

NETWORK!

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

Schacht names leaders for systems and technology company

To My Fellow Colleagues in the Systems And Technology Company:

It's been a little more than a month since Bob Allen announced that Rich McGinn and I would have the privilege of leading the new Systems and Technology Company. Since that time, we've been working with a group of key leaders in the business to create the framework for our new company. Our goal is to share information with you as soon as decisions are made. Today, we are pleased to announce the first round of key executive appointments, as well as the site we've selected for the new company's headquarters.

I'll begin by announcing the location for the new headquarters because I think it sends a message about the kind of company we will be.

New headquarters

We have decided that the corporate headquarters for the new company will be located at Bell Labs, 600 Mountain Avenue, Murray Hill, N.J. As a company driven by the needs of its customers and powered by the innovation of Bell Labs, it's appropriate that our headquarters be located where the technological innovation -- one of our major differentiators in the marketplace -- takes place.

The corporate unit will be a small group. The vast majority of our people will be located in operating units close to the customer. Those units -- GBCS, Microelectronics, Consumer Products, Multi-Media Ventures and Technologies -- will remain where they are headquartered today and Network Systems will continue its headquarters move to facilities in Warren, N.J.

Executive appointments

Now I'll turn to the executive appointments, beginning with those reporting to me. As Bob Allen announced on Oct. 12, **Rich McGinn, currently Executive Vice-President and CEO of NS, will become President and Chief Operating Officer of the new Systems and Technology Company.** Rich and I will partner as leaders of the new company and I'm already enjoying that partnership a great deal.

I'm delighted to announce that **Bill Marx will join Rich and me on the newly formed Executive Council as the Senior Executive Vice-President of the**

new company. As you know, Bill is currently Executive Vice-President and CEO of the Multi-Media Products Group. Bill will take the lead on a number of the major issues that will be facing our business both during this critical start-up period and on an on-going basis. He will complete the work to redirect the Consumer Products business, charting its marketplace strategy in light of the new opportunities that will open up for the business as a result of the AT&T restructuring. He'll oversee the sale of Paradyne, as previously announced, and will continue integrating the Multi-Media Ventures and Technologies business, led by John Berndt, into the new company. Bill will also be developing and building on a number of key international relationships. Bill's experience and leadership in this industry will be invaluable as we build this new company. I'm very pleased that he will be joining Rich and me in this important senior role.

Dan Stanzione will continue in his role as President of Bell Labs. He will report to me. Dan will also take on a new role as President of NS. In that capacity, he will report to Rich McGinn. Since Dan became President of Bell Labs he has been working on ways to speed innovation to the marketplace. Dan and I are very excited about the potential that his dual role offers to do that.

Dan and Arun Netravali, the newly appointed head of Research at Bell Labs, continue their push for excellence in the information sciences with particular emphasis on software, silicon, microelectronics and multi-media and broadband applications. We are seeing the results of their work in products such as GBCS's new multi-media servers, the latest innovations in digital signal processing and NS's continuing push into new software applications for its traditional and new markets.

Dan and I believe that his new dual role, combined with locating the leadership of the entire business at Bell Labs, will bring new energy into our research efforts. The resulting closer link with the businesses will allow us to bring our technology from the lab to the customer with greater speed. This ability gives us an unparalleled advantage in today's fast-moving communications marketplace.

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Carly Fiorina, currently President - North America for NS, will be promoted to Executive Vice-President, Corporate Operations, reporting directly to me. Carly will have responsibility for strategy, business development, mergers and acquisitions, government affairs, public relations, investor relations, information systems, quality, new ventures, purchasing and global real estate. I'm pleased that Carly will play this key role in developing and driving our future business and market plans which will allow us to take advantage of the many exciting opportunities in markets around the world.

Carly will have a major role in executing and articulating our strategies as the leader of all external affairs for the company. She brings a wealth of direct marketplace knowledge from running the North American business, and, in her previous assignment, developing alliances around the world for NS.

Rich Rawson, currently Vice-President, Law for NS, will be appointed Senior Vice-President and General Counsel for the new company reporting directly to me.

Curt Artis, currently Vice-President, Human Resources for NS, will be appointed Senior Vice-President, Human Resources, for the new company reporting directly to me.

Kathy Fitzgerald, currently Vice-President, Public Relations and Advertising, for NS, will be appointed Senior Vice-President, Public Relations and Investor Relations for the new company. Kathy will report to Carly Fiorina.

The new chief financial officer will be named at a later date. Reporting to Rich McGinn, President and Chief Operating Officer, will be:

Pat Russo, who is currently President, Global Business Communications Systems, will continue in that role. As you know, Pat and her team have done an extraordinary job of turning GBCS into a profitable business with double-digit growth. As it positions itself in the emerging business multi-media market, it will be a major contributor to our new company.

Curt Crawford, who is currently President, Microelectronics, will continue in that role. ME has become the fastest growing business in our new company. Under Curt's leadership it has emerged as one of the world's leading providers of high-performance integrated circuits, optoelectronic components, printed circuit boards and power systems, with a reputation for high quality and reliability.

And, as mentioned above, Dan Stanzione, in his role as President of NS will also report to Rich.

Reporting to Dan at NS will be:

Gerry Butters, who is currently President, Global Public Networks

for NS, will become President, North American Region. Gerry will have responsibility for the customer business units that serve the Regional Bell Operating Companies, GTE and independent telephone companies and cable companies, as well as NS's business in Canada. He will also have oversight responsibility for marketing.

Jim Brewington, who is currently President, Network Wireless Systems (NWS), will be promoted to President, Product Realization. Jim will have responsibility for all product realization for NS, including Global Public Networks, NWS, Network Cable Systems and Applications Software.

Bill O'Shea, who is currently President, International Regions and Professional Services-Program Management for NS, will continue to lead NS business outside the United States.

Joe Colson, who is currently President of AT&T Affiliates, will continue serving that very important customer as President of the customer business unit responsible for serving AT&T.

Pat Russo and Curt Crawford will report to Rich McGinn immediately, while Consumer Products and Multi-Media Ventures and Technologies will transition into Rich's organization when appropriate. The remaining members of the Multi-Media Products Group senior leadership team will continue to be supported by Bill Marx as we continue the transition to the new company.

All other appointments are effective on Jan. 1, 1996. The entire officer team named in today's announcement will form the Executive Council of the new company. Clearly, there are many more appointments to be made in the coming weeks to fill out the executive team. But, in the spirit of sharing information in as timely fashion as possible, Rich and I wanted to announce this as soon as the decisions were made. I feel very good about the depth and breadth of this management team. I believe it will be one of our major assets as we become a publicly-traded company. I pledge to keep the information coming. And I urge all of you to do everything you can to make sure that our 1995 results reflect the true strength of our new company. □

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