

NETWORK!

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

Mum's the word ...

As A&T restructures and the new companies form, exposure to sensitive proprietary information will increase. Employees must remain mindful of their responsibilities to protect the proprietary information entrusted to them.

Some key points

While no set of guidelines can apply to all possible situations, the following key points will help employees exercise their responsibilities when handling proprietary information:

- Employees should be aware of the proprietary information they have or know about.
- Identify, classify and mark all documents with the appropriate designation.
- Limit the distribution of proprietary information to people with a need to know.
- Adhere to a clean desk policy. Desks and files should be locked, especially after hours.
- Proprietary information must be locked up whenever employees leave their work area.
- Employees should be aware of their surroundings and not discuss proprietary information with anyone outside the company or in general presence of others -- while traveling, when using telephones, at social functions etc.
- Before presenting a proprietary talk ensure that the audience is authorized to receive the information.
- Employees should not attempt to answer outside inquiries

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MCI signs letter of intent with NSG

Competition can do strange things to industries. It can split companies up, bring companies together and turn arch rivals into valued customers.

Recently, MCI signed letters of intent with NSG, Ericsson and Northern Telecom to obtain wireless system equipment for their new package of turnkey wireless solutions called networkMCI WIN (Wireless Integrated Network). NSG and the other suppliers will supply MCI with radio network design, site selection/acquisition and construction.

National capabilities

NetworkMCI WIN is targeted to existing wireless companies, small businesses and entrepreneurs want-

ing to get their wireless Personal Communications Services network up and running as soon as the spectrum is auctioned off later this year.

"The WIN package can transform a new license holder into a fully operational wireless company with national capabilities," says Herman W. Bluestein, MCI vice president of Wireless Strategy and Development. "Just owning a license isn't enough. To compete, you have to get a system up quickly with features such as nationwide roaming; you have to take advantage of an intelligent network, and be able to support and bill for these services via a sophisticated back office. This is what MCI's WIN package offers any wireless operator." □

Exercise good judgment, says McGinn

The following is a letter to all employees from NSG CEO Rich McGinn.

Financial results for October are completed and we once again find ourselves with unacceptably high period expenses and overspending in many areas of Network Systems. We are slightly over our budgetary targets for spending. More importantly, we are significantly over our spending given how software sales are. Our spending must be tied to our sales, not some predetermined budget levels.

As you know, this is a very critical period for us. We're not only playing for-fourth-quarter results, we're playing for the successful launch and the future success of our

business. Every expense dollar we save goes directly to the bottom line, and we owe it to ourselves and to the entire AT&T organization and shareholders to produce the strongest possible financial performance.

"ASK" campaign

In previous years we've used "STOP" campaigns imposed from the top of the business to curtail spending. While these campaigns have successfully produced significant savings that's not the culture of a company that's aspiring to be a world-class leader.

Instead of a "STOP" campaign imposed by me or other senior leaders, I invite each of you to actively participate in an "ASK" campaign

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Going Public -- What's an IPO

The wheels are in motion to launch the new communications systems and technology company early next year. NSG people are making every effort to ensure that NSG produces excellent year-end financial results before shares in the new company are offered for sale.

Following is an explanation of the IPO process that will occur in early 1996.

Complying with federal law

An IPO is an "initial public offering" of securities. Under federal law, before a company can offer or sell its securities to the public, it must file a document called a registration statement with the U.S. Securities and Exchange Commission (SEC) in Washington, D.C.

This document discloses facts about the business, structure, management, plans, properties, markets and competitors of the company that are pertinent to a decision to buy the stock. Most of these facts are disclosed in the "Prospectus" part of the registration statement.

Potential investors

Once a registration statement is filed, a company can make "offers" to sell its securities, but cannot actually accept money for the securities.

Although the SEC does not technically "approve" a registration statement or its prospectus, it does review them. While the SEC is reviewing the registration statement, the prospectus (booklet) may be circulated to potential investors through securities dealers. When

the review is completed (it typically takes six to eight weeks from the filing date) the SEC announces that the review is complete, that it has no further comment on the filing and that the registration statement is, therefore, "effective." Once a registration statement is effective, sales of securities can begin and money can change hands.

New company

AT&T plans to create a new company, currently referred to as the communications systems and technology company, and place assets and people in it.

This new company will file a registration statement with the SEC on Jan. 31, 1996. In order to have a meaningful prospectus, the new company will have to be well-formed by that date. It is expected the registration statement will be effective early in the third quarter, whereupon the new company will sell 15 percent of its shares to members of the public. AT&T will own the other 85 percent of the shares.

Launching a company

After the shares have traded for a while and the company is successfully launched, AT&T will take the 85 percent securities interest it retained and distribute them to existing AT&T shareowners. At that point, the new company will be owned by the people who bought the initial 15 percent and by people who also own AT&T shares. The new company and AT&T will have no formal equity or share interests in each other. □

Leadership Feedback needs attention

One way to ensure the new systems and technology company's success is to make sure that the behaviors of NSG people are aligned with NSG's values. The Leadership Values Feedback Process (LVFP), one element of the People in Action program, is designed to do just that.

Action plans

In January 1995, the NSG Quality Deployment Matrix team named LVFP as one of its two People Value Added targets. For 1995, 100 percent of officers, executive levels and direct support supervisors should be implementing action plans. As of Oct. 31 more than a third of the leadership had met this commitment.

Why isn't NSG's leadership closer to its 100 percent goal? Clearly trivestiture activities have cut deeply into available time. This is real and has to be acknowledged. Yet, LVFP takes only four hours. And four hours isn't much time to dedicate to a conscious consideration of NSG's behaviors -- integrity, respect, teamwork, innovation and dedication to customer.

Executives and supervisors who have not yet met their LVFP commitment, should set a team feedback meeting date and honor that commitment.

For questions and additional information, call Lorraine Parker on 201-606-2161. □

Mum's the word

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- unless authorized to do so.
- Challenge and identify unescorted visitors.
- Protect passwords. Passwords are Proprietary - Restricted information.
- Log off and lock up when leaving a computer for ANY amount of time.
- Employees who have questions, concerns or need assistance with any security related matter, should contact Bob Matthews on 201-606-2554. □

Restructuring call in numbers for employees:
1-800-336-6939
(for U.S. calls)
908-204-2145
(for calls outside the U.S.)
908-204-4816 (fax)
1-800-648-0340 (TDD)
attmail!cerc
(electronic mail).

Broadcast Q&A

Q. How does the restructuring of AT&T affect the qualifications for the AT&T scholarship programs? The scholarships have been renewable for four years. What happens if the winner's parents move to the new systems and technology company?

A. The children of all current AT&T occupational and management employees are eligible to apply for college scholarships which are renewable for four years. Applications for the 1996-1997 AT&T Scholarships must be submitted by Dec. 15, 1995.

A steering committee has been formed to work out the details of program administration during and after the transition to separate companies. The intent of the committee is to honor the renewable nature of the awards, but the logistics haven't been determined.

Q. Will profit sharing for occupational employees continue in the new company similar to what we have today?

A. The terms of the current Shares for Growth program will be honored through 1998. Specific compensation plans, including various profit-sharing options for all employees, have not been determined for the new systems and technology company.

Q. Will the management salary plan stay the same in the new company with increases yearly according to performance? Will merit raises stay in effect? Will our benefits stay the same, get better or decrease? Will the vacation program stay the same?

A. Compensation plans -- including salary treatment and benefits packages -- for management employees in the new business have not yet been determined.

Q. How soon will we know where people will be working?

A. The individual companies will have a good sense of their business plans, structure and division of assets by mid-November. They will also have reached preliminary agreement with the leaders of the corporate support functions about the design of those functions in the new organization. During December, initial employee assignments will be completed by the new companies. By the Jan. 15, all people will know their individual job status.

Q. Would any potential "buyout" be available for occupational as well as management employees?

A. At this time, no changes are anticipated in the occupational force management process. Information specific to the occupational deployment and force management process will be forthcoming.

Q. Will the different companies -- the new AT&T and the new systems and technology company, for example -- operate out of the same buildings?

A. Yes. The Global Real Estate organization is currently working on shared occupancy agreements for the facilities currently used by more than one AT&T unit. The agreements are expected to be in effect for several years.

Q. What are we doing to improve the supply situation? We have many products on back orders. What is our policy going to be on our lack of commitment to customers?

A. The demand for NSG products has exceeded planning levels and component shortages have made increased production difficult. NSG's internal supplier of printed wiring boards is operating at full capacity, while worldwide output of several commodity type technologies is at ceiling levels. Efforts to expedite have resulted in outsourcing printed wiring boards

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to control expenses. The concept is simple: before you commit to any expenditure, ASK yourself if the benefits are worth the cost to the business. If the answer is "no," you're not sure, or the expenditure can wait ... don't spend the money. In other words, stop yourself from spending. Only you can make the decision on how best to avoid or dramatically reduce spending.

Benefits to the business

The benefits to the business can be significant in many ways. I had many people tell me that when they stopped traveling they were more productive than ever before.

We do many things on automatic pilot. Flying halfway across the country for short meetings that could be conducted by conference calls, or making purchases that would seem normal when sales growth is strong should be substantially reduced until that growth resumes. ASK yourself before you spend. I expect that this approach will save much more than any formal "STOP" campaign.

A new culture

As we create the culture for our new business, individual responsibility and ownership must be at the core of the overall framework for the new business. The time to begin building that culture is right now.

That's what I'm asking you again today: take individual responsibility for the success of this business by doing whatever you can do to match spending to our sales growth. We need to do this as a team effort, with each individual doing his or her part. □

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Around the (new) business

GBCS focuses on multimedia market

Global Business Communications Systems unveiled the first product to bridge the separate worlds of private voice and data networks and laid out its strategy to bring multimedia communications to businesses worldwide.

People using GBCS's new Multimedia Communications eXchange server can now use all the familiar office phone features on multimedia calls involving voice, data, image and video. GBCS also introduced easy-to-use multimedia communications software; renamed its DEFINITY® Communications systems to the DEFINITY Enterprise Communications Server; and realigned its business and offers to meet the demands of today's multimedia networks.

New chips

Microelectronics announced a suite of ASIC chips that are smaller, lighter, cheaper and faster than their predecessors. The .35-micron System-ASIC products integrate the work of multiple chips on a single device. Three new standard cell ASIC libraries provide high performance optimized solutions for computing and communications applications that were previously cost prohibitive or technologically impossible on a single chip.

Another first for ME

Bell Labs innovation has brought about another first. Microelectronics announced a chip that is the first to provide access to any combination of three ISDN lines or high-speed switched 56 services. Microelectronics T7903 Multiport Wide Area Connection chip lets equipment vendors pack more multiple network access ports into the boxes that let people log onto their local network or Internet access provider. □

Broadcast Q&A

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to local vendors. NSG is making capacity purchases of critical devices from suppliers around the world.

NSG has developed product allocation plans to bolster its position with customers and keep them abreast of near term capabilities. In the case of DDM-2000 and SLC-2000, NSG is advising customers in advance of anticipated supplies for the upcoming month. Allocation plans for FT-2000 are under review at this time. Allocation plan quantities for each CBU are based on criteria established by the Global Business Managing Team.

Q. I'm having a hard time understanding our inventory problem. Are we having problems with raw materials, finished goods are customers not buying certain products. Please explain.

A. There are no simple answers to NSG's current inventory problems. Every segment of inventory from raw materials and finished goods to shipped not invoiced products and services (SNIPS) has increased since the beginning of the year. Inaccurate forecasting has had a major impact. NSG factories have procured materials in anticipation of orders which have not materialized. NSG produced finished goods expecting significantly higher levels of ordering. Additionally, as NSG business outside the U.S. has grown, unfavorable contract terms and conditions have impacted its ability to render billing and recognize revenue.

In 1996, NSG needs to work harder to negotiate asset-friendly

terms in customer contracts. NSG needs to work with customers to improve the product forecasts NSG uses to plan its factory production levels. Inventory targets for 1996 are very aggressive, and they are roadmapped and cascaded to operational levels.

Q. Will our commitment to People Value Added deployment change in light of the restructuring?

A. Absolutely not. The same PVA breakthroughs NSG set out to achieve are even more important now as NSG creates the new company. And regardless of the organizational design, living the values is critical.

We have not redirected any resources away from PVA initiatives. Leadership Forum is continuing as planned and is being customized as needed. For example, NSG is working with the NAFTA sales organization to include Customer Compass as the context for learning.

Another sign of ongoing commitment is the use of PVA Deployment Strategy coaches -- a group of 10 carefully selected and trained people whose full-time job is to coach senior leaders on the five steps of implementing PVA strategies. The response has been very positive.

Those are just two examples. As NSG continues to deploy initiatives, it will also partner with other organizations forming the new company to share learnings and assess future needs. □

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