ATTACHMENT A

Introducing SNET Star*99

A free SNET All Distance Feature that can save you money.

From now on, you don't have to worry about shopping for low out of state long distance rates. Because at SNET we've done all the work for you. With SNET Star* 99, you'll automatically get the lowest rates on all your long distance calls—even if you only make one or two long distance calls a month you can save money. Guaranteed.

There are no set up fees, no monthly fees, no hidden fees, and no risk. Guaranteed.

LOWER RATES THAN AT&T, MCI AND SPRINT

SNET Star*99 makes it easy to save money every time you make a direct dial call to someone outside of Connecticut. SNET will automatically give you the lowest basic direct-dial long distance rate offered by AT&T, MCI or Sprint at the time you call. Plus, we'll give you an additional discount of 5% off that low rate. Guaranteed.

The SNET Star*99 discount applies any time of the day, 7 days a week. You can call anywhere in the United States, including Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands.

GET AN ADDED 10% BONUS

In addition to the 5% discount, you'll get a 10% bonus, in the form of a credit, every single year! Your 10% credit is based on your total annual usage of SNET Star*99.

To get a l0% credit on your January 1996 SNET phone bill just become an SNET Star*99 customer now and use it through December 31, 1995. Imagine starting each new year with a credit on your January SNET phone bill!

START SAVING MONEY TODAY

SNET Star*99 is so easy, you don't even have to switch your long distance carrier or make any changes whatsoever to your current phone service. No matter which long-distance carrier you have, you can use SNET Star*99.

Just call us today at 1 800 585 7638 and ask for your SNET Star*99 service. Or complete the attached reply card and drop it in the mail. It's really that easy.

Calling beyond Connecticut is provided by SNET America, Inc.

ATTACHMENT B

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Section: Drivers

Fixed Price: Going Once ...

David Ticoll

Believe it or not, "open markets" can benefit the sellers as much as they do the customers.

Is fixed pricing on its way out? We're starting to see signs that this might be happening in both business and retail transactions, even in markets where fixed price has never been entirely dominant. Consider these online businesses:

- Priceline lets consumers "name their price" for air travel, hotel rooms, cars and mortgages. In exchange for these deals, buyers give up specific control over choice of supplier (which airline, for example) and other conditions of the deal (they can pick the date of travel, say, but not the number of stops).

- Onsale has a healthy auction business in overstocked and slightly obsolete electronics and other products. Many of these products were traditionally sold at discount; now they've shifted to a more lucrative auction model.

- Bill Hambrecht-lately of the investment firm Hambrecht & Quist, which he founded-is launching a new business. It will use a Dutch auction format (which begins at a "high" price and moves downward) to price and allocate shares of initial public offerings (IPOs). Hambrecht's approach takes pricing power away from investment banks and will be a lot cheaper for issuing companies. And anyone will be able to vie for access to new issues, not just the underwriters' favorite clients.

- A new startup called FreeMarkets is challenging the way businesses conduct competitive procurement. The traditional "sealed bid" approach gives vendors a modicum of price protection, but FreeMarkets has developed a new process for setting up and running real-time bidder auctions. Buyers like Caterpillar and Siemens claim to have saved 20 percent or more over the old way of doing things.

These new "open market" models are certainly in the interest of customers, who gain in choice and often in price. But, surprisingly, they often benefit sellers as well. Onsale's suppliers are getting rid of more stuff-faster and for better prices. Hambrecht's issuers will save on road shows (which will be done over the Net) and will likely get prices much closer to the skyrocketing first-day values now enjoyed by "flippers."

Why is this happening? Open markets prevail where the "transaction costs" associated with real-time price negotiation are lower than the variable range of price uncertainty. It's not worth a consumer's while to negotiate the price of a bottle of milk every time she goes to the supermarket. But if she could force several supermarkets to compete over discounts in exchange for her long-term business, it might be worth it. The Internet makes such things possible: It reduces the costs associated with time, distance and demand aggregation that have restricted mass-market price negotiation.

All this will apply to a variety of telecom businesses. We will see the emergence of a new class of companies that aggregate customer demand segments and force suppliers to aggressively compete for long-term (and even short-term) commitments.

Price discovery mechanisms, which subtly define the advantages and disadvantages of various players, are also going through a period of change. Priceline has even convinced the U.S. government that its price discovery model is worthy of a patent. The Securities and Exchange Commission has accelerated its battles with NASDAQ, the American Stock Exchange and others in order to level the price discovery playing field in the securities industry.

Telecom companies need to prepare for the opening up of this new frontier and identify the opportunities and threats that it represents. It might be a good idea to talk to some of your folks who learned the auction game at the feet of the Federal Communications Commission about how to apply their knowledge to the emerging price discovery markets for telecom companies and their customers.

David Ticoll is managing director and CEO of the Alliance for Converging Technologies (Toronto), a research and consulting firm that specializes in innovative business strategies for the digital economy. He can be reached at dticoll@actnet.com.