

Carolina Tel & Tel's Excess Dividend Payments to Sprint Corporation \$ thousands				
	1998	1997	1996	Total
N.C. Tel & Tel Dividend Paid to Sprint Corp.	\$ 92,476	\$ 94,108	\$ 90,373	\$ 276,957
N.C. Tel & Tel Fair Share Dividend	\$ 17,865	\$ 25,464	\$ 25,982	\$ 69,311
N.C. Tel & Tel Excess Dividend Paid to Sprint Corp.	\$ 74,611	\$ 68,644	\$ 64,391	\$ 207,646
Source: Calculation based on data in FCC, <i>Statistics of Communications Common Carriers</i> , Table 2.9, various years.				

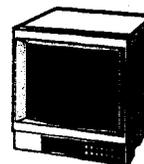
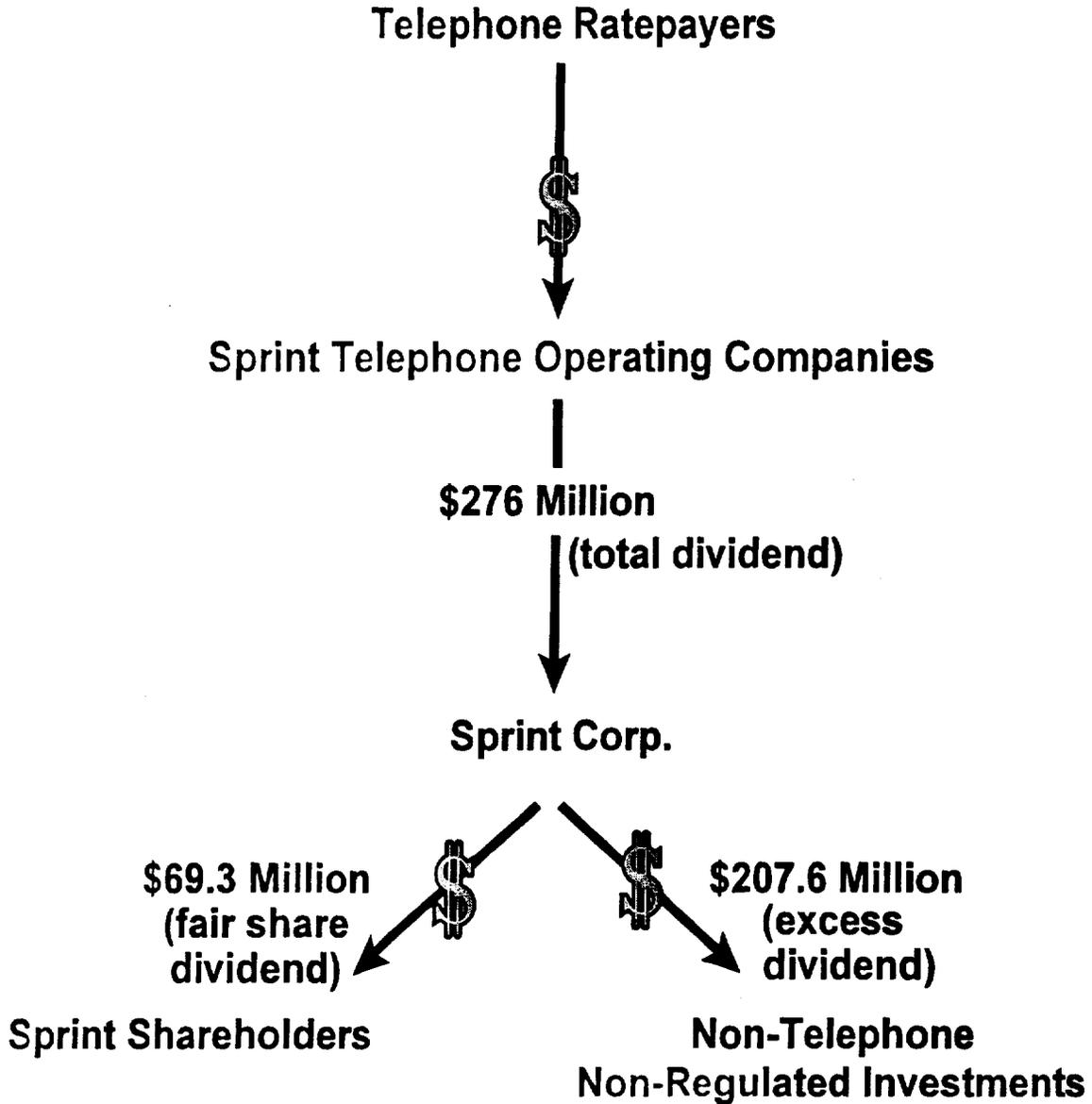
Over the three-year period from 1996 to 1998 (the most recent year for which data is available), Carolina Tel & Tel, which is Sprint's largest local telephone company in the state, contributed \$207.6 million in excess dividends to Sprint Corporation.⁶

We calculate the excess dividend payment as follows. First, we determine the total dividend payment that Carolina Tel & Tel made to Sprint Corporation over each of the three years, 1996-98. According to data provided by Sprint to the FCC, Carolina Tel & Tel's total dividend payment to the parent company over the three years was \$276.9 million. (See box above and chart on next page.) Second, we calculate a fair share dividend payment. We calculate the fair share dividend payment based upon Carolina Tel & Tel's share of shareholder equity in Sprint Corporation.⁷ Based on this calculation, Carolina Tel & Tel's fair share dividend contribution to Sprint Corporation for these three years is \$69.3 million. We then find the difference between

⁶ The FCC data upon which this analysis is based does not isolate out the financial data for Sprint's smaller North Carolina local telephone company, Central Tel of Carolina. Therefore, we confine our analysis to North Carolina Tel & Tel, which represents more than 80 percent of Sprint's total access lines in North Carolina. If financial data for Central Tel of North Carolina were included in this analysis, the total amount of N.C. ratepayer money diverted to subsidize Sprint Corporation's corporate dividends and non-local telephone operations would be even higher. All calculations based on data in FCC, *Statistics in Communications Common Carriers*, Table 2.9, various years. A detailed description of the methodology is provided in the Appendix.

⁷ Carolina Tel & Tel's share of shareholder equity varies from 4.2 percent in 1998, 5.9 percent in 1997, and 6.2 percent in 1996. We multiply Sprint Corporation's total dividend payments each year (\$430.3 million in 1998; \$430 million in 1997; \$419.6 million in 1996) times Carolina Tel & Tel's percentage of corporate shareholder equity to determine Carolina Tel & Tel's fair share dividend for each year.

TRACING THE CASH FLOW - 1996-98



Wireless, long distance, data networks,
foreign, new telecom services

Carolina Tel & Tel's actual dividend contribution and the fair share dividend contribution. The difference is the excess dividend payment, which amounted to \$207.6 million from 1996-98. The excess dividend payment was \$74.6 million in 1998, \$68.6 million in 1997, and \$64.4 million in 1996. (For a more detailed description of the methodology, see the Appendix.)

The \$207.6 million in excess dividends over the three-year period are local ratepayer-generated profits that were not available to Carolina Tel & Tel to invest in its local network.

To understand how much Sprint has been using local ratepayer money to finance other corporate divisions, we calculated the percent of Carolina Tel & Tel's profits that Sprint Corporation has taken over the past three years in dividend contributions. In 1998, Carolina Tel & Tel's \$92.5 million in dividend payments exceeded its \$74.8 million in profits by \$17.7 million. In other words, last year Carolina Tel & Tel's dividend payment to the parent company equaled 123.6 percent of profits. In the two prior years, Carolina Tel & Tel's dividend payments to the parent company represented 93 percent and 99.2 percent, respectively, of the local telephone company's profits. (See table below.)

N.C. Tel & Tel's Dividend Payments to Sprint Corp. Equal or Exceed Its Profits			
	1998	1997	1996
N.C. Tel & Tel Dividends to Sprint Corp.	\$92.5 million	\$94.1 million	\$90.3 million
N.C. Tel & Tel Profits	\$74.8 million	\$101 million	\$91.1 million
Dividends as % of Profits	123.7 %	93.2 %	99.2 %
Source: FCC, <i>Statistics of Communications Common Carriers</i> , Table 2.9, various years.			

IV. CWA Recommendations

Sprint's local telephone ratepayers in North Carolina are not receiving the quality telephone service for which they are paying. Local telephone company profits are not being invested in the local network, but instead are being used by Sprint Corporation to subsidize its dividends to shareholders and to finance its investments in wireless, long distance, data, and foreign networks. As a result, Sprint's local telephone networks are deteriorating, and its mostly rural customers do not have access to advanced telecommunications services.

Regulators and policymakers must ensure that Sprint lives up to its commitments to local telephone consumers and invests in next-generation telecommunications services so that our communities are not left behind in the information age.

To that end, we recommend that regulators require Sprint to meet the following commitments:

1. Increase investment in local telephone operations by \$75 million annually.
2. Accelerate deployment of advanced telecommunications services, with specific commitments by wire center.
3. Hire additional technicians to ensure prompt, efficient service. Remove the hiring freeze.
4. Re-establish in-house rehabilitation and maintenance crews.
5. Authorize overtime to ensure customers receive same day service on out-of-service calls and trouble reports.
6. Limit the payment of excess dividends.
7. Meet strict service quality standards, including public reporting requirements.

Appendix. Excess Dividend Methodology

Sprint's local telephone subsidiaries--such as Carolina Tel & Tel--pay dividends to the parent company (Sprint Corporation) from profits they generate. The dividends paid by local telephone operations to Sprint Corporation are the major source of corporate profits. Sprint uses these funds either to invest in non-local telephone businesses or to distribute them to shareholders in the form of cash dividends.

An analysis of the cash flow of these dividend payments shows that Sprint Corporation has been subsidizing shareholder dividends and investments in non-telephone subsidiaries with cash generated by its local telephone operations.

We arrive at this conclusion through the following methodology.⁸ (The data is on the next page.)

Step 1. We calculate the "fair share" that Carolina Tel & Tel should contribute in dividends to Sprint Corporation. The "fair share" is based on the percentage of stockholder equity that Carolina Tel & Tel holds in the parent corporation. In 1998, Carolina Tel & Tel's share of total corporate stockholder equity was 4.15 percent (\$516.8 million/\$12.4 billion). Therefore, Carolina Tel & Tel's "fair share" dividend contribution in 1998 was 4.15 percent of total dividends paid to shareholders of the parent company. We multiply Sprint Corporation's total 1998 corporate dividend payment of \$430.3 million times 4.15 percent to arrive at a Carolina Tel & Tel "fair share" dividend of \$17.8 million.

Step 2. We then calculate the actual share that Carolina Tel & Tel contributed to the parent company. In 1998, Carolina Tel & Tel paid Sprint Corp. \$92.5 million. This represents 21.5 percent of total Sprint corporate dividends in 1998 (\$92.5 million/\$430.3 million).

Step 3. Finally, we calculate the "excess dividend" payment. We subtract the actual dividend paid (Step 2) from the "fair share" dividend amount (Step 1) to arrive at the "excess dividend" payment. In 1998, Carolina Tel & Tel paid an excess dividend of \$ 74.6 million to Sprint Corporation (\$ 92.5 million - \$ 17.8 million = \$74.6 million).

⁸ The source for the data is the Federal Communications Commission, *Statistics of Communications Common Carriers*, Table 2.9 (Statistics of Reporting Local Exchange Carriers), for the years ended Dec. 31, 1996, Dec. 31, 1997, and Dec. 31, 1998. The FCC data upon which this analysis is based does not isolate out the financial data for Sprint's smaller North Carolina local telephone company, Central Tel of North Carolina. Therefore, we confine our analysis to Carolina Tel & Tel, which represents more than 80 percent of Sprint's total access lines in North Carolina. If financial data for Central Tel of North Carolina were included in this analysis, the total amount of N.C. ratepayer money diverted to subsidize Sprint Corporation's corporate dividends and non-local telephone operations would be even higher.

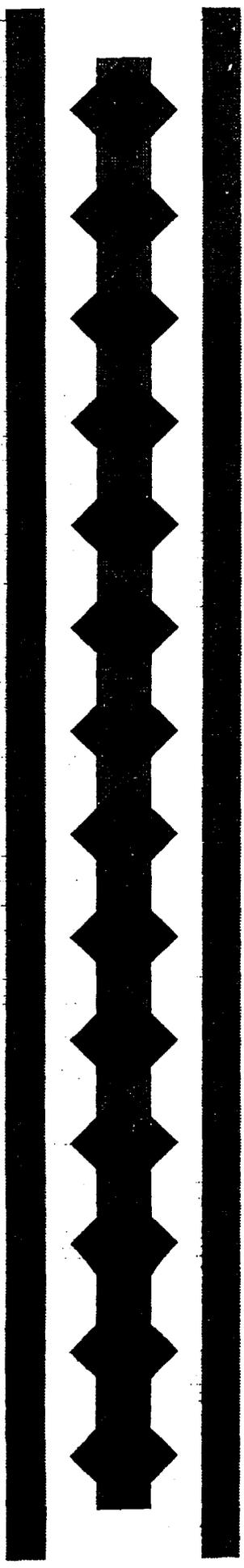
We repeated these steps for 1997 and 1996. The excess dividend in 1997 was \$68.6 million. The excess dividend in 1996 was \$64.4 million. The total excess dividend for the three years was \$207.6 million.

The excess dividend represents the subsidy that the local telephone company provides to Sprint Corporation.

Excess Dividend Analysis Sprint's Carolina Tel & Tel \$ thousands							
	Stockholder Equity		Step 1		Step 2		Step 3
	NC Tel & Tel	Sprint	Fair Share %	Dividend \$	Actual %	Dividend Paid \$	Excess Dividend
1998	\$ 516,825	\$12,444,300	4.15 %	\$ 17,865	21.5 %	\$ 92,476	\$ 74,611
1997	\$ 534,465	\$9,025,200	5.92 %	\$ 25,464	21.9 %	\$ 94,108	\$ 68,644
1996	\$ 527,552	\$ 8,519,900	6.19 %	\$25,982	21.5 %	\$ 90,373	\$64,391
Total	N/A	N/A	N/A	\$69,311	N/A	\$276,957	\$207,646

Note: Sprint Corporation's total dividend payments in each year were: 1998: \$430. million; 1997: \$430 million; 1996: \$419.6 million.
Source: Calculation based on data in FCC, *Statistics of Common Communications Carriers*, Table 2.9 (Statistics of Reporting Local Exchange Carriers, for the years ended Dec. 31, 1996, Dec. 31, 1997, and Dec. 31, 1998.

Sprint Loyalty Program



CSO Training

April 2000

◆ Overview



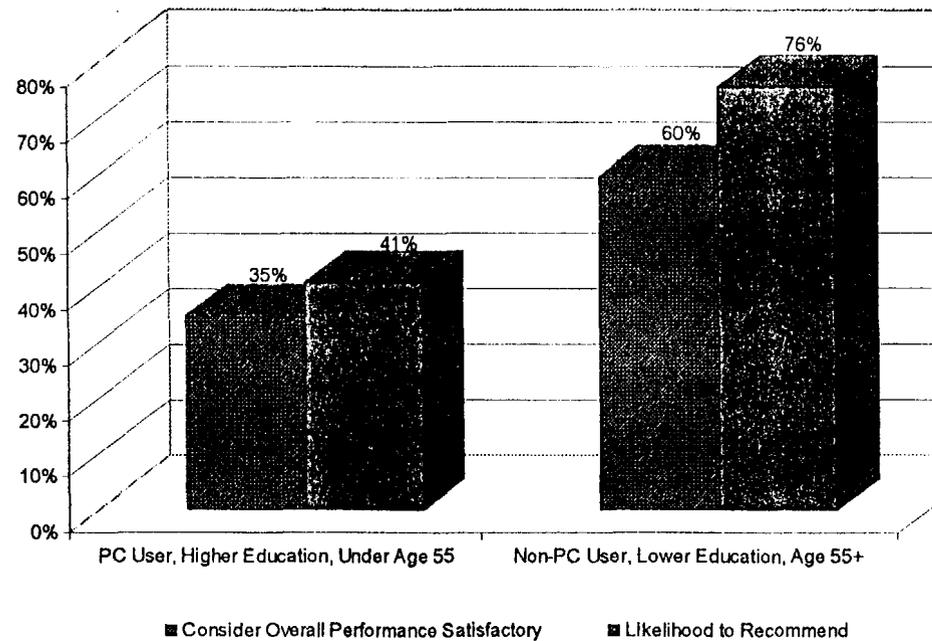
- ◆ Why We Need a Loyalty Program
- ◆ What the Loyalty Program Is ... and Is Not
- ◆ What Makes a Customer “Diamond”
- ◆ Diamond Customer Profile
- ◆ Loyalty Implementation Schedule
- ◆ What the Loyalty Program Means to You

◆ Why We Need a Loyalty Program

◆ In a recent study, Sprint tied for the lowest overall customer satisfaction index.

◆ Our own internal survey shows that those customers we value the most are the least satisfied.

LTD Consumer Satisfaction



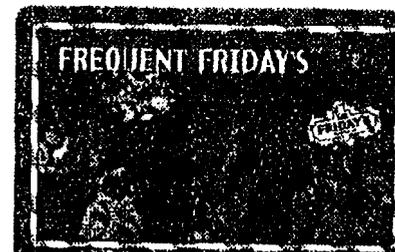
◆ Why We Need a Loyalty Program



- ◆ Companies large and small have loyalty programs designed to reward their best customers for their business.



- ◆ Customers today expect more from those companies with whom they spend more.



◆ **What the Loyalty Program Is ... and Is Not**



The Loyalty Program is...

- ◆ **A way to recognize and reward our best customers, called “Diamonds.” (All other customers will be “Sterling.”)**
- ◆ **A way to increase satisfaction among our best customers and, therefore, increase sales and decrease churn**

◆ What the Loyalty Program Is ... and Is Not



The Loyalty Program is NOT...

- ◆ a program that gives preferential treatment to one customer over another. All customers, both Diamond and Sterling, will continue to receive the same level of customer service they receive today from Sprint.

The principal difference between a Diamond customer and a Sterling customer is the level of communications they receive from Sprint. Beginning next year, Diamond customers will receive premium offers, special discounts and special marketing communications that Sterling customers will not receive.

◆ **What Makes a Customer Diamond**

- ◆ **Sprint Solutions 3.0**
- ◆ **Other Bundles Plus Additional Services**
- ◆ **Multiple Products and Services**
- ◆ **ISDN or DSL**
- ◆ **High Sprint LD or PCS use**

◆ **Diamond Customer Profile**



- ◆ **Half of all customers will be tagged as “Diamond.” All other customers will be referred to (internally only) as Sterling.**
- ◆ **For now, neither Diamond or Sterling customers will know that they are Diamond or Sterling.**

◆ Loyalty Implementation Schedule

- ◆ Phase I: Early Life Telemarketing
March / Nationwide
- ◆ Phase II: Loyalty Customer Treatment
May 2000 / Nationwide
- ◆ Phase III: Diamond Controlled Trial
July 2000 / Fayetteville, North Carolina
- ◆ Phase IV: National Diamond Program Launch
First Quarter 2001 / Nationwide

◆ Loyalty Implementation Schedule

◆ PHASE I: Early Life Treatment

- Objective: Improve satisfaction and reduce early-life product churn
- Early-Life Telemarketing Call
 - Call made within 45 days of order
 - Assure customer satisfaction with order
 - Make upsell offer (where permitted by law)

◆ Hand-Held: Trouble Order View

Number:	6085836	Phone Number:	9135551853	Assoc.:	
Dispatch		Appointment		Commit	
Date:	03/24/00			Date:	03/24/00
Time:	6:45PM	Time:	10:15AM	Time:	12:00PM
				Type:	
				Class:	11
				PL:	
Name:	ROBERT / GAN BOECKEL				
Address:	44851 W. BECKETT LANE				
Description:	KITCHEN JACK OD				
Date of Last Trouble:	07/21/93	OOS:	V	DEV:	1
		Essentl.:		LNP:	A
COAM:		Subseqnts:	Y	CAT:	01
CIR/EXT:				MOM:	
				Loyalty:	D

◆ Hand-Held: Service Order View

Order:	6085036	Supplement:		CS:		Coam:	
Phone #:	9135551853	Rep:	DAP	Est:		Bill Ind:	
Work Unit:		Appl. Date:	//	Ol:	01	Loyalty:	D
Name:	ROBERT / GAN BOECKEL						
Address:	44851 W. BECKETT LANE						
Old Ph #:		Due Date:	03/24/00	A	Appointment Date/Time:		
Dispatch:	03/24/00	6:45PM	Rev Due Date:	//			
CIR/EXT:							
Related Order:							

◆ Loyalty Implementation Schedule

◆ PHASE III: Diamond Controlled Trial

- Test 'Full' Diamond Treatment
 - Diamond Customer Service
 - Diamond Marketing Communications
- Trial Objectives
 - Evaluate operational readiness
 - Evaluate impact on customer satisfaction
 - Make adjustments before national launch

◆ Loyalty Implementation Schedule

◆ PHASE IV: National Diamond Launch

- Full Diamond program rolls out
 - 1st Quarter 2001
 - Learnings from Fayetteville will be applied
 - 18 States

◆ CSO Employees: What The Loyalty Program Means to You



◆ Beginning May 1, on every customer contact, check your hand-held terminal for the Diamond indicator. If Diamond, then reinforce Loyalty customer message.

For example:

"Mrs. Smith, I know you are one of our best customers so, on behalf of Sprint, I want you to know that your satisfaction is very important to us and we look forward to serving you again soon."

■ **REMEMBER:**

Our Diamond customers won't know that they are Diamond until January 2001. So, until then, never use the word "Diamond" when talking with a customer. Refer to a Diamond customer only as "one of our best customers."

Our past, our future
Competition is here
With challenges come opportunities
The Laser Team
7 key areas of focus
The payoff
Next steps

The Laser Team

Recognizing the challenges posed by the changing telecommunications environment, the LTD leadership team several months ago assembled a special group to examine the situation and to recommend solutions. The group became known as the Laser Team, after it became clear that the LTD's success in the new environment would require pinpoint precision and unswerving focus on business priorities.

The Laser Team consisted of:

- Joni Lindquist, Assistant Vice President – Business Planning & Development (team leader)
 - Howard Bingham, Director – Systems Development, Information Services
 - Greg Block, Director – Financial Economic Analysis, Finance Decision Support
 - Helen Long Chivers, Manager – Service Operations, Business Markets
 - Donna Clawson, Director – Service Center Projects, Customer Service
 - Mickey DeChellis, Director – Access Products, Carrier Markets
 - Gerald Piper, Director – Market Planning, Consumer Markets
 - Rob Shields, Director – Logistics, Network
 - Mike Werth, Director – Business Strategy, Business Planning & Development
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7 key areas of focus

The Laser Team recommendations -- which have been approved by the LTD leadership team and by

