

NETWORK!

AN ELECTRONIC NEWSLETTER FOR THE PEOPLE OF AT&T NETWORK SYSTEMS

Rich McGinn passes the baton

Rich McGinn passed the baton of leadership to a familiar face during Network Systems' fourth-quarter broadcast and announced that for the second year in a row, NSG is an EVA-positive business.

McGinn, now president and chief operating officer for the new systems and technology company, introduced Dan Stanzione as NSG's

"You did heroic work in 1995, despite a great number of distractions ... everyone kept their eyes on the right targets. And it paid off."

—Rich McGinn

new president and thanked NSG people for their performance last year.

Hard work pays off

"The people of Network Systems have a lot to be proud of," said McGinn. "You did heroic work in 1995, despite a great number of distractions. It would have been easy to give up or give in, but everyone kept their eyes on the right targets. And it paid off."

NSG turned in a record December, a record quarter and a record year. McGinn said NSG's "superb fourth quarter made a significant contribution to the corporation."

NSG's CVA achieved a five-point improvement over 1994 results by posting a 1.02 mark. NSG

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Stanzione talks about the future of NS

Customers. Flawless execution. Investing in people. Innovation. Systems and processes. These are the priorities that Dan Stanzione, the new president of Network Systems, laid out to employees at the first quarterly broadcast for 1996.

"I feel fortunate to be back at Network Systems at such a critical time," said Stanzione. "And I think the last year brings me back with a fresh and optimistic perspective. In my brief time as somewhat of an 'outsider' at Bell Labs, I saw clearly just what a force NS is, and can be, in the broad networking industry."

Customers and flawless execution

"When I left NS, we were having success following a strategy that focused on time, team and customer. I'm convinced that strategy is right. But we must focus on world-class

execution to make that strategy work."

According to Stanzione, the customer must be the highest priority at NS. "The more time we spend with customers, the more we get to understand them and their requirements," said Stanzione. "But a large part of that focus on customers is flawless execution."

"For flawless execution, we must have clear objectives and a management system to review objectives and results. We're working on that as well, and at this point we have agreed to revitalize Policy Deployment as a central part of our management system."

Investing in people

"Another top priority will be making the right investments in the people of NS," said Stanzione. "Effective execution of our strategy

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AT&T and NS's Unit Award announced

AT&T Performance Award

The AT&T Performance Award (APA) recognizes AT&T's overall success. APA is equal to 5 percent of earned base salary when AT&T achieves 100 percent of its Economic Value Added (EVA) target. The 1995 APA is 5.54 percent of individual earned base salaries for those employees in the AT&T Management Pay Plan (A-D) and the Technical Personnel Plan (TPP).

Unit Performance Award

The Unit Performance Awards (UPA) recognize business unit -- in this case NS's -- performance based

on achievement of the unit's EVA target, plus other measures determined by individual units. For 1995, NS had positive EVA and achieved Measured Operating Income thresholds for UPA payout.

The 1995 UPA for employees on the MPP(A-D) and TPP is 4.85 percent of earned base salary.

"Every member of the NS team had a part in our success in 1995," says Rich McGinn, president and chief operating officer of the new systems and technology company. "I want to thank you for your contributions to our performance and the success of the corporation."

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Stanzione talks about the future of NS Continued from Page 1

depends on having talented people who are informed, skilled and disciplined and focused. A business cannot grow if its people are not growing."

"I'm committed to providing strong targeted educational and training opportunities, challenging and varied job assignments and

strong performance management. The people of NS deserve nothing less and the business can afford nothing less. I believe it's at the heart of PVA -- how people think and feel about our business -- and at the heart of the business -- having the industry's most capable and productive people."

Innovation

Stanzione acknowledged that the industry is undergoing enormous change, much of it driven by deregulation, globalization and innovation. "The golden age for innovation in our business is still ahead of us," said Stanzione. "The technol-

ogy forces in networking -- silicon, software, photonics and radio -- are all propelling us forward at an accelerating pace."

"The technology energy in those forces is fueling major revolutions in networking, in the distribution part of the network, in wireless and in data networking. We can be leader in all four."

Systems and processes

"Doug Lewis, the chief information officer (CIO) for our new company, and I are committed to getting our information systems overhauled and into the 1990s," said

Stanzione. "The CIO organization is excited about what they can do in the new systems and technology company. But this is more than commitment and excitement. It's a business imperative."

"We'll be working together to turn promises into reality that will make us all more effective in serving customers in this Information Age." □

"I'm committed to providing strong targeted educational and training opportunities, challenging and varied job assignments and strong performance management."

*-- Dan Stanzione,
NS President*

Rich McGinn passes the baton Continued from Page 1

also achieved a 7.6 out of a possible 10 rating in the Customer Satisfaction Average.

Need to focus on "people" issues

For the most part, NSG PVA results remained flat. "We have a lot of work to do in this important area at a time when all of us will be deeply engaged in building a new company," said McGinn. "But I believe that the work we accomplished is evidence that we can do some pretty amazing things when the going gets tough."

McGinn also addressed two pressing questions many NSG people were wondering about: When will the new company have a

name? and, when will we file our registration statement with the Securities and Exchange Commission? McGinn said the answer to both questions is "soon."

Looking ahead

McGinn ended his presentation with gratitude for the past year and confidence in the new leadership.

"I've been proud to serve this wonderful team, and I look forward to supporting you in my new role as President and Chief Operating Officer for our new company," said McGinn. "I'm particularly pleased that I'll have the pleasure of working with Dan Stanzione, who has taken over the leadership reins of this business." □

APA & UPA Continued from Page 1 Who it applies to

The UPA was designed for NS's U.S. and U.S.-expatriate employees. This award does not apply to occupational employees. Host country employee members of other companies affiliated with NS are governed by the compensation plan of their respective company and country and are not eligible for this award.

Here are answers to some frequently asked questions:

Q. When will these awards be paid?

A. Payouts of the UPA will be made along with the APA and Merit Award components of the MPP/TPP in March 1996.

Q. Does an employee have to meet any specific criteria to be eligible for the APA or UPA?

A. Employees must meet a minimum of 88 days as an AT&T employee active on payroll during the performance year and meet minimum performance criteria. Not eligible are those with unsatisfactory performance, those dismissed from AT&T prior to payout date for reasons other than reduction, downsizing, facility closing, and those who resign prior to the last working day of the year. □

More to come:

In the next issue of NETWORK! we'll summarize some of the Q&As from the quarterly broadcast and we'll answer more of the questions that didn't get on the air.

AT&T reports earnings

AT&T, reflecting a previously announced fourth-quarter charge, reported a quarterly loss of \$2.68 billion, or a negative \$1.67 a share. Without this charge, net income for the quarter was \$1.50 billion, or 94 cents a share. Net income for the year-ago quarter was \$1.34 billion, or 85 cents a share.

Revenues rose nearly 5 percent for the quarter to \$22.13 billion, compared with \$21.11 billion in the same period last year. The company said that the revenue increase was fueled primarily by growth in long-distance and wireless services revenues, as well as increases in sales of network telecommunications systems and business telephone systems. Total 1995 revenues were \$79.61 billion, a 6 percent increase over 1994 revenues of \$75.09 billion.

Products and systems

Product sales increased 6 percent over the same quarter last year to \$7.51 billion, and nearly 6 percent for the year to \$22.41 billion, with most units showing strong growth in sales both within and outside the U.S. Revenues from the sale of network telecommunications equipment showed robust improvement for the quarter and the year.

Total sales increased more than

ISDN forum established

Network Systems, 3Com Corp., Ascend Communications Inc., and U.S. Robotics Inc., recently established the ISDN Forum, an industry-wide group whose purpose is to make Integrated Services Digital Network (ISDN) more accessible to small businesses and consumers.

The Forum will promote the market's use of ISDN for applications such as Internet access, telecommuting and videoconferencing. The Forum's first effort will be to make ISDN installations more transparent to the end-user.

ISDN allows the digital transmis-

sion of voice, images and data to go across copper telephone lines. Its transmission speed has made it increasingly popular for applications such as Internet access and telecommuting. "NS will provide initial technical specification proposals for the Forum's first ISDN initiatives," says George Foley, NS data networking director. "We'll also support development and interoperability testing at our Bell Labs facilities."

Membership in the ISDN Forum is open to all ISDN industry stakeholders. □

23 percent over the prior-year record quarter to \$4.10 billion and nearly 9 percent from the all-time high a year ago to \$10.66 billion. International revenues also rose briskly, led by strong sales in Saudi Arabia and China. Sales of communications products to businesses and consumers increased more than 3 percent over the prior-year quarter to \$1.51 billion and 9 percent for the year to \$4.90 billion.

The largest gains were posted in sales of voice processing systems for businesses, and cordless phones. Sales from the microelectronics unit were exceptionally strong, resulting in its second consecutive quarterly record.

In its coverage on AT&T's earnings release, *The Wall Street Journal* said, "AT&T's main equipment arm, Network Systems, had experienced a 6 percent drop in revenue in the third quarter from delayed spending by the Bell companies and other customers. But in the 1995 fourth quarter, Network Systems revenue grew to \$4.08 billion -- a 24 percent increase from what had been a record quarter a year earlier. International sales of switching and transmission gear were brisk, AT&T said." □

NS provides one-stop shopping

With Network Systems' new HomeStar® Wiring System, homeowners can connect to a whole host of interactive products and services from any system outlet in the house.

Advanced services

Consumers with one VCR or satellite dish will now be able to see those programs on any television in the house that is wired into the system. Likewise, home computers can be networked so that a document created on a computer in one room can be sent to a shared printer elsewhere in the house.

Networking innovations

US Tec of Canandaigua, NY, will market, distribute and install the HomeStar Wiring System nationwide to builders, home-system specialists and homeowners.

Based on the size and scope of a home network, the price for an installed system begins at \$900.

"The HomeStar Wiring System capitalizes on Bell Laboratories' networking innovations; on Network Systems' experience in designing and installing complex, private telecommunications networks; and on US Tec's home wiring experience," says David Laughland, Global Private Systems vice president. □

Questions about restructuring? Call:

800-336-6939

(for U.S. calls)

908-204-2145

(for calls outside the U.S.)

908-204-4816 (fax)

800-648-0340 (TDD)

attmail@cerc

(electronic mail)

Around the business

Consumer Products decides to rely on national and regional distribution phone center chains

Consumer Products announced last week that it will close its 338 Phone Center stores and rely instead on national and regional retailers and communications service providers to distribute its products.

Employees affected by the decision, approximately 420 managers and 2,050 union-represented associates, were informed of the decision during face-to-face meetings held last week. Located mainly in malls and retail districts in major metropolitan areas across the country, the stores will begin closing in the next few weeks.

Affected management and union-represented employees soon will receive details of their specific separation plan. For associates, all union contract provisions will be honored. Depending on their length of service, associates can receive up to 104 weeks of pay. Managers who must ultimately leave the business will receive up to 35 weeks of pay depending on their length of service. A wide range of career, counseling, outplacement and financial support programs also are available to all affected employees.

Consumers who have purchased items from Phone Centers can be assured that all existing warranties and service contracts on AT&T products will be honored. Customers still will be able to buy AT&T telephone products at more than 17,000 retail outlets such as Sears, WalMart, Service Merchandise and other national and regional merchants.

These retailers account for about two-thirds of AT&T's consumer products sales annually. Information is already included in all product packaging that tells customers how to contact AT&T with questions, how to obtain technical support and how to return products for repair or service. Consumers who have questions about return or repair of AT&T products can call 800-222-3111. Lease customers can call 800-555-8111 for the location of the nearest authorized service agent.

GBCS offers guarantee against fraud

AT&T's Global Business Communications Systems (GBCS) announced a guarantee against phone fraud that requires no deductible, no cap and no monthly fee. The only cost is a one-time \$150 service activation charge.

The AT&T DEFINITY® Service Agreement now provides detailed guidelines and audits to protect against the theft of long-distance service, and reimburses customers for international service theft when they follow the guidelines. AT&T systems covered include the DEFINITY Enterprise Communications System (ECS), System 75 and System 85.

"This is the first time a company has offered -- as a value-added part of its service agreement -- a guarantee against financial loss from phone system fraud," said Curtis Weeks, vice president of services for GBCS. "Our willingness to offer this kind of protection underscores our confidence in the safeguards built into our communications systems."

Profiles Program closes its doors

Due to a restructuring and refocusing of its business, AT&T Universal Card Services (UCS) has closed its Profiles Program effective at the end of January.

This program has been used by hundreds of AT&T sales teams who have brought customers to tour UCS' Jacksonville, Fla., headquarters and has also been a vehicle through which UCS managers have given speeches across the country.

UCS has determined its Profiles Program resources need to be redirected to supporting other parts of its business. Accordingly, UCS will no longer grant requests to tour its facilities or supply speakers through the Profiles Program. □

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