

***The Mergers Will Not Materially Affect The Usefulness Of
“Benchmarks” For Today’s Key Regulatory Issues***

- There is no empirical evidence to support the claim that proposed RBOC mergers make regulation more difficult. There is no evidence that prior RBOC mergers impeded regulators’ ability to do their jobs.
- Opening local markets to competition involves issues that turn on comparisons between an ILEC’s treatment of itself and its treatment of CLECs; those comparisons are unaffected by the merger.
- All ILECs, as well as CLECs (including the major IXC’s), are relevant “benchmarks.”
- The mergers will leave all relevant operating companies that are regulated and report at the state level available for comparison.
- The mergers create valuable new benchmarks through ILEC deployment of out-of-region facilities.

***New Types Of Benchmarks Are Emerging, And The Mergers
Themselves Will Create Even More***

- The critical regulatory issues for developing local competition involve interconnection and access.
- Every new interconnection agreement presents a new, publicly available benchmark.
- CLECs themselves, including AT&T/TCI and MCI WorldCom, will create additional benchmarks as they provide interconnection to others.
- The mergers will allow entry into out-of region markets, creating even more new benchmarks.

Benchmark Concerns Raised By Opponents Are Based On Theory Alone, Not On The Reality Of The Marketplace

- The arguments presented by Sprint and others do not quantify the ultimate effect of the merger, if any, on the FCC's ability to regulate.
- Comparisons with an ILEC's own retail operations and performance measurements are far more important than inter-RBOC comparisons.
- The FCC and the state commissions reach regulatory decisions based on their own close analyses of all relevant data, not solely on the basis of what a single RBOC does.

***The Substantial Benefits Of The Merger
Outweigh Any Speculative “Benchmark” Effect***

- Substantial demonstrable benefits plainly outweigh the speculative possibility of some unquantified effect on regulatory ability.
- Benchmark regulation is becoming ever less relevant as competition continues to develop.
- This merger will itself increase such competition.

***Necessary Conditions For Harm
From Loss Of Potential Competition***

- Likely Entrant
- One of Few
- Substantial Deconcentrating Effect

Sprint's Economists In State Proceedings Have Admitted

The merger will not eliminate one of a few potential competitors:

- AT&T, MCI WorldCom and Sprint are all potential competitors of Ameritech in Illinois and Ohio. (Illinois Testimony of John Woodbury, January 28, 1999, at 1470; Ohio Testimony of John Woodbury, January 15, 1999, at 31.)
- If SBC were viewed as a potential competitor of Ameritech, then Bell Atlantic, BellSouth, GTE and U S West would have to be viewed as significant potential competitors as well. (Illinois Testimony of John Woodbury, January 28, 1999, at 1470; Ohio Testimony of John Woodbury, January 15, 1999, at 33.)

Existing Competitors In St. Louis

Facilities-Based

- MCI WorldCom
- AT&T (TCG)
- Intermedia
- Digital Teleport
- Frontier
- Birch Telecom
- WinStar
- Sprint ION (Announced)
- Teligent (Announced)
- AT&T/TCI (Announced)

Resellers

- Maxtel Communications
- Omniplex
Communications

Sprint's Economists In State Proceedings Have Admitted

Arguments that the merger will lead to discrimination are speculative:

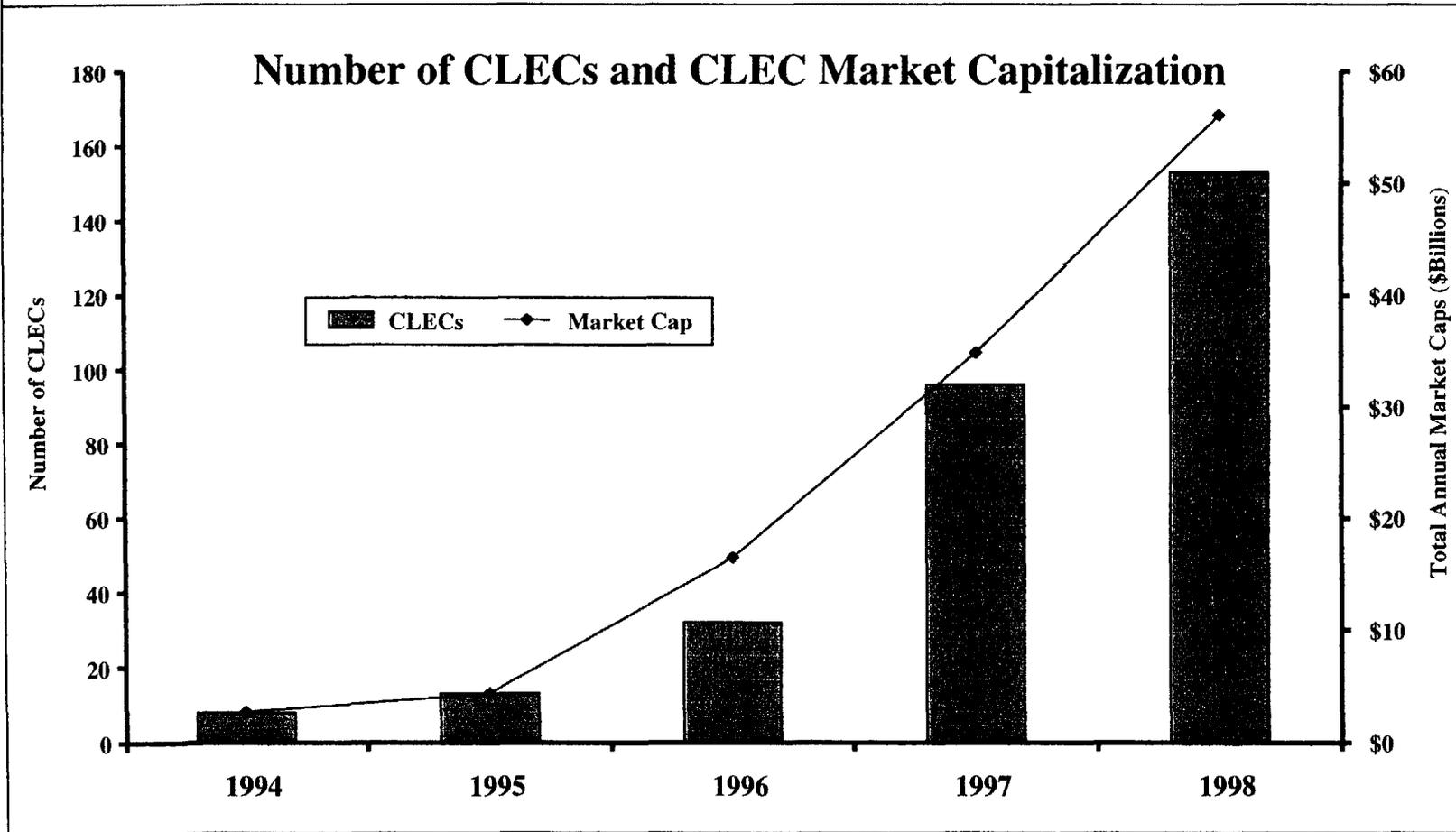
- Sprint has a greater incentive to discriminate against other IXC's in its local exchange operations than SBC. (Illinois testimony of John Woodbury, January 28, 1999, at 1496-99.)
- No quantitative analysis has been performed to assess the extent to which the merger increases the incentive to discriminate; nor has any quantitative analysis been done to assess the extent to which any such increased incentive would likely result in increased discrimination conduct. (Illinois Testimony of John Woodbury, January 28, 1999, at 1479-80.)

Sprint's Economists In State Proceedings Have Admitted

Arguments that the merger will lead to discrimination are speculative:

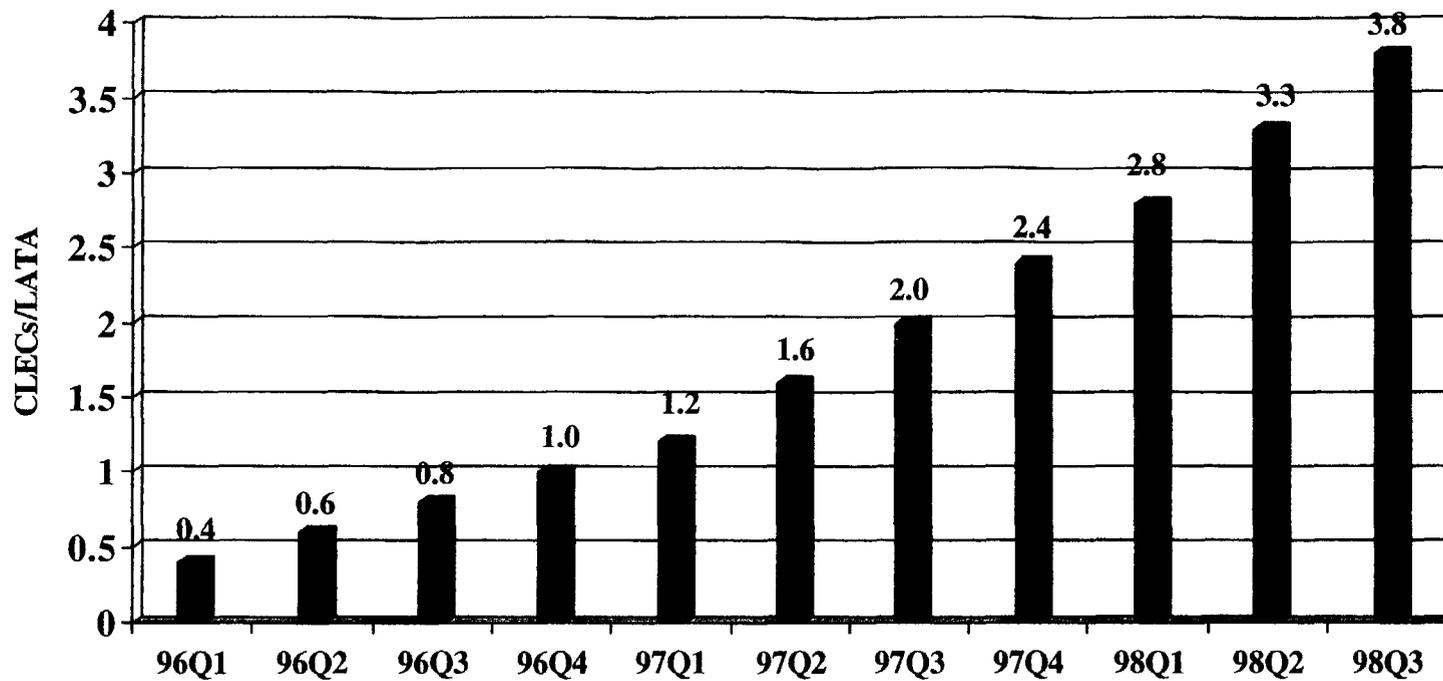
- No federal antitrust agency or federal or state regulatory commission has ever disapproved a merger on the basis of “negative spillover effects.” (Ohio Testimony of John Woodbury, January 15, 199, at 103; Illinois Testimony of John Woodbury, January 28, 1999, a 1486-87.)
- This merger creates the possibility of “positive spillover effects” (e.g., more efficient interconnection negotiations and OSS arrangements). (Illinois Testimony of John Woodbury, January 28, 1999, at 1492-93.)

*Dramatic Growth In CLEC Entry
Nationwide*



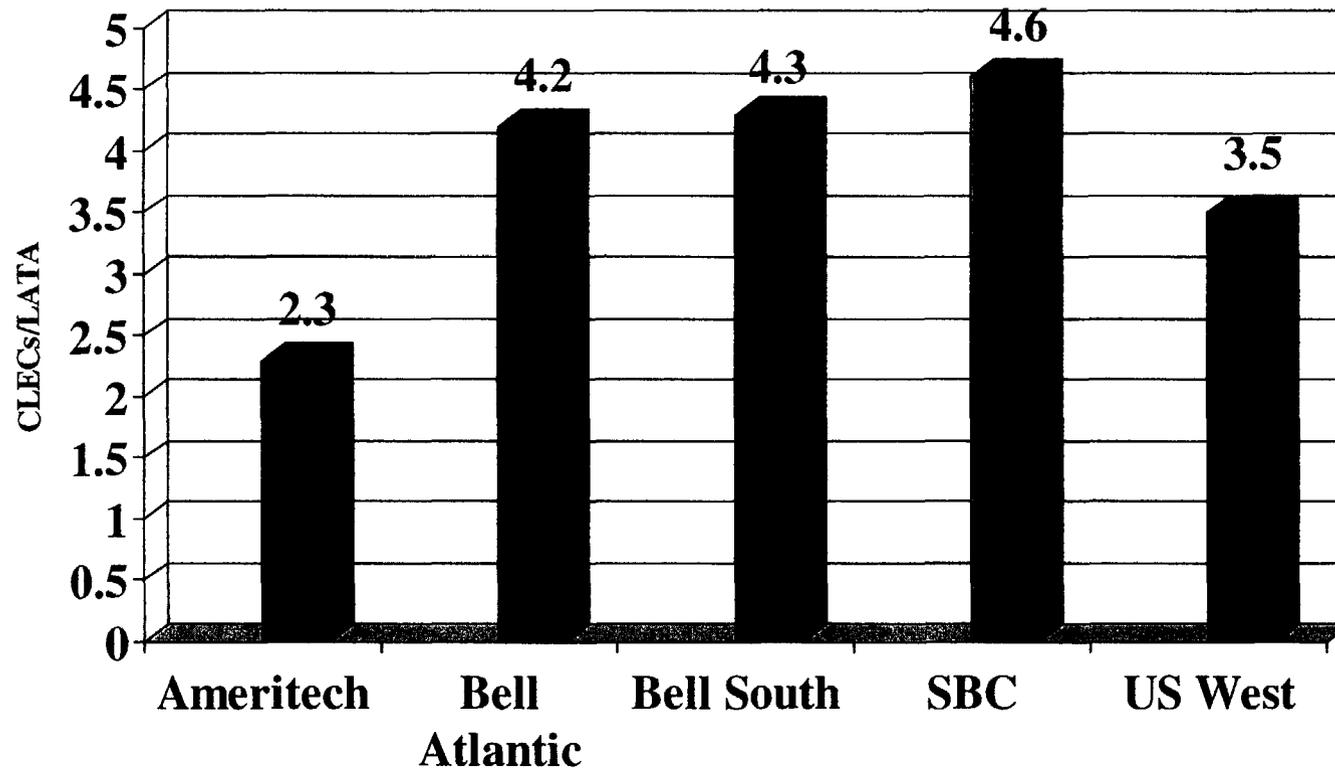
*Dramatic Growth In CLEC Entry
Nationwide*

Number of CLECs per LATA



Source: FCC, "Local Competition", Table 4-13.
Note: Based on CLECs holding numbering codes.

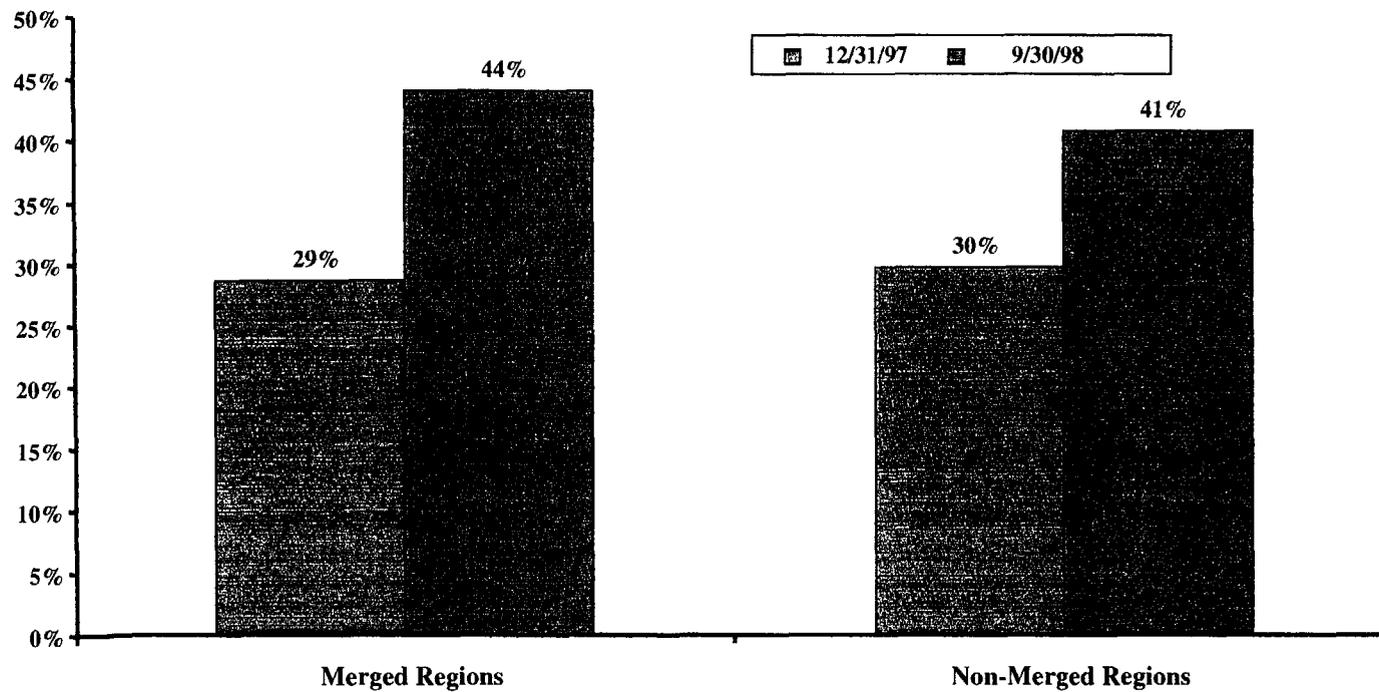
Number of CLECs Per LATA By RBOC (3Q98)



Source: FCC, "Local Competition", Table 4-13. Note: Based on CLECs holding numbering codes. Reflects SBC/PacTel/SNET and Bell Atlantic/NYNEX mergers.

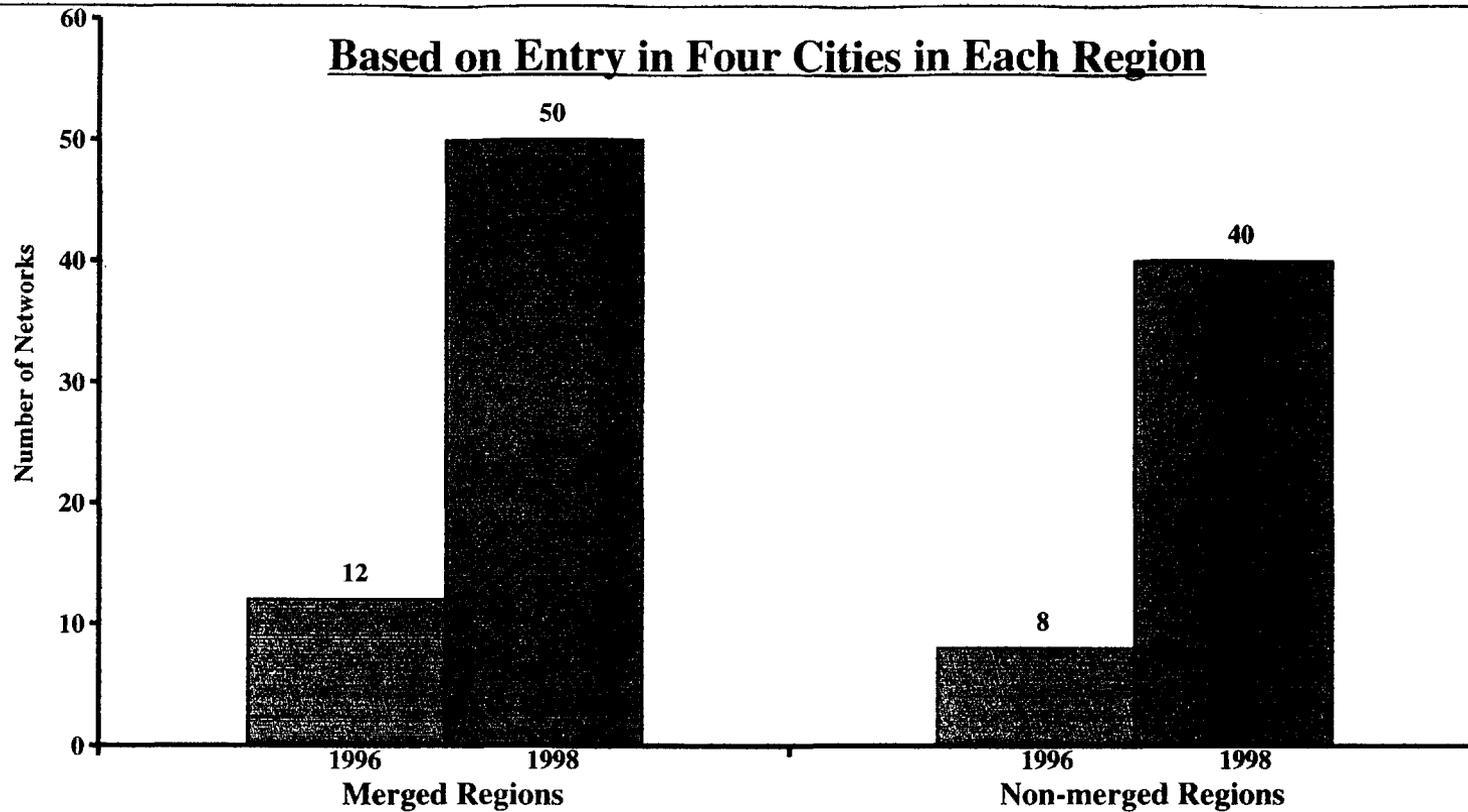
Comparison Of Collocation In Merged And Non-Merged Regions

Percentage of Lines in Wire Centers With Collocation



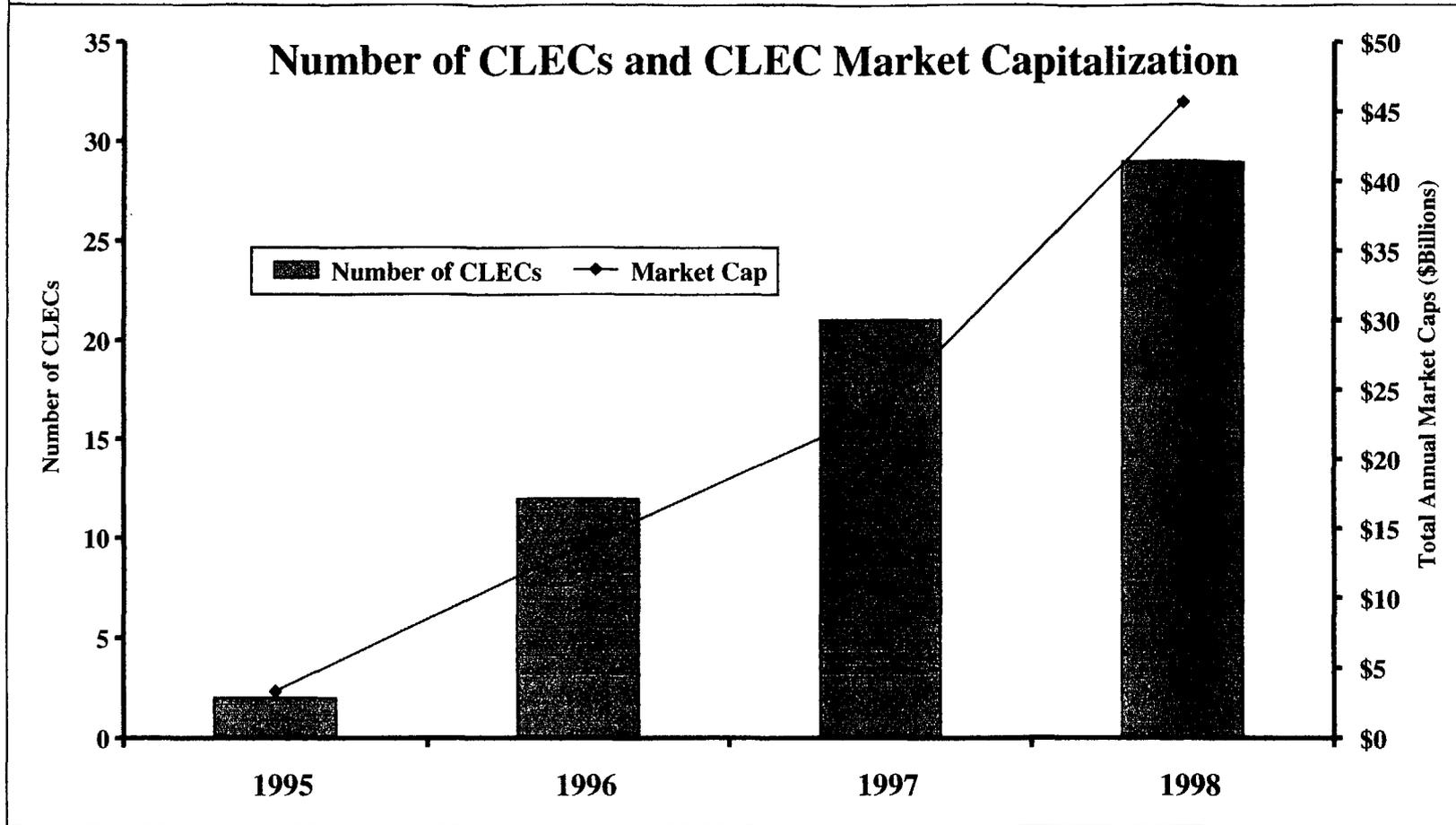
Merged Regions: SBC, PT, BA, Nynex. **Non-merged Regions:** BellSouth, U S WEST
Ameritech excluded given announced merger with SBC

*Comparison of CLEC Entry
in Merged and Non-merged Regions*

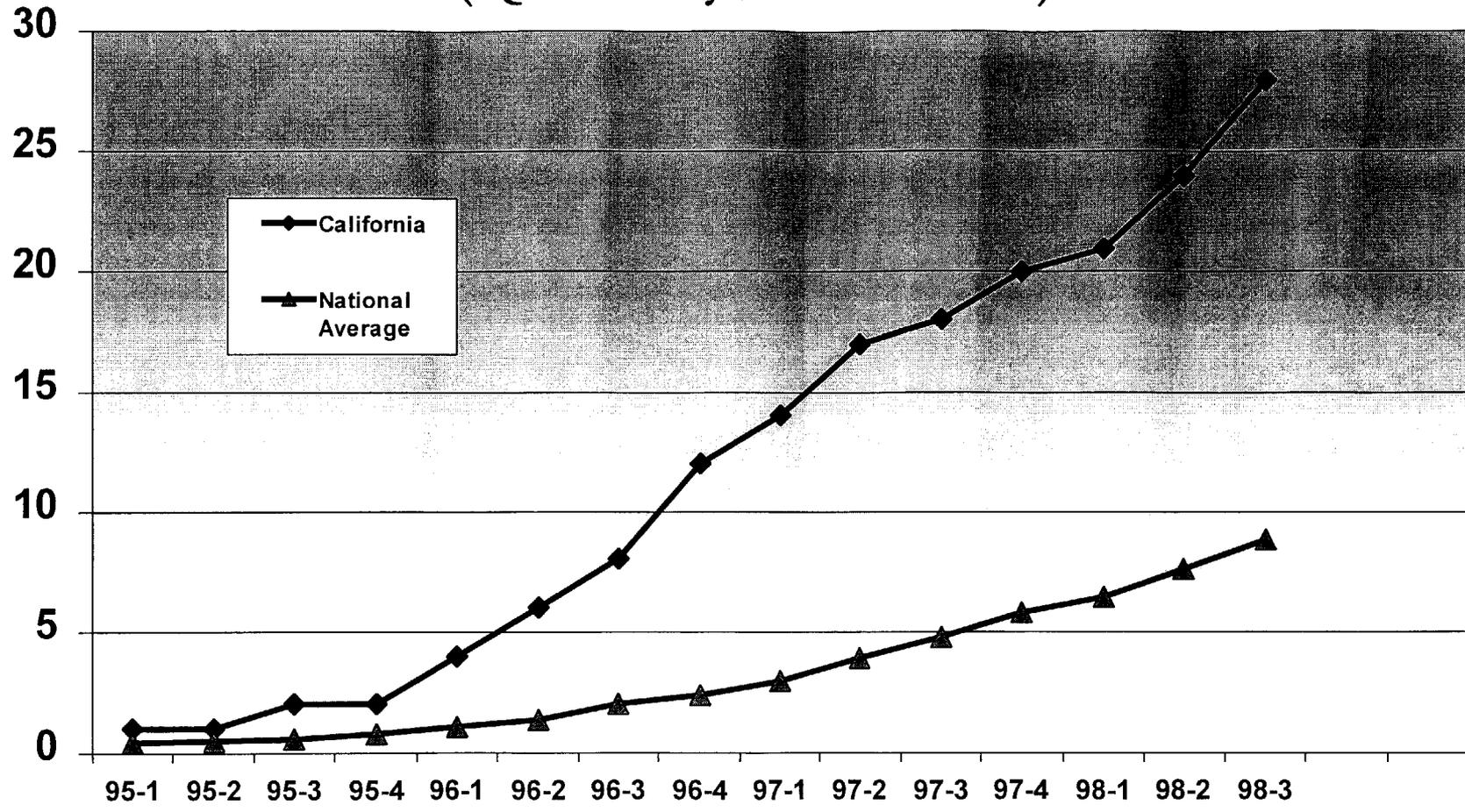


Merged Regions: Boston, Dallas, SF, Washington DC. **Non-merged Regions:** Atlanta, Denver, Miami, Minneapolis
Selected cities have similar Rand McNally city ratings

Dramatic Growth In CLEC Entry California



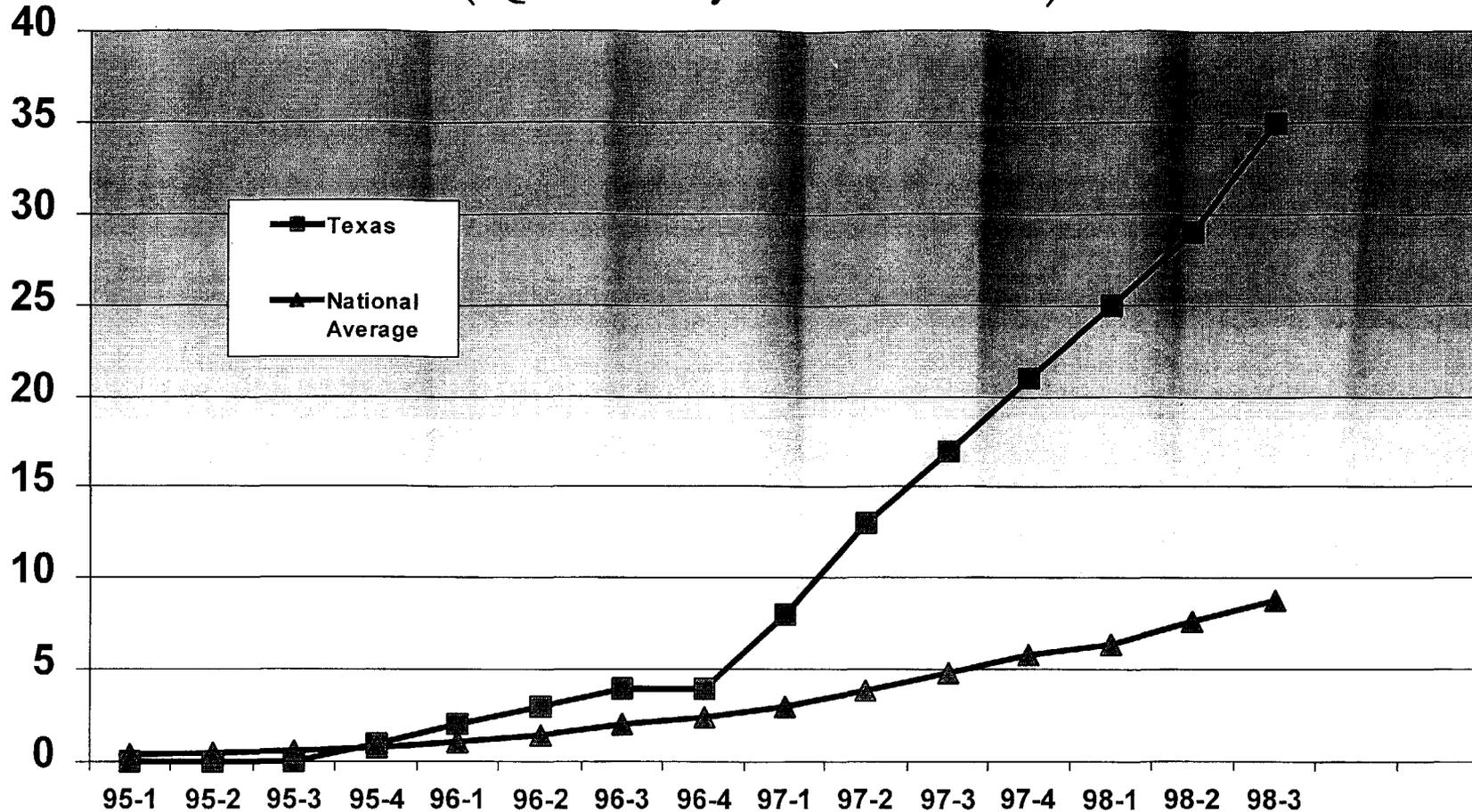
Number of CLECs Holding Numbering Codes* by State (Quarterly, 1995-1998)



Source: Report on Local Competition, December 1998, Table 4.5.

* Numbering codes are necessary for a facilities-based CLEC otherwise authorized to provide mass-market switched telephone service to commence service. Report on Local Competition at 41.

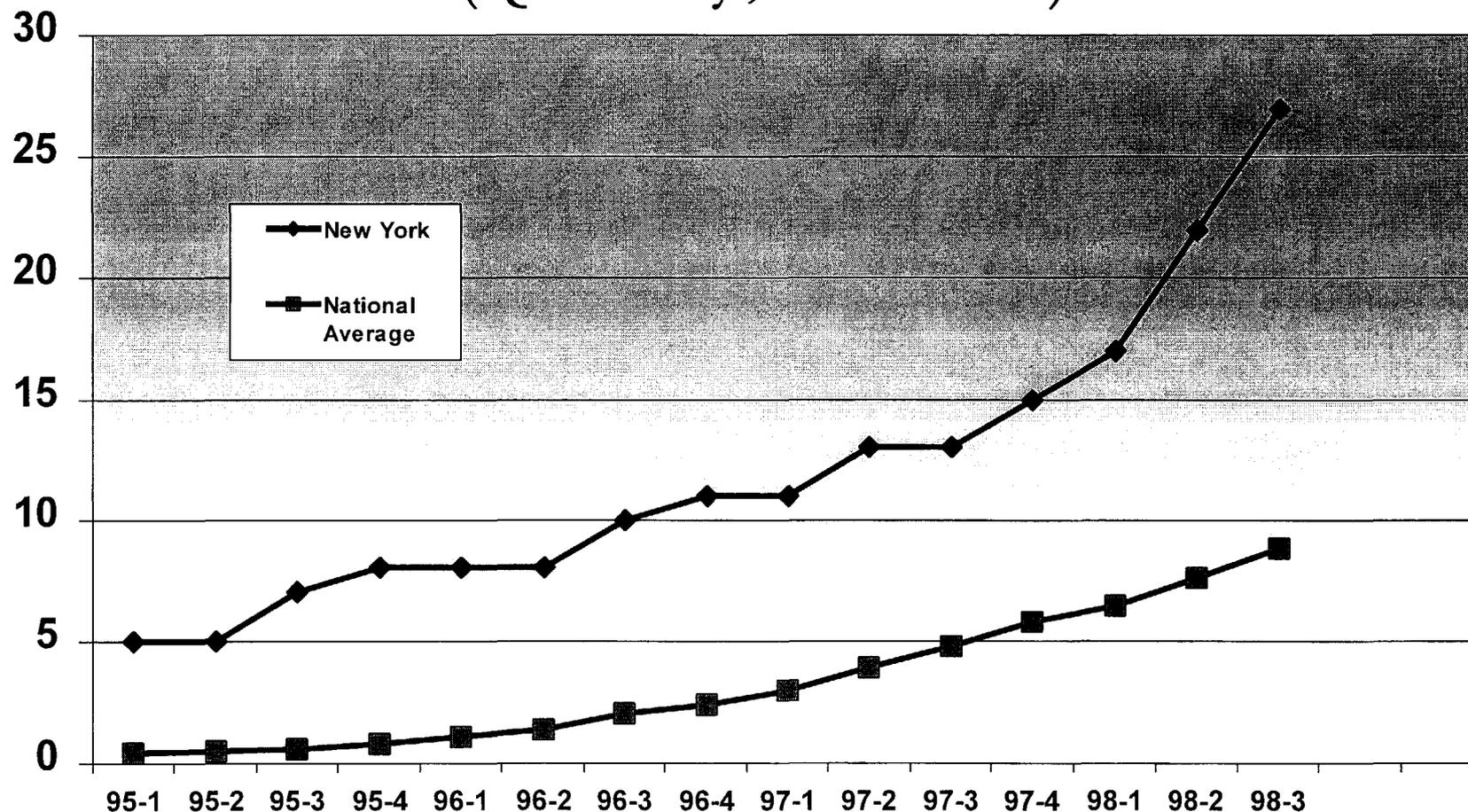
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Recent Multi-Market CLEC Entry

Company	Services	Where	When
AT&T/TCI ¹	Integrated communications services, including local, long distance, and data	Chicago, Dallas, Denver, Fremont, Pittsburgh, Portland (OR), Salt Lake City, St. Louis, San Francisco, Seattle	"By the end of 1999"
		"most of TCI's other markets"	"By the end of 2000"
AT&T/TCI Affiliates ²	Advanced communications services	customers in MI, MN, WI, NB, WA, CA, OR, IL, IN, OH, TN, KT, GA, SC, UT, OK	"begin commercial operations in the year 2000"
AT&T/Time Warner ³	Cable telephony service to residential and small business and broad band communication applications, including video telephony	33 states where Time Warner's cable systems operate, including New York City, Tampa, Houston, Orlando	one or two cities by end of 1999 and "broader commercial operations in the year 2000"
Sprint ION®	Unlimited bandwidth communications services, including voice (local and long distance), data, and video	Atlanta, Chicago, Dallas, Houston, Kansas City (finalizing plans for Denver and New York City) ⁴	Fall 1998 (for 7 cities). "Beginning in January 1999, large business nationwide can purchase . . . the Sprint ION® platform" ⁵

¹ The New York Times, "At Last, a New Strategy for AT&T," January 17, 1999.

² The 5 TCI affiliates include: Bresnan Communications, Falcon Cable TV, Insight Communications, InterMedia Partners, and Peak Cablevision. "<http://www.att.com/press/item/0,1193,275,00.html>" (visited January 11, 1999).

³ "<http://att.com/press/item/0,1193,330,00.html>" (visited February 1, 1999).

⁴ "<http://www.sprint.com/Stemp/press/releases/9806/9806170591.html>" (visited February 2, 1999).

⁵ "<http://www.sprint.com/Stemp/press/releases/9812/9812070702.html>" (visited February 2, 1999).

Recent Multi-Market CLEC Entry

Company	Services	Where	When
MCI WorldCom "On-Net"	"allows business customers to combine voice and data traffic from U.S. and international locations onto one seamless, end-to-end network" ⁶	"wholly-owned network facilities in 81 major markets and nearly 50 international locations" ⁷	Currently exists
	residential "bundle of long-distance and local services"	New York City and state of New York	"available immediately" ⁸
Bell Atlantic/ GTE	local	plans to enter the following SBC/Ameritech cities: Los Angeles, San Francisco, San Diego, Dallas, Houston, Austin, San Antonio, Chicago, Cleveland, Cincinnati, Indianapolis, and Detroit; plans to enter the following cities that are also targeted by SBC/Ameritech's National-Local Strategy: Miami, Orlando, Jacksonville, Raleigh, Nashville, Memphis, Louisville, Seattle, and Portland (OR) ⁹	"within 18 months of closing"

⁶ MCI WorldCom Unveils new "On-Net" Communications Services for Businesses, Press Release (September 28, 1998).

⁷ Id.

⁸ Stephanie N. Mehta, "MCI to Offer New Local-Phone Service," The Wall Street Journal, B6 (February 3, 1999).

⁹ Bell Atlantic/GTE Public Interest Statement, at 6-7.

Recent Multi-Market CLEC Entry

Company	Services	Where	When
Nextlink	"local phone service fully bundled with enhanced products and services" ¹⁰	"selected markets" including: Los Angeles, Anaheim, San Jose, Chicago, Cleveland, Columbus, Salt Lake City, Spokane, New York City, Newark, Philadelphia, Atlanta, Memphis, Nashville, Dallas (by 4Q98), Miami (by 4Q98), San Diego (by 2Q99), and Washington, DC (by 2Q99) ¹¹	Now (unless otherwise indicated)
Level3 Communications	"a full range of communications services – including local, long distance, and distance, and data transmission as well as other enhanced services" ¹²	Seattle; Los Angeles. San Diego, San Jose, San Francisco, Denver, Dallas, Houston, Atlanta, Chicago, Detroit, Washington, DC, Philadelphia, Boston, New York City, Providence, Manchester (NH), and London, England ¹³	Now
Teligent	Local, Long Distance, Internet and Data ¹⁴	New York, Chicago, Dallas/Ft. Worth, Austin,	Now

¹⁰ ["http://www.nextlink.net/xpage/xcity1.htm"](http://www.nextlink.net/xpage/xcity1.htm) (visited February 3, 1999).

¹¹ Id.

¹² ["http://www.Level3.com/company/level3_firsts.html"](http://www.Level3.com/company/level3_firsts.html) (visited February 3, 1999).

¹³ ["http://www.Level3.com/company/net_today.html"](http://www.Level3.com/company/net_today.html) (visited February 3, 1999).

¹⁴ ["http://www.teligentinc.com/default_services.asp"](http://www.teligentinc.com/default_services.asp) (visited February 3, 1999).

Recent Multi-Market CLEC Entry

Company	Services	Where	When
		Denver, Los Angeles, Houston, San Antonio, Tampa, Washington, DC ¹⁵	
Winstar ¹⁶	"local and long distance phone service, as well as high speed data, Internet and information services"	27 markets including Atlanta, Baltimore, Boston, Chicago, Columbus, Dallas, Denver, Detroit, Fort Worth, Houston, Kansas City, Los Angeles, Milwaukee, Minneapolis, New York, Newark, Oakbrook (IL), Oakland, Orange County, Philadelphia, Phoenix, San Diego, San Francisco, Seattle, Stamford, CT, Tampa, Washington, DC ("Miami, St. Louis and Cleveland by the end of [1998].")	Now

(...continued)

¹⁵ "http://www.teligentinc.com/whatsnew/whatsnew.html" (visited February 3, 1999).

¹⁶ "http://www.winstar.com/PressRelease/923colocation.htm" (visited February 3, 1999).

The company is a leading supplier of data and Internet services for businesses and the nation's largest direct Internet service provider to consumers. AT&T also provides local telephone service to a growing number of businesses.

Time Warner Inc. (NYSE: TWX, www.timewarner.com), the world's leading media company, consists of four businesses: cable networks, publishing, entertainment and cable.

Editor's Note: NEW YORK NEWS CONFERENCE – AT&T and Time Warner will discuss these announcements in a news conference at noon (USEST) today at AT&T's world headquarters at 32 Avenue of the Americas in New York City. AT&T Chairman and CEO C. Michael Armstrong and Time Warner Chairman and CEO Gerald M. Levin will make remarks and take questions. Reporters who cannot attend can participate by calling in prior to noon at 1-800-260-0712 in the United States or 612-288-0318 elsewhere. No access code is required. Trouble number: 1-800-932-1100 for U.S.; 612-334-6983 elsewhere. A replay of the news conference will be available beginning at 6 p.m. EDT today at 1-800-248-7600 in the U.S. and 1-402-493-8905 elsewhere. The replay will be available until 6 p.m. Thursday, Feb. 4.

SATELLITE COORDINATES – A satellite feed of the noon EDT news conference in New York is available at the following coordinates: Ku band satellite, Telstar 5, transponder K19. Downlink polarity, vertical; downlink frequency, 12053 Mhz; satellite location, 97 degrees.

The foregoing contains "forward looking statements" which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T and Time Warner's control, that could cause actual results to differ materially from such statements. For a more detailed description of the factors that could cause such a difference, please see AT&T's and Time Warner's filings with the Securities and Exchange Commission. AT&T and Time Warner disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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metropolitan areas to increase video capacity and add power for telephony applications.

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AT&T said its acquisition of IBM's high capacity global network would be supportive of the 100-city, IP-based network that would be created as part of the global joint venture announced by AT&T and BT in July.

IBM said that this transaction, in its entirety, is not expected to have a significant impact on the company's 1999 operational results. AT&T said earnings dilution from the transaction is expected to be insignificant in the first full year of operation and accretive thereafter.

AT&T and IBM said they expect the acquisition to conclude by mid-1999, following clearance by U.S. regulators and certain regulatory authorities outside the U.S.

Armstrong said today's announcement is about more than acquiring IBM's global network. "We have also reached several significant outsourcing agreements that match each company's strengths with the other company's business needs," he said.

IBM has awarded AT&T Solutions an outsourcing contract valued at \$5 billion over five years for a significant portion of IBM's own global networking needs, making it the single largest networking outsourcing contract ever awarded. The contract is expected to double the network outsourcing revenue of AT&T Solutions and will enable it to grow more rapidly by serving a wider set of customer needs with a broadened scope of services.

In addition, AT&T and IBM's Global Services unit have reached agreement for outsourcing services valued at about \$4 billion over the next 10 years. As part of the agreement, IBM will manage AT&T's legacy applications processing, including billing, service-order-processing, installation and maintenance, for customers of AT&T business long-distance services. In addition, IBM will assume management of AT&T's data processing centers, which operate corporate information systems such as accounts payable and receivable and employee payroll and benefits. Under the agreement, more than 2,000 AT&T management employees will be offered positions with IBM.

Editor's Note: NEW YORK NEWS CONFERENCE - AT&T and IBM will discuss these announcements in a news conference at 11 a.m. (USEST) today at AT&T's world headquarters at 32 Avenue of the Americas in New York City. AT&T Chairman and CEO C. Michael Armstrong and IBM Chairman and CEO Louis V. Gerstner, Jr. will make remarks and take questions. Reporters who cannot attend can participate by calling in prior to 11 a.m. at 1-800-700-8174 in the United States or 612-332-0430 elsewhere. No access code is required. Trouble number: 1-800-932-1100 for U.S.; 612-334-6983 for elsewhere. A replay of the news conference will be available beginning at 3 p.m. EDT today at 1-800-248-7600 in the U.S. and 1-402-493-8905 elsewhere. The replay will be available until 3 p.m. Friday, Dec. 11.

SATELLITE COORDINATES -- A satellite feed of the 11 a.m. EDT news conference in New York is available at the following coordinates: Ku band satellite, Telstar 5, transponder 13. Downlink polarity, vertical; downlink frequency, 11958 Mhz, 97 degrees west.

(Note: The foregoing are "forward-looking statements" which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. For a more detailed description of the factors that could cause such a difference, please see AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.)

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TECHNOLOGY & TELECOMMUNICATIONS

MCI to Offer New Local-Phone Service

By STEPHANIE N. MEHTA

Staff Reporter of THE WALL STREET JOURNAL
MCI WorldCom Inc. is expected to announce today that it will offer local telephone service to residential customers in the state of New York.

The long-distance giant said it is leasing Bell Atlantic Corp.'s network to deliver local-calling services throughout most of the state. The strategy allows MCI WorldCom to immediately reach millions of potential customers in a bid to sell a combined bundle of long-distance and local

services.

The company already offers local calling to business customers in more than 100 major markets nationwide. It also sells local-telephone service to a limited number of residential customers in Illinois, Michigan and California, but has stopped promoting the service.

While MCI WorldCom has embraced use of Bell networks in New York, long-time rival AT&T Corp. aims to deliver local-telephone service via cable-television lines. This week AT&T forged a pact to use

Time Warner Inc.'s cable lines to offer local service. AT&T also has agreed to acquire cable operator Tele-Communications Inc. as part of its effort to bypass the Bell networks.

MCI WorldCom said its service will be available immediately. AT&T, by contrast, has said its residential local-service offerings are at least a year away.

MCI tried to sell local-phone service in New York once before. In the fall of 1997, MCI Communications attempted to serve customers by renting Bell Atlantic's complete network at wholesale prices and reselling the service to consumers. The company in January 1998 said the strategy, known as "total resale," was a money loser and stopped marketing the service.

MCI WorldCom expects its newest venture into the local-service market to be profitable because Bell Atlantic is leasing its complete network to competitors under a different discount plan. MCI WorldCom says under the new lease structure it won't have to pay fees to the Bell for originating some of its local customers' long-distance calls, for example.

The Baby Bell telephone companies must prove to state and federal regulators that their networks are open to competitors in order to win permission to offer long-distance services in their home regions.

Bell Atlantic executives said MCI WorldCom's push into local service shows that the local carrier has opened its network. "This underscores what we have been saying for a long time," said James Cullen, president of Bell Atlantic. "The competitors are coming in."

Timothy Price, president of MCI WorldCom's communications division, in an in-

Local Connection

MCI WorldCom Inc.'s strategy for offering local telephone service includes:

- Service to residents in New York State via leased Bell Atlantic facilities
- Service to businesses in 100 major markets nationwide via its own network
- Service to a few customers in California, Illinois and Michigan via wholesale purchase of Bell networks.

Source: The company

terview said he remains concerned that Bell Atlantic may drag its feet in switching new customers to MCI WorldCom local service. Rival local carriers have complained that the Bells have impeded competition by failing to process new orders, for example. Bell Atlantic executives have said this won't be a problem for competitors. Executives of the New York-based Bell have said they expect to ask federal regulators' permission to offer long-distance services in New York by the end of March.

MCI WorldCom will offer a basic local-telephone line, plus 100 calls a month, for about \$20 a month to residents in upstate New York. Consumers in New York City and the surrounding suburbs can order the same package for \$15 a month. The \$5 difference reflects lower costs of leasing the Bell lines in the more dense areas. MCI WorldCom said it will sell special services, such as Caller ID, at a discount of 5% off Bell Atlantic's rates.

MCI WorldCom said its offer doesn't apply to parts of New York not served by Bell Atlantic.

Advertising Supplement to The Wall Street Journal

For the second time in American history,* the merger of two networks has opened a new world of business.

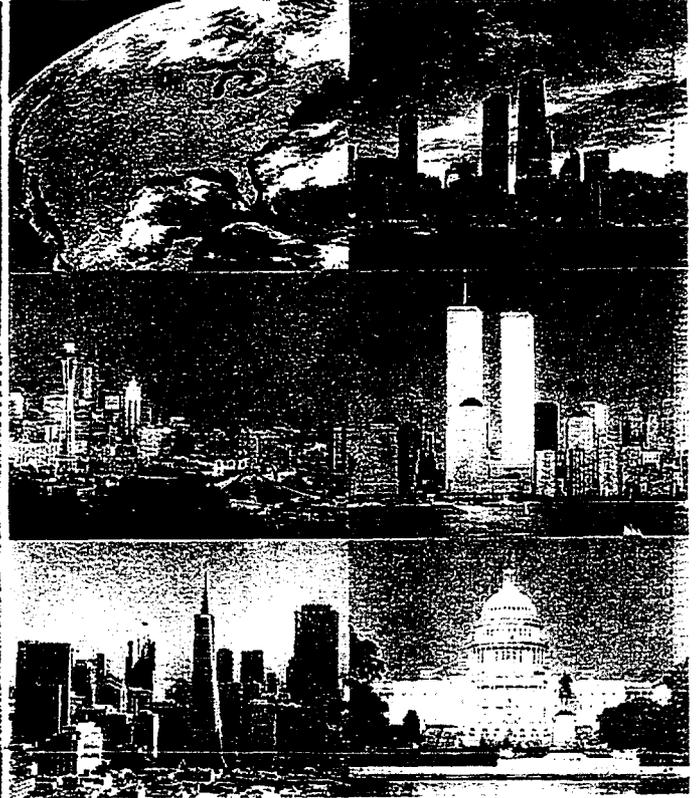
Who benefits from this? You do, if you're a customer of MCI WorldCom. Take a look through the next few pages and see precisely how this leads to other breakthroughs, starting with on-net, an ingenious new product of the only telecommunications merger that works, from day one, to your advantage.

MCI WORLD COM

* What was the first time? 1862, Promoters' Dream, Utah, when the Great Pacific and the Southern Pacific became one.

The only local...

...to national...



While other communication companies are talking about building a seamless network, or planning to build one, or conjuring images of building one, MCI WorldCom's network is here today. The only local-to-global network in the world.*

LOCAL

It's said that all business is local, and that's where all of MCI WorldCom's network begins. We've built local facilities in over 90 markets in the U.S. and Europe. We can handle more than half of American business's local calling needs in the U.S. alone. (That's more than anyone else.)

But how is our local network better than the service you've been buying from the local monopolies? Our network is truly the next-generation network: the SONET rings we deploy make our service newer, faster and more reliable. Faster because of SONET's superior bandwidth capacity. More reliable because we use self-healing technology that lets the network restore service faster than the blink of an eye. (To be precise, within one-tenth of a second.)

But beyond speed, beyond newness, there is something

else you can expect from a one-carrier network. Consistency from market to market, the same services, working the same way. For example, your local service or high-speed Internet access works the same in Paris as it does in Tulsa. Now there is one company, one contract and one account team for all your communication needs. Even when those needs span different cities on different continents.

Further, the artificial communication boundaries of yesterday's networks no longer exist on our network. So all of your local services are now combined with your other services for greater volume discounts.

NATIONAL

Both MCI and WorldCom built fast, reliable, state-of-the-art national networks. What do you get when you put these two networks together?

Quantity. We continue to expand and interconnect our SONET ring networks. Our SONET service coverage is greater than other carriers—totaling more than 3500 city pairs.

Quality. Our national network has the same millisecond

...to global network from one company.



restoration as our local networks. Your data will get to where it needs to go.

Capacity. Our network has capacity so vast it can carry all of the data traffic of all other carriers combined.** Wave Division Multiplexing lets us increase network capacity without adding more lines or laying new cable. It's like increasing capacity without increasing our cost.

GLOBAL

The MCI WorldCom network extends across the ocean and into Europe with new East-West cables that employ state-of-the-art technology. Using two diverse transatlantic paths, the network provides redundancy that no other carrier can provide. And MCI WorldCom has the bandwidth to handle ever-growing capacity needs.

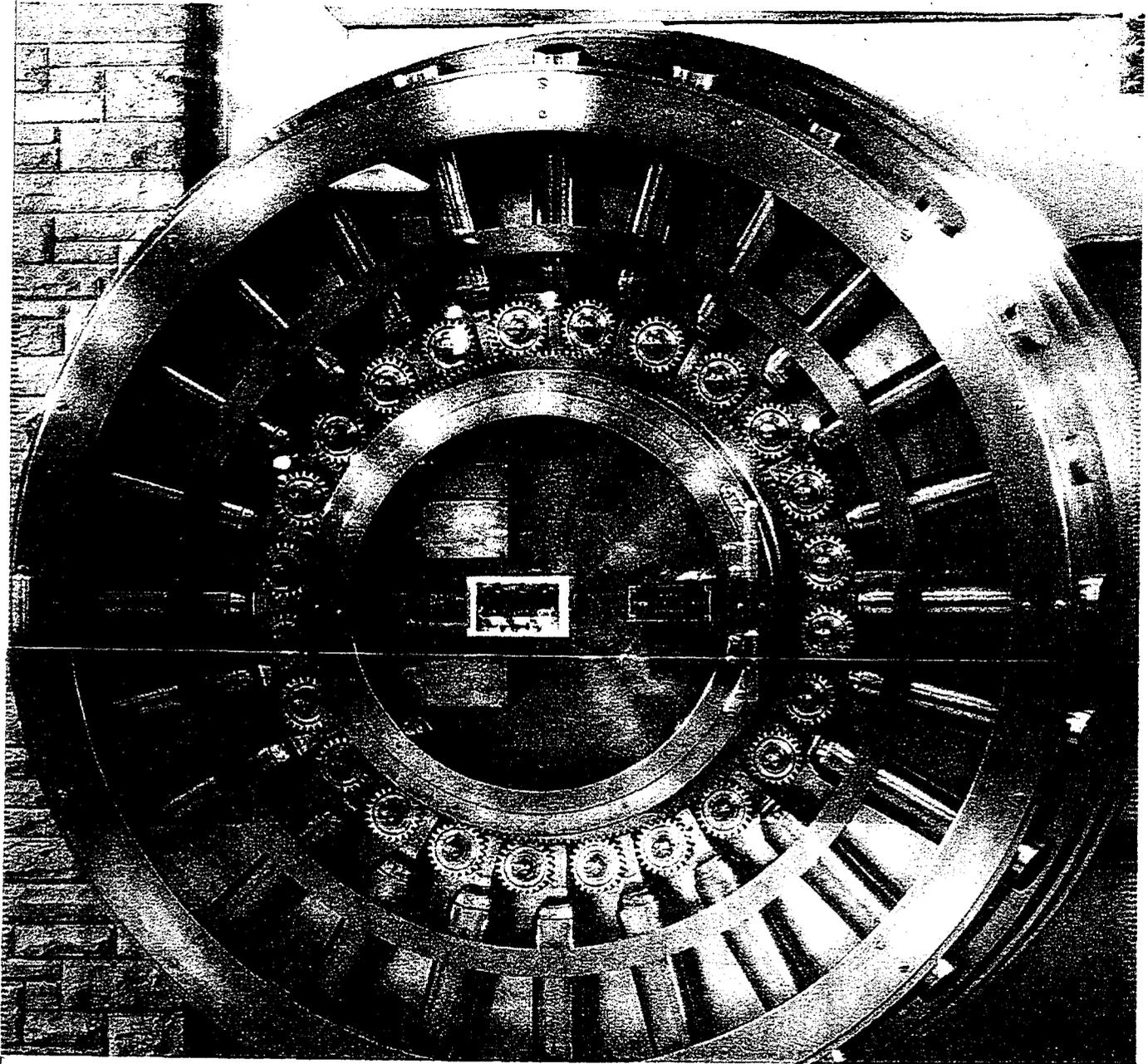
What does a global network mean for your business? It means that you get "end-to-end" reliability. You pump some data in from a building in lower Manhattan and it goes out on MCI WorldCom. It leaves New York and heads across the Atlantic. All on MCI WorldCom. In Europe, it travels on local networks which are, in turn, connected to

a Pan European network...all owned by MCI WorldCom. It's not been touched by a local phone company. Not terminated by a second company overseas. It's been carried by the first truly local-to-global, end-to-end communications company.

MCI WorldCom is the only company that completes your calls without handing them off to others, without passing the buck. A chain is only as strong as its weakest link and MCI WorldCom has eliminated the weak links. That results in unmatched availability, faster provisioning and single-source accountability. Nations that account for two-thirds of the world's business now have access to the newest local-to-global communications network on earth.

What MCI WorldCom's global network means is that the notion of a long-distance or local phone company is a notion from the bell-bottomed era of the 1970's. One end-to-end network not only means one contract (with better volume discounts, because all services are combined into one account), which is an obvious advantage. It also means you always know who is responsible. The buck (truly) has found a place to stop. And it's here.

The value of one company is obvious for us.

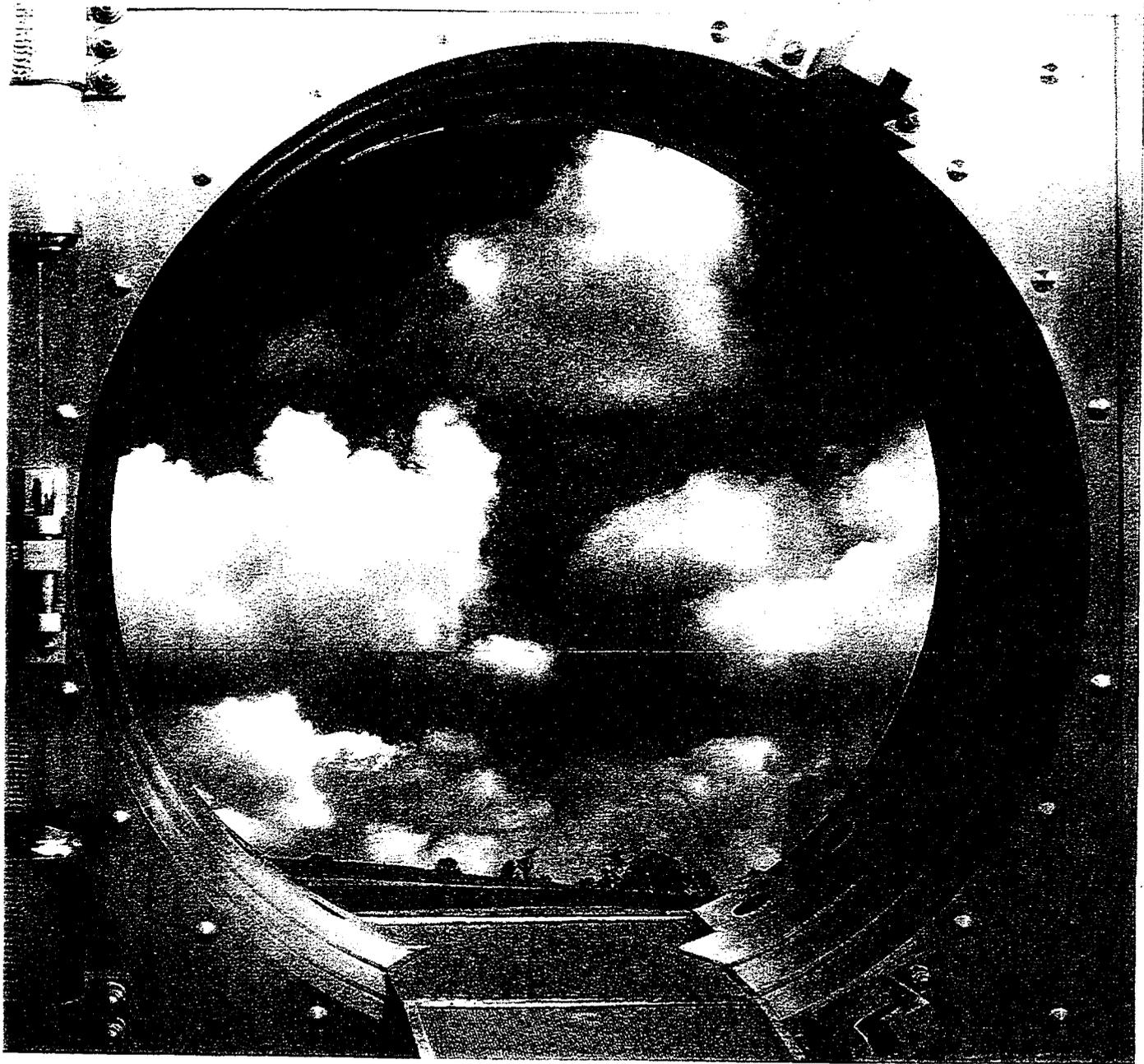


CAPACITY MCI WorldCom's network has capacity so vast it can carry all of the data traffic of all the other carriers combined. So we're sure to have your communications needs covered. We're even considered the carrier's carrier—the acknowledged leader in the industry.

AVAILABILITY Having a fast, flexible network doesn't do you much good unless you can get on it. Our network is designed to maximize availability. Thanks to SONET technology, our networks can even fix problems before anyone knows they exist.

INTEGRATION What does it mean? It means that you can buy every communication service your business requires from one company. And it all works together. How many services? Internet, Data, Voice, Cellular, Paging, Prepaid Cards, 800 Service, Web Hosting, Call Center Services, Local Service — to name a few. Serving every possible communication need also means we can keep products, services and support consistent around the globe.

But what's the value for you?



FLEXIBILITY You now have access to unlimited capacity for voice and data. As much as you want. For data, especially, this is key. Because you can control your data-access port to accommodate your changing bandwidth needs on frame relay, ATM and Internet bandwidth.

ONE CONTRACT Whether your needs are local, national or international, you deal with one company and one contract. A tangible benefit to both finance and communications. MCI WorldCom's network lets global businesses have one company for all their voice and data services, wherever they do business.

ECONOMICS It's simple: Volume discounts, which you get when you consolidate your communications needs, means the more you spend with MCI WorldCom, the more you save. That's it.



One network. One carrier. One contract.

On-net. Two tiny words that are certain to have a tremendous impact on your business. In fact, they'll simply change the way business is done. Worldwide. On-net is more than just one product. It's a series of products and services. All of which can be tailored to your specific needs. With MCI WorldCom

On-Net, you get one connection for everything. Instead of separate lines for local, long distance, international voice and data, there's one network, one contract and one company to take full responsibility. Somewhere a choir of angels is singing. No matter how much voice and data your company has to

tract. One very happy IT manager.



pump out, MCI WorldCom On-Net can get it there. To one location or one thousand. Instantly. All through our wholly owned global network. Which means we can monitor it every step of the way. Locally. Nationally. Globally. No handoffs to other carriers. One network. One contract. One company.

Nothing could be simpler. Or more cost-efficient. Happy?

**MCI WORLD COM**

The Network has more than fiber all over

ACCOUNTABILITY One place to go for answers. One account team for all your services, anywhere in the world. One company with a presence in 200 countries and offices in 65.

Accountability is our corporate culture. Something as highfalutin as corporate culture didn't much matter when all you were talking about was a dial tone. It didn't much matter that almost all of the corporate cultures providing dial tones had been conceived and nurtured in the 19th century. Before the PC, the internal combustion engine or crystal radios.

But a communications company's corporate culture matters for everything in an age when computers, software, telephony, dial tone and modem tone are one. MCI WorldCom, even our critics would agree, has the kind of soul that thrives in times that demand creativity. Favor the company with a customer-driven attitude.



Patricia Zimmerman
Service Installation Manager
St. Louis, MO



Marion Sterling
Branch Manager, Global Accounts
Asia Pacific



Bob Hart
Senior National Account Manager
Parsippany, NJ



Diana Souza
Senior Global Account Manager
Europe



Suzanne Stidham
Customer Service/Escalations Manager
Tulsa, OK

the world. It has people all over the world.



Maureen Abele
Global Service Consultant
North America



Robert Douglas
Operations Support Manager
McLean, VA



Maribel Schnuer
Global Service Consultant
South America



Chris Cruz
National Account Manager
Boca Raton, FL



Charlie Harrison
Network Engineer
Richardson, TX



Ray Tokuda
Technical Manager
Los Angeles, CA



Toya Davidson
Software Project Engineer
Atlanta, GA

“Give me a fulcrum, and I can move the world.”

—Archimedes, 260 B.C.

“Get me on-net, and I will move the world.”

—A businessman, 1998 A.D.

Let us hail the coming of a new era in telecommunications. The Telecosmic Era. An era of bandwidth abundance, blasted free of the copper cages and regulatory blight of the global bureaucrats.

It is a time of competition. But not merely the old style of competition in the highly taxed and carefully tariffed vending of commodity services that are already widely available, such as phone calls and faxes, cable TV and broadcast radio. Instead, we will have an efflorescence of new services, springing from the cornucopian reaches of the World Wide Web—a telephony of high resolution video, an interactive television with millions of channels.

The Big Bang

Springing from the big bang of digital electronics and photonics, the telecosm flings the world away from you at red-shift Doppler speeds. If you can see it, it's already gone. The orientation for successful business in a new era is five years ahead—and you won't get there by problem solving. You solve problems, such as “competition in the local loop” and “long distance telephony” and you end up deep in the past, at status quo ante, or AT&T. In the telecosm, the entrepreneurial imperative is to pursue opportunities.

The key opportunities emerge from a transformation of the calculus of abundances and scarcities that define the era. Marking the era just passed was abundant power, abundant transistors and microchip silicon real estate, and scarce bandwidth. Marking the new era is scarce power eked from batteries on mobile devices, satellites and undersea cables, together with scarce silicon in single-chip mobile devices, and abundant bandwidth. Marking the old era were complex networks and dumb phones and TVs. Marking the new era will be relatively dumb broadband optical networks with more capacity in every fiber thread than the old networks commanded in all their global reach. These vast broadband avenues of the telecosm, wired and wireless, will link to tiny mobile terminals with more intelligence than an entire central switching office of the old telephone networks.

Say Goodbye to the Phone Company

In the new era, bandwidth will advance some three times as rapidly as computer technology. It is an era when even computers will be measured in the gigahertz (billions of cycles per second) of microwaves. Gordon Moore's famous law—the 18-month doubling of chip densities—will shrink to relative insignificance before the tsunami rush of communications power that began in 1995, when MCI was the first communications company to break the 10 gigabit per second speed barrier with the first commercially deployed OC-192 fiber system. It was the first step toward the all-optical network that WorldCom and MCI will be building over the next decade. Allowing messages to travel from origin to destination entirely on wings of light, the all-optical network is a new kind of integrated circuit. Just as the integrated circuit of the last era enabled the creation of an entire computer

system on a single sliver of silicon (sand) so the integrated circuit of the new era will enable creation of an entire communications system on a seamless seine of silica (glass). It is an era when the copper cages of the telephone companies—all 43 million tons—give way to crystal cathedrals of fiber optics and the iridescent air of the spectrum.

Your Opportunity: Rising Wealth

With one fiber thread now capable of containing three times the total traffic on the entire global telecom network three years ago, bandwidth is the new spearhead. Most powerfully wielding the spear will be MCI WorldCom. This new company is poised to usher in a revolution in broadband global telecommunications. Starting now as the leader in cross-Atlantic IP fax and Internet phones, the company will expand to global IP business services, video conferencing, and an array of new services yet to be unveiled.

Customers Getting What They Want Most: Time

In economics—the “dismal science”—just as crucial as the bounties of abundance are the disciplines of scarcity, the defining limits. The defining scarcity of the telecosm is ultimately time. Time measured by the speed of light and the span of life. Successful companies use the technologies of the speed of light to extend the effective span of life by increasing efficiency in the use of time.



In business terms, life span translates most sharply as the customer's time. The customer is sovereign and he knows what he wants. It is not your product—it is time.

The key force in saving time today is the Internet, and the most innovative force on the Internet backbone is MCI WorldCom.

In empowering customers, the new era of telecommunications casts a shadow over the entire established information economy. Just as the light speed limit opens large opportunities for companies supplying new network communications topologies, so the life span limit opens large opportunities for companies that focus on saving the customer's time. The key force in saving time today is the Internet, and the most innovative force on the Internet backbone is MCI WorldCom.

Isaac Newton's determinist dance and static universe yielded an industrial revolution based on the movement and transformation

of matter from the outside and an intellectual revolution based on a calculus of material solidity. Quantum theory stripped the veils of solidity from the things of the world. From the emptied wombs of quantum matter emerged the microchip and Moore's Law. From the constraints of the speed of light and the quantum laser transpires the telecosm.

Light shines newly as a constraint because until the last five years light speed was an abundance—the ultimate velocity underlying the speed of computer and communications devices. Now light speed looms up as abruptly as a barrier as it did in physics at the beginning of the century. Just as light speed limit forced Einstein to reconstitute the entire Cartesian time-space grid of classical physics, the light speed limit today is compelling the reconstitution of the time-space grid of information technology and telecommunications.

With the arrival of MCI WorldCom, customers will ultimately see new all-optical networks that reduce delay by eschewing circuit switches, electronic amplifiers and optoelectronic converters. Based on wavelength division multiplexing of colors of light across asynchronous networks that do not require a constant clock, optics can exceed the bandwidth and the bit-error performance of copper wires by as much as 10 orders of magnitude. Ten orders of magnitude—a multiple of ten billion—is a revolution in telecommunications.

By making bandwidth abundant, and telecommunications increasingly cost-effective, the new era radically changes the environment of all information industries. In all eras, companies tend to prevail by maximizing the use of the cheapest resources. In the age of the telecosm, they will use the huge intrinsic bandwidth of fiber (all 25,000 gigahertz or more) to supplant the hundreds of billions of dollars worth of switches, bridges, routers, converters, codecs, compressors, error-correctors, and other devices, together with the trillions of lines of software code that pervade the intelligent switching fabric of both telephone and computer networks.

The makers of all this equipment will resist mightily. But the old regime cannot prevail by fighting cheap and simple optics with costly and complex electronics and software. The all-optical network will triumph in the future for the same reason the integrated circuit triumphed: it will be incomparably cheaper than the competition. Today, measured by the admittedly rough

metric of MIPS per dollar, a personal computer is more than 5,000 times more cost-effective than a mainframe. Within ten years, the all-optical network will be millions of times more cost-effective than electronic networks. Just as the electron rules in computers, the photon will rule the waves of communication.

The all-optical technology of the new telecommunications era will put relentless pressure on all other communications systems. Every competing system will need to adapt to its cost structure. In the end, almost all electronic communications will go through the wringer and emerge in glass.

The Next 12 Years

During the first ten years of the next century, high-resolution flat-panel displays will become as natural a part of the indoor environment as windows. New Yorkers will be able to look out on a vista in Venice or Vail as readily as on a scene in Soho. Fiber will reunite families to share anniversaries at will or whim. A whiteboard at the Sorbonne or Caltech will be as nearby as the blackboard at your local high school. Geography will collapse into mazes of microchips and reemerge in the luminosity of worldwide webs of glass and light. And around these networks all business will be reorganized to exalt as their prime purpose and passion the enhancement of the customer's time.

—By George Gilder

Author, "Wealth and Poverty," "The Spirit of Enterprise," "Life After Television," and the forthcoming "Telecosm."

MCI WORLD.COM

Dear Reader,

On these pages today, we've tried to show the excitement of our merger. And the unique corporate culture of our new company, MCI WorldCom. You know, only two types of corporate culture exist today in the telecommunications industry: the monopoly culture, with history on its side, and the culture of the competitor, with the future on its side.

Which side is the customer on? The customer wants choice. Because customers know that, with that choice, they always get something better. They also know from experience (lots of it) that they only get choice when they have competition. Even in 1979, when MCI had only 100 million dollars in revenue, it did business with 429 of the Fortune 500. A small amount of business, but business given to MCI because those companies wanted to see what competition eyes, it saw.

Even when WorldCom was only a gleam in a few entrepreneurs' eyes, it saw the Internet as the future. That early realization and the guts to act on it is why WorldCom is the world's unquestioned leading Internet provider. Most of WorldCom and MCI's growth in the last 10 years has come from existing customers. Customers who kept giving us more and more of their business because we kept coming through.

With the advent of data as the dominant use of telecommunications, WorldCom and MCI's growth spurred even more. Because the convergence of computers, telephony and software begged for the speed, daring, and entrepreneurial culture of the upstart.

Local phone service is the newest area opening to competition. MCI WorldCom is offering the first serious and, therefore, aggressive alternative to the local monopolies. The first in history.

One surprising fact is that even if you never use the services of MCI WorldCom in your business, you'll still benefit from this merger. Every time we ask for your business (as I'm doing now), we are saying we offer something better, something faster, something newer, something more responsive, something more productive.

By asking for your business, we serve notice on your present telecom companies that if they slip, if they don't keep up, we'll be ready to succeed them. (And, most important, succeed for you.)

Bernard J. Ebbers
Bernard J. Ebbers, CEO

Sprint's Earnings Trail Estimates; Large Investments Will Continue

By REBECCA BLUMENSTEIN

Staff Reporter of THE WALL STREET JOURNAL

Sprint Corp.'s fourth-quarter earnings fell below Wall Street's expectations, but company officials said the firm will continue investing heavily to develop its networks and global alliances.

Sprint, Westwood, Kan., reported fourth-quarter net income of \$404.6 million, or 93 cents a diluted share, up 13% from \$356.7 million, or 82 cents a share, in the year-earlier period. Revenue increased 7.6% to \$4.14 billion from \$3.85 billion.

The most-recent fourth quarter included a gain of \$104 million, or 14 cents a share, on the sale of local phone lines and other assets. The prior-year figure included a gain of \$51 million, or 10 cents a share, for asset sales.

Excluding those one-time gains, the company earned 79 cents a diluted share, compared with 72 cents a share a year earlier, missing the First Call consensus earnings estimate of 85 cents a diluted share for the most-recent quarter.

In New York Stock Exchange composite trading, Sprint shares fell \$2.25 to \$81.9375.

Sprint's wireless group reported fourth-quarter revenue of \$437.4, up from a pro forma \$147.5 million a year earlier, fueled by a record number of new subscribers. The group's fourth-quarter net loss, however, widened to \$646.5 million from \$161.8 million a year earlier.

The tracking stock for the wireless operation, which Sprint created during the most-recent quarter under the Sprint PCS name, fell \$1.5625, or 5%, to \$30 in New York Stock Exchange composite trading.

Although the core telephone group failed to meet expectations, Sprint senior executives said one-time costs overshadowed solid growth in the long-distance unit. And they said Sprint will continue to invest in finishing its nationwide wireless network, which added 836,000 new subscribers in the fourth quarter. (AT&T Corp., by comparison, added about half that amount in the same quarter.) Sprint also is spending heavily to develop a next-generation voice- and data-services network it calls ION, for Integrated Online Network.

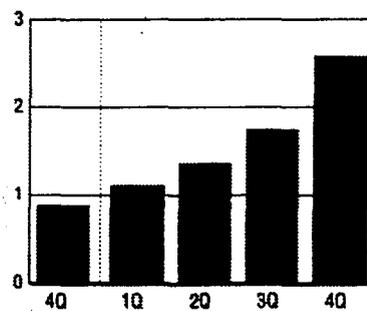
"We're investing in our future, not making acquisitions," said William T. Esry, Sprint's chairman and chief executive officer.

Mr. Esry noted that Sprint spent more than \$80 million in the fourth quarter, or nine cents a share, on the ION Network. Related expenses are expected to grow to 60 cents a share, or \$400 million, pretax, in 1999.

Still, Mr. Esry said it is money well

Collecting Customers

Subscribers for Sprint PCS, in millions



Source: The company

spent. Sprint expects ION to position it as a leader in packages of local, long-distance and Internet services.

"I would rather spend \$80 million building something than spending \$30 billion to \$50 billion buying something else," said Mr. Esry. His comments were a veiled reference to AT&T's proposed purchase of cable giant Tele-Communications Inc., which it hopes will help it, too, sell consumers and businesses packages of communications services.

But Sprint faces major challenges on other fronts. It continued to lose money on its international joint venture, called Global One. Costs at the unit, a venture with France Telecom and Deutsche Telekom AG, cut core earnings by four cents a share, along with an accounting charge of two cents concerning stock options.

Revenue for the entire company, the only combined figure released for the wireless and main group, was \$17.3 billion for all of 1998, a 13% increase from \$15.3 billion in 1997.

For the year, net income in Sprint's core long-distance and local-telephone operations grew 11% to \$1.53 billion from \$1.37 billion.

Analysts said that while overall results were mixed, they were satisfied with a 32% gain in the income from Sprint's core long-distance unit with big gains in data traffic.

"Clearly, it was a confusing quarter and the stock activity reflected that," said Linda Meltzer, of Warburg Dillon Read LLC. "But the core message was very strong, particularly on the long distance side."

WSJ Journal Link: For a video report of Sprint CEO William Esry's comments on fourth-quarter earnings, see The Wall Street Journal Interactive Edition at <http://wsj.com>



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For Immediate Release

SPRINT ANNOUNCES NETWORK AGREEMENTS WITH LOCAL PHONE COMPANIES FOR INITIAL ROLLOUT OF REVOLUTIONARY NEW SERVICES

Sprint ION to Deliver High-Speed, High-Bandwidth Services to Businesses In Seven Major Cities

KANSAS CITY, Mo., June 17, 1998 -- Sprint today announced that it has secured key network access agreements with Southwestern Bell, GTE, BellSouth and Ameritech that will enable it to begin delivering advanced, high-speed, high-bandwidth services through Sprint ION, Integrated On-Demand Network. Additionally, Sprint unveiled the first major markets that will have access to the revolutionary new Sprint ION services as part of the first phase of its rollout.

This fall, Sprint will deliver unprecedented communications capabilities to large businesses in Chicago, Atlanta, Dallas, Houston and Kansas City. In addition, Sprint said agreements in New York and Denver are being finalized.

"On June 2, we announced a vision for the future of communications, and today we are taking another step toward bringing that vision to life," said William T. Esrey, Sprint's chairman and chief executive officer. "We have the technology and the customers in place to begin making Sprint ION a reality in these major markets."

Sprint ION is the innovative new network that will enable Sprint to consolidate a business' disparate networks and to provide homes and businesses with virtually unlimited bandwidth over a single

existing connection, delivering simultaneous voice, video calls and data services. The result of five years of confidential work, Sprint ION is a combination of numerous technological advances that Sprint has been privately testing with both businesses and consumers for the past year.

"We've already built the network that will handle the advances we've announced. These agreements enable us to deliver the unique, high quality services and network intelligence that is at the heart of Sprint ION to our first customers," Esrey said. "While today's announcement is an important first step, it illustrates only the beginning of our deployment of Sprint ION. More cities and more features will soon be announced as our rollout builds momentum around the country."

Sprint has been privately testing the revolutionary Integrated On-Demand Network capability with both businesses and consumers for the past year. Today's announcement launches the large business rollout of Sprint ION, which will continue throughout 1998. The service will be generally available to medium and small businesses in mid-1999, with consumer availability late in 1999.

Infrastructure in Place in Seven Key Cities

New York, Chicago, Atlanta, Dallas, Houston, Denver and Kansas City have several key elements in place that made them logical choices for the initial deployment of Sprint ION. Those elements include broadband metropolitan area networks (BMANs) and a strong, established business customer base that can immediately benefit from Sprint ION.

While Sprint's long distance network is already built and covers the entire United States, BMANs are high-bandwidth fiber optic rings that encircle cities. These BMANs already enable Sprint to provide a variety of advanced services and are now being enhanced to enable new Sprint ION services to pass within proximity of 70 percent of large businesses in these cities.

Sprint has secured key BMAN access agreements from Southwestern Bell in Dallas, Kansas City and Houston. Sprint also has an additional agreement for BMAN access in Dallas from GTE. In Atlanta, Sprint has secured BMAN from BellSouth and Ameritech is providing BMAN to Sprint in Chicago. Agreements in New York and Denver are still being finalized and announcements will be made when appropriate. In total, Sprint already has access to BMANs in 25 major markets nationwide, and will have BMANs in a total of 36 major markets by the end of the year. For smaller business locations, telecommuters, small/home office users and consumers who may not have access to BMANs, Sprint ION supports a myriad of the emerging broadband access services, such as Digital Subscriber Line (DSL).

Customers Already on Board

Several major corporations already have committed to beta test Sprint's Integrated On-Demand Network services in the months to come, including Hallmark Cards, Sysco Corp., Coastal States

Management, Ernst & Young LLP, Silicon Graphics, St. Luke's-Shawnee Mission Health System, and Tandy.

Kansas City-based Hallmark Cards will be among the first to implement Sprint ION. "This is the kind of technological innovation that can truly deliver bottom-line results and give Hallmark a competitive advantage," said Jim Miller, vice president of information technology at Hallmark Cards. "Sprint's ION technology has the exciting potential to move Hallmark even closer to our customers by way of enhanced services, expanded communications, and lower costs. This potential is the driving force behind our decision to be one of the first customers to take advantage of the Sprint ION offering."

Said Larry Hardin, director of operations and communications, information services, for Houston-based Sysco Corp., "This will enable us to combine all of our traffic - voice, data and video - onto one path. Sprint is the first company to come to us with revolutionary technology like this that can be a reality so soon."

For these businesses, and others like them, Sprint ION offers a significantly more efficient communications solution than today's model. High-speed, integrated communications will be available to corporate locations, branch offices, small businesses and the small office/home office worker. The result is an enhanced virtual private network that enables applications such as collaborative product development, supply-chain management, distance learning and telecommuting.

What Does Sprint ION Do?

Businesses will no longer be required to manage numerous complex networks but can rely on a truly integrated network that consolidates voice, video and data traffic while reducing costs. Sprint's ION allows businesses to expand dramatically their local and wide area networks and dynamically allocate bandwidth, thus paying only for what they use rather than having to purchase a set high-bandwidth capacity that often sits idle. Sprint ION will also set a new industry benchmark for service reliability, utilizing Sprint's pervasive deployment of synchronous optical network (SONET) rings across the United States.

At home, customers will be able to conduct multiple phone calls, receive faxes, run new advanced applications and use the Internet at speeds up to 100 times faster than today's conventional modems- all simultaneously through a single connection. The need for multiple phone lines will be eliminated, and applications such as high-speed online interactive services, video calls and telecommuting will be readily accessible. Use of the Internet will be so fast that typical pages on the World Wide Web will pop up almost instantaneously.

Sprint is able to deliver this revolutionary new capability because its network supports a seamless, integrated service to the desktop over an Asynchronous Transfer Mode (ATM) backbone network. This network fabric provides the speed, flexible bandwidth, scalability, service consistency, security and telephone voice quality that no other protocol currently can deliver.

Sprint ION provides customers with robust voice, video and data services, along with the capability to customize multiple services, all combined with access to virtually unlimited bandwidth, available on demand, all the time, whether they are across town or across the country.

More information on Sprint ION is available at www.sprint.com or by calling 1-800-308-2140.

About Sprint

Sprint is a global communications company - at the forefront in integrating long distance, local and wireless communications services and one of the world's largest carriers of Internet traffic. Sprint built and operates the United States' only nationwide all-digital, fiber optic network and is the leader in advanced data communications services. Sprint has \$15 billion in annual revenues and serves more than 16 million business and residential customers.

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