

**Ameritech,  
please remove  
my wire  
protection plan  
immediately!**

### Terms and Conditions

We are happy that you have selected CableGuard Plus, your inside home telephone wire maintenance plan. CableGuard Plus is offered free of charge to all Comcast's CableGuard customers. CableGuard is Comcast's inside wire maintenance plan for inside cable wire. By selecting CableGuard Plus, you agree to be bound by these Terms and Conditions.

Under the CableGuard Plus service, Comcast will identify trouble locations within your home and repair inside telephone wire and telephone jacks, in addition to maintaining and repairing inside cable wire. "Inside telephone wire" is defined as the wire that runs from the connection point (usually a small box on the outside of your house) to the telephone jacks inside your home. "Inside cable wire" is defined as the wires that run from the connection point to your television set or other related equipment. "Inside cable wire" does not include the wiring of any customer owned audio or video equipment. In addition, Comcast will provide you with a free loaner basic telephone for a sixty day period in the event that your phone is the source of the problem. Under the CableGuard and CableGuard Plus plans, when Comcast is notified by you of service problems, Comcast will identify whether the problem is with your inside telephone wire, inside cable wire, telephone jacks or cable outlets or whether other equipment may be the problem. If the trouble is covered by other CableGuard plan, Comcast will repair or remove the trouble in a reasonable manner. You acknowledge that Comcast may remove wire along baseboards and other locations to avoid replacement or repair of drywall, plaster or other materials and to avoid unnecessary work.

Excluded from CableGuard and CableGuard Plus coverage are the following:

- Telephone wire and cable wire located beyond the connection point of your home.
- Repair or replacement of the wire connecting the telephone, or other equipment to the telephone jack.
- Rewiring after a home is destroyed by fire, flood, earthquake, Act of God, vandalism, gross negligence or willful damage.
- Initial installation of services and the installation of new jacks, new wiring or rewiring. These services will be performed at our regular installation and service rates.
- Cable or wiring that runs between or among separate buildings, apartments or dwelling units in multi-tenant property. If you reside in a multi-tenant building, campus or military housing, we suggest that you discuss inside wire repair responsibility with the manager or owner.
- Repair or replacement of any inside telephone wire and telephone jacks not installed or existing in accordance with accepted industry standards as determined by Comcast.
- Inside cable wire and cable outlets used to receive cable or video services provided by another company.
- Inside cable wire and cable outlets used to receive unauthorized cable service.
- Trouble or problems existing prior to the establishment of cable television service with Comcast, or prior to selecting the Comcast Complete service.
- Repair of problem telephones. Loaner phones not returned to Comcast within sixty days will be billed to the customer at prevailing market rates.
- Repair or replacement of answering machines, television sets, VCRs, fax machines or set-top boxes used for channel selection which were not issued by Comcast.

CableGuard Plus is available free of charge to all CableGuard customers of Comcast in Fraser. Comcast may immediately, and without notice, suspend or discontinue this service to a residence if cable service is no longer being provided to the residence by Comcast or if any misuse or abuse of the service occurs or if a hazard or danger to person or property exists which would prevent our technicians from performing the work in a safe manner.

Subject to any applicable rules or laws, Comcast may modify or discontinue any part of CableGuard or CableGuard Plus service or change any of these Terms and Conditions including, but not limited to, changing a monthly service fee for CableGuard Plus. Comcast will provide thirty (30) days prior written notice of any significant changes in the Terms and Conditions. This notice may be included in your monthly bill. You may discontinue either Comcast CableGuard service at any time by calling our customer service office at (818) 204-4700.

Comcast shall not be liable for damages, including any indirect, incidental, or consequential damages that arise from (1) any defects in materials used to maintain inside wire or jacks; or (2) defects in workmanship provided under the plan. There are no express or implied warranties, warranties of merchantability, or warranties of fitness for a specific purpose offered with this plan. Comcast's liability for defective materials or workmanship is limited to repair or replacement of the defective material and/or a corrective service visit. To report a telephone or cable problem that you think may be related to your inside wiring, please call our customer service office at (818) 204-4700. This offer is valid for Fraser and Southgate residents only.

# INTRODUCING

# @COMCAST

# CABLEGUARD PLUS

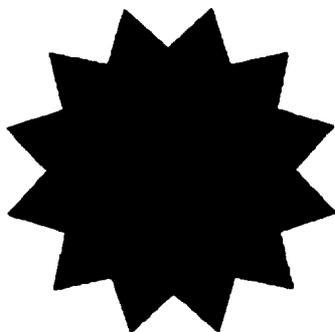
ANOTHER QUALITY SERVICE FOR CLUB COMCAST MEMBERS

FREE

CONGRATULATIONS! AS A  
CURRENT CABLEGUARD  
CUSTOMER, YOU'LL ENJOY  
THE ADDED COVERAGE OF  
CABLEGUARD PLUS...



...FREE!



CABLEGUARD PLUS IS THE BEST WAY OF KEEPING  
YOUR TELEPHONE WIRES IN PERFECT WORKING ORDER.  
AS YOU KNOW, CABLEGUARD PROTECTS YOUR CABLE WIRING  
FOR PENNIES A MONTH! NOW, CABLEGUARD PLUS PROVIDES  
THE SAME PROTECTION FOR YOUR INSIDE TELEPHONE WIRING AT  
**NO EXTRA CHARGE!** IF YOU'RE CURRENTLY PAYING THE  
TELEPHONE COMPANY FOR THIS SERVICE, CABLEGUARD PLUS  
CAN **SAVE YOU UP TO \$42 A YEAR.**

IN ORDER TO REALIZE UP TO \$42 DOLLARS IN ANNUAL  
SAVINGS, YOU MUST CANCEL YOUR EXPENSIVE TELEPHONE WIRE  
MAINTENANCE PLAN IMMEDIATELY. ONE WAY TO DO THIS  
IS TO CALL (313) 221-4900 OR FILL OUT THE BLUE  
POSTCARD BELOW AND

DROP IT IN THE MAIL.

IT'S JUST THAT SIMPLE!

 **COMCAST**  
*Leading the Way*



**SIMPLY FILL OUT THE COUPON TO**  
**➔ START SAVING NOW! ➔**

OR IF YOU HAVE QUESTIONS CALL 972-2720

\*\*\* TOTAL PAGE.03 \*\*\*

# Take your time.

# 2

FREE  
HOURS

MPSX Case NO. 44  
Attachment  
Question  
Exhibit  
6-1

## Introducing the Bell Atlantic® SoundSavings™ long distance calling plan.

Saving on long distance couldn't be simpler with the new Bell Atlantic® SoundSavings™ calling plan. It gives

Save **10%**  
when you spend  
as little as \$5  
per month.

you automatic discounts off our already low rates – without having to spend a lot on long distance calls.

Save **25%**  
when you spend  
\$25 or more  
per month.

You'll save 10% when you spend as little as \$5 per month. And 25% when you spend \$25 or more per month.\* And that applies to the direct-dialed long distance calls you make to anywhere in the U.S. Even fax and computer modem calls.\*\*

So take your time...enjoy your conversation...with Bell Atlantic you don't have to worry that you're paying too much.

Sign up today and enjoy all the benefits of Charter Membership. Call today and you'll automatically become a Charter Member with up to **TWO FREE HOURS** of long distance calling – that's a \$15 value, based on our lowest rates! After just 6 months with us, you'll receive an entire month of free weekend calls – up to \$50. And after a year, we'll give you a whole month of free long distance calling – up to \$75.

Your free weekends and month will be equal to usage during your sixth and twelfth months. You'll automatically receive them in the form of a certificate to be included in your long distance phone bill. So you don't have to do a thing.

Sign up for SoundSavings™ today and enjoy the low rates and superior service that set Bell Atlantic apart.

You'll like the sound of it.™

**1 800 845-6807**

But don't take too much time.  
This charter membership  
offer expires 10/15/96.

Visit our home page on the Internet at <http://www.callbell.com>

**® Bell Atlantic  
Communications**



Introducing the Bell Atlantic®  
**SoundSavings™** long distance calling plan.

Saving on long distance couldn't be simpler with the new Bell Atlantic® SoundSavings™ calling plan. It gives

Save **10%**  
 when you spend as little as \$5 per month.

you automatic discounts off our already low rates – without having to spend a lot on long distance calls.

Save **25%**  
 when you spend just \$25 or more per month.

You'll save 10% when you spend as little as \$5 per month. And

25% when you spend \$25 or more per month\*. And that applies to the direct-dialed long distance calls you make to anywhere in the U.S. Even fax and computer modem calls\*\*

So take your time...enjoy your conversation...with Bell Atlantic you don't have to worry that you're paying too much.

Sign up today and enjoy all the benefits of Charter Membership.

Call today and you'll automatically become a Charter Member with up to TWO FREE HOURS of long distance calling – that's a \$15 value, based on our lowest rates†. After just 6 months with us, you'll receive an entire month of free weekend calls – up to \$50. And after a year, we'll give you a whole month of free long distance calling – up to \$75.

Your free weekends and month will be equal to usage during your sixth and twelfth months. You'll automatically receive them in the form of a certificate to be included in your long distance phone bill. So you don't have to do a thing.

Sign up for SoundSavings™ today and enjoy the low rates and superior service that set Bell Atlantic apart.

You'll like the sound of it.™

**1 800 286-3053**

But don't take too much time. This charter membership offer expires 10/15/96.

Visit our home page on the Internet at <http://www.callbell.com>

**Bell Atlantic Communications**

\* Based on Bell Atlantic Communications, Inc. tariffed direct-dialed interstate rate.  
 \*\* Until government approval is obtained, Bell Atlantic Communications, Inc. will not carry calls originating in NJ, PA, DE, VA, WV, MD, DC, NY, VT, NH, ME, MA, RI and CT or 800/888 number, private line or equivalent calls terminating in these areas, where the called party selects the long distance carrier. These calls will be blocked and the caller will hear a message.  
 † Based on our lowest rates of 12¢ per minute.

Crain's Detroit Business, August 5, 1996, Page 3

## Bell Atlantic plans 2 Michigan offices

**BY ARTHUR BRIDGEFORTH JR.**

*CRAIN'S DETROIT BUSINESS*

A unit of Philadelphia-based telecommunications giant Bell Atlantic Corp. is opening two offices in the state as part of its plan to offer long-distance service to commercial customers.

Alan Hill, manager of public relations for Bell Atlantic (NYSE: BEL), said the company is stepping outside its traditional mid-Atlantic region to pick-up new business.

The growth opportunity stems from the federal Telecommunication Act, passed earlier this year. The law allows local phone companies to offer long distance in other markets. Bell Atlantic provides local service in Delaware, the District of Columbia, Pennsylvania, Maryland, West Virginia and Virginia.

Bell Atlantic's local offices will be in Southfield's First Center Office building on Northwestern Highway. Another office is being opened in Grand Rapids. Thirty-five salespeople will be in the two offices, Hill said.

The strategy is to target corporations first, then eventually roll out service to residential customers.

Bell Atlantic chose Michigan because it was able to get approval to enter the market within 24 hours, Hill said. Plus, its research indicated the market has a heavy volume of long-distance calls and customers that want a more coherent long-distance plan.

"We're aggressively entering the long-dis-

tance business," Hill said.

Bell Atlantic is also in the midst of a proposed merger with regional telephone provider Nynex Corp. (NYSE: NYN), which covers most of New England and New York.

Bell Atlantic announced it will offer long-distance service in North Carolina and Texas, as well.

Frontier Communications Corp., which merged with Bingham Farms-based ALC Communications Corp. in 1995, will be competing with Bell Atlantic, although Jeffrey Blackey, director of local-services marketing, said Frontier's niche is to provide commercial customers with a bundle of communications services. That means local, long-distance, cellular, paging and data-link charges on one bill.

"We deliver that on a single invoice," Blackey said.

Rochester, N.Y.-based Frontier (NYSE: FRO) is focusing on the Detroit market instead of the entire state, as Bell Atlantic is doing.

Meanwhile, Ameritech Corp. still is focused on its local service in Michigan and long-distance service it offers in 20 states.

Sara Snyder, a media-relations manager for Ameritech, said the company needs to sort out the Federal Communications Commission rules governing fair competition among local-service providers before it can offer long-distance service in its region, which includes Michigan, Illinois, Indiana, Ohio and Wisconsin. **COM**



# Ad Detector

**BRAND:** BELL ATLANTIC+RESIDENTIAL USAGE  
**TITLE:** SoundSavings Calling Plan.60  
**COMMERCIAL:** SoundSavings Calling Plan.60 1 of 1  
**LENGTH:** 60  
**FRAMES:** 14

AC03N213.ESB



Jones: Relationships do not care about miles...do not worry about time.



Relationships simply need a place to be.



Your long distance service should make that connection as easy as possible.



Introducing the Sound Savings Calling Plan from Bell Atlantic Communications.



You automatically save 10% when you spend just \$5



a month on long distance. And 25%



when you spend \$25 or more. Whether it's from home,



a modem, or even a fax. It's that simple.



Call now to become a charter member,



BRAND: BELL ATLANTIC+RESIDENTIAL USAGE  
 TITLE: SoundSavings Calling Plan,60  
 COMMERCIAL: SoundSavings Calling Plan,60 1 of 1  
 LENGTH: 60  
 FRAMES: 14

**Ad Detector**



where your first 2 hours of long distance calling are free.



Plus, we have a lot more sound rewards waiting for you.



Call this number now, for the



Sound Savings Plan.



You'll like the sound of it.

BRAND

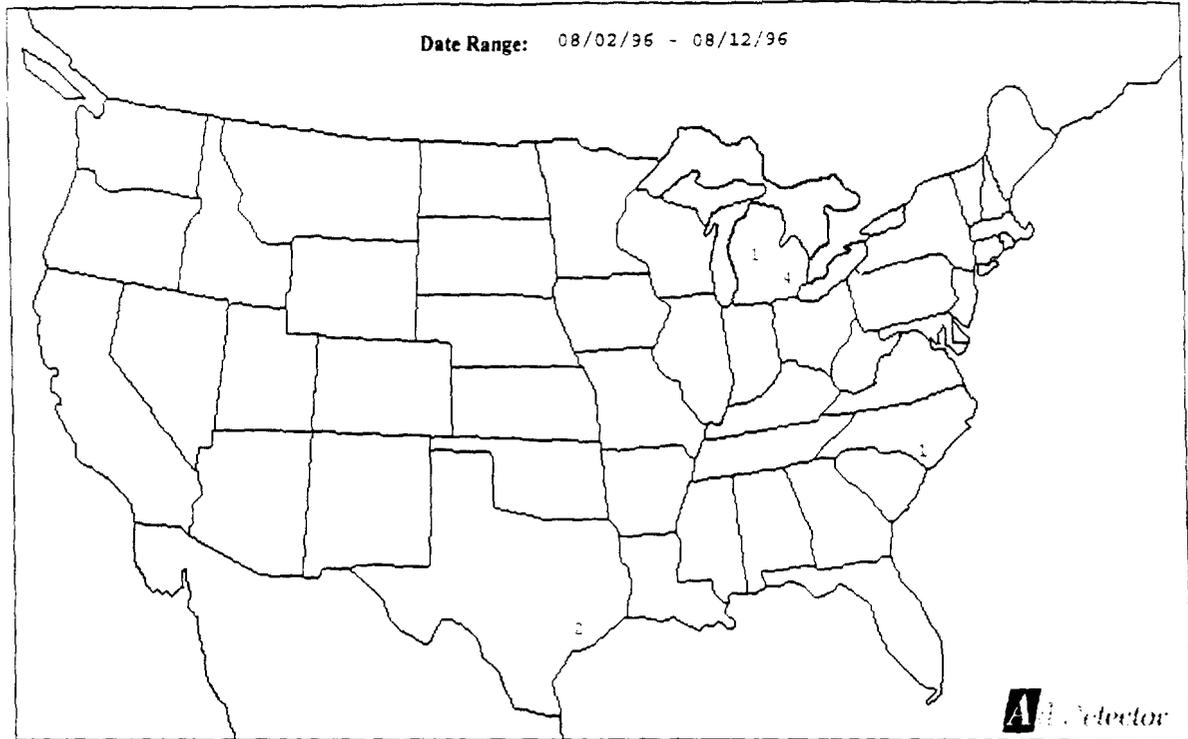
MKTS SPOTS

BELL ATLANTIC+RESIDENTIAL USAGE

4

8

CREATIVE : SoundSavings Calling Plan,60



MARKET / SPOTS

CHARLOTTE	1
DETROIT	4
FLINT	1
HOUSTON	2



# Ad Detector

**BRAND:** BELL ATLANTIC+RESIDENTIAL USAGE  
**TITLE:** Sound Savings Plan,charter member,30  
**COMMERCIAL:** Sound Savings Plan,charter member,30 1 of 1  
**LENGTH:** 30  
**FRAMES:** 7

A00301GL1ESB



Phone conversations-Woman: How many more days? Man:10. Woman:I can't wait that long. Man: Me neither. Another woman:Did you get to go?



Man:Uh huh. Woman: Oh! I wish I could have seen it. Jones: The Sound Savings Plan from Bell Atlantic Communications.



Call now to become a charter member and



your first 2 hours of long distance calling are free. And that's just the beginning.



A lot more sound rewards are waiting for you.



Call this number for the Sound Savings Plan.



You'll like the sound of it.

BRAND

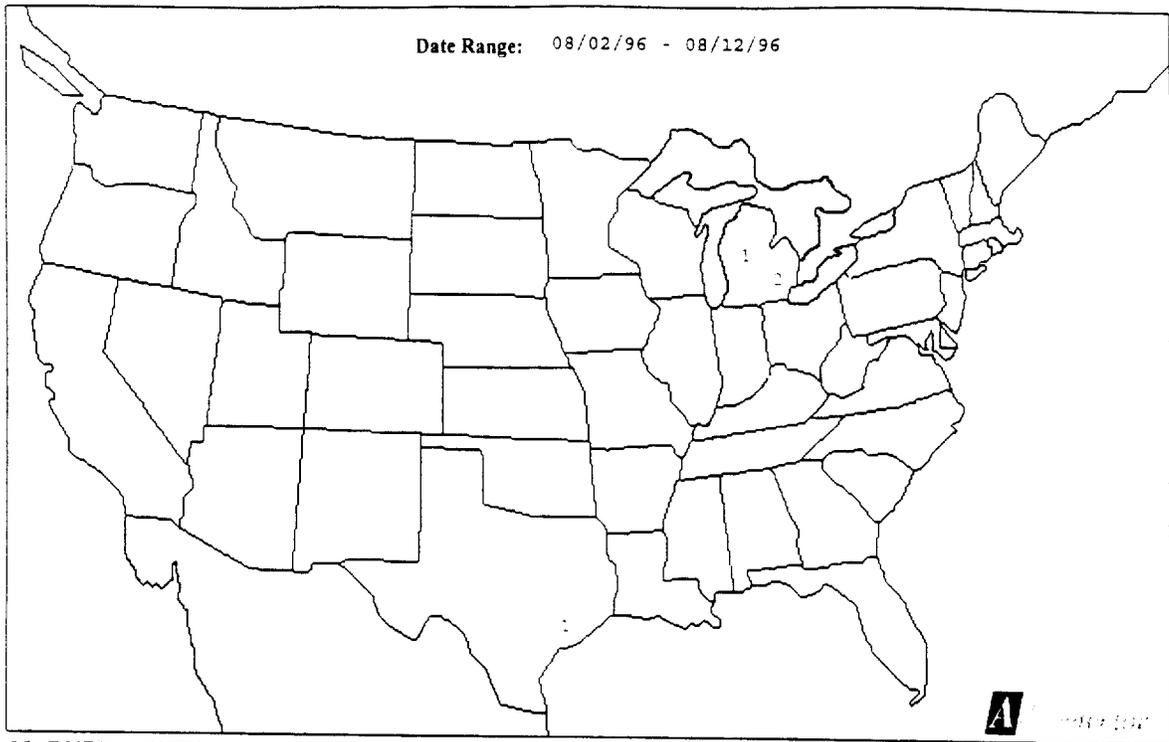
MKTS SPOTS

BELL ATLANTIC+RESIDENTIAL USAGE

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CREATIVE : Sound Savings Plan, charter member, 30



MARKET / SPOTS

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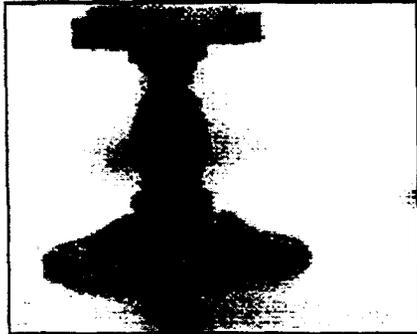
DETROIT	2
FLINT	1
HOUSTON	1



# Ad Detector

**BRAND:** BELL ATLANTIC+RESIDENTIAL USAGE  
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**COMMERCIAL:** Sound Savings Calling Plan.30 1 of 1  
**LENGTH:** 30  
**FRAMES:** 7

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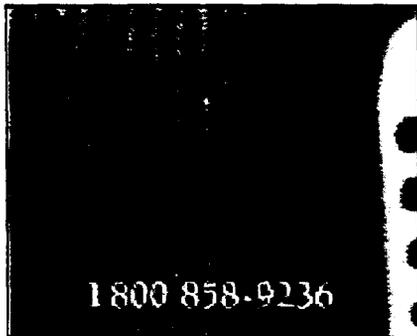
**Phone Conversations- Man:**  
 Well, what's it like out there? **2nd man:**  
 Warm, quiet, windows are always  
 open. **Child:** That's far away. I miss  
 you.



**Jones:** It's here. The Sound Savings



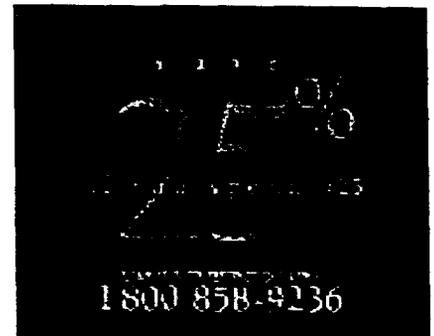
Calling Plan from Bell Atlantic Communications.



You automatically save 10% if you spend just \$5 a month on long distance.



25% if you spend \$25 or more.



It's that simple. Call now.



You'll like the sound of it.

BRAND

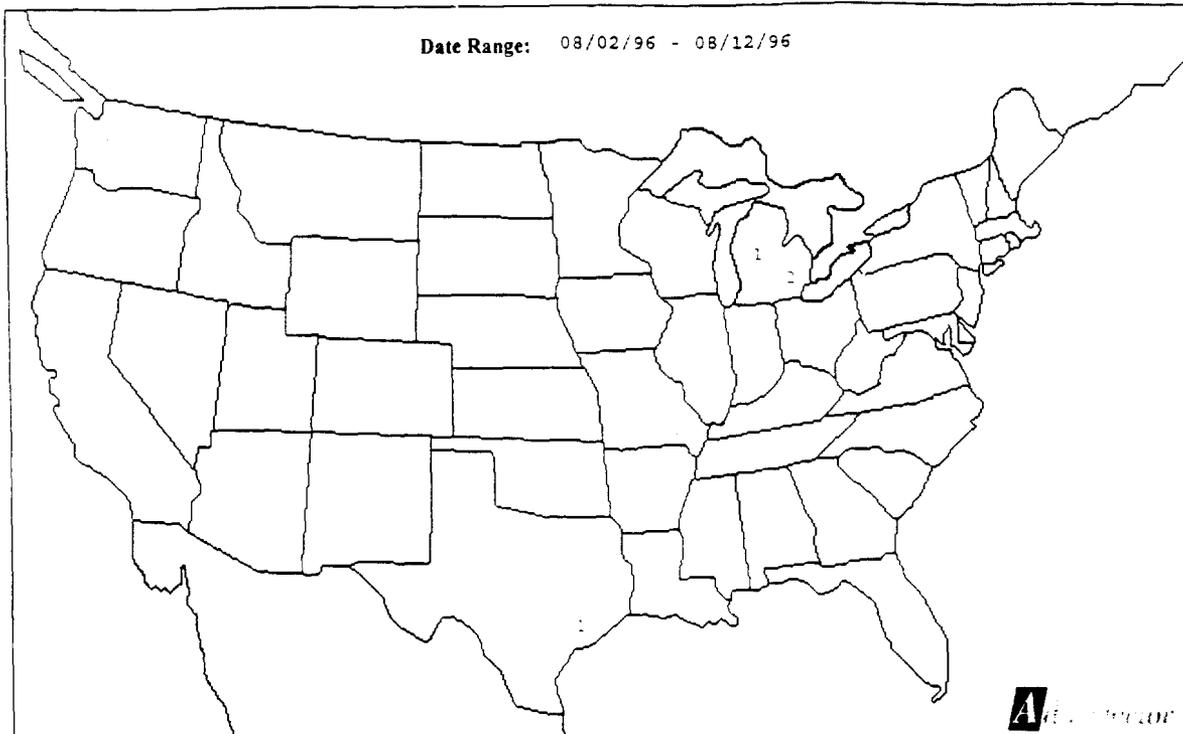
MKTS SPOTS

BELL ATLANTIC+RESIDENTIAL USAGE

3

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CREATIVE : Sound Savings Calling Plan,30



MARKET / SPOTS

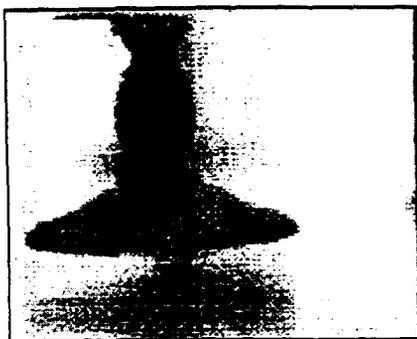
DETROIT	2
FLINT	1
HOUSTON	1



# Ad Detector

BRAND: BELL ATLANTIC+CP  
 TITLE: The choice is still yours.free guide.60  
 COMMERCIAL: The choice is still yours.free guide.60 1 of 1  
 LENGTH: 60  
 FRAMES: 14

AJ03006A.ESB



(Phone conversation) Well what's it like out there? James Earl Jones VO: You want to remove space and time... (Phone) Oh! Warm, quiet,



windows are always open. Jones: and pick up where you left off. (Different conversation) Child: That's far away.



Jones: At Bell Atlantic Communications, we understand what a long distance call means to you.



Another bit of conversation. Jones: And why having the right long distance service



is so important. Another conversation. Woman: I can't wait that long. Man: Me neither. Jones: That's why we've created



this free guide that makes finding the right one, simple and easy. Even with all the choices



you face, thanks to recent legislation.



We've consulted top consumer advocates to help us provide you with sound advice.



Advice that can help you choose the long distance plan that's best for you.



**Ad Detector**

**BRAND:** BELL ATLANTIC+CP  
**TITLE:** The choice is still yours.free guide.60  
**COMMERCIAL:** The choice is still yours.free guide.60 1 of 1  
**LENGTH:** 60  
**FRAMES:** 14



So call today for you free guide. There may be a lot of choices



out there. But one thing hasn't changed....



The choice is still yours.



So call this number for some sound advice.



You'll like the sound of it.

BRAND

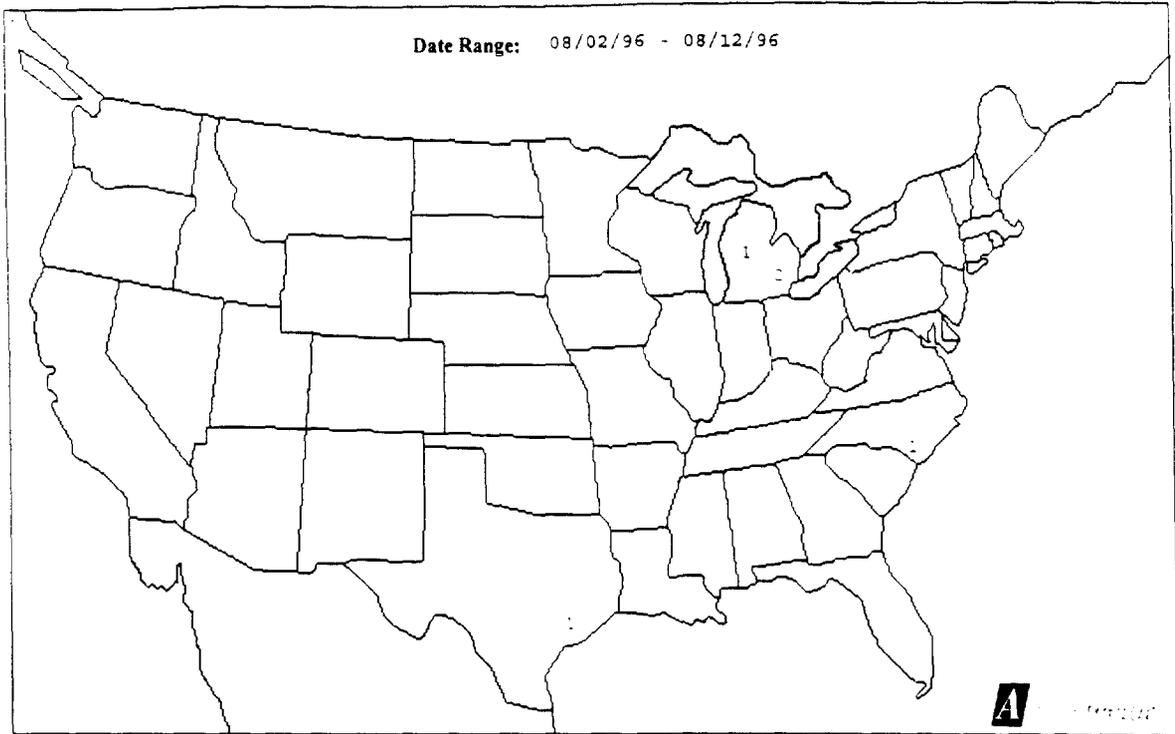
MKTS SPOTS

BELL ATLANTIC+CP

4

5

CREATIVE : The choice is still yours, free guide, 60



MARKET / SPOTS

CHARLOTTE	1
DETROIT	2
FLINT	1
HOUSTON	1

# Announcing Internet access that's actually accessible.

You can do it. Or you can do it better.

With a simple new link to the Internet from  
Bell Atlantic that gets you online and keeps  
you on track.

Whether you've logged on once or a hundred  
times, you know the hurdles.

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But now there's Bell Atlantic.net.™ Easy Internet  
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e-mail address. 24-hour customer service  
and all the tools you need to search, surf  
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Sign up for Bell Atlantic.net now  
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PINCONNING MI 48650-9903



21



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MONROE, LA 71211

FREELAND MI 48623-9500



*Telecommunications for this Century . . . and beyond*

48623-9500 06



19

## **Voice Mail from Century Telephone catches all your messages.**

Voice Mail from Century Telephone is like an answering machine without all the hassle. No tapes to rewind. No buttons to fiddle with. No missed calls. It's dependable. You never have to remember to turn it on. And because we maintain it at our offices, you don't even have to look at a machine.

With Voice Mail, your callers hear a personalized greeting that you record. They can leave you a detailed message up to three minutes long, even while you're talking on another call. You're alerted that you have messages by the distinctive "stutter dial tone" of your phone. You can then review the messages, save them for later review, or discard them. And each message is date-and time-stamped so you don't have to guess when your callers called.

Voice Mail lets you check your messages from any touchtone phone. No matter where you are, just dial up your Voice Mailbox and easy-to-understand voice prompts will guide you through the process. You can review, save, or discard messages, just like from your home phone. And all for just \$4.50 a month. (Voice Mail is also available to our business customers for a low monthly rate of \$8.00.)

You could go out and pay a lot for an expensive answering machine that will break down...or that you'll forget to turn on. Or, for about the price of a sandwich each month, you can get the message on the dependable, always-on, simple-to-use Voice Mail from Century Telephone.

**Call 1-800-352-5858  
to get the message.**



**FREE CONNECTION FOR A LIMITED TIME.**

# LEHMAN BROTHERS

August 22, 1996

Telecommunications Services

**Blake Bath**  
1 212 526-4386  
*bbath@lehman.com*

**Ken Hoexter**  
1 212 526-5744  
*khoexter@lehman.com*

This is an excerpt from an industry report originally published on August 22, 1996.

## WINSTAR

### INITIATION OF COVERAGE - OUTPERFORM

#### 2 Outperform

WCII 19	52-Wk Range 33-9.50				FY Dec	S&P 500 670.68		
	1Q	2Q	3Q	4Q	Year	P/E	Div.	
1995a	-0.15	-0.11	--	--	-0.70	n/a	n/a	
1996e	-0.39a	-0.65a	--	--	-2.33	n/a	n/a	
1997e	--	--	--	--	-3.91	n/a	n/a	
<b>Shares Outstanding</b>	28.0 mil (41.1 mil fully diluted)						<b>DJIA</b>	5733.47

#### WinStar Highlights

- We recently initiated WinStar Communications, Inc. with an Outperform (2) rating because we believe the shares could appreciate to the \$23-\$24 range. However, WinStar has the inherent risk associated with the early stage of network deployment and its firm value/gross property plant & equipment ratio is well above average, at 10.4 times.
- Investors in WinStar are truly optimistic because the CLEC and CAP businesses account for less than 5% of total revenues.
- We estimate WinStar Telecommunications (Wireless Fiber-CLEC business) could obtain a 2.0% national penetration in the year 2005, or \$1.1 billion of a \$52 billion market opportunity. We believe WinStar will have to expand its 300 employee salesforce by six to eight times to reach our forecasted penetration levels.
- WinStar Gateway Network is WinStar's long distance resale offering, which we forecast to produce \$177 million, or 0.2% of the \$95 billion market opportunity in 2005.
- WinStar Wireless (CAP business) is projected to grow to \$313 million in revenues in 2005, a 3.1% penetration of a \$10.2 billion market opportunity.
- We note that 47% of 1995 revenues were from WinStar's Global Products division, a consumer products company that sells non-durable goods. We project this division to continue to grow at around 7% per year, producing \$39 million in revenues in 2005 but only about 3% of corporate revenues.

**INVESTMENT  
VIEWPOINT**

WinStar's Wireless Fiber 38GHz licenses are expected to cover almost 160 million people (including the pending Milliwave purchase), leading to a switched and private line access local and long distance market opportunity of \$157 billion. WinStar has become one of the premier holders of 38 GHz wireless point-to-point licenses in the U.S., including 41 of the top 45 most populated metropolitan statistical areas (MSAs), producing an estimated \$75 million in revenues in 1996. In 1997, we anticipate WinStar will grow revenues around 60% to \$119 million although we do not forecast EBITDA to breakeven until mid-1998.

WinStar's business plan is twofold. WinStar will serve the end user as it builds up market acceptance for point-to-point service and it will seek to be "WinStar Inside," an invisible portion of local point-to-point connections. A majority of WinStar customers will use WinStar where it is not economical to build fiber to the end user, while some other carriers will use WinStar as a temporary solution, prior to the economic justification of building fiber all the way to the end user.

**VALUATION**

Value	Year 2005 Estimates	Valuation Parameters
Price Target: \$23-24	Revenues: \$1.7 bil	10-year discounted cash flow
Rating: <b>Outperform (2)</b>	EBITDA mrgn: 30%	14% weighted average cost of capital
	EBITDA: \$501 mil.	25% public market discount
	Net Margin: 11.1%	11x multiple
		520 employees at end of 1Q

**Historical Drivers**

- The stock has been driven mainly by regulatory developments over the last two years.
- From July to November 1994, WinStar shares increased 116% after the 38 GHz licenses were obtained in the Avant-Garde acquisition, and Nate Kantor and Dave Ackerman, former MCI executives, joined the firm.
- From November 1994 to June 1995, the stock declined 43% to \$5 1/4 as the telecom bill was stalled and investors soured on telecommunications stocks in general.
- Legislation took a surprise turn in the second half of 1995 when both the House and Senate passed bills. From June to October 1995, WinStar stock increased 256% to \$18 7/8.
- When legislation was signed into law in early 1996, the stock began a 109% climb, to \$32. However, the stock pulled back and returned most of the gain, trading down to \$16.

**Drivers Over The Last Two Years**

**Revenue Growth**

We look for WinStar to maintain a revenue growth rate between 60%-115% over the next three years, boosting revenues from \$75 million in 1996 to \$255 million at the end of 1998. We anticipate this supergrowth phase to continue for at least the next five years as competitive local exchange networks are built out across the country and WinStar is able to complement the service providers with speed to market and high-quality service.

**EBITDA**

We anticipate EBITDA-breakeven in mid-1998 as WinStar demonstrates its ability to handle growth in a balanced manner. After 1998's EBITDA-breakeven, we expect margins to climb rapidly to 23% in 2001 and 30% by 2005.

**Regulatory**

WinStar recently announced interconnection agreements with Ameritech covering Illinois and NYNEX in New York. The interconnection agreements set reciprocal compensation, provide for resale of the ILEC network by WinStar, and covers a multitude of other issues allowing the full integration and provision of service. To date, WinStar has received CLEC certifications from 11 states: Georgia, Michigan, California, Connecticut, Florida, Illinois, Massachusetts, New York, Tennessee, Texas and Washington.

In the early 1990s, the FCC allocated the 14 channels between 38.6 - 40.0 GHz as 14 individual 100 MHz bands. In 1993, WinStar obtained four of the 14 channels (as Avante-Garde) in the top 30 markets. Since then, the FCC has changed its methods of allocation. With approximately seven 100 MHz channels available, the FCC has suggested a limit of seven licenses per spectrum holder (so if WinStar owns four in any particular market, they could bid for three additional licenses). The 38 GHz spectrum allows above ground, point-to-point (direct line of sight) radios aimed at each other, and carry bandwidth that is as reliable as fiber, as fast as fiber, and delivers the bandwidth equivalence of fiber to an individual end user.

**Firm Value/Gross Property, Plant & Equipment**

WinStar is currently trading at a 10.4 times firm value/gross property plant and equipment, above the industry average 3.5-4.0 times. This compares to peer multiples of MFS at 4.7 times, ICG at 2.3 times, Teleport at 2.3 times, Brooks Fiber at 3.0 times and Intermedia at 3.6 times. We would expect WinStar to maintain a higher multiple than the wireline CLECs because of WinStar's lower demand for physical plant in the ground in comparison to its wireline peers.

**COMPANY SUMMARY**

WinStar plans to use its 'Wireless Fiber' technology, using the 38 GHz spectrum, to provide competitive, cost-effective local exchange telephony with performance that equates with that of fiber and generally exceeds that provided by copper-based networks. WinStar plans to have network availability in over 60% of the country. With a business market for local exchange services (CAP and CLEC) valued at \$55 billion today and growing at 7% annually, we are forecasting a ten-year penetration potential of 2.2% and year 2005 revenues of \$1.4 billion in its \$62 billion service area. Rounding out its Telecommunications division is Gateway Network, WinStar's long distance reselling arm. We are forecasting a slim 0.2% penetration of an eventual \$95 billion market, or \$177 million in revenues in 2005.

	<b>Size of 2005 Tcom Market*</b>	<b>1995 Telecommunications Revenues</b>
160 Million POPs	\$157 bil. (64% of U.S. Mkt.)	\$13.2 million

\*Tcom counts WinStar Wireless (CAP), WinStar Telecommunications (CLEC) and WinStar Gateway (Long distance reselling) only.  
Lehman Estimates.

Wireless Fiber highlights include its low startup costs and speed to market. Service can be installed in a matter of days as opposed to weeks or months for fiber in the ground, and for significantly less capital dollars. WinStar's broad bandwidth at 38 GHz enables DS3 service at 45 Mbps to transfer data at 1,500 times the fastest dial up modem (28.8 kbps) and 350 times the fastest ISDN lines (128 kbps). Data transfer also exceeds transfer rates of cable modem (30 Mbps).

The range of one 38 GHz line of sight radio signal is about five miles. 'Wireless fiber' is as reliable as fiber in the ground (99.999% reliability with  $10^{-13}$  bit error rate) and even weather conditions, such as snow, electrical storms and high winds have not affected the 'Wireless Fiber' services. However, in limited sections of the U.S., transceiver distance is limited to 1.1 miles because of certain region's inherently large rain drops. To date, WinStar has obtained 280 roof rights and is in discussion with 2,200 additional buildings in its MSAs for additional rights.

In certain areas, WinStar utilizes third parties for marketing and maintaining its operational systems. WinStar has a national agreement with Lucent Technologies to provide field service for and network monitoring of the 'Wireless Fiber' facilities. WinStar has also entered Master Agreements with MCImetro, ICG, Electric Lightwave and Century Telephone that allow these companies to utilize and resell 'Wireless Fiber' to their customers. These Master Agreements are a significant portion of WinStar's future as it plans to be 'WinStar Inside,' a hidden part of the network that the customer does not necessarily know about.

### Revenues

Of 1995's \$29.7 million in revenues, almost 42% of revenues were from long distance reselling and 47% from WinStar's consumer products division. Although only 2.3% of 1995's revenues were derived from CAP/CLEC business, this is where we project the future growth of the company will come from. We project WinStar Wireless, the access service provider, will climb from an expected \$1.7 million in 1996 to \$145 million in 2000. We also anticipate WinStar Telecommunications, the competitive local exchange carrier that serves small to mid-sized businesses, could have revenues expand from the \$1.4 million expected in 1996 to \$392 million in 2000.

The market acceptance of wireless CLEC services will be the driver of revenue expansion over the next three years. The fundamental shift is due to recent legislation and the wireline CLECs' desire to build out in the most efficient and cost-effective way possible. The revenue opportunity of WinStar is currently derived from five parts, whereas in five to ten years, the wireless CAP/CLEC business will account for 78%-80% of total corporate revenues.

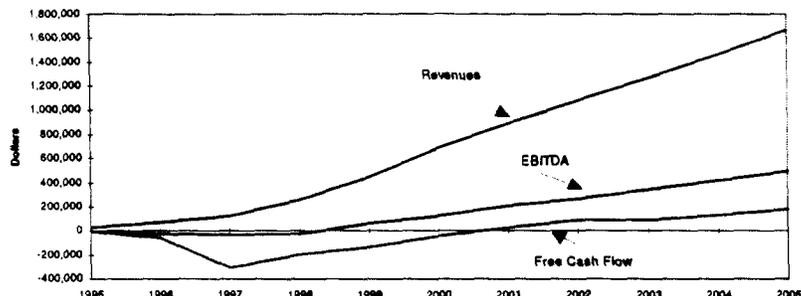
Figure 1: WinStar  
Division Percent of Revenues

Revenues	1995	2000E	2005E
WinStar Wireless (CAP)	2.3%	21.1%	18.7%
WinStar Telecommunications (CLEC)	0.0%	57.1%	62.7%
WinStar Gateway Network (Long Dist.)	41.9%	10.4%	10.6%
WinStar New Media	8.9%	7.1%	5.6%
WinStar Global Products (Consumer)	47.0%	4.3%	2.4%
Total	100.0%	100.0%	100.0%

Source: Lehman Estimates

WinStar had no CLEC revenues in 1995 and less than one million dollars in wireless CAP revenues, derived from small contracts already in place. The revenue stream will eventually be well diversified, as is typical of a national carrier. We expect the top 10 cities to contribute around 23% of total telecommunication revenues by 2005.

Figure 2: WinStar  
Revenue, EBITDA, and Free Cash Flow Forecast



Source: Lehman Estimates

In Figure 101, revenues receive a continued boost from switched wireless services over the next few years. EBITDA turns positive in mid-1998 when more cities have been operating for a couple of years and the take rate for wireless fiber increases. Free cash flow, EBITDA minus capital expenditures plus EBIT times tax rate, turns positive after 2001, at which time the company can use its internally generated cash.

Table 3: WinStar  
Market Size

2005E Market (\$ Mil)	Market Opportunity	WCII Revs.	WCII Mkt. Share
Local Business Switched	52,800	1,047	2.0%
Private Line Access	10,334	313	3.0%
Long Distance	95,959	177	0.2%
New Media	n/a	94	n/a
Global Products	n/a	39	n/a

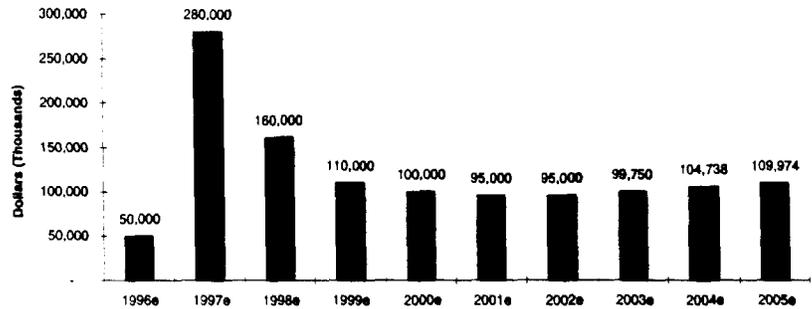
Source: Lehman Estimates

### Capital Expenditures

In October 1995, the company issued \$214.5 million in senior notes to fund its expansion plans. With recent legislation enacted, the company has increased its rollout plans. The company recently pulled back from an approximate \$300 million debt and secondary equity offering, which should not affect the company's near-term plans because it has \$200 million cash on hand. These funds should be sufficient to fund WinStar's expansion plans for the next 6-12 months. However, the company does continue to seek additional 38 GHz offerings or sales from current holders, and does wish to increase its content and long distance reselling customer base. We would not be surprised to see the company continue to bid for other businesses and come back to market at the beginning of 1997 to continue funding its growth prospects. We would expect even further offerings after WinStar succeeds in gaining market acceptance for its 'Wireless Fiber' product.

Capital expenditures are expected to be \$50 million in 1996 and \$280 million in 1997. For the final nine months of 1996, \$34 million of this full-year 1996 planned \$50 million will be for CLEC buildout, as will \$212 million of the planned \$280 million in 1997.

Figure 4: WinStar  
Future Capital Expenditures



Source: Lehman Estimates

### Subsidiaries

The company operates five subsidiaries, the most important of which are WinStar Wireless and WinStar Telecommunications, its CAP and CLEC businesses.

#### WinStar Wireless

Wireless is the CAP that provides access services that are marketed wholesale to long distance carriers, CAPs, CLECs, and LECs, as well as directly to large business and government end-users through the company's direct sales force. Many carriers desire WinStar as a secondary route for traffic in case of a fiber cut or problem with the primary carrier. As WinStar is just beginning to obtain roof rights to build its line-of-sight operations in most cities, we are forecasting a tripling in revenues in 1996 to just over \$1.7 million.

#### WinStar Telecommunications

WinStar Telecommunications is a CLEC that recently commenced local exchange services and markets its services primarily to small and medium-sized businesses. WinStar is currently authorized as a CLEC in California, Connecticut, Florida, Illinois, Massachusetts, New York, Tennessee, Texas and Washington and is seeking authorization in 15 additional states. The company intends to install ten main switches and 31 remote nodes during the next three years, installing its first main switch in New York City by October 1996. WinStar intends to install five additional major metropolitan areas switches or remote nodes by first quarter 1997. Over the next few years, Telecommunications will drive revenue growth and valuation for WinStar.

#### WinStar Gateway Network

Gateway is a switched-based long distance reseller that the company acquired primarily to provide service to residential customers. Although Gateway's revenues should almost triple to \$34 million in 1996, the focus of this business will move