as the communications subject matter expert for the Florida
2 Legislature.

3 From 1997 through 1998, I was employed with Intermedia Communications, a
4 competitive local exchange carrier. I had primary responsibility for regulatory policy and
5 compliance in the Bell Atlantic (Verizon) region. Additional responsibilities included
6 providing subject matter expertise and participation in the interconnection agreement
7 negotiation process and to establish or present overall company policy and positions
8 before Public Service Commissions (PSCs) or Public Utility Commissions (PUCs) and
9 the FCC. I also provided input to the company's business plan and direction and
10 established procedures for implementation of regulatory requirements in the company.

11 From 1998 through May, 2001 I was Assistant Vice President, Regulatory and
12 Industry Relations for 2nd Century Communications. In that position I managed a
13 professional staff of five others who were responsible for state and federal carrier
14 certifications for a nationwide service rollout in 48 cities, regulatory reporting and
15 operational compliance with industry and regulatory policy, including E911
16 implementation and PSAP agreements. Other key responsibilities included
17 Interconnection agreement negotiation and implementation. I also established processes
18 and procedures to manage the operational impact of legal and regulatory policy and to
19 file and maintain tariffs.

20 In May 2001 I joined The KDW Group LLC, as a regulatory policy and
21 compliance consultant. I assisted and advised clients on state and federal policy issues,
22 decisions and orders, and recommended procedures and options for implementing various
23 rules and regulations.

1 I joined Z-Tel Communications in August of 2001. My core responsibilities
2 include ILEC relations, industry policy assessment, and operational performance
3 evaluation.

4
5

6 **Q. On whose behalf are you testifying?**

7

8 A. I am providing testimony on behalf of Z-Tel Communications, Inc. (Z-Tel). Z-
9 Tel is a Florida-based software company and competitive local exchange carrier,
10 headquartered in Tampa, Florida

11

12 **Q. What is the purpose of your testimony?**

13

14 A. The outcome of this proceeding is of tremendous importance to Z-Tel. Z-Tel
15 provides local telecommunications services to “mass market” consumers by use
16 of unbundled switching and the Unbundled Network Element Platform, or UNE-
17 P. The UNE-P gives Z-Tel the opportunity to provide residential and small
18 business consumers with innovative, software products in which we have invested
19 tens of millions of dollars. Z-Tel has been repeatedly recognized as a leader in
20 the Florida technology community, and if our business and growth is to continue,
21 we need the ability to provide our services in our home state of Florida

22

23 **Q. Please describe the structure of your testimony.**

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A. First, I will describe how Z-Tel began as a Tampa-based start-up software company and our evolution to becoming one of the nation’s largest CLECs. Second, I will describe the unique and innovative services that we provide our residential and small business customers. Finally, I will describe how these services are available to Florida customers throughout the BellSouth, Verizon, and Sprint territories in Florida only by virtue of UNE-P. In particular, I will point out that our ability to serve customers *throughout* the State of Florida is critical to our success. Z-Tel does not redline geographic areas; indeed, the very concept of “mass market” means that the provider can generate efficiencies and economies by distributing its services over as large a customer base as possible. Taking away UNE-P availability in some urban parts of Florida could ruin the ability to serve the *remaining* parts of Florida. As a result, if BellSouth or Verizon propose to redline UNE-P availability in the state by virtue of some arbitrary geographic line, adoption of any such proposal could mean the exit of competitive entry even in areas in which the Commission might think it is “preserving” UNE-P. An important question is whether or not what is left for UNE-P carriers is sufficient to support competition. Finally, the Commission needs to know that its actions in this proceeding will have significant and serious consequences not only upon Florida consumers, either positive or negative, but also upon Florida technology companies like Z-Tel and our Florida employees.

Q. Are you sponsoring any exhibits to your testimony?

1 A. Yes. To illustrate points made in my testimony, I am sponsoring several exhibits,
2 which have been labeled as my Exhibit Nos. 1 through 7.

3

4 **Q, Does Z-Tel concur in the testimony of other witnesses in this proceeding?**

5

6 Yes. Z-Tel is a member of the Florida Competitive Carriers Association and concurs
7 in the testimony filed on FCCA’s behalf in this proceeding. In particular, the
8 testimony of Joseph Gillan, on behalf of FCCA, provides a review of application of
9 the “trigger” criteria for this “mass market” switching case. Z-Tel reserves the right
10 to sponsor or co-sponsor testimony that might include rebuttal of BellSouth’s
11 “hypothetical” CLEC model, which I understand BellSouth will present informally to
12 Commission staff today and which I expect will be filed as part of BellSouth’s
13 opening case.

14 **Z-TEL: A FLORIDA TECHNOLOGY SUCCESS STORY**

15

16 **Q. Please describe Z-Tel’s founding and its services.**

17

18 A. Z-Tel Technologies, Inc., the parent company of Z-Tel, was started in 1998
19 principally as a software company. Founded in Tampa, Florida by entrepreneur
20 D. Gregory Smith, Z-Tel set out to develop and sell software that would allow
21 consumers to use their telephones to access advanced, enhanced services
22 databases and features. Our vision is to bring the power of the Internet, including
23 sophisticated databases and messaging services, to consumers through their

1 regular telephone. By developing and deploying “Intelligent Dialtone” software,
2 ordinary consumers and small businesses would be able to communicate in new
3 and innovative ways.

4
5 In the pre-1996, monopoly era, wireline, local telephone services simply did not
6 evolve or change radically. Local dialtone service (referred to either derisively or
7 affectionately as “POTS”) remained local dialtone service for decades, with
8 touch-tone dialing and Princess telephones being billed “innovations.” Incumbent
9 LECs like BellSouth and Verizon began to deploy Advanced Intelligent Network
10 (“AIN”) services onto their networks, but without competitive pressures, the
11 potential of those AIN features (especially the potential from interconnection of
12 third-party databases to the AIN system) had not been fully realized. Services
13 such as customized “Do-Not-Call” lists, FindMe and FollowMe features, voice
14 activated dialing, and “calling tree”-like community messaging services, all were
15 technologically possible by use of AIN networks and call-related databases. But
16 as long as access to those AIN functionalities was limited and tied to that
17 customer’s local voice service provider, the incumbent LEC could control the
18 pace and nature of these innovations.

19
20 The 1996 Act – and, especially, UNE-P – changed that. The 1996 Act mandated
21 the interconnection of signaling systems pursuant to section 252(c)(2) (a finding
22 the FCC recently reiterated in the Triennial Review Order). In addition, by use of
23 UNEs, a new entrant can provide and bundle both dialtone and advanced,

1 software-based messaging services to customers. No longer would the incumbent
2 LEC be able to slow-roll the availability of advanced software-based messaging
3 services, because the incumbent LEC no longer had control over the customer.
4 After implementation of the 1996 Act, new entrants could become the dialtone
5 provider to customers and, because UNE-P offers access to the full features,
6 functions and capabilities of the network element, the entrant can configure the
7 local dialtone service to interface directly with new databases and software
8 services.

9
10 Z-Tel was among the first companies to recognize this opportunity to bring new
11 and innovative services to residential and small business customers. Beginning in
12 1998, Z-Tel began to invest tens of millions of dollars into developing software
13 and developing back office processes to become a competitive local exchange
14 provider. See Exhibit No. ____ (Reith No. 1). While Z-Tel has not achieved the
15 level of AIN interconnection with BellSouth and Verizon that it believes is
16 technologically feasible (and to which it is entitled to under the 1996 Act), as the
17 local service provider, our bundle of local and enhanced messaging services do
18 offer Floridians significant new messaging services.

19
20 Z-Tel's entry into local telecommunications markets generally tracked the
21 progress of Bell operating company 271 "interLATA" entry, because it was in
22 those states where Bell companies were seriously beginning to implement the
23 unbundling provisions of the 1996 Act, especially the OSS necessary to support

1 UNE-P. Z-Tel entered New York in 1998, Texas in 1999, and finally entered the
2 BellSouth service area of Florida in 2001. Z-Tel entered the Verizon and Sprint
3 areas of Florida in 2002, and 2003, respectively, but due to the excessively high
4 UNE costs in these regions Z-Tel offers its services there , at a significantly
5 higher rate.

6 Z-Tel utilized its software expertise to build highly-automated systems to
7 interface with ILEC OSS. Customer orders are processed in seconds (*see* Exhibit
8 No. ____ (Reith No. 1)). Z-Tel sees software and support services as being its
9 value-add to the industry, and overall we invested over \$150 million of
10 investment into designing, building and deployment enhanced “Intelligent
11 Dialtone” services, including a multi-million dollar message “Z-Node” processing
12 center in Tampa, Florida. Today, Z-Tel has the ability to provide local, long-
13 distance and its enhanced services to over 80% of the U.S. population in 47 states.

14
15 In the meantime, Z-Tel grew to over 1000 employees, 450 located in Tampa.
16 These employees are largely highly-skilled workers in the software design,
17 marketing, customer support, and network engineering fields. In 2001, Z-Tel was
18 ranked by Deloitte & Touche LLP as the number one Rising Star of the Florida
19 High Tech Corridor Technology Fast 50 list. This distinction was not limited to
20 Florida – Z-Tel was also the number one Rising Star of Deloitte & Touche LLP’s
21 “Fast 500” list for the United States and Canada. *See* Exhibit No. ____ (Reith No.
22 2).

1 **INNOVATIVE SERVICES AVAILABLE FROM Z-TEL BECAUSE OF UNE-P**

2
3 **Q. What enhanced features are available to Floridians from Z-Tel today?**

4
5 A. Z-Tel's flagship residential product is Z-LineHOME Unlimited, our bundle of
6 unlimited local, unlimited long distance, and Personal Voice Assistant ("PVA")
7 software, which we sell to Florida residential customers in BellSouth territory for
8 one flat monthly rate of \$49.99. Because of excessively high UNE rates in the
9 Verizon areas of Florida (including, ironically, Z-Tel's hometown of Tampa), the
10 same service costs \$64.99 per month. Z-Tel also offers residential consumers
11 long-distance and personalized 800 numbers. Z-Tel also offers an array of
12 customized services to small businesses, which also leverage Z-Tel's advanced
13 PVA software.

14
15 UNE-P entrants were the first entrants to offer "unlimited" local/long-distance,
16 flat monthly pricing plans. Indeed, Z-Tel and MCI Worldcom developed this
17 service jointly in 2002, and Z-Tel was a key strategic partner in MCI's nationwide
18 launch of its "Neighborhood" product, which was the first of its kind. Z-Tel now
19 has a similar wholesale relationship with Sprint, for its "Common Sense"
20 unlimited product. These growing unlimited local/long-distance packages have
21 generated substantial savings and consumer welfare for consumers, and those
22 services were first developed and provided by UNE-P entrants.

23

1 **Q. What is Z-LinePVA™ technology?**

2

3 A. Z-LinePVA™ allows customers to create virtual address books, store contact
4 information, make telephone calls, and send and receive voice emails simply by
5 utilizing spoken voice commands from their telephone. Exhibit No. ____ (Reith
6 No. 3) contains Z-LinePVA™ Member’s Guide and some materials that describe
7 PVA technology in more detail. Earlier this year, Z-LinePVA™ was named the
8 Best New Technology at the RetailVision Fall 2003 conference, hosted by
9 Gartner, Inc. See Exhibit No. ____ (Reith No. 4). This award was chosen by top
10 U.S. retailers, such as CompUSA, Circuit City, HSN, Staples, Best Buy, Radio
11 Sack, Costco, Buy.com, OfficeMax.com, AOL, Office Depot and Amazon.com.

12

13 **Q. Why does Z-Tel need UNE-P to provide its PVA software?**

14

15 A. When Z-Tel is the local provider to a subscriber, that subscriber can access his or
16 her PVA and all of its functions simply by dialing “00” on their handset. In the
17 future, if we can obtain even better interconnection with ILEC AIN triggers, our
18 local customers would be able to access PVA simply by picking up their
19 telephone and speaking. There would not necessarily be need for any dialtone: a
20 customer would simply be able to pick up the phone, say “Call Mom”, and the
21 call would be completed. If Mom’s home phone were busy, the PVA software
22 would be able to call alternative numbers automatically.

23

1 Similarly, a customer would be able to dictate which calls he or she wanted to go
2 through at different times of day: calls from unknown numbers after 6 pm on
3 weeknights could be sent directly to voice mail, for example. As we have seen
4 with the enormous consumer response to the national “Do-Not-Call” List,
5 consumers are virtually begging for more control over what calls they receive and
6 when. Local telecommunications providers could have been utilizing AIN
7 capabilities to provide consumers that level of control, but innovation in this
8 space was stalled and stifled by the incumbents’ monopoly control .

9
10 PVA technology can be provided independent of local telephone service, but its
11 functionality is much more limited. Given the current limited nature of AIN
12 interconnection, the PVA-alone customer has to dial a string of digits before he or
13 she is able to access his or her contact list. The functionality and usability of the
14 service is considerably less. As a result, the vast majority of Z-Tel’s customers
15 purchase a bundle of local, long-distance and PVA services.

16
17 The ability to bundle PVA with local services – the functionality UNE-P provides
18 – is a crucial distribution channel for our software.

19
20 **Q. What do you mean by “distribution channel”?**

21
22 **A.** Software can be provided in a number of different ways, and the key for a
23 software company is to open up as many distribution channels as possible.

1 Writing software is an expensive and time-consuming task, almost all of which is
2 incurred up-front. To succeed, a software company needs to have its software be
3 distributed as widely as possible. Cultivating large distribution channels is crucial
4 for success. For example, imagine if Microsoft Windows was available only in
5 stores and was not permitted to be pre-loaded onto new PCs.

6
7 In our case, the ability to bundle PVA with local service (in other words, have it
8 pre-loaded onto local phone service, like Windows is preloaded onto a PC) is
9 critical. Almost by definition, Z-Tel's PVA and Intelligent Dialtone software is
10 tied to the customers telephone service. Because AIN interconnection available
11 today is limited, PVA is simply less useful to consumers if they have to dial a
12 string of digits before accessing the functionality. Resale is also not a viable
13 option because resale ties the sale of our bundle to ILEC retail pricing plans.
14 Moreover, resale does not permit Z-Tel to access and utilize the complete
15 features, functions and capabilities of the local network that UNEs permit. UNE-
16 P allows Z-Tel to integrate this software with the consumer dialtone service in a
17 way a stand-alone product and resale offerings cannot yet match.

18
19 **Q. Does Z-Tel offer small business services?**

20
21 **A.** Yes. Z-Tel offers Z-LineBUSINESS services in the BellSouth and Verizon
22 territories of Florida. The broad distribution availability UNE-P provides Z-Tel
23 allows it to effectively and efficiently provide small business services. Earlier

1 this year, Z-Tel launched its Communications Briefcase product, which allows
2 small businesses to create customized packages for their business that would
3 include PVA and other services. See Exhibit No. _____ (Reith No. 5).

4
5 An example of Z-Tel's growing small business services is Darden Restaurants,
6 the parent company of Red Lobster, Olive garden, Bahama Breeze and Smokey
7 Bones BBQ restaurants. A particular restaurant location may only require a
8 handful of analog dialtone lines and may not necessarily justify a DS1 circuit
9 (e.g., it would not qualify as an "enterprise" under the new FCC rules).

10 Restaurants like those that Darden own are also spread nationwide, as dispersed
11 as the general population. Because of UNE-P, Z-Tel can provide service to about
12 half of *all* Darden restaurants in the nation. Z-Tel obtained this national account
13 solely because it had the ability to distribute to Darden restaurants nationwide
14 dialtone and PVA software. Despite the fact its restaurants are spread throughout
15 the country, Darden can have the benefits of one contract, one bill, and one
16 service provider for 3,200 lines in 45 states.

17
18 There are hundreds of multi-location businesses, like banks, real estate offices,
19 etc. that have customer profiles like Darden. UNE-P may be the only way for a
20 competitive entrant to compete for these accounts, because UNE-P is available
21 ubiquitously. These customers want a comprehensive and consistent
22 telecommunications solution – not a mish-mash of one type of technology or
23 provider in one neighborhood and another technology or provider in another

1 neighborhood. Without UNE-P, only large incumbent LECs like BellSouth and
2 Verizon would have the nationwide scale to services a substantial portion of the
3 telephone lines of a company like Darden. And the scale offered by ILECs like
4 BellSouth and Verizon are a series of regional offerings – in other words, without
5 UNE-P, Darden and multi-location companies like it would no choice but to deal
6 with a series of regional monopolies if they desired to aggregate all of their
7 locations onto one bill.

8
9 **Q. What other services has Z-Tel developed and deployed?**

10
11 **A.** We are also building upon our PVA technology to provide other unique services.

12
13 For example, earlier this year, once Operation Iraqi Freedom began, Z-Tel, in
14 conjunction with McDill Air Force Base in Tampa, modified its PVA platform for
15 Operation Connect. *See* Exhibit No. ____ (Reith No. 6). McDill AFB is the
16 headquarters of U.S. Army Central Command, and many members of Z-Tel's
17 Tampa community have been and continue to be stationed in Kuwait, Saudi
18 Arabia, and Iraq. This software application permits military families throughout
19 the country to send unlimited voice email to loved ones stationed overseas for
20 free. No family was required to purchase any Z-Tel service to take advantage of
21 Operation Connect. Z-Tel was able to provide a customized version of its PVA
22 software to these military families that makes communicating easier and helps

1 overcome the timezone and expense of international phone calls to remote areas
2 overseas.

3
4 Z-Tel has also developed a PVA application known as “Community” services.
5 *See* Exhibit No. ____ (Reith No. 3), Z-LinePVA™ Member’s Guide, at 18. This
6 PVA application allow customers to interact with communities of interest to them,
7 such as church congregations, PTAs, or little league teams. For example, the
8 Community application can provide every church member the ability to call or
9 email any other member by using the phone, without having to keep a separate list
10 of numbers. A day care center could set up a community and update parents of
11 events or schedules. A little league coach could immediately inform all team
12 members of a rain-out.

13
14 Importantly, Operation Connect and Community communications would not have
15 been possible without UNE-P. We would not have had the ability to fund and
16 write PVA software initially without UNE-P, our largest distribution channel.
17 Take away this distribution channel, and our ability to provide additional software
18 services like Operation Connect and Community would fall by the wayside.

19
20 **IMPACT OF IMPAIRMENT PROCEEDING ON Z-TEL**

21
22 **Q. How does Z-Tel’s business plan impact the Commission’s impairment**
23 **analysis?**

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A. Under the law, the impairment analysis of section 251(d)(2) focuses upon the services that a requesting carrier (Z-Tel) seeks to provide. Z-Tel seeks to provide its advanced, PVA software services to its customers, bundled with local services. As discussed above, to achieve this goal, Z-Tel needs broad distribution channels that allow us to spread out the costs of software development and deployment over as many customers as possible.

Broad distribution also makes advertising more efficient. Because it can take orders throughout the ILEC territories in a state, Z-Tel can advertise on television, radio, and in print. Virtually every person that views an ad can purchase our service. If we were limited to serving only 50% or 60% of potential viewers, the effectiveness of these “mass-market” advertising tools decreases commensurately (not to mention expose itself to the frustrating consumer experience of Inquiring to purchase a service, only to find out that they live in the wrong neighborhood.) Looked at in another way, Z-Tel’s cost of acquiring customers through mass market advertising doubles when 50% of the customers are excluded from its potential customer base.

In addition, to provide this “mass market” service, Z-Tel also has to confront issues of churn, installation costs, and reliability. A significant level of churn is a fact of doing business in the telecommunications industry, and as competition

1 grows, churn as to be expected to increase significantly. For consumers, churn is
2 indicative of a robust competitive market.

3
4 Reliability is also critical and is one of the major benefits of UNE-P. Customers
5 of analog dialtone service are used to “five nines” (99.999%) quality and rapid,
6 seamless installation and quick repairs. Because it is provided electronically,
7 UNE-P offers that level of reliability and efficient, low-cost provisioning. Other
8 entry strategies, particularly UNE-L, are not as reliable and efficient.

9
10 **Q. How does Z-Tel’s business plan impact the “geographic area” analysis**
11 **required by the FCC Order?**

12
13 A. The testimony of Joseph Gillan discusses the “geographic areas” within which the
14 Commission should conduct a further analysis of “mass market switching”
15 impairment. As I explained above, Z-Tel provides our “mass market” services to
16 residential and small business customers throughout ILEC service areas statewide,
17 in Florida and in other states. The hallmark of UNE-P is its geographically-broad
18 reach, which makes it the only entry strategy with a pattern of activity that
19 matches the “mass market.” Whatever geographic area the Commission
20 ultimately settles on for its impairment analysis, it should not lose sight of the
21 most important fact: only UNE-P works at a scale and scope that is necessary to
22 support broad, “mass market” competition throughout a state like Florida.
23 Ubiquitous availability is critical for UNE-P based services like Z-Tel’s. If the

1 Commission restricts or eliminates UNE-P availability in a certain geographic
2 portion of Florida, it places at risk denying consumers in other areas of Florida a
3 choice they currently have, and it risks ending or reducing investment and
4 innovation in software services like Z-Tel's technology.

5
6 **Q. What would be the impact on Z-Tel if UNE-P access were limited or**
7 **restricted in certain geographic areas?**

8
9 A. It is entirely possible that if UNE-P were limited to certain areas of Florida, it
10 would be uneconomic or unprofitable for Z-Tel to provide its UNE-P based
11 services in the remaining parts of Florida. As I said above, UNE-P allows us to
12 distribute our software and services as broadly as possible. If UNE-P availability
13 is limited in certain geographic areas, our ability to profitably serve the remaining
14 geographic areas would be significantly curtailed.

15
16 In addition, if we are denied our largest distribution channel, it may be difficult or
17 impossible for us to effectively or efficiently develop and deploy stand-alone
18 software services like Operation Connect. As discussed above, Z-Tel was able to
19 deploy its Operation Connect application in a matter of days because it was an
20 derivative of our existing PVA software platform. We were only able to finance
21 and develop that PVA software platform because of UNE-P.

22

1 To think of it another way – what if one day Microsoft were prohibited from
2 selling Windows software on desktop and laptop PCs? Other devices, such as
3 PDAs, smartphones, and tablet PCs, run versions of Microsoft Windows, but
4 would those distribution outlets be sufficient to support all of Microsoft’s
5 software development costs? The result of banning Microsoft Windows from PCs
6 might possibly mean the end to Windows availability on those other devices.

7
8 At this early stage, the final impact of this proceeding is difficult to predict.
9 However, it is important to note that services like Z-Tel’s PVA were not
10 developed and deployed *until* UNE-P opened up the local market to this type of
11 bundling innovation. Similarly, unlimited local/long-distance plans, like Z-
12 LineHOME Unlimited, Sprint Common Sense, and MCI’s Neighborhood, were
13 not available to consumers until *UNE-P providers* (not incumbent LECs) began to
14 deploy them last year. Bell company responses to those unlimited products have
15 been called “copycat plans.” Given that history, it certainly seems possible that if
16 the UNE-P distribution channel is shut off, that development work on PVA-like
17 software will also slow down or cease and that the industry would revert to
18 metered, per-minute toll charges.

19
20 **Q. But couldn’t Z-Tel simply purchase its own switch and still have nationwide**
21 **distribution?**

1 A. Not to serve the “mass market” on a ubiquitous scale. Other CLEC witnesses in
2 this proceeding will describe the operational and economic impairments that self-
3 deploying switching presents for the mass market.

4
5 From Z-Tel’s perspective, our access to capital is very limited. We believe that
6 our limited capital is best spent investing in services and applications to solve
7 problems or provide services not previously available. In our judgment, PVA and
8 Intelligent Dialtone technology is such an investment. Public policy should wish
9 to promote that use of capital as well.

10
11 As described above, limiting access to UNE-P will, at worst, result in the
12 elimination of new entrants and probably the exit of extant entrants from Florida.
13 At best, limiting access to UNE-P will force entrants to redirect their scarce
14 capital away from developing new services and innovations and into deploying
15 Class V switches, which the FCC record shows to require about \$12 million in
16 expenditures in one year for only each switch. *Triennial Review Order* n.1485.
17 Z-Tel’s most recent quarterly statement (November 14, 2003) shows a cash and
18 cash equivalents balance of only \$14.5 million – clearly insufficient to cover its
19 current 46-state footprint with Class V switches. Exhibit No. ____ (Reith No. 7).
20 Moreover, if Z-Tel deployed a Class V switch today, it could do no more than it
21 currently does leasing capacity from BellSouth or Verizon. With such a switch,
22 instead of POTS, Z-Tel would be able to offer its customers SPOTS – same old,
23 plain old telephone service. In the meantime, capital would be denied to investing

1 in new software and network functionality. Customers would receive no benefit
2 from the capital investment that they do not receive today. Therefore, this
3 redirection of capital (to the extent it exists), seems inordinately wasteful.

4
5 UNE-P unleashes forces of innovation and investment in the telecommunications
6 industry. In the end, the business of being a service provider is very different than
7 the business of being a network provider. Service providers focus upon customer
8 support, building new features and functions (like PVA and Z-Tel's Z-Node),
9 marketing and sales. The requirements to be a successful service provider include
10 marketing savvy, good customer relationships and the ability to offer new and
11 innovative services. For "mass market" services, service providers need
12 ubiquitous service availability, so they can gain efficiencies and economies of
13 mass-marketing, such as television, radio, and billboards.

14
15 Network providers, on the other hand, have entirely different cost structures.
16 They must spend significant fixed, capital costs on network construction, most of
17 which becomes sunk. Because fixed and sunk costs limit the number of firms that
18 can successfully provide network services, networks will be built out serially, if at
19 all, and over a long period of time and generally not ubiquitously. As a result,
20 entry in the network business will, almost by definition, be very limited and such
21 entry may never produce ubiquitous alternatives, and may never produce
22 alternatives at all. Accordingly, relying solely upon network providers to be the
23 only retail service providers in Florida (which is what a decision based upon self-

1 provisioning switch triggers would accomplish) would be a prescription for local
2 competition to develop very slowly and in a piecemeal fashion, if at all. The
3 FCC's Triennial Review Order indicates that nearly 80% of all facilities-based
4 entrants have vanished. *Triennial Review Order* para. 37 ("in 2000 there were
5 about 300 facilities-based competitive LECs, , but that by early 2002 that number
6 had contracted to about 70.") Obviously, successful entry as a facilities-based
7 provider in local telecommunications markets is difficult and rare. Certainly, the
8 broad distribution of competition across the state the UNE-P brings would not be
9 replicated.

10
11 **Q. Does this conclude your direct testimony?**

12
13 **A. Yes.**

Local Motion

Real-time, voice-activated services add zip to Z-Tel's channel plans

When setting up shop back in 1998, still under the shadow of the Telecommunications Act of 1996, the folks at Z-Tel Technologies knew that lots of companies would be looking to take advantage of the deregulated local loop. They also figured that most of those new entrants would focus, at least initially, on putting in iron and facilities, which would mean "they probably wouldn't have much time to build applications that would make their services stand out," says Greg Smith, company president and CEO.

Z-Tel likewise figured there'd be some opportunities for these providers to hit the Bell companies where they were likely to be weakest. "We knew the Bells wouldn't invest in the old wireline network to create compelling new applications," says Smith. "They don't have to; they can count on inertia."

So Z-Tel set out to develop ways for competitive providers to creatively combat the inertia in the residential local market. With expectations to operate as a type of service bureau, the company drilled down on real-time and automated capabilities combined with voice recognition and directory-based applications.

"I always thought there was an opportunity to personalize the plain old telephone and make it work more like the Internet," says Smith.

One prime example is Z-Tel's new personal voice assistance (PVA), an exclusive voice-activated feature that enables customers to store contact information in a virtual address book, then make calls, send voice emails and look up contact information through simple voice commands from any phone.

Quickly evolving into much more than just an advanced

At its basic level, what PVA does is allow users to pick up the phone and say, "call Uncle Joe on his cell phone."

"Verizon can't do that," says Smith. "So we have something compelling to offer, particularly if you can hit the same price point as the Bells."

That's not to say that Z-Tel expects PVA to drive a premium. Rather, PVA already is included "for free" as part of the Z-LineHOME Unlimited local and long distance bundle, and plans are to attach the product to every consumer offering.

"We want to out-local the Bell company," says Smith. "We do that by making a Z-Line better than a phone line. And, in turn, our agents stand out from the crowd."

Big Steps

Just as significant as PVA to its channel push, however, is Z-Tel's nationwide local service footprint, built on the unbundled network element platform (UNE-P). When UNE-P first hit the scene in early 1999, Smith and his cohorts immediately recognized the opportunity to attach their enhanced services platform to the public phone network and quickly decided to move from a service bureau model to national service provider.

Of course, at that time, "there really wasn't an OSS that catered to UNE-P," says Smith. "So we had to take our people who were building real-time services and focus them on the back office." Adding to the complexity, of course, were all the procedures and processes that came with quickly opening up operations in as many states as possible.

In what Smith describes as a "painstaking and expensive"

journey, often akin to "building a jet while flying it," Z-Tel raised more than \$100 million going public in December of 1999 and proceeded to build a nationwide system of flow-through provisioning and functionality with all

the incumbent local exchange carriers (ILECs). Today, Z-Tel is operating in 47 states, and "we get orders in every state every month," says Smith.

The company currently has around 260,000 residential lines in service and has been EBITDA positive for five straight quarters, with "little or no debt to speak of," Smith says.

Z-Tel Revenue and Retail Line Growth (\$000)

	1999	2000	2001	2002	1H03
Z-Tel Technologies Inc. total revenue	7,000	177,668	275,897	235,255	130,151
Period ending Z-Line count	40,000	140,000	254,000	203,000	272,000

Source: Company reports

service, Z-Tel is positioning PVA as the foundation of its delivery and distribution strategy as the company pushes past its roots in residential voice services toward managed business services and from predominately direct sales to a greater reliance on wholesale and indirect channels. Z-Tel also believes some attributes of PVA can provide the agent channel with an efficient means for attacking the residential market.

Channel Vision - Programs and Products

Down to Business

In 2003, top-line growth has shifted to Z-Tel's newer business services group, which now accounts for nearly half of newly provisioned lines. "And that is a huge change from the first of the year," says Smith.

The shift can be attributed largely to two factors. For starters, the business product could just recently be described as "fully built," says Smith, and secondly, "People are finally realizing that UNE-P is perfect for a business with a lot of branches."

Through its UNE-P platform, and a larger coverage than any Bell company, Z-Tel can offer a unique "managed local" product whereby customers can create either a customized package for all their domestic locations or transfer their current services to Z-Tel, which then consolidates and administers all aspects of the communications services for each location, including any existing relationships with other local providers.

"Multi-location businesses of all sizes have a critical need to monitor and control what each of their distributed sites is using and spending on telecom services," says Frank Grillo, senior vice president of business services for Z-Tel.

Z-Tel's "Communications Briefcase" offers reporting and analytics, one bill and one point of contact across any number of locations and can reduce communications spending by an average of 20 percent, say company executives.

"Instead of going for the DS-3 sale at corporate headquarters, which several people are bidding up, we talk about the fact that a majority of a business's phone bill probably isn't the headquarters but all the branches," says Smith. "Those also are the locations where you tend to have the least control," which can lead to some level of frustration, as businesses often don't know what services they have at various locations or what provider to call when there's a problem, he continues.

Converting to Z-Tel is relatively seamless, since businesses don't have to change their phone numbers or re-install services. And Z-Tel is leveraging its relationship with Covad Communications to offer broadband services within the Communications Briefcase. These options can be combined with email and Web hosting offerings through a relationship with XO Communications, as well as with toll-free and long distance services.

An early customer of the Communications Briefcase is Darden Restaurants Inc., the parent company for Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones BBQ. Under the three-year contract, Z-Tel will provide approximately half of Darden's North American locations with local services, including approximately 3,200 telephone lines in 45 states.

Z-Tel also is working on a business-class version of its PVA feature, which already has experienced healthy acceptance among residential users. According to the company, about 35 percent of customers with access to PVA have taken the time to visit the Web site, load up an address book, tweak some settings and become active users of the service. And logic suggests that PVA's capabilities only will create greater interest among business users.

Homeward Bound

As far as the residential market, Z-Tel believes that the combination of PVA and its real-time, automated back office systems puts the company in position to attack what it sees as the primary barriers to a successful agent play in the consumer/home office space.

"There are really three things agents need to attack this market," says Smith, "and the first is very timely knowledge as to whether an order passes or not." Rather than wait the three to five business days it can often take for order confirmation, says Smith, agents can enter an order at a Z-Tel Web site and via flow-through provisioning know within 30 seconds if the order has passed. Fifteen seconds later, the order is at the ILEC.

The second thing agents need is a cafeteria of products, says Smith. "Consumers have a widely divergent range of needs. So if all you're offering is a \$49.99 bundle, you're really limited to folks with lots of long distance usage." Furthermore, the most desirable customers within the residential market often can be the most resistant to a bundled offering, says Smith. "Their wireless phone means a lot to them, and their Internet connection means a lot, but there wireline phone is way down the list."

So Z-Tel's consumer offering includes a choice of eight products, ranging from the full unlimited bundle down to PVA as a standalone product. Of course, targeting consumer accounts one at a time is a hard way to make a living. But PVA's capabilities allow agents to target a large group or community with a single effort.

As an example, an agent could go to St. Andrew's church, obtain a church directory and offer every parishioner a free trial of PVA, in which all 400 members listed in the directory are pre-loaded into an address book - whether or not they choose the sign up for the service. This provides every church member with the ability to call or email any other church member simply by speaking his or her name into a phone.

A similar approach can be taken to little league teams or day care facilities, for example, and best of all, even users who initially choose not to sign on with Z-Tel have an ongoing exposure to PVA's convenience and personalization features via the use of other members in their group or community that may be contacting them. And if users decide to make the service permanent, they can simply visit a self-service Web site to set things up, while the agent picks up any accounts that result from the free trial. Here again, PVA's unique features also mean agents come to the table with more than a "better price" or "better bundle"-type sell.

The Whole Story

Beyond the retail channels, Z-Tel is preparing for rapid development in its wholesale business, as well. Due to its extensive local footprint, the company already has entered into agreements with major interexchange carriers looking to streamline the process of provisioning local lines from the Bell companies. Smith fully expects competitive carriers and even Bell companies to increasingly look toward UNE-P as a possible off-net strategy, as well.

But Z-Tel's greatest wholesale opportunities stand to come from the wireless market. Quite simply, with local number portability on the horizon, and an inevitable move toward wireless/wireline bundles already in the works, many wireless network operators that want to maintain a consumer business will be forced to find a way to integrate wireline.

"It opens up a whole new avenue of wholesale opportunities for us," says Smith. And what about an agent offering that includes a wireline/wireless bundle?

"We are working on it," says Smith. Just don't be surprised if PVA sits at the center of any such initiative.

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Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
 20-Sep-2001

Z-Tel Ranked Number One Company On 2001 Florida High Tech Corridor Technology Fast 50 Rising Star List

TAMPA, Fla., Sep 20, 2001 (BUSINESS WIRE) --

Attributes 126,806 Percent Revenue Growth Over Three Year Nationwide Demand for Web-Enhanced Local Phone Service

Z-Tel Technologies, Inc. (Nasdaq/NM: ZTEL), a leading provider of telecommunications services to residential and small business customers, today announced that it has been named a Rising Star on the Florida High Tech Corridor Technology Fast 50 list, a ranking of 50 fastest growing technology companies in the state. Rankings for Rising Star are based on three-year (1998-2000) revenue growth.

Z-Tel's Chairman and CEO Gregg Smith credits the Company's drive to innovate local telecommunications services with its 126,806 percent revenue growth over the past three years. Mr. Smith stated, "Being named a Rising Star is a proud achievement for Z-Tel. We have always strived to be technology and industry pioneers, and to be recognized for our vision of adding intelligence to the home phone and changing the way people communicate is extremely rewarding."

Z-Tel's increase in revenues of 126,806 percent over the three-year period of 1998 to 2000 resulted in Z-Tel being ranked the Number One company on the 2001 Florida High Tech Corridor Technology Fast 50 Rising Star list. Companies recognized as a Rising Star are on their way to becoming a Technology Fast 50 winner. The average five-year revenue growth among the 50 companies comprising the 2001 Florida High Tech Corridor Fast 50 is 882 percent. Among the Rising Star winners, the three-year average revenue growth is 25,680 percent.

"Today, there are more than 22,000 technology companies in the United States, many of whom are competing for the same markets here in Florida and worldwide," said Roger Nanney, managing partner of the North Florida practice of Deloitte & Touche. "The 2001 Florida High Tech Corridor Technology Fast 50 winners have proven that they can be successful by consistently delivering technological wonders. We at Deloitte & Touche commend Z-Tel for having the vision and determination to become one of the 50 fastest growing technology companies in Florida's High Tech Corridor."

To qualify as a Rising Star in the Technology Fast 50, companies must

have had operating revenues of at least \$50,000 in 1998 and \$1,000,000 in 2000, must be public or private companies headquartered in the Florida High Tech Corridor and be "technology companies", defined as companies that produce technology, manufacture a technology product or devote a high percentage of effort to the research and development of technology.

About Z-Tel

Z-Tel is a leading competitive provider of telecommunications services to residential and small business customers. Z-Tel's proprietary technology imbues the telephone with "Intelligent Dial Tone," allowing the Company to offer personalized phone service that meets consumers' diverse communications needs in an intelligent, intuitive way. Z-Tel's flagship service is Z-LineHOME(TM), formerly known as Z-Line Home Edition(TM), which bundles local and long distance phone service with Tel's unique Web-enhanced communications features, including Find a multiple-number call forwarding feature, and unlimited member to member long distance calling. Z-Tel offers Z-LineHOME in 34 states, representing more than sixty-five percent of the U.S. residential phone market. Z-Tel also offers Z-LineCOMMUNITY(TM), a speech recognition enabled interactive voice portal that allows organizations, businesses and groups to organize and deliver information to their membership. For more information about Z-Tel and our innovative services, please visit the Company's Web site at www.ztel.com.

About Deloitte & Touche

Deloitte & Touche LLP, one of the nation's leading professional service firms, provides assurance and advisory, tax, and management consulting services through nearly 30,000 people in more than 100 cities. The firm is dedicated to helping our clients and our people excel. Known as an employer of choice for innovative human resources programs, Deloitte & Touche has been recognized as one of the "10 Best Companies to Work For in America" by Fortune magazine for four consecutive years. Deloitte & Touche is the U.S. national presence of Deloitte & Touche Tohmatsu. Deloitte & Touche Tohmatsu is a Swiss Verein, and each of its national practices is a separate and independent legal entity. For more information, please visit Deloitte & Touche's site at www.us.deloitte.com.

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Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
 11-Dec-2001

Z-Tel Ranked Number One Company On 2001 Technology Fast 500 Rising Star List; Three-Year Revenue Growth of 126,806% Earns Z-Tel Top Position on National Rising Star List

TAMPA, Fla., Dec 11, 2001 (BUSINESS WIRE) -- Z-Tel Technologies Inc. (Nasdaq/NM: ZTEL), a leading provider of telecommunications services to residential and small business customers, today announce has been named a Rising Star on the 2001 Deloitte & Touche Technology Fast 500, a ranking of the 500 fastest growing technology companies in the U.S. and Canada. A special category of 25 Rising winners, companies in business less than five years but more than three, are ranked based on percentage of growth in revenues for three years (1998 to 2000). Z-Tel's increase in revenues of 126,806 percent over the three-year period resulted in its being named the number one company on the Rising Star list.

Commenting on the Company's achievement, Gregg Smith, president and CEO, stated, "It is a great honor to be on the Rising Star list because so many notable companies from around the country. Although we only have been in business for four years and were not eligible for the Fast 500 program, we are very pleased to receive the number one position on the Rising Star list.

"We have invested over \$100 million in R&D, software and systems to pioneer and refine the technology that allows us to provide more than a quarter of a million consumers nationwide with enhanced phone services and that has contributed to our rapid revenue expansion over the past three years. It is gratifying to be acknowledged for that work and for our commitment to innovation."

"To rank on the Deloitte & Touche Technology Fast 500 Rising Star list, companies must have phenomenal revenue growth in a three-year period. Z-Tel has proven to be one of the fast-growth success stories and we applaud their success and vision," said Mark A. Evans, managing director, Deloitte & Touche Technology & Communications Group.

Earlier this year, Z-Tel was named the number one company on the Rising Star list for the Florida High Tech Corridor Technology Fast 500 program, which ranks the fastest growing technology companies in the Corridor.

To qualify as a Rising Star in the Deloitte & Touche Technology Fast 500, entrants must have had revenues of at least \$50,000 USD and

\$75,000 CD for the United States and Canada, respectively. Each entrant is a public or private company headquartered in North America and must be a "technology company," defined as a company that develops proprietary technology that contributes to a significant portion of the company's operating revenues, manufactures a technology-related product, or devotes a high percentage of effort to research and development of technology. The overall five-year revenue growth rate for all Fast 500 companies was 6,184 percent.

About Z-Tel

Z-Tel was founded in the wake of the Telecommunications Act of 1996. With the establishment of the Unbundled Network Element Platform (UNE-P), competitive telecommunications companies became able to provide telephone service to end-users over the incumbents' network. Z-Tel was formed around UNE-P with the vision of developing technology that would imbue the home phone with "Intelligent Dial Tone," wherein home phone service can be personalized to meet consumers' diverse communications needs in an intelligent, intuitive way.

Z-Tel's flagship service is Z-LineHOME(TM), formerly known as Z-Line Home Edition(TM), which bundles local and long distance phone service with Web-enhanced communications features, including Find Me, a multiple-number call forwarding feature, and unlimited member-to-member long distance calling. Z-Tel currently offers Z-LineHOME service in 35 states, representing over 65% of the nation's total residential phone market. For more information about Z-Tel's innovative services about Z-Tel, please visit the Company's Web site at www.ztel.com.

About Deloitte & Touche

Deloitte & Touche LLP, one of the nation's leading professional service firms, provides assurance and advisory, tax, and management consulting services through nearly 30,000 people in more than 100 cities. The firm is dedicated to helping our clients and our people excel. Known as an employer of choice for innovative human resources programs, Deloitte & Touche has been recognized as one of the "10 Best Companies to Work For in America" by Fortune magazine for four consecutive years. Deloitte & Touche is the U.S. national practice of Deloitte & Touche Tohmatsu. Deloitte & Touche Tohmatsu is a Swiss Verein, and each of its national practices is a separate and independent legal entity. For more information, please visit Deloitte & Touche's site at www.us.deloitte.com.

About Deloitte & Touche's Technology and Communications Group

The Technology & Communications Group is composed of service professionals who have a wealth of experience serving technology and communications companies throughout the world in areas including Internet, software, semiconductors, cable, media and publishing, communication utilities, networking, wireless, computers and peripherals, and related industries. These specialists understand the challenges that technology and communications companies face throughout all stages of their business growth cycle and are committed

to helping them succeed. Deloitte & Touche is a leader in providing strategic, financial, operational, and information technology assistance to its technology and communications clients.

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Z-LINEPVA™
Member's Guide



ZTel has forever changed the way you communicate, with the most exciting innovation in phone service ever. Introducing Z-LinePVA™ featuring Personal Voice Assistant™ (PVA), a truly revolutionary new way to stay in touch with your world.

Pick up any phone and say "Call Mom" to complete a call. Call a person, not a number. Access any of your contact information anytime, anywhere, without an electronic or paper address book. Simplify your life, by just telling your phone what you'd like to do. Save time by sending a single voice message to many people at once. Read on to find out how to do all this, and a lot more, with PVA.

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LOAD CONTACT INFORMATION

Getting started with PVA is easy! It takes just a few steps and a few moments to set up your Address Book online. Then you're ready to go. Add all your existing contacts at once, or enter new contacts one at a time. You can even keep your contacts synchronized with other contact management programs/devices. It's up to you. Just follow the simple instructions below.

No Web access? Just dial 1-877-345-ZTEL (9835) then your Z-Line number and follow the prompts until you hear, "Press 1 for Personal Voice Assistant." The very first time you do this, you'll be asked if you wish to add contacts. Just answer "Yes" for live assistance with adding contacts. Be sure to have a few of your frequently called numbers handy when you call.

PVA lets you store the following information for each contact:

First and last name	Cellular phone number
Nickname	Pager number
Business name	Fax number
Email address	Home address
Z-Line Member ID	Business address
Home phone number	Birthday
Business phone number	

Required fields: First and Last Name or Business Name.

All other fields are optional. A note about the Z-Line Member ID: This is a unique ID that each Z-Tel customer chooses. If your contact is a Z-Tel customer and you include a Z-Line Member ID with his or her contact information in your Address Book, you will be able to take advantage of specific PVA features.

LOAD CONTACT INFORMATION

Continued

It's up to you how much information to include for contacts. However, keep in mind, in order to dial by name and/or specific location (cell phone, home phone, etc.) or to send voice email via PVA, you must first add the relevant contact information into your Address Book. Here's how.

- 1. Using any computer with Web access, go to www.ztel.com, your secure online account management center for Z-Line features.**
- 2. Log in using your 10-digit Z-Line number as your Login ID and your 4-digit PIN.**
- 3. You will be taken to your Myzline Home page. From here, select My Address Book under Address Book.**
- 4. Follow the onscreen instructions for Address Book setup. (You will only have to do this the very first time you access your Address Book.)**

Need Assistance?

A Customer Care representative can assist in setting up your Address Book. If you would like a walk-through, if you are experiencing problems, if you do not have access to the Web or if you've forgotten your Login or PIN, you can contact live assistance by saying "PVA Help" at any point in the PVA Main Menu. Live assistance is available Monday through Friday, 8 AM to 6 PM Central, and 9 AM to 6 PM Central on Saturday. We will assist you in getting your contacts loaded and provide you with helpful tips for managing your Address Book. After your contacts are in place, you will be able to start using PVA right away!

Now you're ready to load your contacts.

There are three ways to load contacts.

1. Upload an entire existing contact list. You can do this easily by exporting the information from an existing contact management software program, such as Microsoft Outlook or Yahoo!

How to Export contacts from Microsoft Outlook:

- In Microsoft Outlook Main Menu: Click File, select Import and Export from the dropdown menu.
- An Address Book Wizard box will appear. This Wizard will walk you through exporting your Microsoft Outlook contacts.
- In the Wizard click Export to File and select Comma Separated Value for Windows (.csv file) as the file type.
- Now import the .csv file you just created into your PVA Address Book by selecting the Import Contacts option and following the instructions provided.

LOAD CONTACT INFORMATION

Continued

2. Synchronize your PVA Address Book with your PDA or other contact manager with Intellisync for Z-Tel. This software will enable you to easily duplicate your existing contact list into your PVA Address Book and keep all your contact information up-to-date and organized in each location.

- **Log in to your account at www.ztel.com and click on the Synchronization banner.**
- **Perform a one-time, quick download of the Intellisync for Z-Tel software to your desktop.**
- **Once the download is complete, you can sync up your contacts as often as you like.**
- **Intellisync for Z-Tel performs two-way transfer, so the appropriate updates are made to both your PVA Address Book and contact management application. During synchronization, data is compared on your programmed contact management application (i.e. Microsoft Outlook, Outlook Express and/or Palm device).**

3. Enter your contacts in manually. Use this option if you have your contacts stored in a bound address book, on business cards, in your cell phone, etc. Just click on **Add a Contact**, type in all the relevant information for the contact, then click **Save** or **Save and Add Another**. Select **Quick Add** from the Address Book page to conveniently add several contacts at once.

Address Book Quick Tips:

- If you have multiple contacts with the exact same name, you may consider entering in a Nickname. For example, if you are adding two different individuals with the name "John Doe" into your Address Book, you may want to use "Johnny" as a Nickname for one, and "JD" for the other.
- You can choose a Nickname for any of your contacts, even if they are not a duplicate contact (as mentioned above). For example, you might choose to give "Dr. Jonathan Hartman" the Nickname "Susie's pediatrician." You can then dial that contact by saying "Susie's pediatrician" instead of his actual name.
- You can store up to 1000 contacts in your Address Book. Each Community Address Book can store up to 1000 contacts.

ACCESSING PVA

It's easy to access and use PVA from your cell phone or any phone. So, no matter where you go, you're always connected!

1. Just dial 1-877-345-ZTEL (9835).
2. Enter your Z-Line number and follow the prompts to access Personal Voice Assistant.

Time-Saving Tip

For PVA access from your home phone, cell phone or other phone you frequently use to access your Z-Line PVA, set up these numbers as Fast Access numbers. Fast Access can be found by logging in at www.ztel.com and selecting Fast Access under the Account Management section of the Myzline Home page. Enter up to six phone numbers you commonly use to access PVA and click Submit to save. With Fast Access, you no longer have to enter your Z-Line number and PIN after calling 1-877-345-ZTEL (9835).

"What would you like to do?"

"MAKE A CALL"

Once you are in the PVA Main Menu (see instructions for Accessing PVA), you can access all the great PVA features that simplify the way you communicate every day!

Make a Call (Ways to Dial by Voice)

Say "Call" and the name of the contact.

Ex: "Call Salvador Dali "

OR

Say "Call" and the business name for the contact.

Ex: "Call Salvador Dali, Incorporated."

For the options above, PVA will respond with the Contact's Name and/or Business Name, and if applicable, offer you a selection of locations to call (e.g. home phone, cell phone, etc.)

Ex: "Salvador Dali, with Salvador Dali Incorporated, business phone "

OR

Say "Call" and the nickname of the contact.

Ex: "Call Sal."

OR

Say the number (including the area code).

Ex: "Call 404-555-1212 "

Note: You can just dial the number directly, if you wish. Make sure to include the area code for ALL calls.

"What would you like to do?"

"MAKE A CALL" *Continued*

Calling Quick Tips:

- Use your natural tone of voice and pace when accessing PVA. You don't need to slow down, over-enunciate or speak loudly for PVA to understand your instructions.
- You will need to say the contact name **EYACTLY** as you've entered it into your Address Book. Ex: "Joseph Smith" versus "Joe Smith."
- Saying "Cancel" will stop the current function and take you back to the beginning.
- To redial the last number dialed, just say "Redial."
- **SHORTCUT!** If you have multiple phone numbers for a contact, you can make a call more quickly by saying both the name and desired location/phone—"Call Vincent Van Gogh on his home phone/cell phone."
- To make another call, press "##". You will return to the PVA Menu.
- To exit the PVA Menu and go to the Z-Line Main Menu (to check voicemail or Account Options), say "Main Menu" at any time.
- Say "Help," "Help with Calling" or press "0" at any time to hear specific tips for using your PVA more effectively. If you need additional help and would like to speak to a live representative, say "PVA Help."

"What would you like to do?"

"SEND EMAIL"

No computer handy? With PVA all you need to send an email is a phone. You can get the message across using your own voice, which is much more personalized than any text email.

1. **Say "Send Email" and the name of the person to whom you would like to send an email.**
Ex: Say "Send Email to Pablo Picasso."
2. **Record a voice message. PVA will then prompt you to Send, Listen or Re-record the message. Follow prompts as necessary until you are satisfied with the message.**
3. **Once you are satisfied with the message, say "Send" to send the message.**
4. **A .wav file of your voice message will be sent to the recipient as an email attachment.**
5. **You will hear "Message Sent," which confirms PVA has sent your message.**

Note: If you don't hear the "Message Sent" confirmation, your message has not been delivered.

"What would you like to do?"

"SEND EMAIL"

Continued

Voice Email Quick Tips:

- * In order to use this feature, you must first add a Return Email Address for yourself. Click My Settings under Address Book, enter your preferred email address in the Return Email Address field, then click Update.
- * When you send voice emails, the FROM portion of the email will display your Return Email Address. To submit or update a Return Email Address, log in at www.ztel.com and click on My Settings under the Address Book section of the Myzline Home page. Then enter your Return Email Address and click Update.
- * In order to listen to the voice email, the voice email recipient must have an application that plays sound files, such as RealPlayer, Windows Media Player, or QuickTime, as well as speakers or headphones on his/her computer.
- * Voice emails cannot be sent to mobile devices that do not support attachments.
- * Say "Help," "Help with Sending Email," or press 0 at any time to hear specific tips for using your PVA more effectively. If you need additional help, and would like to speak to a live representative, say "PVA Help."

Distribution Lists

Need to let the whole gang know that a game has been cancelled or that a surprise party is being planned? It doesn't have to be a hassle! Simply create a single voice email, send it, and they'll all know at once. What could be easier? You can send voice emails to an entire group of contacts in your Address Book by creating a Distribution List. It's fast and easy, too!

Log in at www.ztel.com and click on Distribution Lists under Address Book for simple instructions on how to set up this feature.

Send Email to a Distribution List:

- 1. Say "Send Email" and the name of the Distribution List.**
Ex: Say "Send Email to Sarah's Surprise Party Committee."
- 2. If desired, you can add more recipients for the message, such as anyone who's not already part of the Distribution List you've selected.**
- 3. Record a voice message. PVA will then prompt you to Send, Listen or Re-record the message. Follow prompts as necessary until you are satisfied with the message.**
- 4. Once you are satisfied with the message, say "Send" to send the message.**
- 5. A .wav file of your voice message will be sent to all the Distribution List members as an email attachment.**
- 6. You will hear "Message Sent," which confirms PVA has sent your message.**

Note: If you don't hear the "Message Sent" confirmation, your message has not been delivered.

"What would you like to do?"

"SEND TELEMAIL."

Want to let the gang know about a last-minute change of plans? With TeleMail, you can record a single message and send it right to everyone's phone with one call. Each recipient's phone will ring, and when they pick it up, they'll instantly hear the news – in your voice! TeleMail will even send you a report on who received your message when, and at which number.

With TeleMail you will record one message, select the contacts and send the message to the selected phone numbers, all with one call. You will be able to select and prioritize the specific delivery number(s) for the TeleMail message.

To send TeleMail:

1. Say "Send TeleMail". You will be prompted to provide the contact(s) or Distribution List(s) to which you would like to send the TeleMail.
2. You will then be prompted to specify your first, second and third choice of numbers to send the message to (choosing from home, business or cellular). If you choose, for example, business, and one of the recipients does not have a business phone number listed in your Address Book, your TeleMail will then be sent to the next number you have chosen. You are also able to send to every number available for each contact. To do this, just say "All numbers."
3. Record your name and, if you like, a short introduction message. Your recorded name (and message) will play at the start of the TeleMail so your recipients will know the message is from you.
4. Record a TeleMail message. PVA will then prompt you to Send, Listen or Re-record the message or add recipients to it. Follow prompts as necessary until you are satisfied with the message.

5. Once you are satisfied with the message, say "Send" to send the message.

6. You will hear "All right, I'll send your message," which confirms PVA will send your message.

You will receive a delivery confirmation email within minutes of delivery of the final message. The report will provide you with the total number of messages delivered successfully to your recipients, total number of messages that provided a confirmation of delivery (actually delivered to a recipient, as opposed to voicemail or an answering machine) and the total number of messages which were rejected or undelivered.

The following illustrates your TeleMail message recipients' experience.

1. The TeleMail Message will begin with the following: "Hello, this is a TeleMail message for (your recipients name) from (your recorded name), powered by Z-Tel."
2. The recipient will be provided with the following prompts:
 - "To hear the message now, press 1."
 - "To put this message on hold, press 2."
 - "If you want me to call back in 15 minutes, press 3."
 - "If you don't want to hear this message, press 4."
3. After listening to the message, the recipient will be prompted to press "1" to replay or press "2" to provide you (the sender) with a confirmation that the message was received and listened to.
4. If the recipient rejects the message they will be prompted to just hang up or if they wish they may press "2" to register a complaint with Z-Tel

"What would you like to do?"

"SEND TELEMAIL."

Continued

TeleMail messages ring another phone line, therefore there are nominal fees associated with sending these types of messages. Fees for sending TeleMail messages are based on the length of the message and the number of messages delivered. The same per-minute rate applies to all messages delivered, 24 hours per day, seven days a week.

For example:

You record a 60-second message and deliver it to five recipients (individually, or to a single Distribution List which has five members), equaling five total minutes. The per-minute rate is applied to the five minutes. The total number of minutes will vary slightly in the event the recipient puts the call on hold and/or the recipient replays the message.

These fees will appear on your Z-Tel statement under Summary of Services as TeleMail Messaging. You will also be provided with the per-message detail, plus the appropriate per-minute rating in the New Charges Detail section, under TeleMail Messaging. For more details on rates, please contact Customer Care.

TeleMail Quick Tips

- Before using TeleMail, let others know that you'll be sending them pre-recorded messages by phone. This will help ensure that your messages are accepted by their recipients, because they will be expecting to receive them.
- In order to use this feature, you must first add a Return Email Address for yourself to your account by clicking on the My Settings link on your Myzline Home page. This will allow the delivery confirmation report to be sent to you.
- Contacts must have at least one phone number in your Address Book in order to receive a TeleMail message.

- If a TeleMail call is answered by an answering machine or voicemail, the message will be delivered to the voicemail or answering machine.
- If the TeleMail call goes unanswered or the line is busy, the TeleMail call will be attempted every 15 minutes up to four times. If the TeleMail reaches an unanswered or busy line at the fourth attempt, the message will be reported to you as undeliverable.
- Say "Help," "Help with Sending TeleMail" or press "0" at any time to hear specific tips for using your PVA more effectively. If you need additional help, and would like to speak to a live representative, say "PVA Help."
- The maximum length of a TeleMail message is two minutes.

TeleMail is intended for person-to-person, personal use only and should not be used to deliver unsolicited messages to parties with whom you do not have an established relationship, or for any business purposes. Please contact Customer Care with any questions.

"What would you like to do?"

"BROWSE THE ADDRESS BOOK"

You don't need to carry around an address book to stay in touch anymore. PVA enables you to quickly access phone numbers, email addresses and much more from any phone, so you can leave the address book at home!

There are two ways to browse information in the Address Book:

Hear the Contacts in the Address Book:

When you ask to "Browse the Address Book" you will be provided with the number of pages of contacts you have in your Address Book. It's set up to provide you a page-by-page, alphabetical list of your contacts -- similar to a white page listing in the telephone book. You are able to browse through the pages individually to hear each and every contact, or you can expedite the search by saying "Next page," "Previous page" or the page number, for example, "Page three." Or you can look up a specific contact just by following the prompts. Just say "Stop" to quit listening.

If you hear the name of the contact you're looking for just do the following:

1. Say the name of the contact you would like to access.

Ex: "Claude Monet."

2. You will be prompted to "Call", "Email" or "Look Up Contact Information" for this contact.

Look Up information on a Specific Contact:

Once in the Look Up option, you can specify the exact contact you would like to look up. Ex: "Look up Claude Monet."

SHORTCUT: You can skip directly to specific information for a contact by saying the information category. Ex: Just say "Birthday" or "Email," to hear the birthday or email address for the contact you are looking up.

Browsing the Address Book Quick Tips:

- Browsing enables you to hear every contact in your personal Address Book. There is also a Browsing option within each Community directory.
 - When looking up a specific contact, say "Next" to hear the next available contact information entry.
 - Stop the listing of information at any time by saying "Stop" or "Cancel."
 - While looking up a contact, or immediately after, you can call the contact by saying "Call." You can also send a voice email to the contact by saying "Send Email."
 - After looking up all or part of a contact's information, you can repeat the information by saying "Repeat."
- SHORTCUT: You can repeat a specific element of contact information by saying the element you would like to hear again. Ex: Say "Repeat Home Address."*
- Say "Help," "Help with Browsing" or press "0" at any time to hear specific Lookup tips. If you need additional help, and would like to speak to a live representative, say "PVA Help."

"What would you like to do?"

"VISIT A COMMUNITY"

Member of a group, club or association? With PVA, you're also able to create separate Address Books for any group that you might be a part of. These Address Books allow you to create messaging groups, or "Communities," a great tool for getting yourself and your group members organized.

As the Community Coordinator, you're able to create a Community and notify each member via email that they are invited to participate in and access your Community. Each member that is not currently a Z-Tel customer will be able to enjoy the great benefits of PVA, too, because your invitation will also include a link for a Free PVA Trial account (free for 30 days), as well as information on other Z-Tel products.

Once your Community is built and all the members have accepted the invitation, communication between members becomes much simpler and more convenient than ever before! No more having to call everyone or print up newsletters/flyers to get the message out. No more having to flip through a thick address book to find contact information. All the great PVA features apply—sending voice emails to one member or many members at once with a Distribution List and/or retrieving contact information anywhere, anytime from a "virtual" Community Address Book, and dialing members by voice. As the Community Coordinator you keep the contact information up-to-date, and all changes you make are automatically reflected for the entire Community.

To find out more about Communities, log in at www.ztel.com, then click on the My Communities banner. Once in My Communities, click on Help for detailed instructions on creating Communities.

As a Community Coordinator or Community member, you will be presented with the "Visit a Community" option from the PVA Main Menu. Say "Visit a Community" to access either Communities that you are a member of or that you've created. Once in the "Visit a Community" prompt of the PVA Main Menu, say "Community List" to hear a list of available Communities to which you are either a Coordinator or member. Once you've selected the appropriate Community Address Book, you will be prompted to perform one of these PVA features: Make a Call, Send Email, Browse the Address Book or Change Communities.

Note. Change Communities allows you to visit another Community. You can either go directly to another Community or listen to the list of available Communities.

Distribution Lists for Communities

Distribution Lists for Communities are an invaluable communication tool, as they allow the Coordinator or members to conveniently send a voice email to the entire group or sub-segments of the group with one recording. Distribution Lists are created and managed by the Community Coordinator. All members have access to the Distribution Lists available in the Community Address Book, but only the Coordinator can apply changes to it.

For example, the "**Lincoln Elementary PTA**" Community may have the following Distribution Lists:

- **PTA Members**—Entire Community list;
- **PTA Board Members**—Selected members from the Community list who are responsible for managing the Community; or
- **Bake Sale Committee**—Smaller group responsible for a specific task

Visit a Community Quick Tips:

- To visit a Community just say "Visit a Community," then the name of the Community when prompted. Example: "Lincoln Elementary PTA Community."
- To return to your personal Address Book say: "Go to my Address Book."
- To exit the PVA Menu and go to the Z-Line Main Menu (to check/manage your mail or Account Options) say "Main Menu" at any time.
- Say "help," "help with Communities" or press "1" at any time to hear specific tips for using your PVA more effectively. If you need additional help, and would like to speak to a live representative, say "PVA Help."

ADDITIONAL FEATURES

Receiving Calls

You can be reached by having callers dial the toll-free access number, 1-877-345-ZTEL (9835), then entering in your Z-Line number.

You also have the option of including a personal toll-free number as a part of your Z-LinePVA. The Z-Line800™ option allows for callers to dial a toll-free number to reach you directly. If you do not have this option, contact Customer Care for details.

Find Me

You're a person on the move. It's a good thing your Z-LinePVA knows just where to find you! Find Me will automatically send your calls to your cell phone, work phone, or up to any three phone numbers you choose! You must set up at least one Find Me number to receive calls, otherwise all calls will go to your Message Center (voicemail). To set up Find Me, access Z-LinePVA by dialing 1-877-345-ZTEL and following the prompts, then press [3] to access your Account Options. Press [4] and follow the prompts to select and/or change your Find Me numbers. If you chose to turn Find Me off, unanswered calls will go to your voicemail.

Message Center (Voicemail)

Your Z-LinePVA Message Center takes messages when you're unavailable at your Find Me numbers

Message Center (Voicemail) Setup

To access your Message Center, just dial 1-877-345-ZTEL (9835) and follow the prompts to your Message Center, option [2]

Once in your Message Center, you will be walked through a series of setup prompts. Follow these prompts to record your name. Once you've completed this process you will also be prompted to record a personal greeting, which is like a message you might record on an answering machine or voicemail service

Check your messages by accessing your Z-LinePVA and selecting option [2] from the main menu and follow the prompts. You are also able to check your messages anytime from any computer with a Web connection. Log in to your secure online account at www.ztel.com using your Z-Line number as your Login ID and 4-digit PIN. You can listen to all your voicemail messages as audio wav files from one secure Web site. Your messages are listed by the caller's phone number, which helps you prioritize those return calls. Need to share a message with someone else? Forward it to anyone as an email attachment.

Voicemail Quick Tips:

- If you choose to turn voicemail off, callers will be unable to leave messages for you. Instead they will hear "Your party is unavailable at this time and is not accepting messages. Goodbye."
- Maximum length of common and personal greetings: 60 seconds
- Maximum voicemail message length: 3 minutes
- Storage duration for new and saved messages: 14 days
- Message capacity of mailbox: UNLIMITED
- You can forward voicemail messages to other Z-Line members while or after listening to a message. Simply press [0] and follow the prompts.

ADDITIONAL FEATURES

Continued

Notify Me

Tired of always checking your voicemail only to find you have no messages? Tired of not knowing when you received a message? Well, Notify Me can keep you alerted. Notify Me automatically notifies you by email, text-enabled pager and/or text-enabled cellular phone each time you receive a voicemail message. Set up your notification methods in just minutes at www.ztel.com. When you do not wish to be alerted, you may turn Notify Me off with a simple mouse click or by phone.

- 1. Log in using your Login ID and PIN.**
- 2. Click on the Notify Me link.**
- 3. Follow the instructions.**

Contact Updater

Have friends or relatives moving out of town? Not to worry – PVA makes keeping your Address Book up to date as simple as sending a single email. The Contact Updater feature allows you to email multiple contacts from your Address Book to verify that the phone numbers and other information you have for them are correct. They can update any of this information right from the email, and all changes they make will automatically be updated in your Address Book! Keeping up with the important people in your life has never been easier.

Share Contacts

Z-LinePVA allows you to share contacts with anyone you choose. This is a quick and easy way to ensure all the other parents of your son's soccer team or everyone in your book club has access to all the important phone numbers in case they need them! Just select a list of contacts to share with one or several people at once. If the recipient is a Z-LinePVA member, your shared contacts will automatically appear in their PVA Address Book, as long as you include their Z-Line Member ID with their contact information in your PVA Address Book. If the recipient is not a Z-LinePVA member, they will receive a file that they can view with Excel or upload into Microsoft Outlook.

Note: In order for your shared contact information to automatically update in other Z-Tel customers' Address Books, you must have their Z-Line Member IDs stored in your Address Book with their contact information.

To use the Contact Updater or Share Contacts options, log in at www.ztel.com and click on My Address Book under Address Book, then click on the appropriate link from the left-hand navigation menu.

Birthday Reminders

If you enter a birth date for your contacts you will automatically receive a reminder voicemail five days prior to the birthday. This will give you more than enough time to go shopping for a gift, to buy a card, or – even better – to record and send a personalized birthday wish, in your own voice, by email! See Send Email section of this brochure for more information.

ADDITIONAL FEATURES

Continued

Conferencing

Z-Tel Conferencing allows you to set up on-demand conference calls quickly and conveniently with up to a total of 15 conference call participants. Imagine being able to conference your entire family—each member across the country—for a monthly “telephone family reunion.” We’re confident that you will find many ways to take advantage of this feature.

There are no setup fees and your charges are based on the number of conference call participants and the number of minutes that each participant is on the line. These charges will appear in the “Summary of Service” section of your bill under “Long Distance” charges as “Conference Calling.” For more details on billing please call Customer Care at 1-877-ASK-ZTEL.

Access your Z-LinePVA by dialing 1-877-345-ZTEL (9835) and following the prompts. Host a conference is option [4] from the Z-Line Main Menu.

Setting up a conference call

1. **Choose the date and time for your meeting.**
2. **Notify your guests of the date and time the call will take place, the call topic and provide your guests with the necessary access instructions (see below for more details) and PIN (if selected).**

Accessing a conference call as a host

1. **Access the Z-Line Main Menu.**
2. **Press [4] to host a conference call.**
3. **As the host, you will be prompted to create an optional 1- to 12-digit conference PIN for security purposes. If you enter a conference PIN, your guests will need to know this PIN in order to enter the conference call.**
4. **If you are the first caller in the conference, you will remain on hold until your other participants have joined. If your guests are already on the call, your conference call will begin.**

Accessing a conference call as a guest

1. **Call the toll-free access number, 1-877-MEET-ME2 (1-877-633-8632).**
2. **Enter the 10-digit Z-Line number for the conference call host.**
3. **Enter the 1- to 12-digit conference PIN if one was created.**
4. **If you, the host, have not yet joined, your guests will be placed on hold until your arrival. Once you join, the conference call will begin.**

Conferencing Quick Tips:

- * You may have up to 15 participants on a conference call at any time (one host and 14 guests)
- * One conference call per mail box may occur at any given time.
- * The conferencing host may also enter the conference call through the toll-free access number, 1-877-MEET-ME2 (1-877-633-8632).

Directory Assistance

Directory Assistance is now available through PVA. Now you won't have to dial Information separately when you need to look up a local or national phone number. With PVA Directory Assistance the rates are the same for both local and national directory assistance requests. You will experience a savings of up to 15% over traditional local Directory Assistance and even greater savings on national Directory Assistance service.

To access PVA Directory Assistance, simply say “Directory Assistance” at any point in the PVA Main Menu. You will be prompted by an automated system to provide the city, state, and name of the listing you're looking for (operators cannot provide unlisted numbers). Once the number is provided to you, PVA Directory Assistance will also provide you with the option to complete the call for you.

Directory Assistance and Directory Assistant Call Completion services are rated per call. You will see these fees within your Summary of Services detail listed as PVA Directory Assistance on your statement. In addition, detail for each Directory Assistance request will be provided under the New Charges Detail section. For more details on rates, please contact Customer Care.

ADDITIONAL INFORMATION

Touch Tone Usage Instructions

If you are in a noisy location, or for some other reason would prefer to use your phone's keypad instead of PVA voice prompts, you can switch to a touch tone key system at any time by pressing "#9" on your touch tone phone. You will still be able to perform any of the calling, look up or voice email features outlined in this Member's Guide (PVA will provide you with the appropriate prompts to help you navigate through the system). To return to the PVA voice system, press "#9" again at any time.

Understanding Your PIN

A Personal Identification Number (PIN) is assigned to you when you open your Z-LinePVA account. You will need to enter your PIN in order to gain access to your Z-LinePVA when you are not calling from a number you've set up with Fast Access (see page 6 for more on Fast Access). Your Z-Line also includes a PIN Security feature. PIN Security can be turned on or off for all phone access of your Z-LinePVA account. If you have PIN Security on, you will be prompted to enter your PIN, even if you have the number set up for Fast Access.

To turn PIN Security on/off:

- Access your Z-Line. Press "3" to change your Account Options.
- Press "6" to turn PIN Security on/off.

To change your PIN:

- Access your Z-Line. Press "3" to change your Account Options.
- Press "5" to change your PIN.
- Follow the prompts to save your new PIN.

Note: Be sure to change your PIN frequently to maintain the security of your account. Always choose a PIN that's easy for you to remember, but that's not obvious to others. If you forget your PIN, please call Customer Care at 1-877-ASK-ZTEL.

Troubleshooting

Please be aware that PVA may not always understand your instructions. If this should happen, simply say "Cancel" to try again. To refresh your PVA session, say "Main Menu" then press "1." If you are unable to use PVA by voice for any reason, see the touch tone instructions above.

PVA Updates

Look for us to continually make PVA even more beneficial to you. Check your Myzline Home page for the latest PVA updates!



QUESTIONS?

Contact Customer Care at:

1-877-ASK-ZTEL

Or visit us on the Web at:

www.ztel.com

Z-Tel

PO Box 10751

Atmore, AL 36504-5751



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Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
15-Sep-2003

Top U.S. Retailers Name Z-Tel's Personal Voice Assistant(TM) "Best New Technology"

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TAMPA, Fla., Sep 15, 2003 /PRNewswire-FirstCall via COMTEX/ -- Z-Communications, Inc., a wholly-owned subsidiary of Z-Tel Technology Inc. (Nasdaq: ZTEL) and leading provider of local, long distance and enhanced telecommunications services, announces its Personal Voice Assistant(TM) (PVA) product was named "Best New Technology" at the RetailVision(R) Fall 2003 event. RetailVision, hosted by Vision Event Gartner, Inc. (NYSE: ITB) company, showcases the hottest technologies to hundreds of key decision-makers in the retail industry. Frontline Specialists, a technology-focused retail strategy consulting firm, partnered with Z-Tel to introduce and unveil PVA to the event's retail attendees.

Z-Tel's PVA is a voice-activated communication service provided to residential customers at no charge. The service allows users to voice email or voice dial their contacts stored in a virtual, voice-activated address book, which they can access from any phone in the world using simple, spoken commands. With PVA, users can pick up the phone, "Send email to family," and PVA will record their message and deliver it in their voice to the entire group at once. They can also place individual directed calls by saying, "Call Angie on her cell phone." PVA includes conference calling, birthday reminders, an automatic contact update and Communities(TM), a network of PVA address books available to the group to help it stay in close touch with its members. PVA is also available to Z-Tel's non-residential customers nationwide on a stand-alone basis.

"The industry's response to PVA is indicative of the product's ability to bring consumers a personalized, yet new age approach to communication," commented Gregg Smith, president and chief executive officer of Z-Tel. "This prestigious award further demonstrates Z-Tel's commitment to bringing enhanced communication capabilities to consumers, allowing us to compete beyond today's price war in the residential services market."

Award winners were chosen by hand-selected, top U.S. retailers, such as CompUSA, Circuit City, HSN, Staples, Best Buy, Radio Shack, CompUSA.com, OfficeMax.com, AOL, Office Depot and Amazon.com. Participating retailers researched and compared technology products across every major category sold through the consumer channel, including hardware, software, accessories, and peripherals. Z-Tel, a first-time RetailVision presenter, was also nominated for the "Best Retail Strategy" award. A complete list of winners and nominees in all

categories is available at www.visionevents.com/rv/awards.php.

"Congratulations to the winners and nominees of the Fall 2003 "Best RetailVision Awards," said Pete Prentice, event director for RetailVision. "Being recognized by the industry's most powerful retail decision maker is a tremendous honor which should make the winners and nominee extremely proud."

About Vision Events

Vision Events, a Gartner company, is a leading producer of highly focused business events that bring resellers and end users together leading and emerging vendors in private boardroom appointments to form strategic partnerships and secure new business in the technology sector. Additional information about Vision Events can be found at www.visionevents.com.

About Gartner, Inc.

Gartner, Inc. is a research and advisory firm that helps more than 10,000 clients leverage technology to achieve business success. Gartner's businesses are Research, Consulting, Measurement, Event and Executive Programs. Founded in 1979, Gartner is headquartered in Stamford, Conn., and has more than 3,800 associates, including approximately 1,000 research analysts and consultants, in more than 40 locations worldwide. Revenue for calendar year 2002 totaled \$888 million. For more information, visit www.gartner.com.

About Frontline Specialists

Frontline Specialists was founded in 1996 to provide customizable sales resources to companies that compete in high-technology and consumer electronics markets. Through event-driven "sell days," in-store sales training sessions, merchandising programs, and inventory control services, the company helps to increase product visibility, sell-through and overall profitability for its clients. Based in Escondido, California Frontline operates a nationwide network of 450 sales contractors, as well as a staff of regional managers and account managers who guide and implement the company's sales, training and merchandising programs. This network has helped to increase product sell-through at a number of market leading companies, including Targus, Handspring, Eastman Kodak, Philips Electronics, Kyocera Wireless, Sanyo Fisher and Belkin Components. For more information, visit www.frontlinespecialists.com.

About Z-Tel

Founded in 1998, Z-Tel offers consumers and businesses nationwide traditional and enhanced telecommunications services. Z-Tel's enhanced services, such as Internet-accessible and voice-activated calling and messaging features, are designed to meet customers' communication needs intelligently and intuitively. Z-Tel also makes its services available on a wholesale basis to other communications companies, including Sprint and MCI. For more information about Z-Tel and its innovative

services, visit www.ztel.com.

SOURCE Z-Tel Technologies, Inc.

Sarah E. Blalk, Director of Investor Relations of Z-Tel
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<http://www.visionevents.com/rv/awards.php>



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Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
15-Jul-2003

Z-Tel Strengthens Its Business Services Focus, Launches Nationwide Managed Voice and Data Solutions for Companies Large and Small

TAMPA, Fla.-- (BUSINESS WIRE)--July 15, 2003--

Olive Garden and Red Lobster Parent Becomes First Communications Briefcase(TM) Customer, Consolidating Local Service for Hundreds of Its Nationwide Locations with Z-Tel

Z-Tel Technologies, Inc. (Nasdaq/SC: ZTEL), a leading provider of long distance and enhanced telecommunications services, today announced it has expanded its Business Services Suite to include managed local, broadband, email and hosting services. Serving business customers since October 2001, Z-Tel has combined its nationwide long phone service footprint, the largest in the country, with broadband and long distance services to create a complete managed service package, the Communications Briefcase(TM).

The first Communications Briefcase customer is Darden Restaurants, (NYSE: DRI), the parent company for Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones BBQ. Under the newly signed, three year contract, Z-Tel will provide approximately half of Darden's North American locations with local telecommunications services. The agreement encompasses approximately 3,200 telephone lines in 45 states.

With the Communications Briefcase, customers can create either a customized package for all their U.S. locations or simply transfer the current services to Z-Tel. Z-Tel then consolidates and manages all aspects of the customer's communications services for each location at an average of twenty percent less than they currently pay. The Communications Briefcase also offers consolidated account management, comprehensive billing, reporting and analytics and simplified product management across any number of customer locations.

Frank Grillo, senior vice president of business services for Z-Tel, commented, "We're honored that Darden employees and customers across the country will rely on our services. Multi-location businesses of all sizes have a critical need to monitor and control what each of the distributed sites is using and spending on telecom services. Our nationwide reach enables us to take over all aspects of a company's service, giving them just one contract, one bill and one point of contact for multiple sites, regardless of the number or location of the offices.

For customers choosing to convert all of their local lines to Z-Tel, Z-takes over and administers all aspects of the customer's local service including existing relationships they may have with other local providers. Converting to Z-Tel is seamless, as companies don't have to change phone numbers or re-install their phone services. Z-Tel is also leveraging its recently announced relationship with Covad to offer three types of broadband services, or Z-Speed(TM), with the Communications Briefcase: ADSL, SDSL and T-1. These options can be combined with email and Web hosting offerings through Z-Tel's new relationship with Communications, as well as with toll-free and long distance services. Every Communications Briefcase customer will receive round-the-clock technical support and a dedicated account manager to handle all service and account issues.

Mr. Grillo continued, "We're also introducing a business-class version of our highly popular Personal Voice Assistant(TM), or PVA, feature with Communications Briefcase. PVA offers businesses enhanced communications capabilities previously unavailable to them, such as speech-enabled directories, voice-activated emailing and remote access to an online Address Book from any phone. PVA is a paramount example of today's most advanced communication services that allow business professionals to stay connected, have constant access to critical communication information, send emails and set reminders."

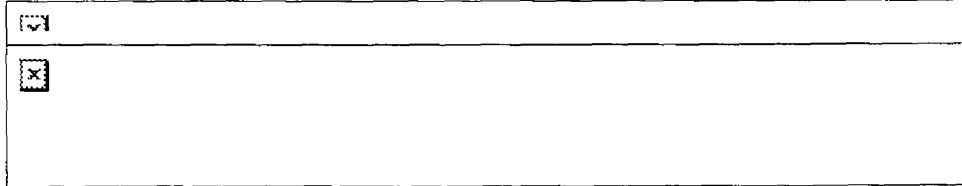
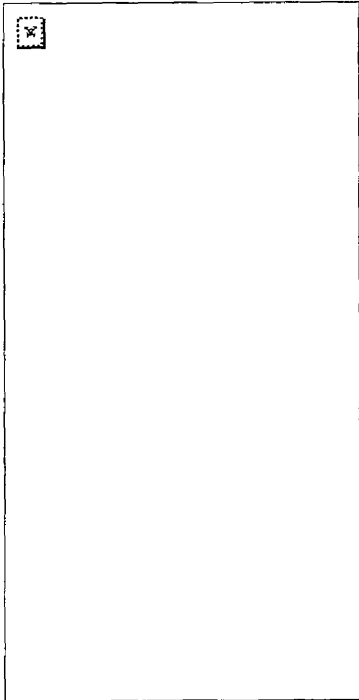
Please direct all inquiries regarding the Communications Briefcase to bizinfo@z-tel.com.

About Z-Tel

Z-Tel was founded in the wake of the Telecommunications Act of 1996. With the establishment of the Unbundled Network Element-Platform (UNE-P), competitive telecommunications companies like Z-Tel became able to provide telephone service to end-users over the incumbent local telephone providers' network. Unlike its competitors, Z-Tel was formed with the vision of developing technology that would imbue the telephone with "Intelligent Dial Tone," wherein telephone service can be personalized to meet consumers' and businesses' diverse communications needs intelligently and intuitively. Z-Tel offers residential and business customers in 47 states value-added bundles of local and long distance phone service, commercial broadband service and powerful Internet-accessible and voice-activated calling and messaging features. Z-Tel also makes its voice services available on a wholesale basis. Current customers include Sprint and the MCI group. For more information about Z-Tel's innovative services, please visit the Company's Web site at www.ztel.com.

CONTACT: Z-Tel Technologies, Inc.
Sarah E. Bialk, 813-233-4586
ir@z-tel.com

SOURCE: Z-Tel Technologies, Inc.



Now your family and all military families can enjoy an enhanced, personalized experience with your loved ones serving overseas. Voice email messages provide connection that ordinary email can't. Imagine what the sound of your own voice, your children, would mean to your loved ones stationed far away from home.

- Tell them how much you miss them



- Have the kids sing "Happy Birthday"
- Send any message you like - use your imagination

There are many benefits to voice email:

- More personal than any text email



- Send unlimited messages up to 1 minute in length anywhere overseas
- Use right from your home phone with simple voice prompts
- Easy for anyone to use right away

As part of this free service, you also get 30 minutes of nationwide long distance service members anywhere within the 50 states! Save money and time by making distance calls using just the power of your voice!

Start sending voice emails FREE today! [Click here to sign up in 2 sim](#)

*Z-Tel makes this service available to military and their families until further notice; however, Z-Tel reserves the right to amend or discontinue the service at any time.

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Troubleshoot



Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
14-Apr-2003

Industry Call to Action: "Operation Connect" Z-Tel Makes Communications for Military and Their Loved Ones Free, Simple and Reliable

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Contact Investor Relations

TAMPA, Fla., Apr 14, 2003 (BUSINESS WIRE) -- Z-Tel Technologies, (NASDAQ/SC:ZTEL) announced today "Operation Connect," a free service the company is offering to military families nationwide. Throughout the duration of Operation Iraqi Freedom and until U.S. troops come home, Operation Connect will provide military families unlimited access to Z-Tel's voice email service free of charge, allowing them to send personalized voice email messages to their loved ones serving overseas. Military families are not required to purchase any Z-Tel service to take advantage of Operation Connect.

Military families throughout the country can get more information and register at www.ztel.com/ustroops or by calling 1-888-ZTEL-USA (9 5872). Beginning Monday, April 14, 2003, Z-Tel representatives will be on hand at the MacDill Air Force Base Family Resources Center in Brandon, Florida to help people sign up and instruct them on how to use the voice email service. MacDill families can visit the Center to send their voice emails beginning at 9 a.m. EST and can call the Center at 813-655-9281 for more information.

Gregg Smith, president and chief executive officer for Z-Tel, stated, "We realize that communication in this time of war is crucial and difficult after learning of the difficulties military personnel serving in the Middle East have had accessing phone service and managing the high cost of international calls, we realized that our voice email service could bring families closer than traditional email. With voice email, a mother or father stationed in Kuwait can hear their child sing happy birthday to them, say their nightly prayers, or give a daily update about the school year. There is no substitute for hearing the sound of a loved one's voice and Operation Connect makes it possible. And, because we are headquartered in Tampa, Florida, as is Central Command, many of our employees, partners and customers in the local community are feeling the direct impact from the absence of military personnel who are serving overseas. We wanted to do something to make their burden easier to bear and to support the brave soldiers serving our country."

Operation Connect allows families to send voice email messages to their loved ones serving in Operation Iraqi Freedom anytime, anywhere, from any telephone in the United States. This makes communicating easier and helps overcome the challenges of expensive international calls, often-unreliable phone and mail service in the field, and call scheduling difficulty. Z-Tel is the only service provider offering this type of personal

and secure communication - and is doing it free of charge.

With Operation Connect, Z-Tel is leveraging its innovative telephone software and advanced technology messaging server to make it sim for military families to communicate with their loved ones abroad.

"We have been investing in advanced voice technologies since our founding, and I am proud that we have been able to leverage that investment into a service that can help American servicemen and women and their families at this time," Smith added. "The service is simple to use. Just visit www.ztel.com/ustroops and follow the instructions for registration, which takes less than a minute. Then a family member can just pick up the phone, speak his or her messag and say 'send.' The service captures the sound of the sender's voice an email format and sends the message via a .wav file to loved one overseas or at remote military bases around the world. To take advantage of Operation Connect, all that families need are the emai addresses of those service people they want to communicate with a access to a phone."

About Z-Tel

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Z-Tel Technologies Inc.

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Christine Attalla, 630/783-1024

cattalla@prresults.org

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Troubleshoot



Z-Tel Technologies Inc. (ticker: ZTEL, exchange: NASDAQ) News Release
12-Jun-2003

Middle East Strain Continues: Z-Tel Stands Behind U.S. Servicemen and Women

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TAMPA, Fla.--(BUSINESS WIRE)--June 12, 2003--

Due to demand for free voice email service, Z-Tel extends "Operation Connect" through Father's Day and beyond

"Operation Connect", a free public service offered to military families nationwide by Z-Tel Technologies, Inc. (NASDAQ/SC: ZTEL) in connection with Operation Iraqi Freedom, remains available to military families who wish to send warm wishes to their dads serving overseas this Father's Day, Sunday, June 15. On Father's Day, Z-Tel expects hundreds of military families to access the service to send personal voice-recorded email messages to their loved ones serving overseas. Military families are not required to purchase any Z-Tel service to take advantage of Operation Connect.

"With the recent troop deployments and continued controversies in the Middle East, Z-Tel remains supportive of U.S. servicemen and women who have sacrificed this time away from their families," commented Gregg Smith, CEO and president for Z-Tel. "We want to show our ongoing support by continuing to offer unlimited, free of charge voice emails to keep them connected during this difficult time - a time when a father should be with his family. Voice emails overcome the challenge of expensive international calls, often-unreliable phone and mail service in the field, and call scheduling difficulty."

Military Organizations and Families Recognize Operation Connect

Operation Connect is recognized by the USO (United Service Organizations) of Metropolitan Washington, the largest USO chapter in the country, as a unique voice email service for military families seeking cost-effective ways to stay in touch with men and women of the Armed Forces. "The voice email technology makes communication easy and secure," said Elaine Rogers, president, USO of Metropolitan Washington.

"My husband was deployed overseas in Operation Iraqi Freedom for several months, and Z-Tel's service came as an unexpected and amazing surprise," said Dawn Miller, wife of AF Sergeant Tom Miller stationed at MacDill Air Force Base, in Tampa, Florida. "Our two boys and myself, and even my in-laws, used the voice email to send messages to Tom while in Iraq. It was just so wonderful."

"Each day, members of the US Armed Service leave their families a

loved ones to enter basic training, or report to active or reserve duty. Millions of family members around the country seek ways to stay connected to their loved ones who are away," added Lisa Miller, founder and executive director of Families of Military Personnel (FMP), "and communication during times of deployment is key to both their well-being and that of their loved ones who are serving. Operation Connect comforts them by allowing them to reach out to their loved ones who are serving in a personal, simple way."

Operation Connect captures the sound of the sender's voice in an e-format and sends the one-minute message via a .wav file to the recipient's email account, accessible via the Internet at remote military bases around the world. To take advantage of Operation Connect, families only need the email addresses of those service people they want to communicate with and access to a telephone.

Military families throughout the country can get more information and register at www.ztel-usa.com or by calling 1-888-ZTEL-USA (983-5

About USO Metro

USO Metro is a private, nonprofit 501(c)(3) organization whose mission is "to serve those who serve...and their families," from Baltimore to Quantico. The USO of Metropolitan Washington receives no federal, state or local funding. However, the generous financial support of the local community enables us to provide many free services to the military. On a daily basis we provide vital human services and programs. Remember, USO-Metro is always here for you. Visit www.usometrodc.org for more information.

About Families of Military Personnel

Families of Military Personnel is a national nonprofit organization dedicated to ensuring the well-being of families and their loved ones enlisted in the United States Armed Services. Through a national membership network of Community Support Posts across the country we provide support, services, education and access to military advisors so that every family member is well informed and can serve as a source of strength at home. Donations are accepted to support the program. FMP and its members, either online at www.fmpusa.org or by calling toll-free 1-800-272-2227.

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE PERIOD ENDED September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 000-28467

Z-TEL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

59-3501119
(I.R.S. Employer Identification Number)

601 SOUTH HARBOUR ISLAND BOULEVARD, SUITE 220
TAMPA, FLORIDA 33602
(813) 273-6261

(Address, including zip code, and
telephone number including area code, of
Registrant's principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: COMMON
STOCK, PAR VALUE \$.01 PER SHARE, PREFERRED STOCK PURCHASE RIGHTS

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act)

Yes No

The number of shares of the Registrant's Common Stock outstanding as of November 12, 2003 was approximately 35,596,195.

Z-Tel Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	September 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,544	\$ 16,037
Accounts receivable, net of allowance for doubtful accounts of \$16,765 and \$17,401	25,183	26,749
Prepaid expenses and other current assets	5,071	5,741
Total current assets	44,798	48,527
Property and equipment, net	40,389	48,320
Intangible assets, net	2,744	4,116
Other assets	4,940	5,748
Total assets	\$ 93,251	\$ 106,711
Liabilities, Mandatorily Redeemable Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 53,682	\$ 51,771
Deferred revenue	14,710	10,172
Current portion of long-term debt and capital lease obligations	6,553	6,864
Total current liabilities	74,945	67,907
Long-term deferred revenue	483	6,277
Long-term debt and capital lease obligations	562	4,180
Total liabilities	75,988	78,364
Mandatorily redeemable convertible preferred stock, \$0.01 par value; 50,000,000 shares authorized; 8,855,089 issued; 8,738,422 and 8,855,089 outstanding (aggregate liquidation value of \$153,980 and \$145,503)	138,559	127,631
Commitments and contingencies (Note 6)		
Stockholders' deficit:		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 35,837,412 and 35,609,803 shares issued; 35,495,862 and 35,268,253 outstanding	358	356
Notes receivable from stockholders	(1,121)	(1,589)
Additional paid-in capital	194,274	203,090
Accumulated deficit	(314,419)	(302,753)
Treasury stock, 341,550 shares at cost	(388)	(388)
Total stockholders' deficit	(121,296)	(99,284)
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' deficit	\$ 93,251	\$ 106,711

The accompanying notes are an integral part of these consolidated financial statements.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony and Exhibits of Michael Reith on behalf of Z-Tel Communications, Inc. has been provided by (*) hand delivery, (**) email and U.S. Mail this 4th day of December 2003, to the following:

(*)(**) Adam Teitzman, Staff Counsel
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