

*The RBOCs don't count voice grade equivalents either.*

*Comparing reported RBOC lines with CLEC line counts is like mixing apples with oranges.*

The second significant difference between the average RBOC and CLEC line computation methodology is that a majority of the CLECs gross-up their line counts to account for voice grade equivalents. This means that when the CLECs count their high-speed lines, each one is multiplied by a factor known as the bandwidth equivalent for a voice grade channel. On the other hand, many of the RBOCs do not count voice grade equivalents when compiling their line statistics.

The exceptions are ISDN and only partially Bell Atlantic and SBC. Bell Atlantic counts voice grade equivalents for Primary Rate (PRI) ISDN lines (1 trunk=23 lines) while SBC counts its actual primary rate ISDN channels in use (not a default of 23). For the rest of the RBOC group, 1 ISDN trunk is counted as 1 line.

When comparing the RBOCs' line counts with the CLECs', one should be cognizant of the different counting methodologies, as the RBOC numbers are under-reported when compared to the reported CLEC lines. As a result, the RBOCs' share loss statistics (and share gains for the CLECs) are overstated.

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**Table 8: RBOC Business Line Count Analysis: Total Line Equivalents (in thousands)**

<b>POTS/DSO Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business [1]	41,513	42,197	42,868	43,381	43,959	44,471	44,979	45,393	45,759
y/y Growth					5.9%	5.4%	4.9%	4.6%	4.1%
Net Adds		683.8	670.9	513.3	578.1	512.0	508.1	413.3	366.3
<b>ISDN Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Primary Rate	13.9	17.6	23.3	31.6	39.3	48.1	57.0	67.7	82.6
y/y Growth					182.1%	173.9%	145.1%	114.2%	110.1%
Net Adds		.6	5.7	8.3	7.7	8.8	8.9	10.6	14.9
Basic Rate	500.9	566.8	639.1	705.1	772.9	843.1	915.9	984.7	1,050.9
y/y Growth					54.3%	48.8%	43.3%	39.6%	36.0%
Net Adds	-	65.9	72.3	66.0	67.8	70.2	72.8	68.7	66.2
Total	514.8	584.4	662.3	736.7	812.3	891.2	973.0	1,052.3	1,133.4
y/y Growth					57.8%	52.5%	46.9%	42.8%	39.5%
Net Adds		69.5	78.0	74.4	75.6	79.0	81.7	79.3	81.1
PRI ISDN Equivalents (x 23)	320.4	404.1	535.2	726.3	904.1	1,106.6	1,311.6	1,556.1	1,899.2
BRI ISDN Equivalents (x 2)	<u>1,001.8</u>	<u>1,133.6</u>	<u>1,278.1</u>	<u>1,410.2</u>	<u>1,545.9</u>	<u>1,686.3</u>	<u>1,831.9</u>	<u>1,969.3</u>	<u>2,101.7</u>
Total ISDN Equivalents	1,322.2	1,537.7	1,813.3	2,136.5	2,450.0	2,792.8	3,143.5	3,525.4	4,000.9
y/y Growth					85.3%	81.6%	73.4%	65.0%	63.3%
Net Adds		215.4	275.6	323.2	313.5	342.8	350.6	381.9	475.6
<b>DS1 &amp; DS3 Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>DS1s</b>	474.0	512.3	554.2	604.3	656.9	707.0	771.6	830.5	884.7
y/y Growth					38.6%	38.0%	39.2%	37.4%	34.7%
Net Adds	-	38.3	41.9	50.0	52.6	50.1	64.6	59.0	54.2
<b>DS3s</b>	26.1	28.0	32.5	34.9	36.8	39.7	46.6	49.6	53.7
y/y Growth					41.0%	41.9%	43.5%	42.1%	46.0%
Net Adds	-	1.9	4.5	2.4	1.9	2.9	7.0	3.0	4.1
Total DS1 & DS3 Trunks	500.1	540.3	586.7	639.2	693.7	746.7	818.2	880.2	938.4
y/y Growth					38.7%	38.2%	39.4%	37.7%	35.3%
Net Adds	-	40.2	46.5	52.4	54.5	53.0	71.5	61.9	58.3
DS1 Equivalents (x 2.5)	1,184.9	1,280.8	1,385.6	1,510.7	1,642.3	1,767.5	1,928.9	2,076.4	2,211.8
DS3 Equivalents (x 70)	<u>1,825.8</u>	<u>1,957.2</u>	<u>2,275.3</u>	<u>2,443.1</u>	<u>2,574.6</u>	<u>2,776.8</u>	<u>3,265.1</u>	<u>3,472.4</u>	<u>3,758.3</u>
Total DS1/DS3 Equivalents	3,010.7	3,237.9	3,660.9	3,953.8	4,216.9	4,544.3	5,194.0	5,548.8	5,970.2
y/y Growth					40.1%	40.3%	41.9%	40.3%	41.6%
Net Adds	-	227.2	422.9	292.9	263.1	327.4	649.7	354.8	421.4
<b>Totals:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>Line Equivalents:</b>									
POTS/DSO	41,513.0	42,197.0	42,868.0	43,381.0	43,959.0	44,471.0	44,979.0	45,393.0	45,759.0
ISDN	1,322.2	1,537.7	1,813.3	2,136.5	2,450.0	2,792.8	3,143.5	3,525.4	4,000.9
DS1	1,184.9	1,280.8	1,385.6	1,510.7	1,642.3	1,767.5	1,928.9	2,076.4	2,211.8
DS3	<u>1,825.8</u>	<u>1,957.2</u>	<u>2,275.3</u>	<u>2,443.1</u>	<u>2,574.6</u>	<u>2,776.8</u>	<u>3,265.1</u>	<u>3,472.4</u>	<u>3,758.3</u>
Total Business Line Equivalents	45,846.0	46,972.5	48,342.0	49,471.4	50,626.2	51,808.4	53,316.9	54,466.8	55,730.1
y/y Growth					10.4%	10.3%	10.3%	10.1%	10.1%
Net Adds		1,126.5	1,369.5	1,129.4	1,154.8	1,182.2	1,508.5	1,149.9	1,263.3
<b>Reported Access Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business Lines	40,423	41,154	41,891	42,498	43,223	43,844	44,524	45,179	45,722
y/y Growth					6.9%	6.5%	6.3%	6.3%	5.8%
Net Adds		731	737	607	725	621	680	655	543

[1] Assumes all DSO lines are business.

Source: Data for Bell Atlantic, BellSouth, SBC &amp; U S WEST supplied by companies. Ameritech's lines have been estimated on a proportional basis.

**Table 9: Bell Atlantic Business Line Count Analysis: Access Line Equivalents (in thousands)**

<b>POTS/DSO Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business	12,899	13,127	13,323	13,495	13,657	13,827	14,001	14,134	14,253
y/y Growth					5.9%	5.3%	5.1%	4.7%	4.4%
Net Adds		228.4	195.6	172.2	161.6	170.1	173.8	133.1	118.7
<b>ISDN Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Primary Rate	4.0	6.0	8.0	11.2	13.5	15.8	17.6	20.4	24.1
y/y Growth					236.3%	164.6%	119.0%	82.9%	78.9%
Net Adds		2.0	2.1	3.2	2.3	2.3	1.8	2.9	3.6
Basic Rate	243.9	270.0	296.7	322.8	354.2	380.1	409.2	436.7	458.8
y/y Growth					45.2%	40.8%	37.9%	35.3%	29.5%
Net Adds	-	26.1	26.7	26.1	31.4	26.0	29.0	27.6	22.1
Total	247.9	276.0	304.7	334.0	367.6	395.9	426.8	457.2	482.9
y/y Growth					48.3%	43.5%	40.0%	36.9%	31.3%
Net Adds		28.0	28.8	29.2	33.7	28.3	30.8	30.4	25.7
PRI ISDN Equivalents (x 23)	92.1	137.3	184.6	257.1	309.6	363.3	404.2	470.2	554.0
BRI ISDN Equivalents (x 2)	<u>487.8</u>	<u>540.0</u>	<u>593.4</u>	<u>645.6</u>	<u>708.4</u>	<u>760.3</u>	<u>818.4</u>	<u>873.5</u>	<u>917.6</u>
Total ISDN Equivalents	579.9	677.3	778.0	902.7	1,018.0	1,123.6	1,222.6	1,343.7	1,471.6
y/y Growth					75.5%	65.9%	57.1%	48.8%	44.6%
Net Adds		97.4	100.7	124.7	115.3	105.6	99.0	121.0	127.9
<b>DS1 &amp; DS3 Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
DS1s	105.7	114.7	126.9	144.1	155.8	170.7	183.0	201.1	214.0
y/y Growth					47.5%	48.7%	44.2%	39.6%	37.3%
Net Adds	-	9.1	12.2	17.2	11.8	14.8	12.4	18.1	12.9
DS3s & OC3	6.6	7.1	8.0	9.3	10.0	10.7	11.8	13.4	14.6
y/y Growth					52.3%	50.6%	46.9%	45.0%	46.5%
Net Adds	-	0.6	0.9	1.3	0.7	0.7	1.0	1.7	1.2
Total DS1 & DS3/OC3 Trunks	112.2	121.8	134.9	153.4	165.9	181.4	194.8	214.5	228.6
y/y Growth					47.8%	48.9%	44.4%	39.9%	37.9%
Net Adds	-	9.6	13.1	18.5	12.5	15.5	13.4	19.8	14.1
DS1 Equivalents (x 2.5)	264.2	286.8	317.3	360.2	389.6	426.6	457.6	502.8	535.0
DS3 Equivalents (x 70)	<u>459.6</u>	<u>498.3</u>	<u>560.2</u>	<u>648.7</u>	<u>700.1</u>	<u>750.3</u>	<u>822.9</u>	<u>940.4</u>	<u>1,025.4</u>
Total DS1/DS3 Equivalents	723.8	785.1	877.5	1,008.9	1,089.7	1,176.9	1,280.5	1,443.2	1,560.3
y/y Growth					50.6%	49.9%	45.9%	43.0%	43.2%
Net Adds	-	61.3	92.4	131.4	80.8	87.2	103.6	162.7	117.2
<b>Totals:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>Line Equivalents:</b>									
POTS/DSO	12,899.0	13,127.0	13,323.0	13,495.0	13,657.0	13,827.0	14,001.0	14,134.0	14,253.0
ISDN	579.9	677.3	778.0	902.7	1,018.0	1,123.6	1,222.6	1,343.7	1,471.6
DS1	264.2	286.8	317.3	360.2	389.6	426.6	457.6	502.8	535.0
DS3	<u>459.6</u>	<u>498.3</u>	<u>560.2</u>	<u>648.7</u>	<u>700.1</u>	<u>750.3</u>	<u>822.9</u>	<u>940.4</u>	<u>1,025.4</u>
Total Business Line Equivalents	14,202.7	14,589.8	14,978.5	15,406.8	15,764.5	16,127.4	16,503.8	16,920.7	17,284.4
y/y Growth					11.0%	10.5%	10.2%	9.8%	9.6%
Net Adds		387.1	388.7	428.3	357.7	362.9	376.4	416.9	363.8
<b>Reported Access Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business Lines [1]	12,644	12,886	13,096	13,287	13,488	13,700	13,926	14,111	14,298
y/y Growth					6.7%	6.3%	6.3%	6.2%	6.0%
Net Adds		242.0	210.0	191.0	201.0	212.0	226.0	185.0	187.0

[1] Reported business lines include PRI ISDN equivalents (1 trunk = 23 line equivalents).  
 Source: Merrill Lynch estimates, Company management and financial reports.

**Table 10: BellSouth Business Line Count Analysis: Access Line Equivalents (in thousands)**

<b>POTS/DSO Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business:	7,030	7,179	7,296	7,388	7,502	7,581	7,675	7,732	7,800
y/y Growth					6.7%	5.6%	5.2%	4.7%	4.0%
Net Adds		149	117	92	114	79	94	57	68
<b>ISDN Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Primary Rate [1]	2.4	3.0	3.5	4.1	5.6	7.3	9.4	12.0	14.6
y/y Growth					138.7%	146.1%	168.6%	193.1%	160.6%
Net Adds		0.6	0.5	0.6	1.5	1.7	2.1	2.6	2.6
Basic Rate	38.5	47.1	56.5	63.8	68.2	77.6	86.7	95.4	102.7
y/y Growth					77.0%	64.5%	53.4%	49.4%	50.5%
Net Adds	-	8.6	9.4	7.3	4.4	9.4	9.1	8.7	7.3
Total	40.9	50.1	60.0	67.9	73.8	84.8	96.0	107.4	117.3
y/y Growth					80.6%	69.3%	60.1%	58.1%	58.9%
Net Adds		9.2	9.9	7.9	5.9	11.0	11.2	11.3	9.9
PRI ISDN Equivalents (x23)	54.1	67.9	80.2	94.2	129.2	167.1	215.4	276.1	336.6
BRI ISDN Equivalents (x 2)	<u>77.0</u>	<u>94.3</u>	<u>113.0</u>	<u>127.7</u>	<u>136.4</u>	<u>155.1</u>	<u>173.4</u>	<u>190.8</u>	<u>205.3</u>
Total ISDN Equivalents	131.2	162.2	193.2	221.9	265.6	322.2	388.8	466.9	541.9
y/y Growth					102.5%	98.7%	101.2%	110.4%	104.1%
Net Adds		31.0	31.0	28.7	43.7	56.7	66.5	78.1	75.0
<b>DS1 &amp; DS3 Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
DS1s/T1s	76.3	83.1	89.7	95.8	108.2	115.1	133.6	141.7	151.5
y/y Growth					41.9%	38.4%	49.0%	47.9%	40.0%
Net Adds	-	7	7	6	12	7	19	8	10
DS3s/T3s	3.6	3.9	4.2	4.5	5.2	6.0	6.7	7.1	7.7
y/y Growth					44.1%	53.7%	59.5%	57.7%	47.7%
Net Adds	-	0.3	0.3	0.3	0.8	0.8	0.7	0.4	0.7
Total DS1 & DS3 Trunks	79.9	87.0	93.8	100.3	113.4	121.1	140.3	148.7	159.3
y/y Growth					42.0%	39.1%	49.5%	48.3%	40.4%
Net Adds	-	7.1	6.8	6.4	13.2	7.6	19.2	8.4	10.6
DS1 Equivalents (x 2.5)	190.7	207.8	224.1	239.5	270.5	287.6	334.0	354.1	378.8
DS3 Equivalents (x 70)	<u>254.5</u>	<u>273.5</u>	<u>293.1</u>	<u>313.3</u>	<u>366.9</u>	<u>420.4</u>	<u>467.5</u>	<u>494.1</u>	<u>541.9</u>
Total DS1/DS3 Equivalents	445.2	481.3	517.2	552.8	637.4	708.1	801.4	848.2	920.7
y/y Growth					43.2%	47.1%	55.0%	53.4%	44.4%
Net Adds	-	36.1	35.9	35.6	84.6	70.7	93.4	46.8	72.5
<b>Totals:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>Line Equivalents:</b>									
POTS/DSO	7,030.0	7,179.0	7,296.0	7,388.0	7,502.0	7,581.0	7,675.0	7,732.0	7,800.0
ISDN	131.2	162.2	193.2	221.9	265.6	322.2	388.8	466.9	541.9
DS1	190.7	207.8	224.1	239.5	270.5	287.6	334.0	354.1	378.8
DS3	<u>254.5</u>	<u>273.5</u>	<u>293.1</u>	<u>313.3</u>	<u>366.9</u>	<u>420.4</u>	<u>467.5</u>	<u>494.1</u>	<u>541.9</u>
Total Business Line Equivalents	7,606.4	7,822.5	8,006.4	8,162.7	8,405.0	8,611.3	8,865.2	9,047.1	9,262.6
y/y Growth					10.5%	10.1%	10.7%	10.8%	10.2%
Net Adds		216.1	183.9	156.3	242.3	206.3	253.9	181.8	215.5
<b>Reported Access Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business Lines [2]	6,370	6,522	6,639	6,732	6,854	6,935	7,030	7,088	7,148
y/y Growth					7.6%	6.3%	5.9%	5.3%	4.3%
Net Adds		152.0	117.0	93.0	122.0	81.0	95.0	58.0	60.0

[1] Primary rate ISDN lines include Pathlink. [2] Reported business lines include all switched plus Basic rate ISDN lines counted a 1 for 1 basis.  
Source: Merrill Lynch estimates, company management and financial reports.

**Table 11: SBC Business Line Count Analysis: Access Line Equivalents (in thousands)**

<b>POTS/DSO Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business	10,462	10,617	10,769	10,871	11,003	11,125	11,238	11,321	11,401
y/y Growth					5.2%	4.8%	4.4%	4.1%	3.6%
Net Adds		155	152	102	132	122	113	83	80
<b>ISDN Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Primary Rate	4.0	5.0	7.0	10.0	12.0	15.0	18.0	20.0	25.0
y/y Growth					200.0%	200.0%	157.1%	100.0%	108.3%
Net Adds		1.0	2.0	3.0	2.0	3.0	3.0	2.0	5.0
Basic Rate	107.0	125.0	146.0	164.0	181.0	201.0	220.0	237.0	258.0
y/y Growth					69.2%	60.8%	50.7%	44.5%	42.5%
Net Adds		18.0	21.0	18.0	17.0	20.0	19.0	17.0	21.0
Total	110.0	129.0	152.0	173.0	192.0	214.0	236.0	256.0	284.0
y/y Growth					74.5%	65.9%	55.3%	48.0%	47.9%
Net Adds		19.0	23.0	21.0	19.0	22.0	22.0	20.0	28.0
PRI ISDN Equivalents(x 23)	92	115	161	230	276	345	414	460	575
BRI ISDN Equivalents (x 2)	214	250	292	328	362	402	440	474	516
Total ISDN Equivalents	306	365	453	558	638	747	854	934	1,091
y/y Growth					108.5%	104.7%	88.5%	67.4%	71.0%
Net Adds		59.0	88.0	105.0	80.0	109.0	107.0	80.0	157.0
<b>DS1 &amp; DS3 Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Estimated DS1s	135.0	145.0	155.0	166.0	180.0	194.0	208.0	222.0	237.0
y/y Growth					33.3%	33.8%	34.2%	33.7%	31.7%
Net Adds		10.0	10.0	11.0	14.0	14.0	14.0	14.0	15.0
Estimated DS3s/T3s	5.4	5.9	6.5	7.1	7.9	8.7	9.6	10.4	11.4
y/y Growth					46.7%	46.8%	47.0%	46.2%	43.6%
Net Adds		0.5	0.6	0.6	0.8	0.8	0.8	0.9	0.9
Total DS1 & DS3 Trunks	140	151	162	173	188	203	218	232	248
y/y Growth					33.8%	34.3%	34.7%	34.2%	32.2%
Net Adds		10.5	10.6	11.6	14.8	14.8	14.8	14.9	15.9
DS1 Equivalents (x 2.5)	338	363	388	415	450	485	520	555	593
DS3 Equivalents (x 70)	378	416	456	500	554	611	670	730	796
Total DS1/DS3 Equivalents	716	779	843	915	1,004	1,096	1,190	1,285	1,389
y/y Growth					40.4%	40.8%	41.1%	40.5%	38.3%
Net Adds		63.2	64.6	71.5	89.7	91.7	93.7	95.6	103.4
<b>Totals:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>Line Equivalents:</b>									
POTS/DSO	10,462.0	10,617.0	10,769.0	10,871.0	11,003.0	11,125.0	11,238.0	11,321.0	11,401.0
ISDN	306.0	365.0	453.0	558.0	638.0	747.0	854.0	934.0	1,091.0
DS1	337.5	362.5	387.5	415.0	450.0	485.0	520.0	555.0	592.5
DS3	378.0	416.2	455.7	499.7	554.4	611.1	669.8	730.4	796.3
Total Bus. Line Equivalents	11,483.5	11,760.7	12,065.2	12,343.7	12,645.4	12,968.1	13,281.8	13,540.4	13,880.8
y/y Growth					10.1%	10.3%	10.1%	9.7%	9.8%
Net Adds		277.2	304.6	278.5	301.7	322.7	313.7	258.6	340.4
<b>Reported Access Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business Lines [1]	10,711	10,919	11,132	11,307	11,509	11,714	11,918	12,092	12,263
y/y Growth					7.5%	7.3%	7.1%	6.9%	6.6%
Net Adds		208	213	175	202	205	204	174	171

[1] Reported access lines include only switched services. PRI ISDN lines are counted as actual line equivalents (1-23).  
 Source: Merrill Lynch estimates, Company management and financial reports.

**Table 12: U S WEST Business Line Count Analysis: Access Line Equivalents (in thousands)**

<b>POTS/DSO Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business	4,480	4,522	4,621	4,686	4,764	4,823	4,869	4,943	4,984
y/y Growth					6.3%	6.7%	5.4%	5.5%	4.6%
Net Adds		42	99	65	78	59	46	74	41
<b>ISDN Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Primary Rate	1.3	0.8	1.0	1.3	1.9	2.4	3.0	4.4	5.6
y/y Growth					44.2%	182.1%	186.2%	250.6%	190.6%
Net Adds		(0.5)	0.2	0.2	0.7	0.4	0.6	1.4	1.3
Basic Rate	31.3	34.0	37.6	41.7	45.9	49.5	53.5	58.0	63.3
y/y Growth					46.6%	45.7%	42.5%	39.2%	37.8%
Net Adds		2.7	3.6	4.1	4.2	3.6	4.0	4.5	5.3
Total	110.0	129.0	152.0	173.0	192.0	214.0	236.0	256.0	284.0
y/y Growth					74.5%	65.9%	55.3%	48.0%	47.9%
Net Adds		19.0	23.0	21.0	19.0	22.0	22.0	20.0	28.0
PRI ISDN Equivalents (x 23)	31	19	24	29	45	54	68	101	130
BRI ISDN Equivalents (x 2)	63	68	75	83	92	99	107	116	127
Total ISDN Equivalents	94	87	99	112	136	153	175	217	256
y/y Growth					45.8%	75.7%	77.0%	93.5%	87.8%
Net Adds		(6.5)	11.8	13.1	24.4	16.7	22.0	41.6	39.5
<b>DS1 &amp; DS3 Trunks:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Estimated DS1s	81.2	87.5	94.0	101.7	107.8	114.2	123.5	132.9	140.7
y/y Growth					32.7%	30.5%	31.4%	30.7%	30.5%
Net Adds		6.3	6.5	7.7	6.1	6.4	9.3	9.4	7.8
Estimated DS3s	6.3	6.5	8.6	8.4	7.7	7.9	11.2	10.7	11.3
y/y Growth					22.6%	20.7%	29.9%	27.3%	46.6%
Net Adds		0.2	2.1	(0.2)	(0.7)	0.1	3.3	(0.4)	0.6
Total DS1 & DS3 Trunks	88	94	103	110	115	122	135	144	152
y/y Growth					32.0%	29.8%	31.3%	30.4%	31.6%
Net Adds		6.5	8.6	7.5	5.4	6.5	12.6	9.0	8.4
DS1 Equivalents (x 2.5)	203	219	235	254	269	285	309	332	352
DS3 Equivalents (x 70)	<u>441</u>	<u>456</u>	<u>602</u>	<u>591</u>	<u>541</u>	<u>551</u>	<u>783</u>	<u>752</u>	<u>793</u>
Total DS1/DS3 Equivalents	644	675	837	845	811	836	1,091	1,084	1,145
y/y Growth					25.8%	23.9%	30.3%	28.3%	41.2%
Net Adds		30.3	162.4	7.5	(34.1)	25.4	255.2	(7.0)	60.9
<b>Totals:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
<b>Line Equivalents:</b>									
POTS/DSO	4,480	4,522	4,621	4,686	4,764	4,823	4,869	4,943	4,984
ISDN	93.6	87.1	98.9	112.1	136.5	153.1	175.1	216.8	256.3
DS1	203.0	218.7	235.0	254.3	269.4	285.4	308.7	332.2	351.7
DS3	<u>441.5</u>	<u>456.1</u>	<u>602.2</u>	<u>590.5</u>	<u>541.3</u>	<u>550.7</u>	<u>782.5</u>	<u>752.0</u>	<u>793.5</u>
Total Business Line Equivalents	5,218.1	5,284.0	5,557.1	5,642.8	5,711.2	5,812.3	6,135.4	6,244.0	6,385.4
y/y Growth					9.4%	10.0%	10.4%	10.7%	11.8%
Net Adds		65.9	273.2	85.7	68.3	101.1	323.2	108.6	141.4
<b>Reported Access Lines:</b>	<b>1Q96</b>	<b>2Q96</b>	<b>3Q96</b>	<b>4Q96</b>	<b>1Q97</b>	<b>2Q97</b>	<b>3Q97</b>	<b>4Q97</b>	<b>1Q98</b>
Business Lines [1]	4,372	4,394	4,482	4,543	4,621	4,678	4,721	4,790	4,830
y/y Growth					5.7%	6.5%	5.3%	5.4%	4.5%
Net Adds		22	88	61	78	57	43	69	40

[1] Only PRI ISDN line side channel termination is counted.

Source: Merrill Lynch estimates, Company management and financial reports.



**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of

Application of BellSouth Corporation,  
BellSouth Telecommunications, Inc.  
and BellSouth Long Distance, Inc.  
for Provision of In-Region, InterLATA  
Services in Louisiana

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CC Docket No. 98-121

**Exhibit DD:  
BellSouth General Subscriber Services Tariff For Louisiana (excerpts)**

BELLSOUTH  
TELECOMMUNICATIONS, INC.  
LOUISIANA

## GENERAL SUBSCRIBER SERVICES TARIFF

Tenth Revised Page 19.3  
Cancels Ninth Revised Page 19.3

ISSUED: January 6, 1998  
BY: President - Louisiana  
New Orleans, Louisiana

EFFECTIVE: January 15, 1998

**A13. MISCELLANEOUS SERVICE ARRANGEMENTS****A13.19 BellSouth® TouchStar® Service (Cont'd)****A13.19.4 Rates<sup>1</sup>****A. Individual Service Features****1. Residence**

	Nonrecurring Charge	Monthly Rate	USOC	
(a) Call Return <sup>2</sup> (per line)	\$-	\$4.50	NSS	
(b) Call Return <sup>3</sup> (per activation)	.75	-	NA	
(c) Call Return <sup>1,3</sup> (denial of per activation)	-	-	BCR	
(d) Repeat Dialing <sup>2</sup> (per line)	-	4.00	NSQ	
(e) Repeat Dialing <sup>3</sup> (per activation)	.75	-	NA	
(f) Repeat Dialing <sup>1,3</sup> (denial of per activation)	-	-	BRD	
(g) BusyConnect <sup>4</sup> (per activation)	.75	-	NA	(N)
		Monthly Rate	USOC	
(h) Call Selector (per line)		\$4.00	NSK	(T)
(i) Preferred Call Forwarding (per line)		4.00	NCE	(T)
(j) Call Block (per line)		4.00	NSY	(T)
(k) Call Tracing (per line)		4.00	NST	(T)
(l) Caller ID-Basic (without ACR) (per line)		7.00	NSD	(T)
(m) Caller ID-Basic (without ACR) (per line for Multi-Line Hunt Group Arrangements)		7.00	NSDMN	(T)
(n) Caller ID-Basic (with ACR) (per line)		7.00	NSDCR	
(o) Caller ID-Deluxe (without ACR) (per line for Multi-Line Hunt Group arrangements)		7.50	NXMMN	
(p) Caller ID-Deluxe (with ACR) (per line)		7.50	NXMCR	
(q) Calling Number Delivery Blocking - Permanent, (per line) <sup>1,5</sup>		-	NOB	
(r) Calling Number Delivery Blocking - Per Call (per activation)		-	NA	

**Note 1:** Refer to A13.33 of this Tariff for discounts applicable to the subscription rate of selected multiple features for residence customers. Neither denial of Call Return per use, denial of Repeat Dialing per use or Calling Number Delivery Blocking - Permanent should be included in the determination of appropriate discounts when ordered in combination with other BellSouth® TouchStar® features.

**Note 2:** Due to technological limitations, in some locations Call Return and Repeat Dialing cannot be ordered separately.

**Note 3:** This feature is available to the following customers: single and multiline residence and PBX trunks, where facilities permit.

**Note 4:** Denial of per activation of BusyConnect can be obtained using the Repeat Dialing Denial of Per Activation USOC BRD) (N)

**Note 5:** This feature is only offered to certain customers as per A13.19.3.A.10. preceding.

BELLSOUTH  
TELECOMMUNICATIONS, INC  
LOUISIANA

## GENERAL SUBSCRIBER SERVICES TARIFF

Tenth Revised Page 7  
Cancels Ninth Revised Page 7

ISSUED: June 23, 1998  
BY: President - Louisiana  
New Orleans, Louisiana

EFFECTIVE: July 8, 1998

**A13. MISCELLANEOUS SERVICE ARRANGEMENTS****A13.9 Custom Calling Services (Cont'd)****A13.9.3 Rates (Cont'd)**

## A. Residence (Cont'd)

## 1. Non-Packages (Cont'd)

	Monthly Rate	USOC
(e) Speed Calling (30-code) <sup>1</sup>	\$3.66	ESF
(f) Call Forwarding Busy Line <sup>1</sup>	1.00	GCE
(g) Call Forwarding Don't Answer <sup>1</sup>	1.00	GCJ
(h) Customer Control of Call Forwarding Busy Line <sup>1</sup>	3.00	GJP
(i) Customer Control of Call Forwarding Don't Answer <sup>1</sup>	3.00	GJC
(j) Call Forwarding Busy Line Multiple Simultaneous Calls <sup>2</sup>	2.00	CFSBX
(k) Call Forwarding Don't Answer Multiple Calls <sup>2</sup>	2.00	CFSDX
(l) Call Forwarding Variable Multiple Simultaneous Calls <sup>2</sup>	3.00	CFSVX
(m) Remote Access - Call Forwarding Variable <sup>1</sup>	5.61	GCZ
(n) Call Forwarding Don't Answer - Ring Control <sup>1</sup>	1.00	GCJRC
(o) Call Waiting Deluxe <sup>1</sup>	6.00	ESXD+
(p) Three-Way Calling with Transfer <sup>3</sup>	4.95	ESCWT

Note 1: Monthly rate per central office line equipped.

Note 2: Monthly rate per call forwarding path.

Note 3: Appropriate local or toll usage charges apply for calls originated by the subscriber, including connections which continue after the subscriber exits the call.

BELLSOUTH  
 TELECOMMUNICATIONS, INC.  
 LOUISIANA  
 ISSUED: June 23, 1998  
 BY: President - Louisiana  
 New Orleans, Louisiana

GENERAL SUBSCRIBER SERVICES TARIFF

Seventh Revised Page 7.1  
 Cancels Sixth Revised Page 7.1

EFFECTIVE: July 8, 1998

**A13. MISCELLANEOUS SERVICE ARRANGEMENTS**

**A13.9 Custom Calling Services (Cont'd)**

	Monthly Rate	USOC	
<b>B. Business/Business PBX</b>			
<b>1. Non-Packages</b>			
(a) Call Waiting <sup>1</sup>	\$4.00	ESX	(T)
(b) Call Forwarding Variable <sup>1</sup>	4.00	ESM	(T)
(c) Three-way Calling <sup>1</sup>	4.00	ESC	(T)
(d) Speed Calling (8-code) <sup>1</sup>	4.00	ESL	(T)
(e) Speed Calling (30-code) <sup>1</sup>	5.50	ESF	(T)
(f) Call Forwarding Busy Line <sup>1</sup>	3.50	GCE	(T)
(g) Call Forwarding Don't Answer <sup>1</sup>	3.50	GCJ	(T)
(h) Customer Control of Call Forwarding Busy Line <sup>1</sup>	6.25	GJP	
(i) Customer Control of Call Forwarding Don't Answer <sup>1</sup>	6.25	GJC	
(j) Call Forwarding Busy Line Multiple Simultaneous Calls <sup>2</sup>	3.00	CFSBX	(T)
(k) Call Forwarding Don't Answer Multiple Calls <sup>2</sup>	3.00	CFSDX	(T)
(l) Call Forwarding Variable Multiple Simultaneous Calls <sup>2</sup>	3.00	CFSVX	(T)
(m) Remote Access - Call Forwarding Variable <sup>1</sup>	9.00	GCZ	(T)
(n) Call Forwarding Don't Answer - Ring Control <sup>1</sup>	3.50	GCJRC	(T)
(o) Three-Way Calling with Transfer <sup>3</sup>	6.00	ESCWT	(N)

**Note 1:** Monthly rate per central office per line/trunk equipped.

**Note 2:** Monthly rate per call forwarding path.

**Note 3:** Appropriate local or toll usage charges apply for calls originated by the subscriber, including connections which continue after the subscriber exits the call.

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(N)

**BELLSOUTH**  
**TELECOMMUNICATIONS, INC.**  
 LOUISIANA  
 ISSUED: January 6, 1998  
 BY: President - Louisiana  
 New Orleans, Louisiana

**GENERAL SUBSCRIBER SERVICES TARIFF**

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 Cancels Sixth Revised Page 19.3.1

EFFECTIVE: January 15, 1998

**A13. MISCELLANEOUS SERVICE ARRANGEMENTS**

**A13.19 BellSouth® TouchStar® Service (Cont'd)**

**A13.19.4 Rates (Cont'd)**

C. Single or First Service Features

1. Business

	Nonrecurring Charge	Monthly Rate	USOC	
(a) Call Return (per line) <sup>1</sup>	\$-	\$4.50	NSS	
(b) Call Return (per activation) <sup>2</sup>	.75	-	NA	
(c) Call Return (denial of per activation) <sup>2,3</sup>	-	-	BCR	
(d) Repeat Dialing (per line) <sup>1</sup>	-	4.50	NSQ	
(e) Repeat Dialing (per activation) <sup>2</sup>	.75	-	NA	
(f) Repeat Dialing (denial of per activation) <sup>2,3</sup>	-	-	BRD	
(g) BusyConnect (per activation) <sup>4</sup>	.75	-	NA	(N)
		<b>Monthly Rate</b>	<b>USOC</b>	
(h) Call Selector (per line)		\$4.50	NSK	(T)
(i) Preferred Call Forwarding (per line)		4.50	NCE	(T)
(j) Call Block (per line)		4.50	NSY	(T)
(k) Call Tracing (per line)		5.00	NST	(T)
(l) Caller ID-Basic (without ACR) (per line)		9.00	NSD	(T)
(m) Caller ID-Basic (without ACR) (per line for Multi-Line Hunt Group Arrangements)		9.00	NSDMN	(T)
(n) Caller ID-Basic (with ACR) (per line)		9.00	NSDCR	(T)
(o) Caller ID-Deluxe (without ACR) (per line for Multi-Line Hunt Group arrangements)		10.00	NXMMN	
(p) Caller ID-Deluxe (with ACR) (per line)		10.00	NXMCR	
(q) Calling Number Delivery Blocking - Permanent, (per line) <sup>3,5</sup>		-	NOB	
(r) Calling Number Delivery Blocking - Per Call (per activation)		-	NA	

**Note 1:** Due to technological limitations, in some locations Call Return and Repeat Dialing cannot be ordered separately.

**Note 2:** This feature is available to the following customers: single and multiline business, ESSX® service, Digital ESSX® service, MultiServ® service, MultiServ PLUS® service, and PBX trunks, where facilities permit.

**Note 3:** This feature should not be considered in the determination of appropriate discounts when ordered in combination with other TouchStar Service features.

**Note 4:** Denial of per activation of BusyConnect can be obtained using the Repeat Dialing Denial of Per Activation USOC BRD.

**Note 5:** This feature is only offered to certain customers as per A13.19.3.A.10. preceding.

BELLSOUTH  
TELECOMMUNICATIONS, INC.  
LOUISIANA  
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BY: President - Louisiana  
New Orleans, Louisiana

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Cancels Sixth Revised Page 19.3

EFFECTIVE: April 3, 1997

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.19 TouchStar® Service (Cont'd)

A13.19.4 Rates<sup>1</sup>

A. Individual Service Features

1. Residence

	Nonrecurring Charge	Monthly Rate	USOC	
(a) Call Return <sup>2</sup> (per line)	\$-	\$4.00	NSS	(T)
(b) Call Return <sup>3</sup> (per activation)	.75		NA	(T)
(c) Call Return <sup>1,3</sup> (denial of per activation)			BCR	(T)
(d) Repeat Dialing <sup>2</sup> (per line)		4.00	NSQ	(T)
(e) Repeat Dialing <sup>3</sup> (per activation)	.75		NA	(T)
(f) Repeat Dialing <sup>1,3</sup> (denial of per activation)			BRD	(T)
		Monthly Rate	USOC	
(g) Call Selector (per line)		\$4.00	NSK	
(h) Preferred Call Forwarding (per line)		4.00	NCE	
(i) Call Block (per line)		4.00	NSY	
(j) Call Tracing (per line)		4.00	NST	
(k) Caller ID-Basic (without ACR) (per line)		6.00	NSD	
(l) Caller ID-Basic (without ACR) (per line for Multi-Line Hunt Group Arrangements)		6.00	NSDMN	
(m) Caller ID-Basic (with ACR) (per line)		6.00	NSDCR	
(n) Caller ID-Deluxe (without ACR) (per line)		7.50	NXM	
(o) Caller ID-Deluxe (without ACR) (per line for Multi-Line Hunt Group arrangements)		7.50	NXMMN	
(p) Caller ID-Deluxe (with ACR) (per line)		7.50	NXMCR	
(q) Calling Number Delivery Blocking - Permanent, (per line) <sup>1,4</sup>			NOB	
(r) Calling Number Delivery Blocking - Per Call (per activation)			NA	

B. (Deleted)

- Note 1 Refer to A13.33 of this Tariff for discounts applicable to the subscription rate of selected multiple features for residence customers. Neither denial of Call Return per use or denial of Repeat Dialing per use should be included in the determination of appropriate discounts when ordered in combination with other TouchStar® features (N)
- Note 2: Due to technological limitations, in some locations Call Return and Repeat Dialing cannot be ordered separately. (T)
- Note 3: This feature is available to the following customers single and multiline residence and PBX trunks, where facilities Permit (T)
- Note 4: This feature is only offered to certain customers as per A13.19.3 A.10 preceding (T)

BELLSOUTH  
 TELECOMMUNICATIONS, INC.  
 LOUISIANA  
 ISSUED: February 19, 1997  
 BY President - Louisiana  
 New Orleans, Louisiana

GENERAL SUBSCRIBER SERVICES TARIFF

Fourth Revised Page 19.3.1  
 Cancels Third Revised Page 19.3.1

EFFECTIVE: April 3, 1997

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.19 TouchStar® Service (Cont'd)

A13.19.4 Rates (Cont'd)

- B. (Deleted)
- C. Single or First Service Features
  - 1. Business

(D)

	Nonrecurring Charge	Monthly Rate	USOC
(a) Call Return <sup>3</sup> (per line)	\$-	\$4.50	NSS
(b) Call Return <sup>4</sup> (per activation)	.75		NA
(c) Call Return <sup>2,4</sup> (denial of per activation)			BCR
(d) Repeat Dialing <sup>3</sup> (per line)		4.50	NSQ
(e) Repeat Dialing <sup>4</sup> (per activation)	.75		NA
(f) Repeat Dialing <sup>2,4</sup> (denial of per activation)			BRD
		Monthly Rate	USOC
(g) Call Selector (per line)		\$4.50	NSK
(h) Preferred Call Forwarding (per line)		4.50	NCE
(i) Call Block (per line)		4.50	NSY
(j) Call Tracing (per line)		5.00	NST
(k) Caller ID-Basic (without ACR) (per line)		7.50	NSD
(l) Caller ID-Basic (without ACR) (per line for Multi-Line Hunt Group Arrangements)		7.50	NSDMN
(m) Caller ID-Basic (with ACR) (per line)		7.50	NSDCR
(n) Caller ID-Deluxe (without ACR) (per line)		9.99	NXM
(o) Caller ID-Deluxe (without ACR) (per line for Multi-Line Hunt Group arrangements)		9.99	NXMMN
(p) Caller ID-Deluxe (with ACR) (per line)		9.99	NXMCR
(q) Calling Number Delivery Blocking - Permanent, (per line) <sup>1,2</sup>			NOB
(r) Calling Number Delivery Blocking - Per Call (per activation)			NA

Note 1: This feature is only offered to certain customers as per A 13.19.3 A.10 preceding

Note 2: This feature should not be considered in the determination of appropriate discounts when ordered in combination with other TouchStar Service features

Note 3: Due to technological limitations, in some locations Call Return and Repeat Dialing cannot be ordered separately

Note 4: This feature is available to the following customers single and multiline business, ESSX® service, Digital ESSX® service, MultiServ service, MultiServ PLUS\* service, and PBX trunks, where facilities permit

BELLSOUTH  
TELECOMMUNICATIONS, INC  
LOUISIANA  
ISSUED: February 19, 1997  
BY: President - Louisiana  
New Orleans, Louisiana

GENERAL SUBSCRIBER SERVICES TARIFF

Fifth Revised Page 6  
Cancels Fourth Revised Page 6

EFFECTIVE: April 3, 1997

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.9 Custom Calling Services (Cont'd)

A13.9.2 Provision Of Service (Cont'd)

c. (Cont'd)

2 (Cont'd)

For calls forwarded inside the Local Calling Area, a measured or message Call Forwarding customer is responsible for the applicable customer-dialed Measured Rate or Message Service charges specified in this Tariff, as appropriate, for each call answered at the answering location

Such charges apply to all calls answered at the terminating station line, including person-to-person and collect calls, even though such calls might not be accepted at the answering location

D. Call Forwarding - Variable On PBX Trunks

Call Forwarding - Variable is offered for use with PBX trunks subject to the following limitations

- 1 It may be provided only when compatible with the equipment configuration at the customer's premises
- 2 It is available only on two-way trunks
- 3 It is not available with Direct Inward Dialing trunks
- 4 If the feature is proposed on a facility on which hunting is also to be provided, this service is available only with Multi-Line and Series Completion hunting arrangements and is subject to the limitations of these arrangements
- 5 When calls are being forwarded intra-office, the number of calls that can be forwarded simultaneously is equal to the number of trunks in the customer's system that are arranged to receive calls and are equipped to provide the Call Forwarding Variable feature
- 6 When calls are being forwarded inter-office, only one call can be forwarded at a time
- 7 Call Forwarding - Variable can be sequentially forwarded in a chain across lines within a central office a maximum of five times

E. Speed Calling On PBX Trunks

This feature is available on a per trunk equipped basis

F. Speed Calling On OUTWATS Lines

This feature is available on a per line equipped basis and is limited to one Speed Calling list per OUTWATS facility group

G. Custom Calling Services can be suspended as specified in A2.3.16 of this Tariff During the period of suspension, no recurring charge applies

H. Subscribers to Call Waiting Deluxe must have Touch-Tone service

I. During selected promotional periods, first time subscribers to Call Waiting Deluxe may receive up to two months' service at no recurring charge Call Waiting customers who upgrade to Call Waiting Deluxe are eligible for such promotions

A13.9.3 Rates

Refer to A 13.3.3 of this Tariff for discounts applicable to the subscription rate of selected multiple features for residence customers (N)

A. Residence

1 Non-Packages

	Monthly Rate	USOC
(a) Call Waiting <sup>1,2</sup>	\$2.90	ESX (C) (I)
(b) Call Forwarding Variable <sup>1,2</sup>	2.90	FSM (C)(I)
(c) Three-way Calling <sup>1,2</sup>	2.90	ESC (C)(I)
(d) Speed Calling (8-code) <sup>1,2</sup>	2.90	ESL (C)(I)

Note 1: Monthly rate per central office line equipped

Note 2: Rates become effective with normal billing cycles beginning April 13, 1997

(N)



**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )

Application of BellSouth Corporation, )  
BellSouth Telecommunications, Inc. )  
and BellSouth Long Distance, Inc. )  
for Provision of In-Region, InterLATA )  
Services in Louisiana )

CC Docket No. 98-121

**Exhibit EE:  
Prudential Securities, "BellSouth Reports 2Q98 EPS of \$0.82  
Versus Our \$0.81 Estimate" (July 22, 1998)**

**Prudential Securities (G.WOODLIEF 212-778-8411) BLS  
 BLS.S - BELLSOUTH REPORTS 2Q98 EPS OF \$0.82  
 FC VERSUS OUR \$0.81 ESTIMATE (PART 1 OF 2)**

Jul 22 1998 09:49

BELLSOUTH REPORTS 2Q98 EPS OF \$0.82 VERSUS OUR \$0.81 ESTIMATE; SOLID CORE TELCO, WIRELESS AND INTERNATIONAL RESULTS; RATED HOLD. (Part I)  
 R E S E A R C H N O T E S July 22, 1998

Subject: BELLSOUTH (BLS-67 11/16)--NYSE

OPINION  
 =====

Analysts: Guy W. Woodlief (212)778-8411 Current: HOLD  
 Michael D. Carruthers (212)778-2643 Prior: RISK: LOW

Ind. Div.: \$1.44 Yield: 2.1% Shares: 992 mil. 52-Wk.Range: 69-43

EPS	FY	Year	P/E	1Q	2Q	3Q	4Q
Actual	12/97	\$ 2.84A		\$ 0.70A	\$ 0.71A	\$ 0.71A	\$ 0.72A
Current	12/98	\$ 3.26E	20.8X	\$ 0.80A	\$ 0.82A	\$ 0.82E	\$ 0.82E
Prior		\$ 3.25E			\$ 0.81E		
Current	12/99	\$ 3.70E	18.3X	\$ 0.91E	\$ 0.92E	\$ 0.93E	\$ 0.94E

Highlights

— BellSouth reported recurring 2Q98 EPS of \$0.82 versus \$0.71 a year ago and our \$0.81 estimate.

— We are raising our full-year 1998 estimate to \$3.26 from \$3.25 while maintaining our \$3.70 1999 EPS estimate.

— BellSouth is participating in the huge growth in the data services market. High-capacity data and digital services revenues grew 44% to \$432 million from \$300 million in the year-ago period.

— BellSouth launched cellular service in Sao Paulo, Brazil at the end of May and signed up 230,000 customers by the end of June. Held orders are 1.8 million.

— Core telco performance remained strong, with 9.6% normalized net income growth. Volumes were solid but below our estimates: access line growth was 4.2% versus our 4.4% estimate and access minutes of use (MOU) growth was 7.4% versus our 8.0% estimate.

— BellSouth's domestic cellular business performed very well. Net additions were 170,000 versus our 125,000 estimate and the EBITDA margin was 46%.

— Competitive activity remained modest, although competitors continue to make

inroads. Resold lines were 380,000 at the end of 2Q98 versus 318,000 at the end of 1Q98 and lines lost to facilities bypass were 131,000 (including 20,000 unbundled local loops) versus 76,000.

### Investment Opinion

BellSouth is best thought of in three pieces: the core telco, the domestic wireless business, and the international portfolio. At the core telco, BellSouth has done an excellent job of driving solid volume and revenue growth while improving efficiencies. At the end of 2Q98 BellSouth's telco employees per 10,000 access lines was among the best in the industry at 25.2. BellSouth operates in an attractive region with above-average in-migration, and we expect continued strong performance from the core telco. In the domestic wireless business, we expect BellSouth to face stiff competition in the near-term, resulting in a reduced contribution to the corporation's overall EPS growth. BellSouth's international portfolio, anchored by substantial wireless assets in Latin America (with the crown jewel being Sao Paulo, Brazil), holds outstanding growth prospects. Looking at BellSouth on a consolidated level, we expect strength in the core telco and international portfolio to offset near-term weakness in the domestic wireless business, resulting in double-digit EPS growth of 15% in 1998 and 13% in 1999. We rate BellSouth Hold based on the fact that it is trading at a premium relative to its peers and we believe its prospects are largely reflected in the current valuation. BellSouth is trading at 20.8 times our 1998 estimate versus a peer group average of 19.0.

### Additional Information

BellSouth's recurring diluted EPS were \$0.82 versus \$0.71 in the year-ago period and our \$0.81 estimate. The core telco performed solidly with 9.6% net income growth, and we continue to expect double-digit core telco net income growth for full-year 1998. The domestic cellular business, in the face of a very competitive environment, performed better than our expectations both in terms of subscriber growth and profitability. In the international arena, BellSouth's crown jewel, Sao Paulo, is off to a great start and overall growth continued to be strong.

Contributing in a major way to BellSouth's net income was \$118 million of "Other income." This line greatly exceeded our \$10 million estimate and was impacted by the consolidation of several South American wireless properties and the wireless data business. Collectively those businesses are running losses and removing them from the "Other income" line therefore increased that line item. While visibility into this line item is limited, we believe it is likely in future periods that this line item will be closer to the second quarter's level than the first quarter's level of \$28 million.

Normalized Total Revenue Growth Was 13.4% Versus Our 13.0% Estimate. BellSouth's operations in Venezuela, Peru, and Ecuador and the wireless data business were consolidated in 2Q98 but not in the year-ago period. Normalized for the additional consolidations and a regulatory settlement in South Carolina in 2Q97, revenues increased 10.1%. Local service revenue growth, normalized for a \$64 million regulatory settlement in South Carolina 2Q97, was 10.0% versus our 8.1% estimate. The growth was driven in part by 4.2% access line growth versus our 4.4% estimate. If individual ISDN channels were counted as access lines, as some of BellSouth's peers are choosing to report, total access line growth would have been 5.0%. Consistent with recent quarters, total access line growth was strongest in Georgia (5.1%, 5.9% when ISDN channels are included), Florida (4.9%, 5.8%), and North Carolina (4.8%, 6.0%).

Business access line growth was 3.9% and was strongest in Louisiana (5.5%, 8.4%) Mississippi (5.4%, 7.3%), Kentucky (4.7%, 6.8%) and North Carolina (4.7%, 8.3%). Business access line growth as reported has slowed sequentially over the last several quarters: 3.9% in 2Q98, 4.3% in 1Q98, 5.3% in 4Q97, 5.9% in 3Q97.

While BellSouth is undoubtedly facing competition from CLECs in the business market, we don't believe that these figures indicate a rapid slowdown in business line growth for BellSouth for a couple of reasons. First, reported access line growth may be understated since ISDN lines are not counted as multiple lines. When adjusted for ISDN lines (BellSouth counts each PRI ISDN line as 21 access lines, which we believe indicates that BellSouth's average ISDN line has 21 out of 23 potential lines utilized), 2Q98 business access line growth would have been 6.7% and 1Q98 business access line growth would have been 7.0%. BellSouth has been actively encouraging customers to migrate to its Pathlink ISDN product if it makes economic sense for the customer.

Second, access lines lost to competition are still moderate as a percentage of overall lines. At the end of 2Q98 BellSouth estimates that it had lost a total of 511,000 access lines (2.2% of total access lines) to competitors versus a total of 394,000 (1.7%) at the end of the first quarter. The majority of those lines are resale. As of 2Q98 131,000 lines had been lost to facilities bypass, 20,000 of which were unbundled local loops, versus an estimated 76,000 lines lost to facilities bypass at the end of 1Q98. Assuming that all of the lines lost to facilities bypass are in the business segment of the market, this would be 1.8% of BellSouth's business lines. CLECs will certainly gain market share as time goes on, but we believe there is potential for BellSouth to continue to grow in the face of increased competition because of the overall strength of the telecommunications industry.

Residential line growth was 4.3%, led by Georgia (5.5%), Florida (5.2%) and North Carolina (4.9%). Additional lines grew 16%, with strongest growth in Georgia, Florida and North Carolina, and generated \$150 million of revenue in the quarter.

Also contributing to the local services growth was continued vertical services revenue growth of 19% versus our 20% estimate. BellSouth continues to drive greater penetration of these services and sold 2.1 million vertical features in the quarter. Vertical services revenues in 2Q98 were \$392 million or 16.7% of local services revenues versus 15.6% in 1Q98. The 19% increase in vertical services revenues versus the year-ago period stopped a downward trend in the growth rate, which had trended downward over the last several quarters from 22% in 3Q97 to 20% in 4Q97 to 18% in 1Q98. We continue to believe that BellSouth should be able to achieve full-year 1998 vertical services revenue growth of about 20% for a couple of reasons. First, we believe that there is plenty of room for BellSouth to continue to drive penetration. For example, BellSouth's Caller ID penetration now stands at 33% (up from 32% in 1Q98) compared with SBC's (SBC, 40 15/16, rated Buy) Southwestern Bell unit's Caller ID penetration of close to 50%. Second, late last year and early this year as part of its promotion of the Complete Choice package, BellSouth was giving away one month of Complete Choice free, which impacted 1Q98 revenues. That particular promotion has been slowed, which should help vertical services revenue growth pick up over the remainder of the year. We saw evidence of this as 2Q98 vertical services revenues increased 10.4% sequentially to \$392 million from \$355 in 1Q98. The Complete Choice plan, which allows customers to choose as many vertical features as they wish, surpassed the 2.9 million subscriber mark to a penetration of 18% and is now generating an average of an incremental \$7 per month per customer, which is up from an average of \$6 reported in 1Q98. BellSouth recorded \$60 million in incremental revenue from the Complete Choice plan in 2Q98 and expects to record over \$200 million in incremental revenue from the Complete Choice plan in 1998 from existing customers. Call Waiting Deluxe penetration increased to 11% of residential customers and over 1.8 million subscribers. Memory Call subscribers increased 18% to a total of 2.4 million and a penetration of 13%. BellSouth recorded \$25 million of revenue from per-use vertical services in the quarter.

Also contributing to the revenue growth on the local services line was extremely strong growth in high-capacity services (which include ISDN, T-1, DS0 to DS3, etc.), which grew 44%. These services are spread throughout the local services and network access line items on the income statement. Data services are growing at a high rate across the industry, and BellSouth is clearly taking part in the growth.

(Cont'd Part II...)

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**Prudential Securities (G.WOODLIEF 212-778-8411) BLS  
BLS.S - BELLSOUTH REPORTS 2Q98 EPS OF \$0.82  
VERSUS OUR \$0.81 ESTIMATE (PART 2 OF 2)**

FC  
Jul 22 1998 09:50

BELLSOUTH REPORTS 2Q98 EPS OF \$0.82 VERSUS OUR \$0.81 ESTIMATE; SOLID CORE TELCO,  
WIRELESS AND INTERNATIONAL RESULTS; RATED HOLD. (Part II)  
R E S E A R C H N O T E S July 22, 1998

Subject: BELLSOUTH (BLS-67 11/16)--NYSE

OPINION  
=====

Analysts: Guy W. Woodlief (212)778-8411  
Michael D. Carruthers (212)778-2643

Current: HOLD  
Prior:  
RISK: LOW

=====  
Ind. Div.: \$1.44 Yield: 2.1% Shares: 992 mil. 52-Wk.Range: 69-43

EPS	FY	Year	P/E	1Q	2Q	3Q	4Q
Actual	12/97	\$ 2.84A		\$ 0.70A	\$ 0.71A	\$ 0.71A	\$ 0.72A
Current	12/98	\$ 3.26E	20.8X	\$ 0.80A	\$ 0.82A	\$ 0.82E	\$ 0.82E
Prior		\$ 3.25E			\$ 0.81E		

=====  
Current 12/99 \$ 3.70E 18.3X \$ 0.91E \$ 0.92E \$ 0.93E \$ 0.94E  
=====

(...Cont'd from Part I)

Interstate access revenues increased 3.4% versus our 2.9% estimate as MOU grew 6.7%, lower than our 8.0% estimate. We believe access MOU growth has been less than our expectations over the last couple of quarters partly because of the shift away from switched minutes of use to special access services as customers demand greater bandwidth to accommodate data services. The volume to revenue gap of 3.3% was primarily due to FCC-mandated price reductions. Intrastate access revenues decreased increased 7.5% versus our 2.1% estimate as MOU grew 9.6% versus our 9.0% estimate. Intrastate access prices dropped less than we expected in the quarter. Intrastate access prices were lowered substantially in some of BellSouth's states starting in the second quarter of last year, and the rate of decline has moderated this year. Toll revenues declined 4.8% versus our estimate of a 3.2% decline. Toll messages volumes dropped 13.0%, similar to the first quarter's 12.6% drop, due to competition and the increasing popularity of widened local calling areas (which leads to a shift to local service revenue from toll revenue). We believe that similar declines in toll volumes are to be expected in the second half of the year. BellSouth faces "1+" competition in three of its states that represent about 50% of its access lines: Georgia, Florida, and Kentucky.

Wireless communications revenues increased 43.9% versus our 44.8%% estimate in the quarter. BellSouth's international wireless businesses in Venezuela, Peru, and Ecuador and its wireless data business were not consolidated in the year-ago period.

Domestic cellular operations revenue growth was 2.8% in the face of an increasing competitive environment. BellSouth struck an impressive balance between subscriber growth and profitability. Net

additions of 170,000 easily beat our 125,000 estimate and we are raising our full-year net addition estimate to 600,000 from 513,000 as a result. In order to maintain subscriber growth BellSouth had to lower prices, and average revenue per subscriber per month (ARPU) dropped by 11.5% to \$46. At the same time, BellSouth managed to increase its domestic cellular EBITDA margin modestly to 46% from 45% in the first quarter. While BellSouth doesn't publish acquisition cost per gross addition or churn statistics, we believe that both must have been managed quite well in order to achieve a 46% EBITDA margin in the face of an 11.5% drop in ARPU. We believe that BellSouth is managing costs through the optimization of sales channels - sales through its company-owned stores are cheaper - and through obtaining lower handset costs as a result of its purchasing scale.

**Explosive Subscriber Growth Continues In BellSouth's International Wireless operations.** Overall international cellular subscriber growth was 69%, and overall international cellular revenue growth was 48%. In Argentina subscriber growth was 92% due to the continued success of calling party pays. In Ecuador, Nicaragua and Peru the combined subscriber growth rate was 167%. In Germany, subscriber growth was 135%.

**BellSouth's Wireless Service In Sao Paulo Is Off And Running.** Service was started in May and by the end of June BellSouth had already signed up 230,000 customers. The company is targeting 500,000 customers by the end of the summer and the year-end target is matter of how fast capacity can be expanded because held orders now stand at a staggering 1.8 million. EBITDA will be positive immediately since acquisition costs are negative in Brazil. Customers will pay for the phone plus pay a fee of about \$230 to sign up for service. Additionally, selling expenses will be minimal in the near-term since customers are lined up for service.

Directory advertising and publishing revenues increased 4.8% versus our 9.0% estimate, principally due to timing issues in the shipping of books. Volume improvements were offset by book shifts. When normalized for book shifts, directory advertising and publishing revenues increased 9.5%. Other services revenues increased a 14.7% in line with our estimate. Contributing to the growth were inside wiring, voice messaging, billing and collection, BellSouth.net (which now has 255,000 customers), and BellSouth's long distance calling card.

**Total Operating Expenses Increased 17.2% Versus Our 13.4% Estimate.** Greater than expected expenses from the consolidation of the additional international wireless properties and the wireless data business was responsible for consolidated expenses exceeding our estimate. When normalized for all additional consolidations, total operating expenses grew 9.8%. At the telco, total operating expenses increased a more modest 6.7% as lower costs due to lower workforce levels versus the year-ago period were offset by increased expenses in several areas including: new businesses such as electronic commerce, video, long distance, and BellSouth.net; new funding for the universal service fund for schools and libraries; and compliance with the Telecom Act. Telephone employees per 10,000 access lines increased slightly sequentially to 25.2 from 24.8 as employees were added in customer service and network operations to handle increased demand. Seasonal issues also impacted this ratio as universities ended their year in the second quarter and students disconnect their phones. We expect that the employees per 10,000 access lines statistic will decline gradually going forward.

**BellSouth Plans To Continue Filing With States And The FCC For Long-distance Entry.** The company recently refiled its Louisiana application with the FCC and expects a decision by early October. In Georgia, BellSouth expects a decision by the public service commission by mid-August and, assuming approval, expects to file with the FCC shortly thereafter. The company expects public service commissions in several of its other states to rule on its filings by the end of the year.

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