ORIGINAL

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(202) 296-6518

May 2, 1996

***VIA FEDERAL EXPRESS***

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Boulevard
Gunter Building
Tallahassee, Florida 32399

Re: Ameritech Communications International, Inc.
Application for Certification of Public Convenience

960563-TI

Dear Sir or Madam:

Transmitted herewith on behalf of Ameritech Communications International, Inc. are an original and six copies of the company's Application for a Certification of Public Convenience and Necessity so that it may provide interexchange telecommunications services in the State of Florida. Also enclosed is a $250.00 check to cover the requisite filing fee.

Please date-stamp the "Receipt" copy of this filing and return it in the enclosed, self-addressed, stamped envelope. Please direct any questions regarding this matter to the undersigned.

Respectfully submitted,

Glenn S. Richards
Counsel for Ameritech Communications
International, Inc.

Enclosures

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

04984 MAY -3 96

FPSC-RECORDS/REPORTING

**BEFORE THE**
**PUBLIC SERVICE COMMISSION**
**OF THE STATE OF FLORIDA**

| | |
|---|---|
| In the matter of the Application of | ) |
| Ameritech Communications International, Inc. | ) |
| For a Certification of Public | ) |
| Convenience and Necessity to Offer | ) |
| Interexchange Telecommunications | ) |
| Services to the Public in the State of Florida | ) |

## APPLICATION

Ameritech Communications International, Inc. ("Applicant"), hereby requests a Certification of Public Convenience and Necessity so that it may provide interexchange telecommunications services in the State of Florida.

In support of its request, Applicant provides below the following information.

**APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE BETWEEN POINTS WITHIN THE STATE OF FLORIDA**

1. This is an application for (check one):

   (X) Original Authority (New Company).
   ( ) Approval of Transfer (To another certificated company)
   ( ) Approval of Assignment of existing certificate (To a noncertificated company)
   ( ) Approval for transfer of control (To another certificated company).

2. Select what type of business your company will be conducting (check all that apply):

   ( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

   (X) **Alternative Operator Service** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

   (X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

   ( ) **Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

   ( ) **Call aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers associated with such aggregated telecommunications business.

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

   Ameritech Communications International, Inc.

4. Name under which the applicant will do business (fictitious name, etc.):

   N/A

5. National address (including street name and number, post office box, city, state and zip code).

Ameritech Communications International, Inc.
9525 West Bryn Mawr
Suite 600
Rosemont, Illinois 60018

6. Florida address (including street name and number, post office box, city, state and zip code):

c/o CT Corporation System
1200 South Pine Island Road
Plantation, Florida 33324

7. Structure of organization;

| | |
|---|---|
| ( ) Individual | ( ) Corporation |
| (X) Foreign Corporation | ( ) Foreign Partnership |
| ( ) General Partnership | ( ) Limited Partnership |
| ( ) Other ____________ | |

8. If applicant is an individual or partnership, please give name, title, and address of sole proprietor or partners.

N/A

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

N/A

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings:

N/A

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of

company and relationship. If no longer associated with company, give reason why not.

N/A

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Applicant has applied for authority to operate in Florida and will forward the required documents as soon as they are issued by the Florida Secretary of State.

Delaware Corporate Entity number: 7908914

(b) Name and address of the company's Florida registered agent.

CT Corporation System
1200 South Pine Island Road
Plantation, Florida 33324

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

N/A

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

No

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application:

Jeffrey R. Lowe
Director - Regulatory Affairs
Ameritech
212 West Washington Street
Suite 18F
Chicago, Illinois 60606
312/251-3487

or

Glenn S. Richards, Esq.
Counsel for Ameritech Communications International, Inc.
Fisher Wayland Cooper Leader & Zaragoza L.L.P.
2001 Pennsylvania Avenue, NW, Suite 400
Washington, DC 20006
(202) 659-3494

(b) Official Point of Contact for the ongoing operations of the company:

Jeffrey R. Lowe
Director - Regulatory Affairs
Ameritech
212 West Washington Street
Suite 18F
Chicago, Illinois 60606
(312) 251-3487

(c) Tariff:

Jeffrey R. Lowe
Director - Regulatory Affairs
Ameritech
212 West Washington Street
Suite 18F
Chicago, Illinois 60606
312/251-3487

(d) Complaints/Inquiries from customers

Jeffrey R. Lowe
Director - Regulatory Affairs
Ameritech
212 West Washington Street
Suite 18F
Chicago, Illinois 60606
312/251-3487

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None

(b) Has applications pending to be certificated as an interexchange carrier.

North Dakota, Oregon

(c) Is certificated to operate as an interexchange carrier.

New Jersey (registered)

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

12. What services will the applicant offer to other certificated telephone companies

| | |
|---|---|
| ( ) Facilities | (X) Operators |
| ( ) Billing and Collection | ( ) Sales |
| ( ) Maintenance | (X) Other - Bulk capacity |
| ( ) None of the above | |

13. Do you have a marketing program?

Applicant sells its services through a variety of methods, including a dedicated in-house sales force and independent sales agents.

14. Will your marketing program:

(X) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Applicant will pay commissions to independent sales agents who sign up customers.

16. Who will receive the bills for your service (Check all that apply)?

| | |
|---|---|
| (X) Residential customers | (X) Business customers |
| ( ) PATS providers | ( ) PATS station end-users |
| (X) Hotels and motels | (X) Hotel and motel guests |
| ( ) Universities | ( ) Univ. dormitory residents |
| ( ) Other ______________ | |

17. Please provide the following (if applicable).

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Yes

(b) Name and address of the firm who will bill for your service.

Applicant will bill customers directly or through their local exchange carrier.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida

(a) Financial capability.

Applicant is a wholly owned subsidiary of Ameritech Communications Inc., a wholly owned subsidiary of Ameritech Corporation. A copy of Ameritech Corporation's 1995 Annual Report is attached as Attachment A.

(b) Managerial capability.

Applicant possesses the managerial and technical ability to provide the proposed services. Below is a brief description of the experience of some key management personnel:

**President - Steve Nowick**

Twenty-two years of previous business experience, including 18 years in the telecommunications field and related industries, where he served as president, general manager, and consultant. Previously employed by Booz, Allen and Hamilton as head of their telecommunications industry consulting practice. Other examples of previous experience include heading Scientific Atlanta's private networks business and serving as an advisor to telecommunications industry leaders, such as AT&T, GTE, Sprint, US West, France Telecom, and Deutsche Telekom.

**Vice President - Network Engineering/Operations - Bill Kohl**

Over 30 years of experience in the telecommunications industry, including operations, planning, engineering, and strategy development. Previously employed by Ameritech Services. Examples of previous experience with Ameritech include General Manager of Ameritech's network in Wisconsin, Ameritech Director for Central Office Engineering, and General Manager for Ameritech Service Order Provisioning.

(c) Technical capability.

Applicant is technically qualified to resell telecommunications services in the State of Florida. As a reseller of long distance services, Applicant will not own, control, operate, or manage facilities in the State of Florida.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485.

See Attachment B

20. The applicant will provide the following interexchange carrier services (Check all that apply):

_X_ MTS with distance sensitive per minute rates
___ Method of access if FGA
___ Method of access if FGB
_X_ Method of access if FGD
___ Method of access if 800

___ MTS with route specific rates per minute
___ Method of access if FGA
___ Method of access if FGB
___ Method of access if FGD
___ Method of access if 800

_X_ MTS with statewide flat rates per minute (i.e., not distance sensitive)
___ Method of access if FGA
___ Method of access if FGB
_X_ Method of access if FGD
___ Method of access if 800

___ MTS for pay telephone service providers

___ Block-of-time calling plan (Reach out Florida, Ring America, etc.)

_X_ 800 Service (Toll free)

_X_ WATS type service (Bulk or volume discount)
___ Method of access is via dedicated facilities
_X_ Method of access is via switched facilities

___ Private Line services (Channel Services) (For ex. 1.544 mbs., DS-3, etc.)

_X_ Travel Service
___ Method of access is 950
_X_ Method of access is 800

___ 900 service

X Operator Services
X Available to presubscribed customers
X Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals).
___ Available to inmates

Services included are:

X Station assistance
X Person to Person assistance
X Directory assistance
___ Operator verify and interrupt
___ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

MTS Services (FGD)
1 + telephone number

800 Service (toll free)
1-800 + telephone number

Travel Service
Carrier's toll free access number, 0 + telephone number, and calling card access number

Operator Services
a) From prescribed lines, 00
b) From any line - 101130

22. ___ Other:

## PUBLIC INTEREST STATEMENT

Applicant seeks to provide long distance services to customers in the State of Florida. By obtaining a Certificate of Public Convenience and Necessity, Applicant will be able to provide economic, efficient, and high quality telephone services using existing facilities. Applicant will also bring the benefits of increased competition to Florida telecommunications users, including competitive prices, additional service options, and high service quality.

## APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE**: I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX**: I understand that all telephone companies must pay a gross receipts tax of one and one-half percent on all intra and interstate business.

3. **SALES TAX**: I understand that a seven percent sales tax must be paid on intrastate and interstate revenues.

4. **APPLICATION FEE**: A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES**: I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange telephone service.

6. **ACCURACY OF APPLICATION**: By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. **Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punish..ble as provided in s. 775.082 and s. 775.083."**

John Gockley, V.P-General Counsel

9/23/96
Date

**ATTACHMENTS:**

A - BALANCE SHEET, INCOME STATEMENT, STATEMENT OF RETAINED EARNINGS
B - TARIFF

**APPENDICES:**

A - CERTIFICATE TRANSFER STATEMENT
B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C - INTRASTATE NETWORK
D - FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES
E - GLOSSARY

ATTACHMENT A

Annual Report of
Ameritech Corporation

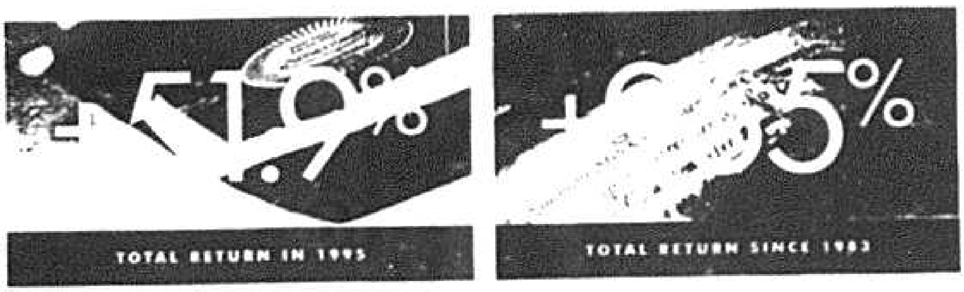
**ABOUT THE COVER**

Ameritech is growing by expanding relationships with customers such as Winston Churchill and his granddaughter Heather in Indianapolis. The Churchill family relies on Ameritech for home security as well as local telephone service and the Ameritech Calling Card. Our expanding portfolio of communications services will help position Ameritech as a full-service company—offering services such as local telephone, long distance, cellular, cable TV, security monitoring and more.

**CONTENTS**

# WE'RE GROWING WITH OUR CUSTOMERS

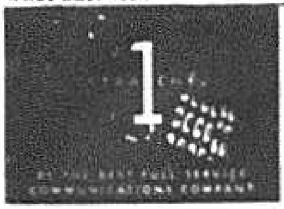
WHEN THEY PICK UP THE PHONE, SURF THE INTERNET, SEND A FAX OR TURN ON THE SECURITY SYSTEM. WE WILL SPEED OUR GROWTH BY BEING WHAT CUSTOMERS WANT MOST: A ONE-STOP SHOP FOR ALL THEIR COMMUNICATIONS NEEDS — LOCAL AND LONG DISTANCE, CELLULAR, CABLE TV, PAGING, SECURITY MONITORING, ELECTRONIC COMMERCE AND MORE.




# WE'RE GROWING FOR OUR INVESTORS,

WHO EARNED A TOTAL RETURN OF 51.9% IN 1995. TOTAL RETURN SINCE OUR STOCK BEGAN TRADING IN 1983 IS 965%, COMPARED WITH AN AVERAGE OF 702% FOR REGIONAL COMMUNICATIONS COMPANIES AND 457% FOR THE S&P 500. AMERITECH HAS PAID DIVIDENDS FOR 48 CONSECUTIVE QUARTERS, AND WE HAVE INCREASED DIVIDENDS EVERY YEAR WE'VE BEEN IN BUSINESS.

INSIDE AMERITECH

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| SERVICES* | AMERITECH'S ROLE | CUSTOMERS | GROWTH DRIVERS | 1995 % GROWTH | LOCATIONS | BRANDS | ALLIES & COMPETITORS |
|---|---|---|---|---|---|---|---|
| Local Telephone | Transport local voice, data, video and provide call management services – retail and wholesale | 11.1 million homes, 1 million businesses such as Ford Motor Co. and Company, 4,000 communications information companies | Faxes, modems, additional phone lines and call management features to [illegible] | [illegible] | Illinois, Indiana, Michigan, Ohio, Wisconsin | Ameritech | Competitors: AT&T, MCI, Time Warner |
| Cellular, Personal Communications Services | Provide wireless transport of voice, data, video | 1.8 million consumers and businesses | Mobility [illegible] | [illegible] | Illinois, Indiana, Michigan, [illegible] Ohio, Wisconsin | Ameritech | Competitors: [illegible] AT&T |
| Paging | Transmit numeric, alphanumeric messages; two-way paging in 1997 | 745,000 consumers and businesses | Mobility [illegible] | [illegible] | Illinois, Indiana, Michigan, Minnesota, Missouri, Ohio, Wisconsin | Ameritech | Competitors: various |
| Directories Advertising | Produce Yellow Pages, white pages directories | 40 million directory users, 495,000 advertisers | [illegible] | [illegible] | Illinois, Indiana, Michigan, Ohio, Wisconsin | Ameritech PagesPlus | Ally: Dun & Bradstreet |
| Leasing | Provide equipment financing solutions | 5,000 businesses and government units | [illegible] | [illegible] | United States | Ameritech | Competitors: various |
| Cable TV | Create, transport and provide enhanced cable TV information services | Start up in 1996 | [illegible] | | Illinois, Michigan, Ohio | Ameritech New Media [illegible] | Allies: The Walt Disney Company, BellSouth, SBC, GTE |
| Security Monitoring | Install, monitor and service security systems | 340,000 homes and businesses | Need for personal and property security | | United States, Canada | SECURITYLINK® from Ameritech | Competitors: various |
| Long Distance | Transport voice, data, video beyond local areas | Start up, pending government approvals | [illegible] full-service package | | [illegible] Indiana, Michigan, Ohio, Wisconsin pending approvals | Ameritech | Competitors: AT&T, MCI |
| Electronic Commerce | Electronically link businesses with customers, suppliers, distributors | [illegible] businesses [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Ally: General Electric |
| Distance Learning | Link students, teachers with video, computers | 394 schools, colleges, universities | [illegible] | [illegible] | Illinois, Indiana, Michigan, Ohio, Wisconsin | Ameritech | |
| On-line Government Information | Provide on-line access to court, tax, other records | [illegible] subscribers | [illegible] | [illegible] | [illegible] | [illegible] | Ally: [illegible] |
| On-line Health Care Information | Link doctors, hospitals, insurers electronically | 2,000 health care providers and payers | [illegible] | [illegible] | [illegible] | Keystone [illegible] | Ally: Aurora Health |
| Educational Software | Provide educational software on line, CD-ROM | Internet users, America Online users | [illegible] | [illegible] | [illegible] | [illegible] | Ally: The Hau [illegible] |
| Library Services | Provide information management software solutions | 3,700 libraries, including The New York Public Library | [illegible] | [illegible] | United States [illegible] | Ameritech Library Services | |
| On-line Music Information | Provide music information, computing via CD-ROM | [illegible] | [illegible] | | [illegible] | [illegible] | |
| On-line Travel Information | Provide on-line travel information | 2 million consumers and travel agents | [illegible] | | [illegible] | [illegible] | Ally: [illegible] |
| Managed Services | Provide single source for all desktop computing and communications | Large and medium-sized businesses including IBM, [illegible] | [illegible] | | [illegible] | Ameritech | Ally: IBM |
| Local Telephone, Long Distance, Cellular, Directories | Transport voice, data, video [illegible] | [illegible] million lines, 183,000 cellular customers [illegible] | [illegible] | [illegible] | [illegible] 21.1% interest; [illegible] 24.8% interest [illegible] | MATAV [illegible] | Allies: Deutsche Telekom, Bell Atlantic, Singapore Telecom, Tele Danmark |
| Cellular | Provide wireless transport of voice, data [illegible] | 75,000 customers (Poland); 210,000 customers [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Allies: France Telecom, Singapore Telecom [illegible] |
| Business Purchasing Guides | Produce print, CD-ROM [illegible] guides | [illegible] businesses | [illegible] | [illegible] | [illegible] | [illegible] | |

[illegible]

| (dollars in millions, except per share amounts) | 1995 | 1994 | % Change |
|---|---|---|---|
| Revenues | $ 13,428 | $ 12,569 | 6.8 |
| Income before extraordinary item and one-time adjustments | $ 1,888 | $ 1,688 | 11.9 |
| Net income (loss)* | $ 2,008 | $ (1,064) | |
| Earnings per share before extraordinary item and one-time adjustments | $ 3.41 | $ 3.07 | 11.1 |
| Earnings (loss) per share* | $ 3.63 | $ (1.94) | - |
| Average common shares outstanding (in millions) | 553.6 | 549.2 | 0.8 |
| Dividends declared per share | $ 2.03 | $ 1.94 | 4.6 |
| Total assets | $ 21,943 | $ 19,947 | 10.0 |
| Long-term debt | $ 4,513 | $ 4,448 | 1.5 |
| Total shareowners' equity | $ 7,015 | $ 6,055 | 15.8 |
| Return on average equity before extraordinary item | 29.5% | 14.4% | 1510‡ |
| Return on average equity | 29.5% | (13.6)% | - |
| Capital expenditures | $ 2,176 | $ 1,955 | 11.3 |
| Net cash from operating activities | $ 3,557 | $ 3,430 | 3.7 |
| Year-end stock price | $ 58.88 | $ 40.38 | 45.8 |
| Year-end dividend yield | 3.4% | 4.8% | (140)‡ |
| Price/earnings ratio† | 17.3 | 13.2 | 410‡ |
| Total return | 51.9% | 10.4% | 4150‡ |
| Number of shareowners | 877,937 | 922,432 | (4.8) |
| Number of employees | 65,345 | 63,594 | 2.8 |

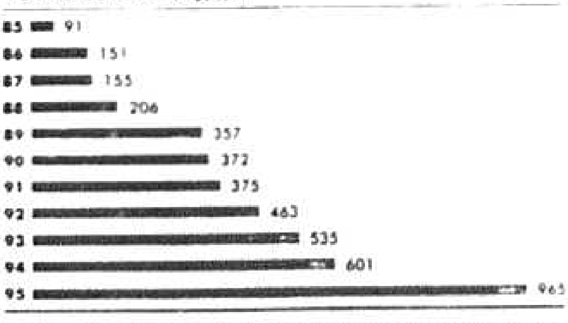
Selected Financial and Operating Data appears on page 22.

* 1995 results include a $78.7 million after-tax gain or 14 cents a share related to the company's restructuring efforts (as discussed on page 27) and a $41.3 million after-tax gain or 8 cents a share from an exchange of cellular interests. 1994 results include an extraordinary noncash after-tax charge of $2.2 billion or $4.07 a share related to the discontinuation of FAS 71, a one-time after-tax charge of $455.8 million or 83 cents a share related to work force restructuring, and a one-time after-tax charge of $61.3 million or 11 cents a share for certain real estate and other assets the company sold or no longer plans to use in the business.

† Price/earnings ratio calculated excluding one-time items in both years.

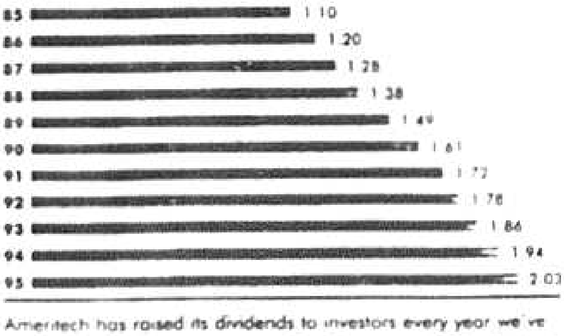
‡ Change in basis points.

**TOTAL RETURN** (in percent)




Since our stock began trading in November 1983, Ameritech investors have earned a cumulative total return of 965% — more than double the total return of 457% for the S&P 500.

**DIVIDENDS DECLARED** (in dollars, adjusted for stock splits)




Ameritech has raised its dividends to investors every year we've been in business — 12 in a row. Our December 1995 dividend increase of 6% was the largest among our peers since 1991.

DEAR INVESTOR: IT'S ENORMOUSLY SATISFYING FOR ALL OF US AT AMERITECH TO LOOK BACK AT 1995 WITH THE KNOWLEDGE THAT WHAT WE PROMISED, WE DELIVERED. YOU'LL FIND HARD EVIDENCE OF THAT ACCOMPLISHMENT highlighted on the page facing this one. A tally of our financial measures reveals that Ameritech produced yet another best-ever performance in 1995. Record-setting revenues... nine consecutive quarters of double-digit profit growth... twelve consecutive years of increased dividends... dramatic stock appreciation... a total return for the year of 52%. Since Ameritech's stock began trading in 1983, our shareowners have earned a total return of 965% – more than double the return of the S&P 500.

RICHARD C. NOTEBAERT, *Chairman and Chief Executive Officer*

As impressive as these statistics are, however, we consider them merely a baseline from which to move forward. In the pages ahead, you will find highlights of our growth opportunities as well as the strategies and initiatives that fostered 1995's achievements. More importantly, you will see how these same factors position Ameritech for continued growth and financial success in 1996 and beyond. Because as gratifying as it is to celebrate past accomplishments, the real excitement lies in pursuing our future opportunities.

**NO INDUSTRY OFFERS MORE GROWTH OPPORTUNITIES THAN COMMUNICATIONS.** Nearly one-seventh of the U.S. economy involves communications, and industry experts project that the U.S. communications market will grow 62% from $282 billion in 1995 to $457 billion in the year 2000. This dramatic industrywide growth will spring from burgeoning customer demand, the industry shift from regulation to competition, and the market expansion that competition will bring.

Full competition will spur growth as nothing else can. And we are ready to compete. To prepare for success in a competitive market, we've been steadily transforming Ameritech since 1992. Last year we faced the most competitive market ever, and achieved record revenues and profits — proof that we're ready for full competition. We will continue to grow by seeing our business through the eyes of customers and delivering the products and services, quality and competitive prices they demand.

Last summer, our service did not always meet customers' expectations for quality and speed — nor did it meet our own high standards. We have apologized to our customers and taken all the necessary steps to restore service to the high levels customers expect from Ameritech. In 1995 we added nearly 4,000 employees in customer service positions, backed them up with new computer systems, and took other measures to get our service back on track and keep it there.

**WE ADHERE TO THREE STRATEGIES FOR GROWTH,** which have served us so well during the past two years. Each focuses on accelerating our revenue growth and sustaining the double-digit earnings growth we've achieved in the past nine quarters. And each advances our plan to provide customers the convenience of full-service communications — including local and long distance telephone services, cellular, paging, cable TV, security monitoring and much more.

First, we will continue to speed growth in our core business by being the best full-service communications company. We are successfully tapping an ever-expanding market for communications including cellular, second and even third telephone lines for busy households, popular features such as Caller ID and Internet access, and wholesale services that we sell to local service competitors.

Second, we will continue to branch into new services that are logical extensions of our core capabilities — such as security monitoring of our customers' homes and businesses, enhanced cable TV and electronic commerce applications that provide businesses with direct links to their customers and suppliers.

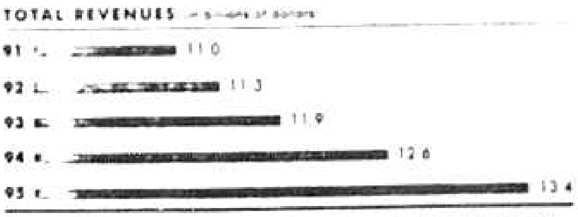
Third, we will continue to grow our very successful international investments. Including our pending investment in Belgium, our international interests will grow to almost $4 billion in 1996. In December 1995, Ameritech led a consortium that was selected as a strategic partner for Belgacom S.A., the national telecommunications company in Belgium, and we more than doubled our investment in the Hungarian telecommunications company, MATAV.

**AMERITECH'S CUSTOMER-CENTERED STRUCTURE CONTINUES TO MEET WITH SUCCESS.** In 1993, we put in place a new business unit structure that assigns a unique customer segment to each unit, thus giving all customers our undivided attention. In 1995 we added three new units to focus on security monitoring, cable TV and long distance — expanding our relationships with customers as well as our revenue opportunities.

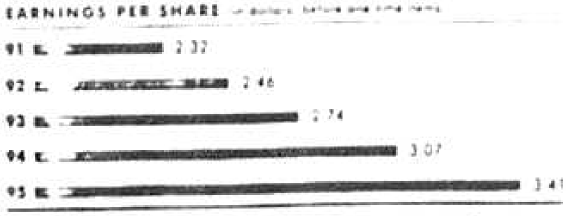
**1995 WAS OUR FIRST FULL YEAR TO BENEFIT FROM REGULATORY REFORMS.** In 1995, we became the first regional communications company with no regulatory limits on earnings in any jurisdiction, state or federal. Now we can keep all that we earn, target investments to create the most value for customers and shareowners, and respond to competition with greater flexibility. Our productivity leads the industry with 373 lines per telephone company employee, and now we have even more incentive to work smarter.

We will continue the transformation of our corporate culture into one far better equipped for the challenges of

# REVENUES AND PROFITS REACHED NEW HEIGHTS




Since 1993, our revenue growth rates have doubled to almost 7% from a historical 3%. Revenues grew a record 11% in the fourth quarter of 1995.




Ameritech has achieved nine consecutive quarters of double-digit profit growth through the end of 1995, up substantially from our historical annual profit growth of 4% to 5%.

the competitive marketplace. In 1995, we successfully recruited outstanding managers from strong marketing companies such as Procter & Gamble and Kraft, and combined these new skills with the depth of knowledge and commitment of our career employees. We also benchmarked the best practices from world-class companies, adapting what we learned to grow stronger.

**AMERITECH IS STRONG AND OUR FINANCIAL POSITION IS SOLID** We are widely acknowledged to be the best equipped of all the regional companies to succeed in the competitive communications marketplace. By working closely with our customers, we are in the right position to define what a full-service company should be. And we have a strong head start in offering these services, including:

**COMMUNICATIONS.** Our foremost strength in telephone and cellular services will continue to serve us well in our upper Midwest region and in nations where pent-up demand promises unprecedented growth. Today four out of five people in the world still have no telephone.

**LONG DISTANCE.** To strengthen our full-service communications offering, we will branch into long distance, a new $8.5 billion regional market. The new communications law opens the long distance market to us as soon as we meet a checklist of conditions, and we're confident that we can quickly meet these conditions and gain market entry in 1997.

**SECURITY MONITORING.** Our recent acquisitions of National Guardian and SecurityLink make us the second-largest U.S. security company. In a $13 billion market that's growing 12% a year, we provide a valued service.

**ELECTRONIC COMMERCE AND CONTENT** This $45 billion market is growing up to 14% a year. In response to a variety of customer needs, Ameritech is pursuing a wide array of applications, such as CivicLink,℠ which provides government records on-line to better serve citizens ... health care networks, which help health care providers lower costs and enhance quality of care ... and Ameritech Library Services, the world's largest provider of library software.

**CABLE TV** We're moving full-steam ahead with construction of our cable network, marking our entry into a $26 billion market that's growing 11% a year. Through our alliance with Disney and other partners, we will offer *americast,*™ a world-class package of programming and services with coast-to-coast reach.

This list just scratches the surface, but it represents the focused growth opportunities that Ameritech people are pursuing on your behalf. We have positioned Ameritech as the most forward-thinking, growth-focused company in the most dynamic industry in the world—and we are determined to turn our opportunities into your advantage.

And that's yet another promise on which we intend to deliver.

Sincerely,

Richard C. Notebaert
Chairman and Chief Executive Officer
*February 8, 1996*

# THE COMMUNICATIONS MARKET IS

## EXPLODING WITH NEW GROWTH OPPORTUNITIES

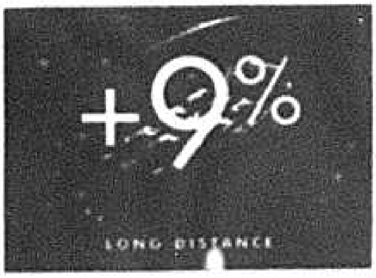
WE'LL SPEED OUR GROWTH BY BRANCHING INTO HIGH-GROWTH areas that are logical extensions of our core communications business—such as long distance, cable TV, security monitoring, electronic commerce and content, and managed services.*

**NO INDUSTRY IS CHANGING FASTER THAN COMMUNICATIONS.** Three trends are driving dramatic growth in communications: First, customers increasingly view communications as essential, so they rapidly adopt new services such as the Internet. Second, growing competition in communications is reducing prices and speeding market growth. Third, shifting boundaries between telephone, long distance, cable, information and entertainment companies are driving new alliances. Based on our analysis and that of leading industry experts, we expect the overall U.S. communications market to grow 62% from $282 billion in 1995 to $457 billion in the year 2000.

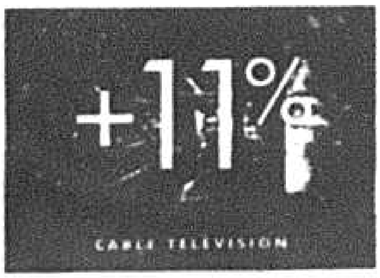
*Industry terms are defined in the glossary on page 52.

**PROJECTED ANNUAL GROWTH RATES, 1995-2000 BY MARKET SEGMENT**


The $123 billion U.S. telephone, cellular and directory market is expected to grow 4% to 6% a year to $165 billion by the year 2000.




Valued at $45 billion in 1995, the long distance market is expected to grow 8% to 9% a year to $69 billion by the year 2000 (excluding local access).




Valued at $26 billion in 1995, the U.S. cable TV market is expected to grow 8% to 11% a year to $44 billion by the year 2000.

# AMERITECH IS BEST POSITIONED TO CAPITALIZE ON GROWTH IN COMMUNICATIONS.

WE'RE BUILDING ON OUR STRENGTHS: INDUSTRY-LEADING productivity, a customer-centered structure, a unique regulatory framework that allows us to keep all we earn, a rich reservoir of talent and the financial strength we need to succeed. We're ready to maximize our opportunities through our three strategies for growth.

**STRATEGY 1: COMMUNICATIONS** Our core business — telephone, cellular and directories — is growing faster by providing the services customers need and the quality they expect at a competitive price.

**STRATEGY 2: NEW SERVICES** Our customer relationships are expanding as we strengthen our core business by adding new services such as security monitoring, cable TV and long distance.

**STRATEGY 3: AROUND THE WORLD** We reach customers around the United States, Europe, Asia and the Pacific Rim through privatizations, alliances, strategic investments and export of services.


The U.S. market for security monitoring is expected to expand from $13 billion in 1995 to $23 billion in the year 2000 — growing 10% to 12% a year.


The $45 billion U.S. market for electronic commerce, including on-line services, is expected to grow 12% to 14% a year to $87 billion by the year 2000.


As companies outsource communications, the U.S. managed services market is expected to grow 16% to 18% a year from $30 billion in 1995 to $69 billion in 2000.

# BE THE *BEST* *FULL-SERVICE* COMMUNICATIONS COMPANY

**THE MORE CUSTOMERS COMMUNICATE, THE FASTER WE GROW.** By seeing our business through the eyes of customers, we're delivering the services they want and the quality they expect at competitive prices. Since 1992, we've steadily transformed our core business of local telephone service, cellular and directories in three ways. First, we've created a marketing powerhouse—building the Ameritech brand by stepping up advertising and recruiting top managers from leading U.S. marketers. Second, we've boosted productivity to an industry-leading 373 phone lines per employee, up 10% in 1995. Third, we've achieved the best regulatory framework in our industry, moving from profit regulation to price regulation in all state and federal jurisdictions. Among our peers, only Ameritech is free to keep all that we earn. **OUR 1995 RESULTS WERE OUR BEST EVER.** Our transformation to a customer-centered business has accelerated revenue growth to nearly 7% and profit growth to almost 12%, double our historic growth rates. And there's still plenty of room for growth in our core business, which is expanding up to 6% a year and offers new opportunities such as wholesaling of local services.

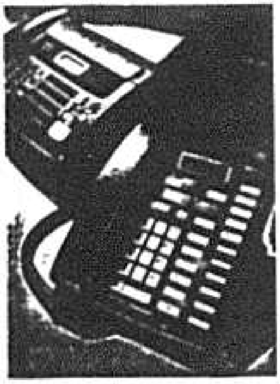
# OUR CORE BUSINESS IS GROWING AT RECORD RATES. WE'RE SPEEDING OUR GROWTH BY MEETING OR EXCEEDING CUSTOMERS' EXPANDING NEEDS FOR TELEPHONE LINES, CELLULAR, PAGING AND MUCH MORE

**CELLULAR & PAGING** Top-quality service and competitive prices helped increase the number of cellular customers [illegible] to [illegible] million in 1995. We extended our [illegible] by adding 8 million potential cellular customers in and around Cleveland and Indianapolis, [illegible] our base of potential customers to [illegible] million [illegible]. We now offer cellular service in all of our largest local telephone markets. Paging customers increased [illegible] in 1995. In [illegible] we plan to introduce [illegible] cellular service in Detroit and Chicago, deploy personal communications services in Indianapolis and Cleveland and initiate our new two-way paging service.

**CALLER ID** In 1995 the value of Caller ID grew as it began to display numbers for long distance calls for the first time. The number of customers using Caller ID more than doubled in 1995. Yet there's still significant room for growth as more and more customers recognize the value of Caller ID. An enhanced version, Caller ID with Name, offers customers both number and name identification. Ameritech makes Caller ID convenient for customers by offering high-quality service and equipment from a single source.

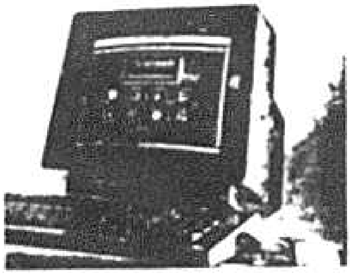
The Doug Abbott family in Champaign, Illinois, relies on Ameritech for Internet access via ISDN, which offers nine times the speed of a regular telephone line.

**INTERNET** Ameritech is one of only four U.S. companies chosen by the National Science Foundation to provide Internet network access. As more and more customers take advantage of this worldwide information resource, the Internet is adding to growth in network usage and telephone lines. We package Internet access with ISDN service and Motorola equipment to provide customers a simple, speedy Internet connection. Ameritech's ISDN service connects home and business customers to the Internet and to online services at up to nine times the speed of a regular telephone line.



**ADDITIONAL LINES** The more people use faxes, modems, e-mail and the Internet, the more they value additional telephone lines. More than one-fourth of our 1995 revenue growth, or about $227 million, came from sales of additional lines and call management services such as call waiting. We set records for telephone line growth in each of the past seven quarters and achieved [illegible] 1995.

**HIGH-SPEED DATA** The more businesses depend on instant information as a competitive edge, the faster the market for high-speed data services grows. In this market [illegible] growing [illegible] a year [illegible] providing what customers want most: on-time installation, high-quality, reliable network operation and a full line of data services. We connect computers, local area networks and video-conferencing facilities with our wide array of data services.



**TELEPHONE SALES** In 1995 we introduced [illegible] telephones [illegible] creating a new revenue source. We offer high-quality phones that combine conveniences such as Caller ID displays and one-touch access to call management services. Our phones build brand recognition while making our call management services even easier for customers to use.

**WHOLESALE LOCAL SERVICES** We can accelerate our pending entry into long-distance by continuing to foster competition in our local market. As a result, we're facilitating local competition by offering more than [illegible] of our high-quality services and features to competitors at wholesale prices for their resale to retail customers. In 1995 we signed long-term contracts worth more than $1 billion with MFS Intelenet, Inc., and U.S. Network Corp. Wholesaling of services helps increase the utilization of fixed assets in our telephone network.

# ADDITIONAL SOURCES OF GROWTH

**VOICE MAIL**
Double-digit growth continues in voice mail. Voice mail means callers never get a busy signal—so more calls are completed through our telephone network, generating greater calling revenues for Ameritech.

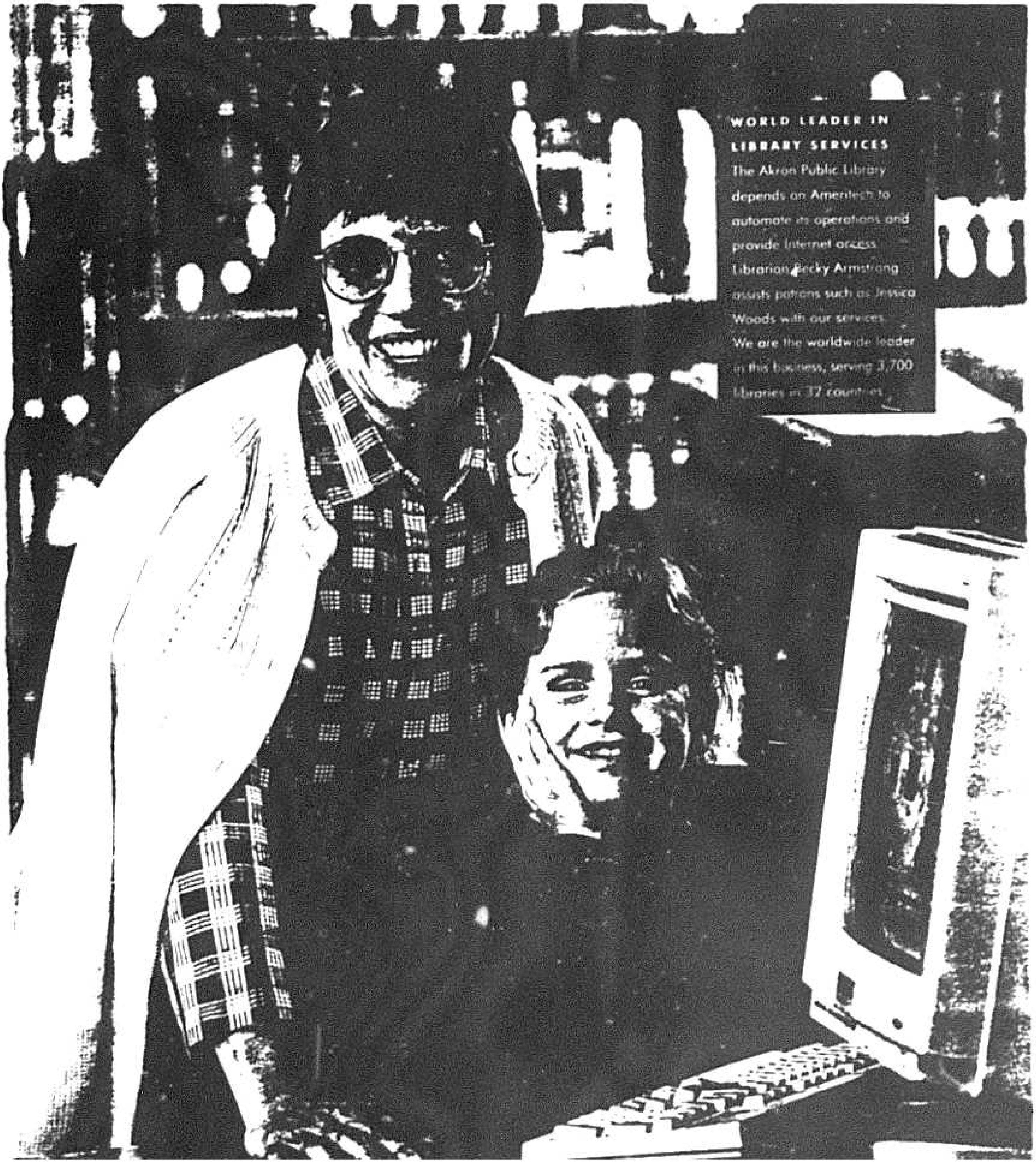
**PAY PER USE**
A marketing innovation, pay per use enables customers to use call management services on the spur of the moment—no installation required. For example, *69 automatically calls back the last person who called.

**FLEXLINE**
What if small businesses could get an extra phone line only when they need it? Businesses can do just that with FlexLine, a marketing innovation that combines lower fixed monthly charges with higher usage fees.

**YELLOW PAGES**
Bringing consumers and businesses together for their mutual benefit drives the continuing growth of our Yellow Pages, where revenues increased 4[illegible] in 1995. Our directories help build brand loyalty at home and at work.

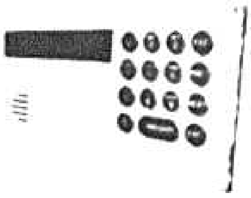
# INTRODUCE *NEW* SERVICES FOR *CUSTOMERS*

**NEW SERVICES EXPAND OUR RELATIONSHIPS WITH CUSTOMERS** By adding services that are logical extensions of our core business, we're speeding our growth. In 1995 we made major strides forward with high-growth services, such as security monitoring, that can make material contributions to our overall business. **WE'RE ENTERING HIGH-GROWTH MARKETS** We expanded our presence in security monitoring through an acquisition that makes Ameritech the second-largest U.S. firm in a market that's growing 12% a year. We started building cable TV networks and entered a venture with The Walt Disney Company to produce ***americast***™ programming – marking our entry into cable, a market that's expected to grow 11% a year. **WE ARE ENTERING THE LONG DISTANCE MARKET** The new Telecommunications Act of 1996, signed in February, opens an $8.5 billion regional long distance market to Ameritech – provided that we meet a checklist of conditions. We are moving quickly to meet all of these conditions, and hope to offer long distance services to customers in 1997. Ameritech is also expanding into electronic commerce, a market that's growing 14% a year.


WORLD LEADER IN LIBRARY SERVICES
The Akron Public Library depends on Ameritech to automate its operations and provide Internet access. Librarian Becky Armstrong assists patrons such as Jessica Woods with our services. We are the worldwide leader in this business, serving 3,700 libraries in 37 countries.

# WE ARE IDEALLY POSITIONED TO PROVIDE OUR CUSTOMERS NEW, FAST-GROWING SERVICES THAT ADD VALUE, SUCH AS SECURITY MONITORING, CABLE TV, LONG DISTANCE, ELECTRONIC COMMERCE AND MORE.

**SECURITY MONITORING** Customers' needs for security services will create up to 12% annual growth in security monitoring services. The proportion of U.S. homes with security systems is expected to double to three out of 10 homes by the year 2000. Our acquisitions of National Guardian and SecurityLink make us the second-largest company in a [illegible] billion market, with 340,000 customers in the United States and Canada. Aggressive sales and marketing, plus new operational efficiencies, will fuel internal growth in this business. Security monitoring also will serve as a platform to launch new "smart home/smart office" services, enabling customers to more efficiently manage energy usage and automate home features such as lighting and appliances.



**PROGRAMMING** Our venture with The Walt Disney Company and three major communications companies will create *americast*™, a package of video programming and interactive services that we'll provide via cable TV. The venture combines Disney's creative and marketing excellence with our communications and customer service expertise.


Ameritech will start providing cable TV service during 1996 to customers such as Katie and David Collie in suburban Detroit.

**CABLE TV** We're building a new two-way video network, separate from our phone network, to deliver innovative, imaginative entertainment and communications. We now have local cable franchise agreements with 10 communities, and we're negotiating agreements with more than 30 communities in the Midwest. Service will be turned on for our first customers in 1996, including a superior package of 80 to 90 channels with favorites such as the Learning Channel and Golf Channel. New program guides will make it easy for customers to quickly choose their favorites. In the future, we'll add home shopping, banking, games and more.

**LONG DISTANCE** Long distance is a cornerstone of our plans for a full-service communications offering. The new federal communications law opens up an $8.5 billion regional long distance market to us. We are quickly moving to meet all requirements of the new law, and continuing to foster a competitive local telephone market, in order to gain regulators' approval of our long distance entry. We're optimistic that we'll meet all these requirements and gain entry in 1997. As a first step, we have already begun to offer Ameritech long distance service to our 1.9 million cellular customers. Long distance is a natural extension of our core business: we handle the local completion of 6 billion long distance calls each year. Our new long distance business unit is ready to compete as soon as we receive approval.

**DESKTOP MANAGED SERVICES** Companies refocusing on their core business often outsource the telecommunications function to us. In 1995 we formed a partnership with IBM to pursue this business. Our venture is the first to offer an integrated package of voice, data and video desktop managed services. We provide a single point of contact for managing all desktop-based communications and computing – PCs, phones, PBXs, local area networks, faxes and more.

**ELECTRONIC COMMERCE** GE Information Services (GEIS) is a leader in the worldwide electronic data interchange market, which expanded 25% in 1995. Ameritech holds a $472 million debt stake in GEIS, which will convert to a 30% equity stake as soon as certain restrictions on long distance services are removed. GE Information Services electronically links businesses with suppliers, distributors, manufacturers and customers to streamline transactions and improve information flows. More than 40,000 businesses worldwide use GEIS services to improve productivity, lower costs and shorten cycle times.

# ADDITIONAL SOURCES OF GROWTH

**ON-LINE HEALTH CARE**
Some 2,000 doctors, hospitals and insurers in eight major metropolitan areas use our health care networks and clinical databases to speed information, cut paperwork and lower administrative costs by 20%.

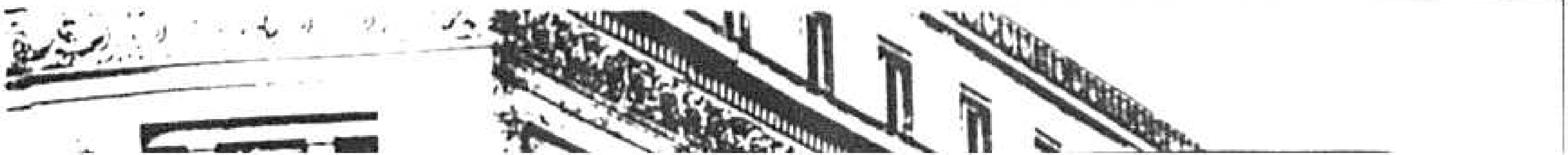
**ON-LINE TRAVEL**
Customers make reservations, buy tickets, access entertainment information and even buy travel guides on-line through Travelocity, a new Internet service from Worldview Systems, in which we own a minority stake.

**CIVICLINK**
We make government records available on-line, saving trips to the courthouse and time spent poring through paper files. New customers include Los Angeles County and Prince George's County, Maryland.

**ELECTRONIC SALES**
Our new Electronic Sales Environment makes companies' marketing and product information accessible by phone, fax or PC. It helps customers build sales by linking staff, sales channels, customers and others.

# CONNECT *CUSTOMERS* AROUND THE *WORLD*

WE CREATE VALUE THROUGH GEOGRAPHIC EXPANSION. We're growing beyond our traditional five-state region by exporting our expertise to reach new customers in 50 states and 40 countries. We expect the world communications market to explode, from $677 billion in 1995 to more than $1 trillion in the year 2000 — or 57% in five years. Within this immense opportunity, we concentrate our investments in countries with a high degree of economic and political stability and educated populations. We also export services that offer unique value, such as our library software, around the world. Our disciplined approach ensures that we invest only where we can attain significant management control and transform regulated businesses into vibrant competitors. OUR TRACK RECORD OF SUCCESS. Including our pending investment in Belgium, our international interests will grow to nearly $4 billion in value in 1996. Today we help customers communicate in Hungary, New Zealand, Poland and Norway; we'll start to serve customers in Belgium and China in 1996. We continue to pursue privatizations, alliances, export of services and strategic investments in Europe, Asia and the Pacific Rim.

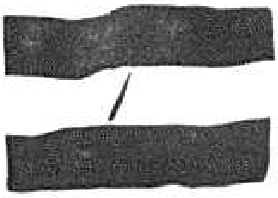


# OUR INTERNATIONAL INVESTMENTS

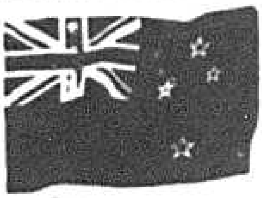
## CONTINUE TO GROW AT DOUBLE-DIGIT RATES.

## WE CONTRIBUTE THE CAPITAL AND EXPERTISE NEEDED TO GROW COMMUNICATIONS COMPANIES AROUND THE WORLD

**HUNGARY** The first state-owned telecommunications company privatized in central Europe, MATAV became a fully commercial entity in 1995 as the Ameritech-Deutsche Telekom alliance, MagyarCom, increased its stake to 67%. MATAV provides local, long distance and cellular services for Hungary, a country of 10.5 million people. We're helping MATAV manage tremendous growth – as telephone lines increased 17.4% in 1995 to 1.85 million lines. MATAV plans at least 15.5% growth in lines in 1996, with a goal of 3 million lines by the year 2000. MATAV also serves 183,000 cellular customers. We own a 33.5% interest in MATAV.

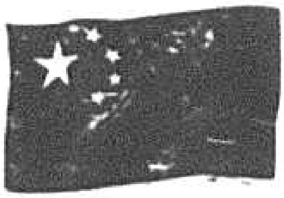


**NEW ZEALAND** Telecom Corporation of New Zealand is thriving in a competitive market, with revenues up 26% in 1995. Telecom provides local, long distance, cellular and directory services for a country of 3.2 million people – serving 1.8 million telephone lines and 344,000 cellular customers. Our 1990 investment of $1.2 billion is worth $2 billion today, in addition to $1 billion returned to Ameritech through stock sales and dividends. We own a 24.8% interest in New Zealand Telecom.



In 1995 we opened a Beijing office and launched a 25-year joint venture with Chinacom, its first with a U.S. company.

**CHINA** In 1995 we initiated our relationship with the People's Republic of China. Ameritech opened an office in Beijing and signed cooperative agreements with the Ministry of Post and Telecommunications' International Construction Company and the Beijing Design Institute. We also entered into a 25-year joint venture with Chinacom, its first with a U.S. company. We plan to build a digital cellular system and a switched telephone network, which will be operated by China Unicom for customers in Shanxi province.



# CHAIRMAN AND CHIEF EXECUTIVE OFFICER RICHARD C. NOTEBAERT ANSWERS QUESTIONS THAT INVESTORS FREQUENTLY ASK ABOUT AMERITECH.

**Q WHAT IS AMERITECH'S DIVIDEND HISTORY?**

**A** We've raised dividends every year since 1984. In December 1995, we increased our quarterly dividend 6% to 53 cents a share — and that's the biggest increase from any regional communications company since 1991. Our rapid growth enables us to increase dividends, even as we reinvest a growing portion of our profits in our business. About [illegible] of profits were paid out as dividends in 1995.

**Q WHAT ARE YOUR CAPITAL INVESTMENT PLANS?**

**A** We invested about $2 billion in our networks in 1995 — in line with our historical levels. Based on the opportunities now available, we plan to maintain capital spending around $2 billion a year while providing capital to our new cable TV and security monitoring networks. We can hold the line on capital expenditures while maintaining quality through advanced technology, lower equipment costs and smarter purchasing. Customer demand in our markets determines where we deploy capital, and that's how we will maximize return on every dollar of capital we commit.

CAPITAL EXPENDITURES (dollars in billions)


We are devoting an increasing portion of our $2 billion in annual capital expenditures to building cable TV and other networks.

**Q WHAT ARE AMERITECH'S FINANCIAL GOALS?**

**A** Our long-term goal remains double-digit growth in revenues and profits, and we're on the right track. We have achieved nine consecutive quarters of double-digit profit growth through the end of 1995 before one-time items, and in the fourth quarter of 1995 Ameritech achieved double-digit revenue growth for the first time. Our accelerated rate of revenue growth, combined with continuing productivity improvements, will give us strong margins and the cash flow we need to invest for growth.

**Q HOW WILL YOU SUSTAIN AMERITECH'S HIGHER RATE OF REVENUE GROWTH?**

**A** First, we're achieving record growth in our core business through aggressive marketing and by delivering excellent value — the right balance of services, quality and price. Our traditional revenue growth rate of 3% to 4% has accelerated to almost 7%, and we still think there's plenty of room to grow. For example, we are achieving record growth in telephone lines, setting new records in six of the past seven quarters. Customers increasingly recognize the value of additional lines as they use faxes, modems and the Internet. Our cellular business is producing excellent growth in numbers of customers, 46% in 1995, and we expect it to stay on a high growth curve.

In addition, we're introducing new services that generate new revenues. Inside our core business, we are pursuing opportunities that show great promise, such as high-speed data an wholesaling of local services. To strengthen our core business, we're adding new revenue streams from security monitoring, cable TV and more. In the fourth quarter of 1995, revenue growth reached 11%, and we are targeting double-digit revenue growth as we go forward.

**Q. COMPETITION IS GROWING IN ALL AREAS OF COMMUNICATIONS. HOW WILL AMERITECH COMPETE?**

**A.** I'm proud of how competitive Ameritech has become, and we've done that by seeing our business through customers' eyes. We expect competition to accelerate the growth of all our markets. Since 1992, we've been working to transform Ameritech into a highly competitive company by winning the best regulatory framework in our business, by becoming a marketing powerhouse and by putting together the best team of employees in our industry. That's why we have a head start on our peers.

We will win customers by delivering the best value. Value means, first, the services customers need – and many of our customers want a full-service offering with local telephone, long distance, cellular, cable TV, security, directories and more from a single source. Second, value means the quality customers expect from Ameritech. Third is price. We've agreed not to raise prices for basic services for periods ranging from two to six years in four of our five states. While some erosion of market share in local telephone service is inevitable, we're fully prepared to compete and sustain our rapid growth through new opportunities such as wholesaling of local services to competitors, security monitoring, cable TV, long distance and electronic commerce, including on-line services.

**Q. WHY DOES AMERITECH FAVOR OPEN MARKETS IN COMMUNICATIONS?**

**A.** We think customers, not regulators, should make choices in communications markets. Ameritech first called for full and fair competition in every part of our industry – including local and long distance – in a 1993 proposal called Customers First. We asked government policy makers to open all communications markets to all companies under the same rules at the same time. We offered to lease components of our network to competitors. And we asked for approval to compete in long distance services.

The new federal communications law signed by the President on February 8, 1996, opens an $8.5 billion regional long distance market to Ameritech for the first time – provided that we meet a checklist of conditions. Because of the steps we've taken to foster local competition, we have a head start on meeting these conditions, so we're optimistic that we will win federal and state regulators' approval to offer long distance services in 1997. As a first step, we have already begun to offer Ameritech long distance service to our 1.9 million cellular customers. We believe that more competition will make all our communications markets grow, just as it did in the cellular market. Competition will bring more choices, lower prices and better quality to customers – thus increasing overall demand. Competition forces us to become better for our customers, and that's a benefit to Ameritech as we compete.

All of our revenues are subject to varying degrees of competition today. In 1995 we experienced more competition than ever, along with the fastest revenue growth in our history – proof we've made the right moves to prepare for even greater competition. To stay competitive, we've continued to transform our culture, achieved price regulation in all jurisdictions, adjusted our work force, cut costs by hundreds of millions of dollars and passed the savings on to customers.

**Q. WHY DO YOU SAY THAT AMERITECH HAS THE BEST REGULATORY FRAMEWORK IN THE INDUSTRY?**

**A.** Because Ameritech, alone among its peers, has achieved price regulation instead of profit regulation in all five of our states and from the Federal Communications Commission. That's a major accomplishment, and it's crucial to our ability to grow in a competitive market. We now have price regulation for 100% of our revenues and we are no longer subject to rate base, rate-of-return regulation. We've also gained the flexibility to develop new offerings that can be competitively priced. Now we are regulated on prices of our basic services, not on our profits. That means regulators no longer limit our earnings. So as we become more productive, introduce new services and increase revenues, we have the opportunity to earn more and to keep all that we earn, while directing investment where it creates the most value for customers and investors.

## SELECTED FINANCIAL AND OPERATING DATA

(dollars in millions, except per share amounts)

### AT DECEMBER 31 OR FOR THE YEAR ENDED

Ameritech Corporation and Subsidiaries

| | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | | | |
| Local service | **$ 5,586** | $ 5,337 | $ 5,065 | $ 5,012 | $ 4,886 | $ 4,789 | $ 4,679 | $ 4,521 | $ 4,494 | [illegible] | [illegible] |
| Interstate network access | **2,254** | 2,218 | [illegible] | 2,04[illegible] | 1,993 | 2,009 | 947 | 1,958 | [illegible] | [illegible] | [illegible] |
| Intrastate network access | **562** | 612 | 623 | 613 | 556 | 559 | 541 | 583 | 573 | [illegible] | [illegible] |
| Long distance | **1,457** | 1,456 | 1,401 | 1,252 | 1,294 | 1,336 | 1,259 | 240 | 149 | [illegible] | [illegible] |
| Directory, cellular and other | **3,569** | 2,946 | 2,658 | 2,367 | 2,254 | 2,080 | 1,895 | 1,712 | 609 | 394 | [illegible] |
| **TOTAL** | **13,428** | 12,569 | 11,865 | 11,285 | 10,983 | 10,773 | 10,316 | 10,014 | 9,623 | [illegible] | [illegible] |
| **OPERATING EXPENSES**[1] | **10,125** | 10,540 | 9,307 | 8,941 | 9,001 | 8,584 | 8,161 | 7,882 | 7,358 | [illegible] | [illegible] |
| **OPERATING INCOME** | **3,303** | 2,029 | 2,558 | 2,344 | 1,982 | 2,189 | 2,155 | 2,132 | 2,265 | [illegible] | [illegible] |
| Interest expense | **469** | 435 | 453 | 495 | 545 | 454 | 384 | 366 | 351 | 367 | [illegible] |
| Other income (expense), net | **260** | [illegible] | [illegible] | 125 | 219 | 76 | 14 | 52 | 8 | [illegible] | 4 |
| Income taxes | **1,086** | [illegible] | [illegible] | 628 | [illegible] | 557 | 547 | 581 | 718 | [illegible] | [illegible] |
| Income before special accounting items | **2,008** | [illegible] | 1,513 | 1,346 | 1,165 | 1,254 | 1,238 | 1,237 | 1,188 | [illegible] | [illegible] |
| Special accounting items[2] | **—** | (2,234) | — | (1,746) | — | — | — | — | — | — | — |
| **NET INCOME (LOSS)** | **$ 2,008** | $ (1,064) | $ 1,513 | $ (400) | $ 1,165 | $ 1,254 | $ 1,238 | $ 1,237 | $ 1,188 | $ 1,138 | [illegible] |
| **EARNINGS (LOSS) PER SHARE**[3] | | | | | | | | | | | |
| Income before special accounting items | **$ 3.63** | [illegible] | $ 2.78 | $ 2.51 | $ 2.19 | $ 2.37 | $ 2.30 | $ 2.27 | $ 2.12 | [illegible] | [illegible] |
| Special accounting items[2] | **—** | (4.07) | — | (3.26) | — | — | — | — | — | — | — |
| **NET INCOME (LOSS)** | **$ 3.63** | $ (1.94) | $ 2.78 | $ (0.75) | $ 2.19 | $ 2.37 | $ 2.30 | $ 2.27 | $ 2.12 | [illegible] | [illegible] |
| Dividends declared per share | **$ 2.03** | $ 1.94 | $ 1.86 | $ 1.78 | $ 1.72 | $ 1.61 | $ 1.49 | $ 1.38 | $ 1.28 | $ 1.20 | [illegible] |
| Average common shares outstanding (millions) | **553.6** | 549.2 | 544.1 | 536.6 | 531.0 | 530.6 | 539.5 | 544.4 | 561.1 | 578.6 | [illegible] |
| Total assets[4] | **$21,943** | $19,947 | $23,428 | $22,818 | $22,290 | $21,715 | $19,833 | $19,163 | $18,780 | $18,739 | $18,[illegible] |
| Property, plant and equipment, net[4] | **$13,457** | $13,455 | $17,366 | $17,335 | $16,986 | $16,652 | $16,296 | $16,078 | $15,962 | $15,822 | $15,[illegible] |
| Capital expenditures | **$ 2,176** | $ 1,955 | $ 2,108 | $ 2,267 | $ 2,200 | $ 2,154 | $ 2,015 | $ 1,895 | $ 1,956 | $ 2,076 | $ 1,991 |
| Long-term debt | **$ 4,513** | $ 4,448 | $ 4,090 | $ 4,586 | $ 4,964 | $ 5,074 | $ 5,069 | $ 4,487 | $ 4,388 | $ 4,497 | $ [illegible] |
| Total debt | **$ 6,651** | $ 6,346 | $ 6,692 | $ 6,704 | $ 6,938 | $ 6,769 | $ 5,582 | $ 4,942 | $ 4,843 | $ 4,724 | $ [illegible] |
| Debt ratio | **48.7%** | 51.2% | 46.0% | 48.9% | 46.1% | 46.7% | 42.1% | 38.7% | 38.9% | 38.3% | 38.9% |
| Return on average equity[5] | **29.5%** | (13.6)% | 20.1% | (5.9)% | 14.5% | 16.3% | 15.8% | 15.8% | 15.5% | 14.9% | [illegible] |
| Return on average total capital[5] | **18.2%** | 4.6% | 13.1% | 0.2% | 10.6% | 11.8% | 11.9% | 12.0% | 11.7% | 11.4% | [illegible] |
| Market price per common share[3] | **$ 58.88** | $ 40.38 | $ 38.38 | $ 35.63 | $ 31.75 | $ 33.38 | $ 34.00 | $ 23.88 | $ 21.13 | $ 22.00 | $ [illegible] |
| Access lines (000) | **19,057** | 18,239 | 17,560 | 17,001 | 16,584 | 16,278 | 15,899 | 15,469 | 15,094 | 14,755 | 14,555 |
| Cellular subscribers (000) | **1,891** | 1,299 | 860 | 586 | 483 | 326 | 242 | 146 | 87 | 57 | [illegible] |
| Employees | **65,345** | 63,594 | 67,192 | 71,300 | 73,967 | 75,780 | 77,326 | 77,334 | 78,510 | 77,538 | 74,883 |

[1] Substantial increase in operating expenses in 1994 is due to nonmanagement work force restructuring charges of $728 million, while operating expenses in 1995 decreased due to a restructuring credit of $135 million.

[2] Special accounting items represent an extraordinary item for the discontinuation of FAS 71 in 1994 and the cumulative effect of a change in accounting principles in 1992 for FAS 106 ($1.644 billion) and FAS 112 ($102 million).

[3] Gives retroactive effect to all stock splits.

[4] Substantial reduction in total assets and property, plant and equipment, net in 1994 is due principally to the discontinuance of FAS 71.

[5] Return on average equity and return on average total capital are calculated using weighted average monthly amounts.

# IN 1995, AMERITECH SUCCESSFULLY IMPLEMENTED SEVERAL KEY INITIATIVES THAT BETTER POSITION THE COMPANY FOR COMPETITION AND FUTURE GROWTH IN THE COMMUNICATIONS BUSINESS

These include achievement of pure price regulation for landline communications revenues, substantial completion of a work force restructuring, expansion into the security monitoring and cable TV markets and additional strategic alliances and investments, both domestic and international.

During 1995, Ameritech received approval from the Federal Communications Commission (FCC) to implement pure price regulation without sharing of earnings, effective January 1, 1995. Under price regulation, regulators place limits on prices, not on profits as they once did under rate-of-return regulation. As a result, no limits exist on Ameritech's earnings in any federal or state regulatory jurisdiction.

Ameritech also completed the work force restructuring announced in March 1994. The company's nonmanagement work force was reduced by approximately 11,500 employees (2,400 of whom left in 1995), although new employees have been added to accommodate growth, ensure high quality customer service and meet staffing requirements for new business opportunities. Results in 1995 include a $134.5 million pretax work force restructuring credit ($78.7 million after-tax or $.14 per share), which reflects both charges and pension settlement gains associated with lump-sum payments from the nonmanagement pension plan to former employees. The charges also include costs associated with data center consolidations and information technology restructuring, including $58.1 million to write-down certain data processing equipment.

The company was successful in its bid for and subsequent investment in broadband personal communications services (PCS) licenses in Indianapolis and Cleveland. As a result, the company was required to dispose of its cellular interests in these markets. 1995 results include a $41.3 million after-tax gain resulting from the exchange of minority interests in cellular partnerships in Indianapolis, Cleveland and Rockford for a combination of cash and additional interests in the Ameritech Detroit/Flint cellular partnership.

In October 1995, the company acquired The National Guardian Corporation, significantly expanding the company's security monitoring customer base to 340,000 throughout the United States and Canada and providing an additional source of revenues. This acquisition complements the December 1994 acquisition of SecurityLink and makes Ameritech the second largest provider of security monitoring services in the United States in a market growing 12% per year.

Facing regulatory uncertainty over the FCC's video dialtone rules, Ameritech created a separate subsidiary in early 1995, Ameritech New Media Inc., to build and operate stand alone cable TV systems. Initially, New Media plans to offer 80 to 90 channels in several communities in 1996 and expand the channel offerings over the next few years. New Media has secured franchise agreements in ten communities and is in discussion with more than thirty additional communities across the Midwest.

Ameritech is an equal partner in a venture with The Walt Disney Company, BellSouth Corporation, SBC Communications Inc. and GTE Corporation that is designed to develop, acquire, package and market traditional and interactive video programming. The joint venture, called *Americast*, is being funded by the partners with a $500 million investment over five years. Ameritech plans to offer its *americast*™ package of video programming beginning in 1996.

Total market capitalization of Ameritech rose 46% in 1995 to $32.6 billion from $22.3 billion in 1994

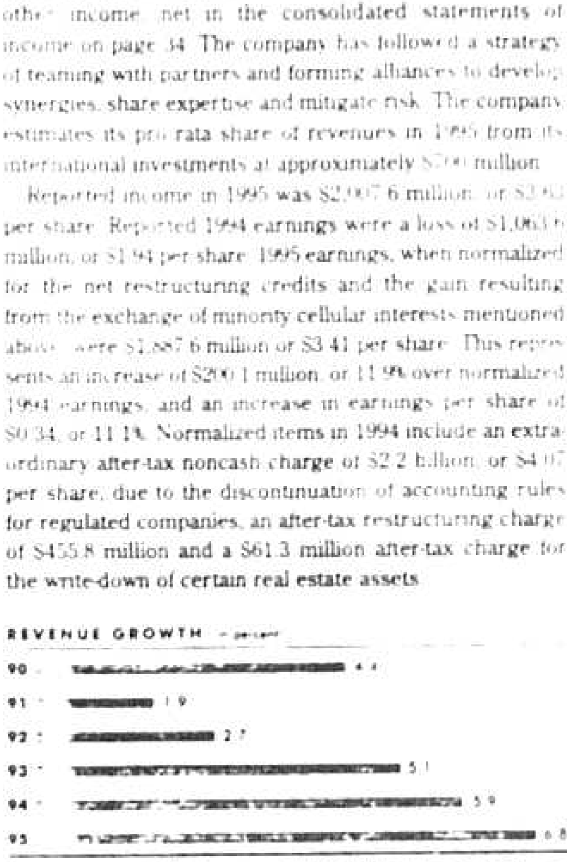

In the international arena, it was announced in December 1996 that Ameritech and its consortium partners, Tele Danmark A/S and Singapore Communications Limited, were chosen by the Belgian government as the successful bidders for a 49.9% interest in the privatization of the Belgian state-owned telecommunications company, Belgacom S.A. The transaction is planned to be completed by June 30, 1996. This investment will increase the company's presence in Europe where Ameritech already has a significant interest in the Hungarian telecommunications company, MATAV, as well as interests in cellular ventures in Norway and Poland. In December 1995, Ameritech, through a holding company, MagyarCom, owned equally with Deutsche Telekom AG more than doubled its investment in MATAV. In addition, the company opened an office in Beijing in 1995 and announced a 25-year joint venture with China Communications System Company Ltd. (Chinacom) to assist the People's Republic of China in the development of its telecommunications and cellular infrastructure in Taiyuan, the capital of Shanxi province. These international investments represent significant opportunities for future growth.

(dollars in millions, except per share amounts)

International investments, primarily in New Zealand and Hungary (accounted for using the equity method), represent 6.7% of the company's assets as of December 31, 1995. Where less than a controlling interest is owned, the company records its allocable share of the operating results from international investments. Such results are included in other income, net in the consolidated statements of income on page 34. The company has followed a strategy of teaming with partners and forming alliances to develop synergies, share expertise and mitigate risk. The company estimates its pro rata share of revenues in 1995 from its international investments at approximately $700 million.

Reported income in 1995 was $2,007.6 million, or $3.63 per share. Reported 1994 earnings were a loss of $1,063.6 million, or $1.94 per share. 1995 earnings, when normalized for the net restructuring credits and the gain resulting from the exchange of minority cellular interests mentioned above, were $1,887.6 million or $3.41 per share. This represents an increase of $200.1 million, or 11.9% over normalized 1994 earnings, and an increase in earnings per share of $0.34, or 11.1%. Normalized items in 1994 include an extraordinary after-tax noncash charge of $2.2 billion, or $4.07 per share, due to the discontinuation of accounting rules for regulated companies, an after-tax restructuring charge of $455.8 million and a $61.3 million after-tax charge for the write-down of certain real estate assets.

**REVENUE GROWTH** – percent




Revenues grew 6.8% to a record $13,428 million in 1995, up from $12,569 million in 1994.

In December 1995, Ameritech's Board of Directors approved a 6.0% increase in the quarterly dividend, demonstrating the company's confidence in its ability to generate sustainable growth in the future. Over the past 12 years, the company has produced a total return on shareowners' investment of 965%, more than double that of the S&P 500. Long-term, above-average shareowner return remains a key financial goal.

The following sections provide a more detailed discussion of Ameritech's results of operations and financial condition over the past three years.

## RESULTS OF OPERATIONS

**REVENUES** Total revenues increased by 6.8% to $13.4 billion in 1995. This increase was primarily attributable to higher communications network usage resulting from access line and cellular subscriber growth, managed network services and increases in new products and services, including call management services, customer premises equipment (CPE) and security monitoring. Net rate reductions implemented as a result of federal and various state regulatory agreements for landline communications services in the local service and network access revenue categories partially offset these increases.

In 1994, total revenues increased 5.9% to $12.6 billion due to higher network usage, as well as increases in cellular volume related to subscriber growth.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Local service | $ 5,586.1 | $ 5,337.0 | $ 249.1 | 4.7 |

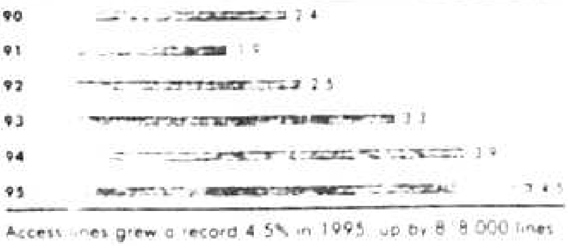
**LOCAL SERVICE** Local service revenues include basic monthly service fees and usage charges, fees for call management services, public phone revenues and installation and connection charges. Local service rates generally have been regulated by the state public service commissions. Through regulatory proceedings in Illinois, Indiana and Ohio and legislation in Wisconsin, price regulation was achieved in 1994. Price regulation was previously achieved in Michigan. In exchange for certain regulatory freedoms, the company agreed to certain rate reductions and moratoriums on price increases for two to six years, beginning in 1994 and fully reflected in 1995 revenues. All intrastate limits on earnings were removed. Scheduled rate reductions will affect 1996 local service revenues by about $35 million.

Revenues from local telephone service increased 4.7% to $5,586 million in 1995.


Higher network usage increased local service revenues by $323.6 million during 1995. The increase in calling volumes principally resulted from growth in the number of access lines, which increased 4.5% or 818,000 lines to 19,057,000 from 18,239,000 as of December 31, 1994, fueled primarily by second line additions. Greater sales of call management features also contributed to the increase, as did the impact of $6.2 million from the new Extended Community Calling plan (ECC) in Wisconsin, which reclassified portions of long distance usage to local service usage. These increases were partially offset by net rate reductions of $75.7 million, largely resulting from regulatory proceedings or legislation in four states as discussed above.

dollars in millions, except per share amounts

ACCESS LINE GROWTH (percent)




Access lines grew a record 4.5% in 1995, up by 8[illegible]8,000 lines to 19.1 million lines.

In 1994, local service revenues increased $271.7 million or 5.4%. Higher network usage, which increased local service revenues by $252.4 million, resulted principally from access line growth of 3.9%. Also contributing to the increase was a change in the method in which independent company settlements were recorded in Illinois, which accounted for $20.9 million of the increase, and $11.3 million related to the ECC impact discussed above. Net rate reductions of $8.3 million partially offset these increases.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Network access | | | | |
| Interstate access | $ 2,254.3 | $ 2,217.7 | $ 36.6 | 1.7 |
| Intrastate access | $ 561.5 | $ 612.4 | $ (50.9) | (8.3) |

**NETWORK ACCESS** Network access revenues are fees charged to interexchange carriers, such as AT&T and MCI, that use the company's local landline communications network to connect customers to the long distance network. In addition, end users pay flat rate access fees to connect to the long distance network. These revenues are generated from both interstate and intrastate services.

The increase in interstate network access revenues was due primarily to higher network usage, which resulted in additional revenues of $144.5 million, as well as reductions in National Exchange Carrier Association (NECA) common line support payments of $24.1 million. The increase was partially offset by rate reductions of $128.4 million. Minutes of use related to interstate calls increased by 7.1% in 1995.

As a result of the FCC's approval of the company's request for price regulation without sharing of earnings, as previously discussed, Ameritech was required to reduce its annual access charges to long distance companies for local network connections by $100.4 million effective August 1, 1995. The impact in 1995 was a reduction in interstate access revenues of $42.7 million.

Interstate network access revenues increased $99.5 million or 4.7% in 1994 primarily due to increased network usage, which produced additional revenues of $149.0 million, as well as reduced NECA common line support payments of $44.8 million and lower revenue sharing accruals of $8.5 million, partially offset by rate reductions. Minutes of use related to interstate calls increased by 6.4% in 1994.

The decrease in intrastate network access revenues in 1995 was primarily attributable to rate reductions of $91.0 million, largely resulting from regulatory proceedings and legislation in four states, as previously discussed, and certain one-time billing adjustments. The decrease was partially offset by volume increases of $64.0 million. Minutes of use related to intrastate calls increased by 11.3%. Scheduled rate reductions will affect 1996 revenues by about $25 million.

In 1994 intrastate network access revenues decreased $10.1 million or 1.6%, primarily due to net rate reductions of $69.8 million, partially offset by increased revenues of $59.3 million, primarily from higher network usage. Minutes of use related to intrastate calls increased 12.7% in 1994.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Long distance | $ 1,456.5 | $ 1,456.0 | $ 0.5 | — |

**LONG DISTANCE** Long distance revenues are derived from customer calls to locations outside of their local calling areas. The change in long distance service revenues for 1995 was primarily attributable to rate increases of $15.2 million. These increases were partially offset by net volume decreases of $6.5 million and the impact of the ECC plan in Wisconsin previously discussed, which reclassified portions of long distance usage to local service usage and effectively lowered long distance service revenues by $17.8 million.

In 1994, long distance revenues increased $55.5 million or 4.0%. The increase was due to a change in the method in which independent company settlements were recorded in Illinois, which accounted for $57.1 million of the increase, and volume-related increases of $29.7 million, partially offset by the ECC plan impact in Wisconsin of $31.0 million.

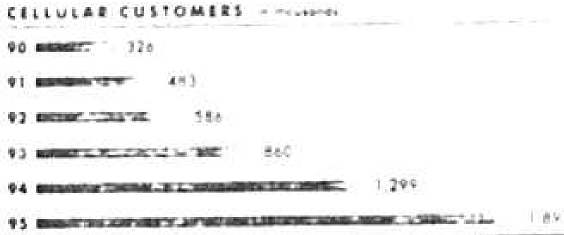
| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Directory, cellular and other | $ 3,569.4 | $ 2,946.4 | $ 623.0 | 21.1 |

**DIRECTORY, CELLULAR AND OTHER** Directory, cellular and other revenues include revenues derived from telephone directory publishing, cellular communications, paging services, lease financing, billing and collection services, telephone equipment sales and installation and security monitoring services.

1995 revenue growth was primarily attributable to cellular and paging subscriber growth of 45.6% and 17.9%, respectively. Also contributing to the increase were demand growth and price increases in other nonregulated services, such as inside wire installation and maintenance at the landline communications subsidiaries. Revenue growth in the security monitoring business, coupled with increased sales of CPE, also contributed to the increase.

In 1994, directory, cellular and other revenues increased $288.2 million or 10.8%. This increase was primarily attributable to cellular and paging subscriber growth of 51.0% and 24.0%, respectively, and increased revenues from other nonregulated services.

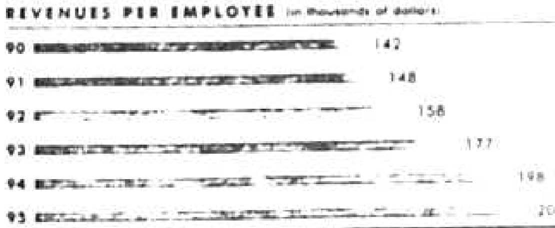
**CELLULAR CUSTOMERS** in thousands




During 1995, Ameritech achieved record growth in the number of cellular customers, which rose 45.6% to almost 1.9 million.

**OPERATING EXPENSES** Total operating expenses decreased $415.4 million or 3.9% in 1995. The decrease was largely attributable to the work force restructuring which resulted in a net credit of $134.5 million ($78.7 million after-tax) in 1995, primarily due to settlement gains from lump-sum pension payments to former employees, partially offset by fourth quarter charges for planned work force reductions due to data center consolidations, increased force costs related to the work force restructuring started in 1994 and a charge of $58.1 million to write-down certain data processing equipment in connection with information technology restructuring. This compares with the 1994 charge of $728.1 million ($455.8 million after-tax) for work force restructuring. 1994 results also included a charge of $69.3 million ($61.3 million after-tax) for certain real estate and other assets that the company sold or no longer plans to use in the business.

**REVENUES PER EMPLOYEE** (in thousands of dollars)




Revenues per employee increased 3.5% to a record $205,000 in 1995.

Total operating expenses increased $1,233.7 million or 13.3% in 1994. The increase was largely attributable to the $728.1 million restructuring charge and the $69.3 million real estate charge discussed above. Also contributing to the increase were higher advertising expenses, access charges and contract and professional services.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Employee-related expenses | $ 3,623.3 | $ 3,612.3 | $ 11.0 | 0.3 |

**EMPLOYEE-RELATED EXPENSES** The increase in employee-related expenses in 1995 was primarily attributable to salaries and wages and other benefits and expenses of $84.8 million for new employees in new businesses, such as security monitoring and cable TV, as well as a decrease in pension credits of $65.5 million. Also contributing to the increase were the effects of higher salaries and wages and increased overtime payments of $99.9 million at the landline communications subsidiaries. These increases were largely offset by productivity improvements from work force reductions of $178.3 million at the landline communications subsidiaries.

During September 1995, union agreements were ratified by the International Brotherhood of Electrical Workers (IBEW) and the Communications Workers of America (CWA). The new contracts and wage increases were retroactive to June 25, 1995 for the IBEW and August 6, 1995 for the CWA. The contracts include basic wage increases of 10.9% (compounded) over three years and signing bonuses of $500 to eligible employees upon ratification. Both contracts address wages, benefits, employment security, training and retraining and other conditions of employment. In addition, union employees will receive their annual bonuses in the form of Ameritech stock instead of cash, beginning with the bonus for 1995 and continuing for the remaining three years of the labor contracts. Most of the company's nonmanagement work force (about 70% of all employees) are represented by the two unions. The new contracts accounted for about $55 million in additional costs in 1995 for wage increases, signing bonuses and pension and benefit enhancements.

The increase in employee-related expenses in 1994 of $52.0 million or 1.5% was primarily attributable to the effects of higher wage rates, increased overtime payments, higher incentive accruals and postretirement benefits. Partially offsetting the increases were the effects of work force reductions and increased pension credits of $99.2 million.

There were 65,345 employees at December 31, 1995 compared with 63,594 at December 31, 1994. This increase is largely due to new employees in the cellular, security monitoring and other operating units. This increase was partially offset by a decrease of about 2,400 employees at the landline communications subsidiaries resulting from work force restructuring started in 1994. See also the discussion of restructuring (credits) charges below.

(dollars in millions, except per share amounts)

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Depreciation and amortization | $ 2,177.1 | $ 2,204.7 | $ (27.6) | (1.3) |

**DEPRECIATION AND AMORTIZATION** The decrease in depreciation and amortization expense in 1995 was primarily due to the cessation, in the fourth quarter of 1994, of depreciation of analog switches at the landline communications subsidiaries in connection with the discontinuation of Statement of Financial Accounting Standard No. 71 (FAS 71), "Accounting for the Effects of Certain Types of Regulation" (see Note 4 on page 41). This decrease was partially offset by the effects of shortened landline plant lives, as well as increased depreciation and amortization at other operating units.

The increase in depreciation and amortization expense in 1994 of $42.6 million or 2.0% resulted from continued expansion of the communications plant investment base, growth-related increases in the company's cellular business, and increased depreciation in Illinois.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Other operating expenses | $ 3,911.1 | $ 3,418.2 | $ 492.9 | 14.4 |

**OTHER OPERATING EXPENSES** The increase in other operating expenses was largely attributable to expenses, including cost of sales, of $149.3 million related to new businesses, such as security monitoring and cable TV. Growth-related cost of sales increases at the cellular operation, as well as cost of sales increases related to increased CPE, PBX and other system sales, also contributed $130.8 million to the increase. Contract and professional services increased $102.7 million, primarily for systems development and process reengineering projects. Advertising and uncollectibles increased $71.4 million, reflecting expanded marketing efforts and revenues, respectively. Promotional expenses and commission payments to authorized distributors also increased reflecting marketing and sales efforts in 1995. Also contributing $18.1 million to the increase is a reduced net credit of $37.4 million from a management separation program, when compared with the prior year. The increases were partially offset by a nonrecurring 1994 charge of $69.3 million for the reduction in certain asset values, primarily real estate, previously discussed. These increases were also partially offset by reductions in access charges, primarily due to renegotiated contracts, and switching system software expenses of $68.3 million.

The increase in other operating expenses in 1994 of $412.2 million or 13.7% was primarily attributable to increased contract and professional services, a change in the method of recording access expenses with independent telephone companies in Illinois, increased advertising at the cellular and landline communications subsidiaries and growth-related cost of sales in the cellular and information systems sales operations. Increased uncollectibles resulted from higher revenues. In addition, this cost category included the $69.3 million charge for the reduction in certain asset values, primarily real estate, previously discussed. The increase was moderated by a net credit of $55.5 million from a management separation program. The credit results from pension settlement and curtailment gains exceeding severance costs.

| | 1995 | 1994 | Change | Percent Change |
|---|---|---|---|---|
| Restructuring (credits) charges | $ (134.5) | $ 728.1 | $ (862.6) | n.c. |

**RESTRUCTURING (CREDITS) CHARGES** As announced in March 1994, the company significantly reduced its nonmanagement work force by the end of 1995. Reduction of the work force resulted from the implementation of technology improvements, consolidations and initiatives to balance the cost structure in the core business with emerging competition. The nonmanagement work force was reduced by 11,500 employees, although new employees with different skills were added during these periods to accommodate growth, ensure high quality customer service and meet staffing requirements for new business opportunities. Pretax charges totaling $728.1 million ($455.8 million after-tax) related to the work force reductions were recorded in 1994. Noncash settlement gains of $302.5 million were recorded in 1995, associated primarily with lump-sum pension payments to former employees partially offset by $109.9 million in increased force costs related to the restructuring started in 1994 and estimated work force reductions due to information technology restructuring. In connection with this restructuring, $58.1 million was recorded to write-down certain data processing equipment to net realizable value.

The restructuring program was recorded by quarter as follows:

| 1995 | Gross Program Cost | Settlement Gains | Net Program Cost Pretax | Net Program Cost After-tax |
|---|---|---|---|---|
| First Quarter | $ 10.0 | $ 266.3 | $ (256.3) | $ (160.1) |
| Second Quarter | — | — | — | — |
| Third Quarter | 21.2 | 31.2 | (10.0) | (6.9) |
| Fourth Quarter | 136.8 | 5.0 | 131.8 | 88.3 |
| Totals | $ 168.0 | $ 302.5 | $ (134.5) | $ (78.7) |
| **1994** | | | | |
| First Quarter | $ 530.0 | $ — | $ 530.0 | $ 332.8 |
| Second Quarter | — | — | — | — |
| Third Quarter | 392.0 | 121.9 | 270.1 | 168.7 |
| Fourth Quarter | 148.1 | 220.1 | (72.0) | (45.2) |
| Totals | $ 1,070.1 | $ 342.0 | $ 728.1 | $ 455.8 |
| Program Totals | $ 1,238.1 | $ 644.5 | $ 593.6 | $ 377.1 |

dollars in millions, except per share amounts

Actual employee reductions by quarter in 1995 were 1,596 in the second quarter, 2,281 in the third quarter and [illegible] in the fourth quarter or 9,113 in total. Employee reductions in 1994 totaled 2,285 as follows: 314 in the first quarter, [illegible] in the second quarter and 1,202 in the third quarter (see also the discussion of employee-related expenses above). Additional employees are expected to leave the company in 1996 as a result of the consolidation of data centers previously discussed. Cash requirements to fund the financial incentives (principally contractual termination payments) totaling approximately $[illegible] million were met as prescribed by the applicable collective bargaining agreements. Certain of these collective bargaining agreements required contractual termination payments to be paid in a manner other than lump-sum, thus requiring cash payments beyond an employee's termination date.

The work force restructuring program reduced annual employee-related costs by approximately $[illegible], net of departing employees. The projected savings are being partially offset by the hiring of new employees as discussed above.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Taxes other than income taxes | $ 547.8 | $ 576.9 | $ (29.1) | (5.0) |

**TAXES OTHER THAN INCOME TAXES** The decrease in taxes other than income taxes in 1995 was attributable to lower property taxes primarily as a result of favorable legislation involving property tax reforms. In addition, capital stock taxes decreased in Illinois due to a smaller tax base.

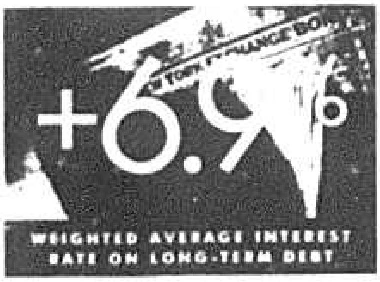
In 1994, taxes other than income taxes decreased $1.2 million or 0.2% primarily attributable to decreased property taxes in Michigan as a result of state legislation enacted in December 1993, which reduced the property valuation upon which the company is taxed. Gross receipts and capital stock taxes also decreased. These decreases were offset by property tax increases in other states.

## OTHER INCOME AND EXPENSES

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Interest expense | $ 468.9 | $ 434.8 | $ 34.1 | 7.8 |

**INTEREST EXPENSE** The increase in interest expense in 1995 was attributable to an increase of $20.5 million in interest related to long-term debt reflecting higher long-term debt levels, as well as a net increase of $8.0 million in short-term interest expense reflecting higher average interest rates, partially offset by lower average short-term debt levels.

Long-term debt of $4,513 million had a weighted average interest rate of only 6.9%.




WEIGHTED AVERAGE INTEREST RATE ON LONG-TERM DEBT

During 1994 interest expense decreased $1[illegible] million or 4.0% due largely to the calling of certain long-term debt in 1993 to take advantage of lower interest rates. 1994 interest expense was also impacted by the interest costs related to the funding of the company's investment of $437.[illegible] million in the Hungarian telecommunications company MATAV in December 1993 and the company's May 1994 convertible debt investment of $472.[illegible] million in GE Information Services Inc. (GEIS).

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Other income, net | $ 260.0 | $ 146.9 | $ [illegible] | 77.[illegible] |

**OTHER INCOME, NET** Other income (net) includes earnings related to Ameritech's investments (when the equity method of accounting is followed), interest income and other nonoperating items.

Other income, net increased in 1995 primarily due to a gain of $65.8 million ($41.3 million after-tax) from the exchange of minority interests in certain cellular partnerships, as well as higher equity earnings from investments, principally New Zealand Telecom.

Other income, net increased $29.6 million or 25.2% in 1994 as a result of certain nonrecurring transactions reflected in 1993, including $66.3 million in costs incurred in connection with the early extinguishment of debt and lower equity earnings of $42.0 million resulting from a restructuring at New Zealand Telecom, partially offset by an $85.7 million gain ($61.7 million after-tax) on the sale of New Zealand Telecom shares.

| | 1995 | 1994 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Income taxes | $ 1,086.5 | $ 571.0 | $ 515.5 | 90.3 |

**INCOME TAXES** The increase in income taxes in 1995 was directly attributable to the increased pretax earnings and the 1994 discontinuance of FAS 71 accounting discussed below.

The decrease in income taxes in 1994 of $138.7 million or 19.5% was due primarily to lower pretax income as a result of work force restructuring charges of $728.1 million.

**EXTRAORDINARY ITEM – FAS 71** As described in Note 4 to the consolidated financial statements, the company discontinued applying FAS 71 in the fourth quarter of 1994. The company determined that it no longer met the criteria for following FAS 71 due to changes in the manner in which the company is regulated and the heightened competitive environment. The accounting impact was an extraordinary noncash after-tax charge of \$2.2 billion.

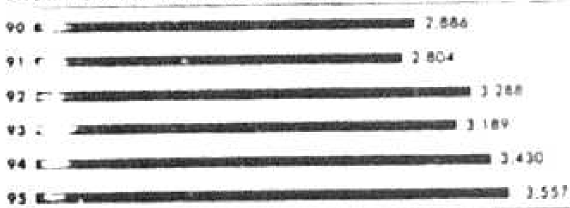
Although depreciation expense was slightly lower in 1995 due to the discontinuation of applying FAS 71, depreciation expense in 1996 and beyond will likely be higher as the effects of shorter lives intensifies in the landline communications subsidiaries, coupled with continuing expansion in cellular and other business units.

Additional financial statement impacts occurred as a result of no longer following FAS 71. Specifically, the effective income tax rate increased in 1995 as a result of the elimination of excess deferred tax balances previously amortized as a reduction of tax expense over the lives of the related assets.

**LIQUIDITY AND CAPITAL RESOURCES** Management believes that the company has adequate internal and external resources available to finance its business development, network expansion, dividends, acquisitions and investments.

**CASH FLOWS FROM OPERATING ACTIVITIES** Cash flow from operations was \$3,556.6 million in 1995, an increase of \$126.8 million from 1994, primarily reflecting strong revenue gains, partially offset by increases in receivables and other noncurrent assets. Receivables increased primarily due to revenue increases and the effect of receivables associated with the security monitoring business acquired in October 1995.

**CASH FLOW FROM OPERATIONS** (in millions of dollars)




1995 cash flow from operations increased 3.7% to \$3,557 million, an all-time high.

**CASH FLOWS FROM INVESTING ACTIVITIES** Capital expenditures continue to represent the single largest use of company funds. Management believes that investment in the communications core business will facilitate introduction of new products and services, enhance responsiveness to ever-increasing competitive challenges and increase the operating efficiency and productivity of the network.

Capital spending is being deployed based on customer needs and the company's business plans. Investments in technologies that will enable the company to provide customers with new products and services represent a high priority. Capital spending in the core landline communications business declined by \$100 million in 1994 and further declined by \$30 million in 1995 as capital was deployed more cost effectively and with greater focus on the requirements of customers and new services, such as cable TV, long distance and security monitoring.

Rapid modernization of the landline communications network continued throughout 1995, as demonstrated by the following year-end information:

| | 1995 | 1994 |
|---|---|---|
| Lines served by digital switching | 81% | 74% |
| Lines with potential access to ISDN | 70% | 68% |
| Lines served by advanced signaling (SS7) | 97% | 89% |
| Fiber-optic strand miles (000s) | 1,096 | 919 |

Investing activities in 1995 included additional investments of \$895.1 million represented by cash to acquire additional MATAV shares (\$405.3 million), newly issued licenses, principally for PCS (\$160.9 million) and all other investments (\$328.9 million), including The National Guardian Corporation. Proceeds of \$60.7 million were received in connection with the exchange of certain cellular minority interests.

Cash flows from investing activities in 1994 included a \$472.5 million investment in GEIS and a return of capital from New Zealand Telecom of \$67.1 million.

**CASH FLOWS FROM FINANCING AND OTHER ACTIVITIES** In April 1995, the company, through Ameritech Capital Funding Corporation (ACF), issued \$192.2 million of long-term debentures due April 1, 2005. The debentures are noncallable and have a coupon rate of 7.5%. The proceeds from the issuance were used to reduce short-term debt.

In early 1994, Illinois Bell Telephone Company issued \$200 million of long-term debt to take advantage of lower interest rates. The 1994 GEIS investment was funded principally by issuing \$450 million of new debt by ACF.

The company's debt ratio decreased to 48.7% as of December 31, 1995, compared with 51.2% as of December 31, 1994, primarily as a result of increased reinvested earnings.

**DIVIDENDS** The company paid dividends of \$1.11 billion in 1995. This was an increase of \$53.6 million or 5.1% over 1994. The dividend policy is consistent with the need to balance returns to shareowners and still provide the necessary capital to invest in a competitive environment.

**FINANCING OPTIONS** As of December 31, 1995, the company maintained available lines of credit totaling \$1.2 billion, a committed credit facility of \$1.0 billion and shelf registrations for issuance of up to \$2.2 billion in unsecured debt securities.

**INVESTMENT COMMITMENTS** The company is committed to invest 25.6 billion Belgian francs (about $875 million) in a consortium that will purchase 49.9% of Belgacom S.A., the principal telecommunications company in Belgium. Closing of this transaction is anticipated to be completed by June 30, 1996. The company intends to fund its commitment with cash and debt and is purchasing forward contracts to acquire Belgian francs in order to manage its foreign currency risk. At December 31, 1995, about 35% of the commitment had been purchased with forward contracts.

Ameritech participates in the *Americast* joint venture, as previously discussed. The investment will be funded by the partners with $500 million over a five-year period. Video services will ultimately include movies-on-demand, interactive home shopping, educational programs, games and more. The company has not invested significant funds in *Americast* as of December 31, 1995.

**HEDGING** Ameritech on occasion will use hedging transactions to manage the foreign currency risk resulting from the cash flows of the company's international investments or its investment commitments. There were no material hedging transactions in 1995 or 1994, other than purchasing forward contracts for Belgian francs in late 1995 as discussed above, as well as forwards purchased with respect to the August and December 1995 New Zealand Telecom dividends. In 1993, the company purchased currency forward contracts on the New Zealand currency in order to eliminate currency risk on anticipated proceeds from the required sell-down of shares of New Zealand Telecom.


Ameritech declared a 6.0% dividend increase in December 1995, the largest increase since 1991

**STOCK REPURCHASE PROGRAM** The company's Board of Directors has periodically authorized management to repurchase shares of Ameritech common stock in the open market or through private transactions. During 1995, pursuant to this authorization, the company repurchased, in the open market, 3 million shares of common stock aggregating $154.8 million. No shares were repurchased in 1994 or 1993. Management has the authority to repurchase 17 million additional shares through December 1997.

**NEW ACCOUNTING PRONOUNCEMENTS** The Financial Accounting Standards Board issued FAS 123, "Accounting for Stock-Based Compensation," in October 1995. The new accounting standard will require the company to value all stock-based compensation based on the estimated fair market value at the grant date and spread the deemed cost over the vesting period. The standard permits a choice of whether to charge operations or disclose the calculated cost as pro forma information. The new standard requires disclosure, beginning in 1996, of the deemed cost effective with 1995 grants. The company has not yet quantified its cost or determined its method of compliance with the new standard.

Effective January 1, 1995, the company adopted FAS 116, "Accounting for Contributions Received and Contributions Made." The effect of implementing FAS 116 was insignificant. Ameritech has established and funded a charitable foundation through which charitable contributions are made.

Effective January 1, 1994, the company adopted FAS 115, "Accounting for Certain Investments in Debt and Equity Securities." At December 31, 1995 and 1994, the company had recorded its debt and equity investments classified as "available for sale" at fair value under the provisions of FAS 115 and recorded an unrealized holding gain as a separate component of shareowners' equity. The effect of implementing FAS 115 was not material.

**OTHER MATTERS**

**COMPETITION** The communications industry is undergoing significant changes. Local exchange carriers and long distance service companies, cable TV companies, cellular service providers, computer companies and the entertainment and information services industries are converging, forming alliances and positioning to provide a variety of services. Market convergence, already a reality, intensified in 1995. Regulatory, legislative and judicial decisions, and technological advances, as well as heightened customer interest in advanced communications, have expanded the types of available communications services and products, as well as the number of companies offering such services.

The primary competitors in Ameritech's core business (local landline telephone service, wireless service and directories) historically have been other access providers, other wireless service providers and other advertising media. AT&T Corp., MCI Communications Corp. and other long distance providers are ready to offer local phone service in various parts of Ameritech's five-state region. Companies, such as AT&T Corp., with its acquisition of McCaw Cellular, have allied to form expanded cellular markets, creating the possibility of a wireless network with nationwide presence and brand-name recognition. Tele-Communications, Inc., Comcast Corp. and Cox Cable Communications are part of a cable com-, any joint venture with Sprint that plans to offer alternative wireless and landline local service. Competitors of the directory publishing business are advertisers using traditional advertising media, such as television, radio, direct mail, billboards, interactive on-line services, and magazine and newspaper advertising. Today, many of the companies planning to provide local telephone service also have directory operations. Increased competition in the local exchange service business, as well as the technological innovations rapidly spawned by that business, will further intensify competition in the directory business.

dollars in millions, except per share amounts

As the company expands and diversifies into other areas, including video, home security, home shopping, the Internet, CD-ROM technology, on-line services, phone cards and global long distance service, the number and variety of competitors will grow dramatically. Much of the competition is from companies with substantial capital, technological and marketing resources, many of which do not face the same regulatory constraints as Ameritech. In pursuit of business opportunities outside of the U.S., Ameritech faces competition from other regional holding companies (RHCs), long distance service providers and a variety of foreign entities. Notwithstanding the potential for an adverse effect on many revenue streams of the company, Ameritech expects to capture a major share of the expected growth in the communications marketplace. Building on its strengths, the company plans to branch into new services that are logical extensions of its core business, exporting its expertise to customers around the world.

As the communications industry expands and converges, Ameritech is positioned to compete aggressively in new and existing markets, all of which are expanding at rates far in excess of historical levels.

Regulatory reform continues to be one of the most significant issues facing the communications industry today. The company believes that relief from excessive regulation will benefit customers and ultimately shareowners by enabling the company to compete effectively and meet customers' expanding needs. Aggressively promoting its Customers First plan to open its network to competitors, the company is preparing to enter the interLATA long distance market. Ameritech is seeking relief before regulatory agencies from the restraints, laws and regulations that impose restrictions on its current business and curtail its future business offerings.

The company's competitive strategy includes positioning itself to take advantage of future opportunities by streamlining its processes, reducing staff and cutting costs to continue to be the most efficient of the RHCs.

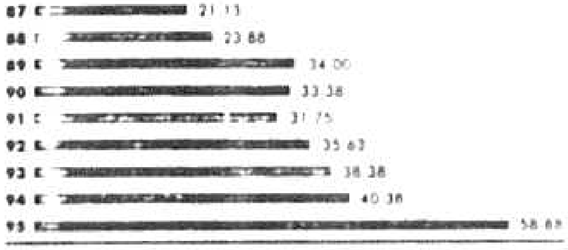
On the national level, the Telecommunications Act of 1996 was signed into law by the President on February 8, 1996. This legislation defines the conditions under which Ameritech will be permitted to offer interLATA long distance service and provides certain mechanisms intended to facilitate local exchange competition. This legislation, in addition to allowing Ameritech to offer interLATA long distance services, will allow competitors into the company's traditional local exchange markets. Management believes the legislation gives the company an opportunity to expand its revenue base by providing long distance services, while retaining lower-margin access revenues as other local service providers, acting as resellers, continue to use Ameritech's network facilities.

Ameritech has negotiated local network resale agreements with MFS Intelenet and U.S. Network Corp. These companies plan to begin providing local exchange service in Chicago in 1996. Negotiations with AT&T Corp. and other companies for similar local resale agreements continue.

In FCC auctions held earlier in 1995, the company was the successful bidder for two broadband PCS licenses in Cleveland and Indianapolis. These licenses cover an area of almost 8 million potential customers and will provide an effective complement to the company's existing cellular and landline networks. Ameritech plans to offer PCS service to customers in these markets in 1997. In 1994, the company won the narrowband PCS license to provide two-way paging in the Midwest. These licenses will provide new revenue opportunities for the company. However, new competitors will be entering wireless markets currently served by Ameritech on a duopoly basis.

In the face of regulatory uncertainty over the video dial tone rules, Ameritech became the first RHC to enter the video business as a cable TV provider. A separate subsidiary was created to build stand-alone cable systems and purchase and develop programming content. This subsidiary will compete directly with current cable television enterprises. Initially, the company plans to offer 80 to 90 channels. In the future, services will be expanded to include home shopping, games and interactive services.

**YEAR-END STOCK PRICE** (dollars, adjusted for stock splits)




Ameritech's stock price rose **45.8%** in 1995 to **$58.88**

**BUSINESS UNITS** Although the company continues to operate solely in the communications industry, it has restructured its business into separate units. Each company customer is assigned to a business unit based on the type of revenue generated. Revenues by business unit are as follows:

| | 1995 | 1994 |
|---|---|---|
| Consumer | **32%** | 33% |
| Custom, enhanced and small business | **27** | 28 |
| Long distance* | **14** | 16 |
| Advertising | **8** | 8 |
| Cellular, including paging | **8** | 7 |
| All other | **11** | 8 |
| Total | **100%** | 100% |

* Long distance relates closely to the revenue categories of interstate and intrastate network access, excluding end-user charges.

Shareowners
Ameritech Corporation

The consolidated financial statements were prepared in accordance with generally accepted accounting principles that required the use of estimates and judgment. Management prepared these statements and other information in the annual report and is responsible for their integrity and objectivity.

The company's consolidated financial statements have been audited by Arthur Andersen LLP. Management has made available to Arthur Andersen LLP all the company's financial records and related data, as well as the minutes of meetings of shareowners and directors. Management believes that all representations made to Arthur Andersen LLP were valid and appropriate.

Management maintains a system of internal control over the preparation of its published financial statements, which provides reasonable assurance as to the integrity and reliability of the consolidated financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The internal control system provides appropriate division of responsibility and written policies and procedures are communicated to employees and updated as necessary. Management is responsible for proactively fostering a strong ethical climate so that the company's affairs are conducted according to the highest standards of personal and corporate conduct.

The company maintains a strong internal auditing program to assess the effectiveness of internal controls and recommend possible improvements. As part of their audit of the consolidated financial statements, Arthur Andersen LLP considered the internal control system to determine the nature, timing and extent of necessary audit tests. Management has considered the recommendations of its internal auditors and Arthur Andersen LLP concerning the company's system of internal control, and has responded appropriately.

Management assessed the company's internal control system in relation to criteria for effective internal control. These criteria consist of five interrelated components, which are: control environment, risk assessment, control activities, information and communication, and monitoring. Based on its assessment, management believes that, as of December 31, 1995, its system of internal control has met these criteria.

The Board of Directors, through its audit committee which is composed solely of outside directors, serves in an oversight capacity to assure the integrity and objectivity of the company's financial reporting process. The roles of the committee include monitoring the company's accounting and financial controls and assuring the independence of Arthur Andersen LLP. Both the internal auditors and the independent public accountants have complete access to the committee and periodically meet with the committee, with and without management present.

Sincerely,

Richard C. Notebaert
Chairman and Chief Executive Officer
*January 17, 1996*

Betty F. Elliott
Vice President and Comptroller

Board of Directors
Ameritech Corporation

We have audited the accompanying consolidated balance sheets of Ameritech Corporation (a Delaware corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, shareowners' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameritech Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, the company discontinued applying the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1994.

Arthur Andersen LLP

Arthur Andersen LLP
Chicago, Illinois
*January 17, 1996*

## CONSOLIDATED STATEMENTS OF INCOME

Ameritech Corporation and Subsidiaries

| | Year ended December 31 | | |
|---|---|---|---|
| Dollars in millions, except per share amounts | 1995 | 1994 | 1993 |
| **REVENUES** | **$ 13,427.8** | $ 12,569.5 | $ 11,864.7 |
| **OPERATING EXPENSES** | | | |
| Employee-related expenses | **3,623.3** | 3,612.3 | 3,560.3 |
| Depreciation and amortization | **2,177.1** | 2,204.7 | 2,162.1 |
| Other operating expenses | **3,911.1** | 3,418.2 | 3,006.0 |
| Restructuring (credits) charges | **(134.5)** | 728.1 | — |
| Taxes other than income taxes | **547.8** | 576.9 | 578.1 |
| | **10,124.8** | 10,540.2 | 9,306.5 |
| **OPERATING INCOME** | **3,303.0** | 2,029.3 | 2,558.2 |
| Interest expense | **468.9** | 434.8 | 453.0 |
| Other income, net | **260.0** | 146.9 | 117.3 |
| Income before income taxes and extraordinary item | **3,094.1** | 1,741.4 | 2,222.5 |
| Income taxes | **1,086.5** | 571.0 | 709.7 |
| Income before extraordinary item | **2,007.6** | 1,170.4 | 1,512.8 |
| Extraordinary item | — | (2,234.0) | — |
| **NET INCOME (LOSS)** | **$ 2,007.6** | $ (1,063.6) | $ 1,512.8 |
| **EARNINGS (LOSS) PER COMMON SHARE** | | | |
| Income before extraordinary item | **$ 3.63** | $ 2.13 | $ 2.78 |
| Extraordinary item | — | (4.07) | — |
| **NET INCOME (LOSS)** | **$ 3.63** | $ (1.94) | $ 2.78 |
| **AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)** | **553.6** | 549.2 | 544.1 |

The accompanying notes are an integral part of the financial statements.

## CONSOLIDATED BALANCE SHEETS

Ameritech Corporation and Subsidiaries

| (dollars in millions) | As of December 31 1995 | 1994 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and temporary cash investments | $ 131.3 | $ 73.7 |
| Receivables, less allowance for uncollectibles of $166.2 and $147.3, respectively | 2,774.3 | 2,300.0 |
| Material and supplies | 204.9 | 203.7 |
| Prepaid and other | 341.9 | 313.2 |
| | 3,452.4 | 2,890.6 |
| Property, plant and equipment | | |
| In service | 30,477.6 | 29,200.4 |
| Under construction | 396.1 | 345.3 |
| | 30,873.7 | 29,545.7 |
| Less: accumulated depreciation | 17,416.9 | 16,091.2 |
| | 13,456.8 | 13,454.5 |
| Investments, primarily international | 1,497.0 | 1,197.0 |
| Other assets and deferred charges | 3,536.4 | 2,404.7 |
| **TOTAL ASSETS** | $ 21,942.6 | $ 19,946.8 |
| **LIABILITIES AND SHAREOWNERS' EQUITY** | | |
| Current liabilities | | |
| Debt maturing within one year | $ 2,137.9 | $ 1,898.3 |
| Accounts payable | 1,792.3 | 1,546.3 |
| Other | 1,831.7 | 1,711.5 |
| | 5,761.9 | 5,156.1 |
| Long-term debt | 4,513.2 | 4,447.9 |
| Deferred credits and other long-term liabilities | | |
| Accumulated deferred income taxes | 782.4 | 611.0 |
| Unamortized investment tax credits | 207.9 | 255.8 |
| Postretirement benefits other than pensions | 2,966.9 | 2,915.0 |
| Other | 695.8 | 505.9 |
| | 4,653.0 | 4,287.7 |
| Shareowners' equity | | |
| Common stock, par value $1 (1.2 billion shares authorized; 587,612,000 issued) | 587.6 | 587.6 |
| Proceeds in excess of par value | 5,613.9 | 5,520.9 |
| Reinvested earnings | 2,208.8 | 1,325.3 |
| Treasury stock, at cost (33,773,000 shares in 1995 and 36,150,000 in 1994) | (986.6) | (977.0) |
| Deferred compensation | (329.2) | (396.0) |
| Currency translation adjustments | (85.4) | (15.9) |
| Other, net | 5.4 | 10.2 |
| | 7,014.5 | 6,055.1 |
| **TOTAL LIABILITIES AND SHAREOWNERS' EQUITY** | $ 21,942.6 | $ 19,946.8 |

The accompanying notes are an integral part of the financial statements.

## CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

Ameritech Corporation and Subsidiaries

| (dollars in millions) | Total | Common Stock | Proceeds in excess of Par Value | Reinvested Earnings | Treasury Stock | Deferred Compensation | Currency Translation Adjustments | Other | Common Shares Issued (000) | Treasury Shares (000) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shareowners' Equity | | | | | | | | | |
| Balances, December 31, 1992 | $6,992.2 | $587.6 | $5,378.0 | $2,955.7 | $(1,272.8) | $(507.7) | $(137.8) | $(10.8) | 587,612 | [illegible] |
| Net income | 1,512.8 | | | 1,512.8 | | | | | | |
| Dividends declared | | | | | | | | | | |
| ($1.86 per share) | (1,013.2) | | | (1,013.2) | | | | | | |
| Treasury stock activity | | | | | | | | | | |
| Purchases | (1.9) | | | | (1.9) | | | | | [illegible] |
| Issuances | | | | | | | | | | |
| Employee benefit plans | 109.5 | | 23.9 | | 85.6 | | | | | [illegible] |
| Dividend reinvestment and | | | | | | | | | | |
| stock purchase plan | 122.2 | | 38.2 | | 84.0 | | | | | [illegible] |
| Other | 0.1 | | | | 0.1 | | | | | (4) |
| Reduction of LESOP debt | 39.2 | | | | | 39.2 | | | | |
| Other | 22.2 | | 14.7 | | | | | 7.5 | | |
| Translation adjustments | 61.5 | | | | | | 61.5 | | | |
| Balances, December 31, 1993 | 7,844.6 | 587.6 | 5,454.8 | 3,455.3 | (1,105.0) | (468.5) | (76.3) | (3.3) | 587,612 | [illegible] |
| Net loss | (1,063.6) | | | (1,063.6) | | | | | | |
| Dividends declared | | | | | | | | | | |
| ($1.94 per share) | (1,066.4) | | | (1,066.4) | | | | | | |
| Treasury stock activity | | | | | | | | | | |
| Purchases | (3.6) | | | | (3.6) | | | | | 88 |
| Issuances | | | | | | | | | | |
| Employee benefit plans | 36.0 | | 5.0 | | 31.0 | | | | | (1,179) |
| Dividend reinvestment and | | | | | | | | | | |
| stock purchase plan | 149.9 | | 49.6 | | 100.3 | | | | | (3,715) |
| Other | (0.7) | | (1.0) | | 0.3 | | | | | (13) |
| Reduction of LESOP debt | 72.5 | | | | | 72.5 | | | | |
| Other | 26.0 | | 12.5 | | | | | 13.5 | | |
| Translation adjustments | 60.4 | | | | | | 60.4 | | | |
| Balances, December 31, 1994 | 6,055.1 | 587.6 | 5,520.9 | 1,325.3 | (977.0) | (396.0) | (15.9) | 10.2 | 587,612 | 36,150 |
| Net income | 2,007.6 | | | 2,007.6 | | | | | | |
| Dividends declared | | | | | | | | | | |
| ($2.03 per share) | (1,124.1) | | | (1,124.1) | | | | | | |
| Treasury stock activity | | | | | | | | | | |
| Purchases | (161.9) | | | | (161.9) | | | | | 3,196 |
| Issuances | | | | | | | | | | |
| Employee benefit plans | 81.6 | | 12.9 | | 68.7 | | | | | (2,530) |
| Dividend reinvestment and | | | | | | | | | | |
| stock purchase plan | 144.7 | | 61.1 | | 83.6 | | | | | (3,043) |
| Reduction of LESOP debt | 66.8 | | | | | 66.8 | | | | |
| Other | 14.2 | | 19.0 | | | | | (4.8) | | |
| Translation adjustments | (69.5) | | | | | | (69.5) | | | |
| **BALANCES, DECEMBER 31, 1995** | **$7,014.5** | **$587.6** | **$5,613.9** | **$2,208.8** | **$(986.6)** | **$(329.2)** | **$(85.4)** | **$5.4** | **587,612** | **33,773** |

The accompanying notes are an integral part of the financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Ameritech Corporation and Subsidiaries

| (dollars in millions) | Year ended December 31 1995 | 1994 | 1993 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income (loss) | $ 2,007.6 | $ (1,063.6) | $ 1,512.8 |
| Adjustments to net income (loss) | | | |
| Extraordinary item | — | 2,234.0 | — |
| Restructuring (credits) charges, net of tax | (78.7) | 455.8 | |
| Depreciation and amortization | 2,177.1 | 2,204.7 | 2,162.[illegible] |
| Deferred income taxes, net | 149.0 | 69.6 | (9.6) |
| Investment tax credits, net | (47.9) | (52.2) | (74.4) |
| Capitalized interest | (19.7) | (13.3) | ([illegible]3) |
| Provision for uncollectibles | 209.5 | 183.1 | 154.3 |
| Change in accounts receivable | (683.8) | (407.4) | (22[illegible].8) |
| Change in material and supplies | (14.8) | (76.3) | ([illegible]7.3) |
| Change in other current assets | (7.8) | (30.2) | 25.0 |
| Change in accounts payable | 246.0 | 331.8 | (114.5) |
| Change in certain other current liabilities | (118.6) | (159.4) | (39.3) |
| Change in certain noncurrent assets and liabilities | (154.3) | 276.8 | 333.[illegible] |
| Gain on exchange of cellular minority interests | (65.8) | — | — |
| Gain from sale of shares in Telecom Corporation of New Zealand Limited | — | — | (85.7) |
| Other | (41.2) | 30.0 | 84.7 |
| **NET CASH FROM OPERATING ACTIVITIES** | 3,556.6 | 3,429.8 | 3,188.6 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditures, net | (2,120.1) | (1,876.6) | (2,092.4) |
| Additional investments including acquisition of new companies | (895.1) | (589.6) | (471.2) |
| Net proceeds from exchange of cellular minority interests | 60.7 | — | — |
| Proceeds from sale of shares in Telecom Corporation of New Zealand Limited | — | — | 280.6 |
| Other investing activities, net | 72.5 | 74.0 | 3.2 |
| **NET CASH FROM INVESTING ACTIVITIES** | (2,882.0) | (2,392.2) | (2,279.8) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net change in short-term debt | 217.2 | (416.2) | 493.4 |
| Issuance of long-term debt | 194.5 | 645.3 | 925.1 |
| Retirement of long-term debt | (84.1) | (568.7) | (1,458.4) |
| Dividend payments | (1,106.7) | (1,053.1) | (999.4) |
| Repurchase of common stock | (161.9) | (3.6) | (0.4) |
| Proceeds from reissuance of treasury stock | 226.3 | 187.7 | 226.4 |
| Issuance of preferred stock in subsidiary | 60.0 | 85.0 | — |
| Other financing activities, net | 37.7 | 3.8 | (32.0) |
| **NET CASH FROM FINANCING ACTIVITIES** | (617.0) | (1,119.8) | (845.3) |
| Net increase (decrease) in cash and temporary cash investments | 57.6 | (82.2) | 63.5 |
| Cash and temporary cash investments, beginning of year | 73.7 | 155.9 | 92.4 |
| Cash and temporary cash investments, end of year | $ 131.3 | $ 73.7 | $ 155.9 |

The accompanying notes are an integral part of the financial statements.

(dollars in millions, except per share amounts)

## 1 SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS** Ameritech Corporation (Ameritech or the company), one of the world's largest communications companies, provides a wide array of local phone, data and other services to over 13 million customers (primarily in Illinois, Indiana, Michigan, Ohio and Wisconsin). The company also owns interests in telecommunications companies in Europe and the Pacific Rim.

Ameritech serves almost 1.9 million cellular and 745,000 paging customers, and has cellular interests in China, Norway and Poland. Ameritech also owns interests in telecommunications companies in New Zealand and Hungary and in business directories in Germany and other countries.

See discussion of competition in Other Matters in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 30 and 31.

**CONSOLIDATION** The consolidated financial statements include the accounts of Ameritech and all of its majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

**BASIS OF ACCOUNTING** The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). In 1994, Ameritech discontinued accounting for its landline communications subsidiaries under Statement of Financial Accounting Standards No. 71 (FAS 71), "Accounting for the Effects of Certain Types of Regulation" (see Note 4). The Ameritech landline communications subsidiaries are Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc.

**USE OF ESTIMATES** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MATERIAL AND SUPPLIES** Inventories of new and reusable material and supplies are stated at the lower of cost or market, with cost generally determined on an average-cost basis.

**INCOME TAXES** Ameritech and its subsidiaries file a consolidated federal income tax return. In 1993, the company adopted FAS 109, "Accounting for Income Taxes." The new accounting method is essentially a refinement of the liability method previously followed by the company and, accordingly, did not have a significant impact on the company's financial statements upon adoption.

Deferred tax assets and liabilities are determined at the end of each period, based on differences between the financial statement bases of assets and liabilities and the tax bases of those same assets and liabilities, using the currently enacted statutory tax rates. Deferred income tax expense is measured by the change in the net deferred income tax asset or liability during the year. The company also provides deferred income taxes on undistributed equity earnings from foreign investments where it does not control the dividend flow back to the United States.

At December 31, 1995 the company had recorded deferred tax assets of $81.9 million, reflecting the benefit of certain tax attributes such as acquired net operating loss carryforwards and excess foreign tax credits. These tax attributes expire between 1996 and 2005. Realization of these benefits is dependent upon certain types of income being generated. Due to the uncertainty of realization of a portion of these assets, management has established a valuation allowance of $65.2 million.

The Ameritech landline communications subsidiaries use the deferral method of accounting for investment tax credits whereby credits realized are being amortized as reductions in tax expense over the life of the asset that gave rise to the credits.

**PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment are stated principally at original cost. The provision for depreciation is based principally on straight-line remaining life and straight-line equal life group methods of depreciation applied to individual categories of plant with similar characteristics. As a result of discontinuing the application of FAS 71 in 1994, the company recognized shorter, more economically realistic lives and increased its accumulated depreciation balance by $3.7 billion (see Note 4).

The following is a summary of average lives (in years) before and after the discontinuation of FAS 71.

| Asset Category | Before | After |
|---|---|---|
| Central office equipment | | |
| Digital switching | 17 | 7 |
| Analog switching | up to 4 | obsolete |
| Circuit accounts | 8-12 | 7 |
| Copper and fiber cable and wire facilities | 20-32 | 15 |
| All other | various | various |

Generally, when depreciable plant is retired, the amount at which such plant has been carried in property, plant and equipment is charged to accumulated depreciation. The cost of maintenance and repair of plant is charged to expense.

Property, plant and equipment is used predominantly in Illinois, Indiana, Michigan, Ohio and Wisconsin.

**TEMPORARY CASH INVESTMENTS** Temporary cash investments are stated at cost, which approximates market. All highly

(dollars in millions, except per share amounts)

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**USE OF ESTIMATES** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MATERIAL AND SUPPLIES** Inventories of new and reusable material and supplies are stated at the lower of cost or market, with cost generally determined on an average-cost basis.

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| Asset Category | Before | After |
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| Central office equipment | | |
| Digital switching | 17 | 7 |
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| Circuit accounts | 8-12 | 7 |
| Copper and fiber cable and wire facilities | 20-32 | 15 |
| All other | various | various |

Generally, when depreciable plant is retired, the amount at which such plant has been carried in property, plant and equipment is charged to accumulated depreciation. The cost of maintenance and repair of plant is charged to expense.

Property, plant and equipment is used predominantly in Illinois, Indiana, Michigan, Ohio and Wisconsin.

**TEMPORARY CASH INVESTMENTS** Temporary cash investments are stated at cost, which approximates market. All highly liquid, short-term investments with an original maturity of three months or less are considered to be cash equivalents.

dollars in millions, except per share amounts

**ADVERTISING COSTS** Advertising costs are charged to operations as incurred.

**REVENUE RECOGNITION** The company recognizes revenue as earned. The company primarily accounts for its directory advertising revenues as billed over the term of the related directory (usually one year) and amortizes production costs, which are deferred when incurred, to match the related revenues.

**INTANGIBLES** Intangibles, including goodwill, arising from the acquisition of companies are amortized over the anticipated period of benefit, not to exceed 40 years.

**TRANSLATION ADJUSTMENTS** The assets and liabilities relating to the company's share of significant foreign operations are translated to U.S. dollars at year-end exchange rates. Revenues and expenses are translated to U.S. dollars using average rates for the year. Translation adjustments are accumulated and recorded as a separate component of shareowners' equity.

**RECLASSIFICATIONS** In 1994, the company made certain reclassifications, which were applied retroactively to its financial statements to correspond to financial reporting for unregulated enterprises.


1995 total return to Ameritech shareowners, including price appreciation plus reinvested dividends, was 51.9%.

## 2. INVESTMENTS

**TELECOM CORPORATION OF NEW ZEALAND LIMITED** In September 1990, Ameritech and Bell Atlantic Corporation purchased all of the shares of Telecom Corporation of New Zealand Limited (New Zealand Telecom), the state-owned telephone company in New Zealand. The company's share of the purchase price was about $1.2 billion.

After stock sales required by the New Zealand government in the purchase agreement, which were completed in September 1993, the company's share of ownership is 24.8%. Such sales resulted in gains with cash proceeds to the company of $676.1 million.

The investment in New Zealand Telecom is accounted for under the equity method. Goodwill of approximately $[illegible] million associated with this investment is being amortized on a straight-line basis over a period of 40 years.

The company owned 469,000,000 shares of New Zealand Telecom at December 31, 1995. Shares of New Zealand Telecom are publicly traded. Based on the year-end 1995 closing price of individual New Zealand Telecom shares, the aggregate value of the company's shares was about $[illegible] billion. However, New Zealand Telecom shares are thinly traded with approximately 50% of the company owned by Ameritech and Bell Atlantic Corporation.

During the first quarter of 1994 the company received a cash distribution totaling $67.1 million from New Zealand Telecom as a result of a capital restructuring.

**MATAV INVESTMENTS** In December 1993, a holding company (MagyarCom), owned equally by Ameritech and Deutsche Telekom AG, purchased a 30% share in the Hungarian telecommunications company (MATAV). Ameritech's purchase price of its 15% share of MATAV was $4[illegible] million. A significant portion of the purchase price was for a capital infusion into MATAV and receipt of a concession license from the Hungarian government. On December 22, 1995, Ameritech, through MagyarCom, purchased an additional 18.5% share of MATAV from the Hungarian government for $405.2 million. Ameritech accounts for its effective [illegible] share of MATAV using the equity method. Goodwill from these transactions approximates $410 million and is being amortized over 40 years.

**SUMMARY OF NONCONSOLIDATED INVESTMENTS** A summary of the company's investments, which have not been consolidated, follows:

| | 1995 | 1994 |
|---|---|---|
| New Zealand Telecom | $ 643.6 | $ 629.5 |
| MATAV | 722.8 | 409.4 |
| Other international investments | 20.3 | 31.3 |
| Total international investments | 1,386.7 | 1,070.2 |
| Domestic investments | 110.3 | 126.8 |
| Total investments | $ 1,497.0 | $ 1,197.0 |

The following unaudited summary presents Ameritech's proportional (pro rata) interest in the summarized financial information of investments accounted for under the equity method:

| Year Ended December 31 | 1995 | 1994 | 1993 |
|---|---|---|---|
| Revenues | $ 745.7 | $ 592.6 | $ 371.9 |
| Costs and expenses | 641.3 | 502.9 | 348.1 |
| Net income | $ 104.4 | $ 89.7 | $ 23.8 |

| As of December 31 | 1995 | 1994 |
|---|---|---|
| Assets* | $ 2,414.9 | $ 1,743.1 |
| Liabilities | 1,026.5 | 669.9 |
| Net equity | $ 1,388.4 | $ 1,073.2 |

* Includes goodwill associated with Ameritech's investments.

dollars in millions, except per share amounts

**OTHER INVESTMENTS** In October 1995 and December 1994, the company purchased two security monitoring businesses. These businesses have been consolidated in the accompanying financial statements from the date of acquisition using the purchase method of accounting. The combined historical annual revenues of the acquired security monitoring businesses are about $250 million. The company offers its security monitoring services through subsidiaries doing business as SECURITYLINK® from Ameritech. These wholly owned subsidiaries design, install, monitor and maintain security systems for approximately 340,000 customers throughout the United States and Canada.

**OTHER TRANSACTIONS** In 1995, the company purchased in the Federal Communications Commission's auction, for $158.1 million, broadband personal communications services (PCS) licenses in the Indianapolis and Cleveland markets. This is in addition to the narrowband licenses obtained in 1994 to offer two-way paging in the Midwest. These licenses will complement the company's wireless strategy and have been classified as other assets and deferred charges in the accompanying consolidated balance sheets. Amortization of these licenses has not yet begun as the related operations have not yet commenced.

In May 1994, Ameritech invested $472.5 million in a newly formed subsidiary of General Electric Company (GE). The new subsidiary (GEIS) provides electronic data interchange and electronic commerce. Ameritech's investment is in the form of a four-year interest bearing convertible debenture, which, if legal restrictions are removed, converts into a 30% equity interest in GEIS. The debenture has been guaranteed as to repayment by GE. Ameritech may extend the term of the debenture by one year under certain circumstances. The debenture has been classified as other assets and deferred charges in the accompanying consolidated balance sheets.

See also Note 15 for a discussion of the company's pending investment in Belgacom S.A.

## 3 INCOME TAXES

The components of income tax expense follow:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Federal | | | |
| Current | $ 821.2 | $ 733.4 | $ 713.7 |
| Deferred, net | 181.0 | (196.3) | (24.4) |
| Investment tax credits, net | (47.9) | (52.2) | (74.4) |
| Total | 954.3 | 484.9 | 614.9 |
| State, local and foreign | | | |
| Current | 108.4 | 92.6 | 80.0 |
| Deferred, net | 23.8 | (6.5) | 14.8 |
| Total | 132.2 | 86.1 | 94.8 |
| Total income tax expense | $ 1,086.5 | $ 571.0 | $ 709.7 |

Total income taxes paid were $890.4 million, $903.6 million and $774.4 million in 1995, 1994 and 1993, respectively.

The following is a reconciliation between the statutory federal income tax rate for each of the past three years and the company's effective tax rate:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Statutory tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 2.8 | 3.2 | 2.8 |
| Reduction in tax expense due to amortization of investment tax credits | (1.0) | (2.8) | (3.3) |
| Effect of adjusting deferred income tax balances due to tax law changes | — | — | [illegible] |
| Benefit of tax rate differential under FAS 71 applied to reversing temporary differences | — | (3.0) | (2.2) |
| Other | (1.7) | 0.4 | 0.7 |
| Effective tax rate | 35.1% | 32.8% | 31.9% |

The statutory federal income tax rate was increased to 35% in 1993. Deferred income tax balances were adjusted to reflect the enacted tax rate.

Income tax expense in 1995 was reduced by $15.9 million as a result of a portion of the beginning of year valuation allowances no longer being required.

As of December 31, 1995 and 1994, the components of long-term accumulated deferred income taxes were as follows:

| | 1995 | 1994 |
|---|---|---|
| Deferred tax assets | | |
| Postretirement and postemployment benefits | $ 1,171.8 | $ 1,148.6 |
| Other | 240.7 | 141.2 |
| | 1,412.5 | 1,289.8 |
| Deferred tax liabilities | | |
| Accelerated depreciation | 1,540.4 | 1,488.2 |
| Prepaid pension cost | 368.4 | 170.7 |
| Other | 286.1 | 241.9 |
| | 2,194.9 | 1,900.8 |
| Net deferred tax liability | $ 782.4 | $ 611.0 |

Deferred income taxes in current assets and liabilities are not shown as they are not significant. The company has valuation allowances against certain deferred tax assets aggregating $65.2 million and $65.0 million at December 31, 1995 and 1994, respectively.

dollars in millions, except per share amounts

## 4 DISCONTINUATION OF REGULATORY ACCOUNTING - FAS 71

In the fourth quarter of 1994, having achieved price regulation in all five states in which it operates and recognizing increased competition, the company concluded that GAAP prescribed by FAS 71 was no longer appropriate.

As a result of discontinuing the application of FAS 71, the company recorded an extraordinary noncash after-tax charge of $2.2 billion in 1994. The following table is a summary of the extraordinary charge:

| | Pretax | After tax |
|---|---|---|
| Increase to the accumulated depreciation balance | $3,658.5 | $2,288.5 |
| Elimination of other net regulatory assets | 126.2 | 77.9 |
| Tax-related net regulatory liabilities | — | 86.1 |
| Accelerated amortization of tax credits | | 46.3 |
| | $3,784.7 | $2,234.0 |

The adjustment of $3.7 billion to net communications plant was necessary because estimated useful lives and depreciation methods historically prescribed by regulators did not keep pace with rapid technological changes and differed significantly from those used by unregulated enterprises. Plant balances were adjusted by increasing the accumulated depreciation balance. The necessary adjustment was determined by a discounted cash flow analysis which considered technological changes, capital requirements and estimated impacts of future competition. To corroborate this study, a depreciation reserve study was also performed that identified inadequate accumulated depreciation levels by individual asset categories. The company believes these levels developed over the years as a result of the systematic underdepreciation of assets resulting from the regulatory process.

When adjusting its net communications plant, the company gave effect to shorter, more economically realistic lives, as previously outlined in Note 1.

The discontinuance of FAS 71 also required the company to eliminate from its consolidated balance sheet the effects of any actions of regulators that had been recognized as assets and liabilities pursuant to FAS 71, but would not have been recognized as assets and liabilities by enterprises in general.

The elimination of other net regulatory assets primarily related to certain deferred vacation pay, debt financing costs, and certain deferred assets.

Additionally, at the time the company discontinued the application of FAS 71, the income tax-related regulatory assets and liabilities were eliminated and deferred tax balances adjusted to reflect application of FAS 109 consistent with other unregulated enterprises. As asset lives were shortened, the related unamortized investment tax credits deemed already earned were credited to income.

The effects on the company's consolidated financial statements going forward without FAS 71 are discussed on pages [illegible] and [illegible].

## 5 PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are as follows:

| | 1995 | 1994 |
|---|---|---|
| Land | $ 139.6 | $ [illegible] |
| Buildings | 2,991.6 | [illegible] |
| Central office equipment | 12,108.3 | [illegible] |
| Cable, wiring and conduit | 12,371.6 | [illegible] |
| Other | 2,866.5 | [illegible] |
| | 30,477.6 | [illegible] |
| Under construction | 396.1 | [illegible] |
| | 30,873.7 | [illegible] |
| Less: accumulated depreciation | 17,416.9 | [illegible] |
| | $ 13,456.8 | $ [illegible] |

Depreciation expense on property, plant and equipment was $2,089.5 million, $2,104.2 million and $2,073.8 million in 1995, 1994 and 1993, respectively.

Ameritech's reported earnings per share rose to $3.63 in 1995


## 6 EMPLOYEE BENEFIT PLANS

**PENSION PLANS** The company maintains noncontributory defined benefit pension plans covering substantially all employees and death benefit plans for nonmanagement employees. The management plan was amended effective May 1, 1995. The pension benefit formula now used in the determination of pension cost is based on the highest consecutive 36 months (3 year) average pay out of the last 60 consecutive months to which pension credits earned for each year of service are applied to determine an individual's lump-sum pension benefit. (Management employees who were within five years of reaching service pension eligibility as of May 1, 1995, are entitled to the higher of the new plan formula or the prior plan formula.) Pension cost under the nonmanagement plan is determined using a flat dollar amount per year of service. The nonmanagement plan was amended effective October 1, 1995, to provide for improved benefits following union contract ratification.

Amounts in millions, except per share amounts

The company's funding policy is to contribute an amount up to the maximum that can be deducted for federal income tax purposes. However, due to the funded status of the plans, no contributions have been made for the years reported below.

Pension expense was determined using the projected unit credit actuarial method. The resulting pension credits are primarily attributable to past favorable investment performance and the funded status of the plans.

The components of pension cost (credits) follow:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Benefits earned during the year | $ 138.7 | $ [illegible] | $ [illegible] |
| Interest cost on projected benefit obligation | 494.1 | [illegible] | 585.0 |
| Actual return on plan assets | (1,797.4) | [illegible] | [illegible] |
| Net amortization and deferral | 1,023.8 | [illegible] | [illegible] |
| Net pension credits | $ (140.8) | $ [illegible] | $ [illegible] |

The funded status of the plans follows:

| | 1995 | 1994 |
|---|---|---|
| Actuarial present value of accumulated plan benefits | | |
| Vested | $ 6,180.6 | $ [illegible] |
| Non-vested | 828.5 | [illegible] |
| Total | $ 7,009.1 | $ [illegible] |
| Fair value of plan assets | $ 10,974.4 | $ [illegible] |
| Actuarial present value of projected benefit obligation | (7,620.5) | (7,540.4) |
| Unrecognized net asset resulting from initial adoption of FAS 87 | (892.1) | ([illegible]73.8) |
| Unrecognized net gains | (1,860.0) | ([illegible]945.4) |
| Unrecognized prior service cost | 331.2 | 270.8 |
| Prepaid pension cost | $ 933.0 | $ 479.1 |

The assets of the pension plans consist principally of debt and equity securities, fixed income instruments and real estate. The assumed long-term rate of return on plan assets used in determining pension cost was 7.25% for 1995, 1994 and 1993. The assumed discount rate used to determine the projected benefit obligation was 6.9% as of December 31, 1995, and 7.2% as of December 31, 1994, while the assumed rate of increase in future compensation levels, also used in the determination of the projected benefit obligation, was 4.5% in 1995 and 1994.

**POSTRETIREMENT BENEFITS OTHER THAN PENSIONS** The company sponsors health care and life insurance plans which provide noncontributory postretirement benefits to substantially all of its retirees and their dependents. The company accrues the cost of postretirement benefits granted to employees as expense over the period in which the employee renders service and becomes eligible to receive benefits. The cost of postretirement health care and life insurance benefits for current and future retirees was recognized as determined under the projected unit credit actuarial method.

The company has provided for part of the cost of these plans by making contributions for health care benefits to voluntary employee benefit association trust funds (VEBAs) and maintains retirement funding accounts (RFAs) to provide life insurance benefits. The company intends to continue to fund the nonmanagement VEBA. During [illegible] the company utilized approximately $[illegible] million in excess pension plan assets to help pay the nonmanagement retiree health care obligation. Funding of the management VEBA was suspended effective in 1994, primarily due to a tax rate increase from [illegible] to [illegible] on its investment income. The nonmanagement VEBA and the RFAs earn income without tax. Plan assets consist principally of corporate securities and bonds.

Dividends declared per share rose to $2.03 in 1995, up 4.6% from $1.94 in 1994.


The components of postretirement benefit cost follow:

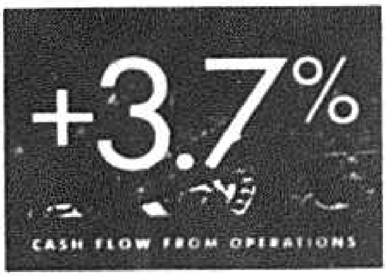
| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Retiree health care plans | | | |
| Benefits earned during the year | $ 49.0 | $ 75.5 | $ 62.8 |
| Interest cost on accumulated postretirement benefit obligation (APBO) | 306.8 | 258.2 | 252.3 |
| Actual return on plan assets | (112.9) | 10.9 | (43.3) |
| Net amortization and deferral | 57.1 | (53.1) | 4.1 |
| | 300.0 | 291.5 | 275.9 |
| Retiree life plans | | | |
| Benefits earned during the year | 4.9 | 8.0 | 6.6 |
| Interest cost on APBO | 32.6 | 30.6 | 29.8 |
| Actual return on plan assets | (27.3) | (21.2) | (20.2) |
| Net amortization and deferral | (7.7) | (13.1) | (15.8) |
| | 2.5 | 4.3 | 0.4 |
| Total postretirement benefit cost | $ 302.5 | $ 295.8 | $ 276.3 |

dollars in millions, except per share amounts

The APBO of the plans as of December 31, 1995 and 1994, follows:

| | 1995 | 1994 |
|---|---|---|
| Retiree health care plans | | |
| Retirees and dependents | $ 3,084.1 | $ 2,303.9 |
| Fully eligible active plan participants | 285.8 | 270.0 |
| Other active plan participants | 1,269.0 | 1,081.6 |
| Total APBO | 4,638.9 | 3,655.5 |
| Fair value of plan assets | 916.3 | 764.0 |
| APBO in excess of plan assets | 3,722.6 | 2,891.5 |
| Unrecognized net gain (loss) | (706.8) | 74.4 |
| Accrued postretirement health care benefit obligation | 3,015.8 | 2,965.9 |
| Retiree life plans | | |
| Retirees and dependents | 370.4 | 258.5 |
| Fully eligible active plan participants | 0.6 | 1.0 |
| Other active plan participants | 140.1 | 115.5 |
| Total APBO | 511.1 | 375.0 |
| Fair value of plan assets | 452.5 | 450.0 |
| APBO in excess of (less than) plan assets | 58.6 | [illegible] |
| Unrecognized net gain (loss) | (107.5) | [illegible] |
| Prepaid postretirement life benefit obligation | (48.9) | [illegible] |
| Total accrued postretirement benefit obligation, net | $ 2,966.9 | $ 2,915.0 |

The assumed discount rate used to measure the accumulated postretirement benefit obligation as of December 31, 1995, was [illegible] and 8.5% in 1994. The assumed rate of increase in future compensation levels was 4.5% in 1995 and 1994. The expected long-term rate of return on plan assets was 7.25% in 1995, 1994 and 1993 for the VEBAs and 8.0% in 1995, 1994 and 1993 for the RFAs. The assumed health care cost trend rate in 1995 was 8.8% and 9.2% in 1994 and is assumed to decrease gradually to 4.0% in 2007 and remain at that level. The assumed health care cost trend rate is 8.4% for 1996.




Ameritech cash flow from operations increased 3.7% to $3,557 million in 1995

The health care cost trend rate has a significant effect on the amounts reported for costs each year as well as on the accumulated postretirement benefit obligation. Specifically, increasing the assumed health care cost trend rate by one percentage point in each year would increase the aggregate of the service and interest cost components for 1995 by $45.[illegible] million, and would have increased the accumulated postretirement benefit obligation as of December 31, 1995, to $[illegible] million.

As of December 31, 1995, the company had approximately 5[illegible] retirees eligible to receive health care and group life insurance benefits.

**LEVERAGED EMPLOYEE STOCK OWNERSHIP PLANS** In 1989, the company created leveraged employee stock ownership plans (LESOPs) within its existing employee savings plans. To fund the LESOPs, the Trustee for the savings plans issued $[illegible] million of debt at [illegible]% interest, payable in semiannual installments through 200[illegible], which the company guaranteed. The Trustee used the proceeds to purchase at fair market value [illegible] shares of the company's common stock from the company's treasury. These shares are considered to be outstanding for earnings per share purposes. The Trustee repays the notes, including interest, with funds from the company's contributions to the savings plans, from dividends paid on the shares of company common stock held by the Trustee and with new loans from the company.

As a result of the company's unconditional guarantee, the notes of the trusts are recorded as long-term debt and as deferred compensation in the consolidated balance sheets. Deferred compensation represents a reduction of shareowners' equity. Debt and deferred compensation are reduced as the Trustee makes principal payments. As of December 31, 1995, the company had $265.[illegible] million in long-term debt and $63.5 million included in long-term debt maturing within one year with respect to the LESOP.

The company maintains savings plans that cover substantially all of its employees. Under these plans the company matches a certain percentage of eligible contributions made by the employees. The LESOP provisions of the savings plans became effective January 1, 1990. Under these provisions, company matching contributions are allocated to employees in company stock from the LESOP trusts. Employees are not allowed to switch the company matching contributions from company stock to alternative investments for the life of the LESOPs except under certain circumstances. Company stock is released for allocation to employees in the proportion that principal and interest paid in a year bears to the total principal and interest due over the life of LESOP debt.

Company matching contributions to the plans are recorded as compensation expense. Any change in the required contribution as a result of leveraging this obligation is recorded as a gain or loss in other income. The amount expensed and contributed to the LESOPs for 1995, 1994 and 1993 totaled $[illegible] million, $56.0 million and $[illegible] million, respectively. Interest expense incurred by the savings plans for 1995, 1994 and 1993 was $28.5 million, $33.3 million and $39.2 million, respectively. Dividends paid on shares of stock held by the Trustee used to partially satisfy debt repayment requirements were $42.0 million, $41.4 million and $40.1 million for 1995, 1994 and 1993, respectively. As of December 31, 1995, 12,984,497 shares have been allocated or been committed to employee accounts, leaving [illegible] shares unallocated. At December 31, 1994, 11,221,943 shares were allocated or committed to employee accounts, leaving 11,334,333 shares unallocated.

dollars in millions, except per share amounts

In 1994, the company entered into an agreement to lend up to $[illegible] million to one of the trusts through December [illegible]. The Trustee borrowed $[illegible] million at 7.8% from the company under this agreement in 1994, $17.9 million at [illegible] in 1995, and $[illegible] million at [illegible] in 1996.

**WORK FORCE AND OTHER RESTRUCTURING** During March 1994, Ameritech announced a plan to reduce its existing nonmanagement work force. As of December 31, 1995, [illegible] employees have left the company as a result of this restructuring. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 27 and 28.

As a result of this restructuring, a pretax charge of $728.1 million, or $455.8 million after-tax, was recorded in 1994. In 1995, a credit of $134.5 million, or $78.7 million after-tax, was recorded resulting primarily from settlement gains from lump-sum pension payments to former employees, net of additional restructuring charges of $131.8 million recorded in the fourth quarter of 1995. The fourth quarter restructuring charges include $73.7 million associated with increased force costs related to the restructuring started in 1994, as well as planned work force reductions due to consolidation of the company's data centers. In connection with this consolidation, an additional $58.1 million was recorded to write down certain data processing equipment to estimated net realizable value. The cumulative gross program cost through December 31, 1995 totaled $1,238.1 million, partially offset by settlement gains of $644.5 million for an aggregate pretax net program cost of $593.6 million, or $377.1 million after-tax.

**MANAGEMENT WORK FORCE REDUCTIONS** Effective January 1, 1995, management employees who are asked to leave the company will receive a severance payment under the Management Separation Benefit Program. The company accounts for this benefit in accordance with FAS 112, "Employers' Accounting for Postemployment Benefits," accruing the separation cost when incurred. 1995 activity under this program included 450 employees.

During 1994, 1,200 management employees left the company involuntarily. The net cost of these reductions, including termination benefits, settlement and curtailment gains from the pension plan, was a net credit to other operating expense of $37.4 million in 1995 and $[illegible] million in 1994. The 1995 credit resulted from settlement gains from lump-sum pension payments to former employees.

During 1993, about 1,200 management employees left the company involuntarily and another 500 employees left voluntarily. The net cost of these reductions, including termination benefits, settlement and curtailment gains from the pension plan, was a credit to other operating expense of $33.3 million.

The involuntary plans are funded from company operations and required cash payments of $9.6 million, $[illegible] million and $38.[illegible] million in 1995, 1994 and 1993, respectively.

**7. FINANCIAL INSTRUMENTS AND DERIVATIVES**

The following table presents the estimated fair value of the company's financial instruments as of December 31, 1995 and 1994:

| | 1995 | | 1994 | |
|---|---|---|---|---|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| Cash and temporary cash investments | $ 131.3 | $ 131.3 | $ 73.7 | $ 73.7 |
| Debt | 6,670.5 | 6,878.5 | [illegible] | [illegible] |
| Other assets | 905.3 | 908.9 | 633.6 | 646.6 |
| Other liabilities | 190.8 | 193.0 | 76.2 | 65.6 |

The following methods and assumptions were used to estimate the fair value of financial instruments.

**CASH AND TEMPORARY CASH INVESTMENTS** The carrying value approximates fair value because of the short-term maturity of these instruments.

**DEBT** The carrying amount (including accrued interest) of the company's debt maturing within one year approximates fair value because of the short-term maturities involved. The fair value of the company's long-term debt was estimated based on the year-end quoted market price for the same or similar issues. Fair value includes the effect of interest rate swaps discussed below.

**OTHER ASSETS AND LIABILITIES** These financial instruments consist primarily of long-term receivables, other investments, financial contracts, customer deposits, and preferred stock of a subsidiary. The fair values of these items were based on expected cash flows, available market prices or market comparables.

**FINANCIAL CONTRACTS, INCLUDING DERIVATIVES** The company occasionally enters into foreign currency forward contracts to hedge exposure to adverse exchange risk. Also, interest rate swaps are used to manage interest rate exposure and better match debt obligations of the company with receivables from its leasing business as a lessor. Related gains and losses are reflected in net income. At December 31, 1995 and 1994, the company had contracts giving it the right to deliver foreign currency valued at $300.0 million and $9.0 million, respectively. At December 31, 1995 and 1994, the company had also entered into interest rate swap agreements to change the interest rate on notional amounts of $401.1 million and $253.0 million, respectively. Interest expense is adjusted to give effect to obligations under the swaps. The company is exposed to credit risk in the unlikely event of nonperformance by counterparties. At December 31, 1995, the fair value of these interest rate swaps was a loss of $16.9 million. At December 31, 1994, the fair value of the interest rate swaps was a gain of $7.2 million.

dollars in millions, except per share amounts

The company uses derivatives in a limited way as a tool to manage the company's financial risk. Their use is restricted primarily to hedging assets and obligations already held by the company. Derivatives are used to protect the cash flow of the company rather than generate income or engage in speculative activity. Leveraged derivatives are strictly prohibited.

**8 DEBT MATURING WITHIN ONE YEAR**

Debt maturing within one year is included as debt in the computation of debt ratios and consists of the following as of December 31:

| | 1995 | 1994 |
|---|---|---|
| Notes payable | | |
| Bank loans | $ 3.5 | $ 116.5 |
| Commercial paper | 1,969.2 | 1,630.6 |
| Other | 11.3 | 19.7 |
| Long-term debt maturing within one year | 153.9 | 131.5 |
| Total | $ 2,137.9 | $ 1,898.3 |
| Weighted average interest rate on notes payable, year-end | 6.0% | 5.7% |

The company has a committed revolving credit facility of $1.0 billion. The fee for this facility is 0.05% per annum. This facility was not used during the three years ended December 31, 1995. In addition, Ameritech has entered into uncommitted agreements with a number of banks for lines of credit totaling $1.2 billion. The interest rates on these lines are negotiable at the time of borrowing. No amounts were outstanding under these agreements as of December 31, 1995. There are no significant commitment fees or material compensating balance requirements associated with any of these lines of credit. These lines, as well as the revolving credit facility, are available for support of commercial paper borrowing and to meet short-term cash needs.

**9 LONG-TERM FINANCING**

Long-term debt consists principally of debentures issued by the Ameritech landline communications subsidiaries. The following table sets forth interest rates and other information on long-term debt outstanding at December 31:

| Interest Rates | Maturities | 1995 | 1994 |
|---|---|---|---|
| 4.375%–6.0%* | 1997–2007 | $ 1,140.0 | $ [illegible] |
| 6.125%–8.0% | 2002–2034 | 2,537.2 | 2,345.6 |
| 8.125%–9.0% | 1997–2026 | 333.7 | [illegible] |
| 9.1%–10.0% | 1997–2016 | 198.6 | [illegible] |
| | | 4,209.5 | [illegible] |
| LESOP (Note 6) | | 265.7 | [illegible] |
| Capital lease obligations | | 73.4 | 85.6 |
| Other | | 1.2 | [illegible] |
| Unamortized discount, net | | (36.6) | [illegible] |
| Total | | $ 4,513.2 | $ [illegible] |

* Includes $450.0 million issued in 1994 tied to floating [illegible]

Scheduled maturities of long-term debt (including principal payments on LESOP debt) are $357.1 million due in 1997, $405.3 million due in 1998, $232.4 million due in 1999 and $147.2 million due in 2000.

Assets of Illinois Bell, comprising approximately $8,444.7 million of total gross property, plant and equipment, are subject to lien under mortgage bonds with outstanding balances of $300.0 million.

In April 1995, a wholly owned subsidiary, Ameritech Capital Funding Corporation (ACF), issued debentures totaling $192.2 million due April 1, 2005. The debentures are noncallable and have a coupon rate of 7.5 percent. Proceeds from the issuance were used to reduce short-term debt. This issuance utilized the remaining capacity under the "shelf" registration statement ACF had on file with the Securities and Exchange Commission (SEC).

The company, through ACF, filed a registration statement with the SEC for the issuance of up to $1.0 billion in unsecured debt securities for general corporate purposes. The company, through its landline communications subsidiaries, has registered with the SEC for the issuance of up to $1.4 billion in unsecured debt securities for corporate purposes. As of December 31, 1995, $200 million had been issued.

**PREFERRED STOCK ISSUANCES BY SUBSIDIARY** Ameritech New Zealand Funding Corporation, a wholly owned subsidiary, issued through a private placement $85.0 million of Series A Preferred Stock in 1994 (7.04%, subject to mandatory redemption in 2001), and $60.0 million of Series B Preferred Stock in 1995 (variable rate, 4.415% at December 31, 1995, not subject to mandatory redemption). Both preferred stock issues are included in other long-term liabilities.

(dollars in millions, except per share amounts)

## 10. LEASE COMMITMENTS

The company leases certain facilities and equipment used in its operations under both operating and capital leases. Rental expense under operating leases was $[illegible] million, $[illegible] million and $196.2 million for 1995, 1994 and 1993, respectively. As of December 31, 1995, the aggregate minimum rental commitments under noncancelable leases were approximately as follows:

| Years | Operating | Capital |
|---|---|---|
| 1996 | $ 104.[illegible] | $ 54.[illegible] |
| 1997 | [illegible] | [illegible] |
| 1998 | 66.[illegible] | [illegible] |
| 1999 | [illegible] | [illegible] |
| 2000 | 44.8 | [illegible] |
| Thereafter | 245.[illegible] | 5.4 |
| Total minimum rental commitments | $ [illegible] | [illegible] |
| Less executory costs | | [illegible] |
| interest costs | | [illegible] |
| Present value of minimum lease payments | | $ [illegible] |

## 11. OTHER INCOME, NET

The components of other income are as follows:

| | Income (expense) | | |
|---|---|---|---|
| | **1995** | 1994 | 1993 |
| Equity earnings of affiliates, primarily New Zealand Telecom* | **$ 104.4** | $ 89.[illegible] | $ 22.8 |
| Gain from sale of shares in New Zealand Telecom | **—** | — | 85.7 |
| Early extinguishment of debt costs | **—** | — | (66.3) |
| Interest on company-owned life insurance and related programs | **51.6** | 54.2 | 54.6 |
| Gain on exchange of cellular minority interests | **65.8** | — | — |
| Gain on LESOP | **27.0** | 15.0 | 18.8 |
| Other, net | **11.2** | (12.0) | 0.7 |
| Total | **$ 260.0** | $ 146.9 | $ 117.3 |

* Includes the company's share ($42.0 million) of a restructuring charge at New Zealand Telecom in 1993.

## 12. SHAREOWNERS' EQUITY

**SHAREOWNERS' RIGHTS** The certificate of incorporation of Ameritech authorizes the issuance of 1.2 billion shares of common stock, 30 million shares of preferred stock (par value $1 per share) and 30 million shares of preference stock (par value $1 per share).

One preference stock purchase right is attached to each share of the company's common stock. Under certain circumstances, each right may be exercised to purchase one one-hundredth of a share of Series A Junior Participating Preference stock ($1 par value) at a price of $125. If a person acquires, or announces a tender offer for, 20% or more of the company's common stock, the rights become exercisable for common stock of the company having a market value of two times the exercise price. If the company is acquired in a merger or similar transaction, the rights may be exercised to purchase common stock of the surviving company having a market value of two times the exercise price. The rights, which are nonvoting, are redeemable by the company for $.01 per right and expire on December 31, 1998, or upon consummation of certain merger transactions. Until the occurrence of certain events, the rights are attached to and trade with shares of the company's common stock. As of December 31, 1995, 553,838,100 rights were outstanding.

Total shareowners' equity rose 15.8% to $[illegible] million in 1995, up from $6,055 million in 1994.


**STOCK PLANS** The company, through its 1989 Long Term Incentive Plan (the plan), grants incentive compensation to its officers and other employees in the form of stock options, stock appreciation rights, restricted stock and performance awards. The incentives granted are based upon terms and conditions, subject to certain limitations, determined by a committee of the Board of Directors which administers the plan. The plan authorizes the issuance of up to 40,000,000 shares of common stock over a 10-year period.

Stock options may be granted under the plan as either incentive stock options or nonqualified stock options. Options have not been granted at less than fair market value as of the date of grant (however, under the plan, nonqualified options may be granted at not less than 50% of fair market value under the plan) and have a maximum life of 10 years and one day from the date of grant. Stock appreciation rights may be granted independently or in tandem with stock options and permit the optionee to receive stock, cash or a combination thereof equal to the amount by which the fair market value on the exercise date exceeds the option price. Substantially all stock options granted on or following December 16, 1987 are exercisable after one year, in equal increments over the following three years. Beginning in 1994, the company awarded grants of nonqualified stock options with dividend equivalents to certain employees.

(dollars in millions, except per share amounts)

Information regarding options granted under the Long Term Incentive Plan, which expired in 1994, and the plan is as follows:

| | Incentive Stock Options | | Nonqualified Stock Options | |
|---|---|---|---|---|
| | Shares | Price | Shares | Price |
| Outstanding | | | | |
| December 31, 1992 | 26,788 | $ 20.59 | 9,754,018 | $ 30.59 |
| Granted | — | — | 359,904 | $ 4[illegible] |
| Exercised | (11,520) | $ 20.59 | (2,487,098) | $ 30.28 |
| Canceled or expired | — | — | (293,236) | $ 29.[illegible] |
| Outstanding | | | | |
| December 31, 1993 | 15,268 | $ 20.59 | 7,333,588 | $ 31.[illegible] |
| Granted | — | — | 5,798,[illegible] | $ 38.[illegible] |
| Exercised | (4,200) | $ 20.59 | (1,196,462) | $ 30.93 |
| Canceled or expired | — | — | [illegible] | $ 38.2[illegible] |
| Outstanding | | | | |
| December 31, 1994 | 11,068 | $ 20.59 | 11,218,505 | $ 34.65 |
| Granted | — | — | 6,436,980 | $ 41.84 |
| Exercised | (5,400) | $ 20.59 | (2,553,592) | $ 32.09 |
| Canceled or expired | — | — | [illegible] | $ 39.9[illegible] |
| Outstanding | | | | |
| December 31, 1995 | 5,668 | $ 20.59 | 13,911,[illegible] | $ 37.99 |

As of December 31, 1995, incentive stock options for 5,668 shares and nonqualified stock options for 5,157,344 shares were exercisable at average prices of $20.59 and $33.30, respectively. As of December 31, 1995, 174,796 additional shares were available related to dividend equivalents. All stock appreciation rights granted under the plans have been issued in tandem with nonqualified stock options. Stock appreciation rights granted prior to 1987 have been capped at $29.938. The exercise of a nonqualified option or a stock appreciation right cancels the related right or option. No stock appreciation rights have been issued after December 31, 1990.

During 1991, the company issued, to certain key employees, performance-based restricted stock under the plan. The employees earn, without cost to them, Ameritech stock over three years, although restrictions generally continue for two additional years. As of December 31, 1995, 163,418 shares were outstanding under the plan. Under the Long Term Incentive Plan, which expired in 1994, 28,776 shares of nonperformance based restricted stock remained outstanding as of December 31, 1995. Shareowners' equity reflects deferred compensation for the unvested stock awarded. This amount is reduced and charged against operations (together with any change in market price) as the employees vest in the stock.

## 13 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

| Calendar | Revenues | Operating Income | Net Income (Loss) | Earnings (Loss) Per Share |
|---|---|---|---|---|
| **1995** | | | | |
| 1st Quarter | $ 3,145.[illegible] | $ 989.0 | $ [illegible]78.9 | $ [illegible] |
| 2nd Quarter | 3,368.9 | 859.6 | [illegible] | [illegible] |
| 3rd Quarter | 3,381.4 | 802.[illegible] | [illegible] | 0.92 |
| 4th Quarter | 3,531.8 | [illegible] | [illegible] | [illegible] |
| Total | $ 13,427.8 | $ 3,303.0 | $ 2,007.[illegible] | $ 3.63 |
| **1994** | | | | |
| 1st Quarter | $ 3,033.[illegible] | $ [illegible]40.9 | $ [illegible] | $ [illegible] |
| 2nd Quarter | 3,184.4 | 745.[illegible] | 440.[illegible] | 0.8[illegible] |
| 3rd Quarter | 3,170.[illegible] | 432.4 | 250.[illegible] | 0.46 |
| 4th Quarter | 3,18[illegible] | [illegible] | [illegible] | [illegible] |
| Total | $ 12,569.[illegible] | $ 2,029.3 | $ [illegible] | $ [illegible] |

Total nonmanagement work force restructuring charges in 1995 were $[illegible] million or $78.7 million after tax as follows: $256.3 million or $160.1 million after tax in the first quarter, $10.0 million or $6.9 million after tax in the third quarter and a net charge of $13[illegible] million or [illegible] million after tax in the fourth quarter. The fourth quarter restructuring charge includes costs related to the restructuring started in 1994 and charges relating to the consolidation of the company's data centers, as discussed more fully in Note 6.

Total nonmanagement work force restructuring charges in 1994 were $728.1 million or $455.8 million after tax as follows: $530.0 million or $332.8 million after tax in the first quarter, $270.1 million or $168.2 million after tax in the third quarter, and a net credit of $72.0 million or $4[illegible] million after-tax in the fourth quarter. The credit in the fourth quarter resulted from pension settlement gains. The fourth quarter of 1994 also includes a $2.2 billion after-tax extraordinary charge related to the discontinuance of applying FAS 71 or $4.0[illegible] per share ($4.07 per share when calculated on average common shares outstanding for all of 1994), as discussed in Note 4 above. Earnings for the fourth quarter of 1994 before the extraordinary charge were $429.1 million or $0.78 per share.

The third quarter of 1995 includes a gain of $[illegible] million ($41.8 million after-tax) on the exchange of cellular minority interests.

Several other significant income and expense items were reported in the fourth quarter of both years. However, the net result was not material to the respective quarters or years except that the fourth quarter of 1994 includes a $69.3 million ($61.3 million after tax) charge related to the reduction of certain asset values, primarily real estate.

(dollars in millions, except per share amounts)

All adjustments necessary for a fair statement of results for each period have been included.

## 14 ADDITIONAL FINANCIAL INFORMATION

| | | December 31 |
|---|---|---|
| | 1995 | 1994 |
| Consolidated balance sheets | | |
| Other current liabilities | | |
| Accrued payroll | $ 241.3 | $ [illegible] |
| Accrued taxes | 407.1 | [illegible] |
| Advance billings and customer deposits | 321.9 | [illegible] |
| Dividends payable | 294.7 | [illegible] |
| Accrued interest | 133.0 | [illegible] |
| Other | 433.7 | [illegible] |
| Total | $ 1,831.7 | $ [illegible] |

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Consolidated statements of income | | | |
| Other income | | | |
| Minority interest | $ (19.7) | $ [illegible] | $ [illegible] |
| Provision for uncollectibles | 209.5 | [illegible] | [illegible] |
| Advertising | 235.9 | [illegible] | [illegible] |

Interest paid, net of amounts capitalized, was $445.3 million, $433.3 million and $456.1 million in 1995, 1994 and 1993, respectively.

Revenues from AT&T Corp., principally for interstate network access and billing and collection services, comprised approximately [illegible] and [illegible] of consolidated revenues in 1995, 1994 and 1993, respectively. No other customer accounted for more than 10% of revenues.

## 15 PENDING INVESTMENT IN BELGACOM

In December 1995, a consortium led by Ameritech was advised by the Belgian government that it was the successful bidder to purchase 49.9% of Belgacom S.A., the principal telecommunications company in Belgium. The purchase price is [illegible] billion Belgian francs, or about US $2.5 billion. Belgacom S.A. is the national provider of landline telephone service in Belgium and has controlling interests in a cellular venture and a new directory publishing operation.

Closing with the Belgian government is scheduled to be completed by June 30, 1996. Ameritech intends to fund its [illegible] allocable consortium share, or about [illegible] of Belgacom S.A., with $[illegible] million of cash and newly issued debt.

# NAMED ONE OF THE BEST BOARDS IN AMERICA BY *CHIEF EXECUTIVE*, WHICH CALLED AMERITECH'S BOARD "STRONG AND BUSINESSLIKE."

**RICHARD C. NOTEBAERT**, [illegible] chairman and chief executive officer [illegible] president [illegible] chief operating officer [illegible] 1994; vice chairman 1993 [illegible] president 1992 [illegible] various operating positions 1969-1989 [illegible]

**LYNN M. MARTIN**, [illegible]

**DONALD C. CLARK**, [illegible] since 1994 [illegible] 1994 [illegible] International [illegible] 1989.

**ARTHUR C. MARTINEZ**, [illegible] chief executive [illegible] Sears, Roebuck [illegible]

**MELVIN R. GOODES**, [illegible] chairman and chief executive officer of Warner-Lambert Co. since 1991; president and chief operating officer 1985-1991. Director: Warner-Lambert, Chemical Banking Corp., Chemical Bank, Unisys. Director since 1994.

**JOHN B. MCCOY**, [illegible] executive officer [illegible] president [illegible] 1984; 1987 [illegible] Director [illegible] Health, Tenneco, Federal Home Loan Mortgage Corp. Director since 1991.

**HANNA HOLBORN GRAY, PH.D.**, 65, president emeritus and professor of history, University of Chicago since 1993; president [illegible] 1993. Director: Atlantic Richfield, Cummins Engine, J.P. Morgan & Co. Director since 1983.

**JOHN D. ONG**, [illegible] chairman of the board and chief executive officer of The BFGoodrich Co. since 1979. Director: The BFGoodrich Company, [illegible] Cooper [illegible] The [illegible] The Kroger [illegible] TRW. Director since 1983.

**JAMES A. HENDERSON**, 61, chairman since 1995 and chief executive officer since 1994 of Cummins Engine Co., Inc.; president and chief operating officer 1977-1994. Director: Cummins Engine, Inland Steel, Rohm and Haas, Landmark Communications. Director since 1983.

**A. BARRY RAND**, [illegible] executive vice president operations of Xerox Corp. since 1992; Xerox U.S. Marketing Group president 1987-1992. Director: Abbott Laboratories, Honeywell. Director since 1993.

**SHELDON B. LUBAR**, 66, founder and chairman of Lubar & Co. and chairman and chief executive officer of Christiana Companies Inc. since 1987. Director: Massachusetts Mutual Life Insurance, Christiana Companies, Firstar Corp., Energy Ventures, MGIC Investment. Director since 1993.

**JAMES A. UNRUH**, 54, chairman and chief executive officer of Unisys Corp. since 1990; president and chief operating officer 1989-1990; executive vice president 1986-1989. Director: Unisys Corp. Director since 1995.

## MANAGEMENT COMMITTEE

**RICHARD C. NOTEBAERT**, 48, chairman and chief executive officer since 1994. President and chief operating officer 1993 to 1994, vice chairman 1993, Indiana Bell president 1989 to 1992, operations positions 1969 to 1989. M.B.A., 1983, and B.A., Political Science, 1969, University of Wisconsin.

**BARRY K. ALLEN**, 47, senior vice president – communications and information products since 1995. President, Ameritech enhanced business services, 1995; president and chief operating officer, Marquette Electronics Inc., 1993 to 1995; management positions at Indiana Bell, Wisconsin Bell and Illinois Bell 1974 to 1993. M.B.A., 1974, Boston University; B.S., Business Administration, 1970, University of Kentucky.

**W. PATRICK CAMPBELL**, 49, executive vice president – corporate strategy and business unit development since 1994. President and chief executive officer of Columbia TriStar Home Video 1989 to 1994; management positions at Norelco, SCM Corporation and McGraw Edison 1968 to 1989. B.A., Political Science, 1968, La Salle University.

**TIMOTHY M. CONNOLLY**, 47, senior vice president – worldwide network systems since 1995. Executive vice president and chief operating officer of the Kansas City Chiefs 1989 to 1995; management positions at Bell Atlantic, Brae Corporation and IBM 1971 to 1989. B.S., Business Administration, 1971, George Washington University.

**THOMAS P. HESTER**, 58, executive vice president and general counsel since 1991. Senior vice president and general counsel 1987 to 1991; legal positions at Illinois Bell, AT&T, Southwestern Bell 1966 to 1987. L.L.B., 1963, and B.A., Political Science, 1961, University of Oklahoma.

**WALTER M. OLIVER**, 50, senior vice president – human resources since 1994. Vice president – human resources at Johnson Controls 1989 to 1994; operations positions at Johnson Controls, Hoover Universal, Kaiser Aluminum and Chemical Corp. 1973 to 1989. M.S., Human Resource Management, 1977, Gonzaga University; B.A., Psychology, 1967, Whitworth College.

**ORREN G. SHAFFER**, 53, executive vice president and chief financial officer since 1994. President, Virgo Cap Inc. 1992 to 1994; chief financial officer, member of the board of directors, and operations positions at Goodyear Tire & Rubber Company 1968 to 1992. M.S., Management, 1985, Massachusetts Institute of Technology; B.S., Business Administration, 1968, University of California, Berkeley.

**RITA P. WILSON**, 49, senior vice president – corporate communications since 1994. Senior vice president – corporate communications and member of the board of directors at Allstate Insurance Co. 1990 to 1994; operations positions at Allstate 1974 to 1990. B.A., Education, 1968, St. Paul's College.

## CORPORATE OFFICERS

**WALTER S. CATLOW**
President-International Business Development & Operations

**BETTY F. ELLIOTT**
Vice President and Comptroller

**JOEL S. ENGEL**
Vice President-Technology

**BRUCE B. HOWAT**
Secretary

**GARY R. LYTLE**
Vice President
Federal Relations

**SARI L. MACRIE**
Vice President
Investor Relations

**RICHARD W. PEHLKE**
Vice President and Treasurer

**THOMAS J. REIMAN**
President
Product Management

**LAWRENCE E. STRICKLING**
Vice President
Public Policy

**JOHN E. VAUGHAN**
Vice President
Business Unit Development and Strategy

**KELLY R. WELSH**
Vice President and Associate General Counsel

## STATE PRESIDENTS

**BRONSON J. HAASE**
President
Ameritech Wisconsin

**KENT A. LEBHERZ**
President
Ameritech Indiana

**DOUGLAS L. WHITLEY**
President
Ameritech Illinois

**JAMES E. WILKES**
President
Ameritech Michigan

**JACQUELINE F. WOODS**
President
Ameritech Ohio

## BUSINESS UNIT PRESIDENTS

**ANDRES B. BANDE**
President
Ameritech International

**RONALD L. BLAKE**
President
Enhanced Business Services

**GREGORY Q. BROWN**
President
Ameritech New Media, Inc.

**TIMOTHY J. CAWLEY**
President
Small Business Services

**NEIL E. COX**
President
Information Industry Services

**ELLEN M. GARDNER**
President
Telephone Industry Services

**R. SCOTT HORSLEY**
President
Leasing Services

**PETER J. MCDONALD**
President
Advertising Services

**STEVEN P. HOWICK**
President
Ameritech Communications, Inc.

**STEPHEN E. PAZIAN**
President
Security Monitoring Services

**JACK E. REICH**
President
Custom Business Services

**THOMAS E. RICHARDS**
President
Network Services

**JOHN E. ROONEY**
President
Cellular Services

**KAREN S. VESSELY**
President
Long Distance Industry Services

**MITCH WIENICK**
President
Consumer Services

**CALL MANAGEMENT SERVICES**
Services that add value and convenience for telephone customers, such as call waiting and Caller ID.

**CELLULAR**
A communications system that transmits voice, data or video over radio frequencies.

**CIVICLINK™**
On-line information services that deliver court, tax and other records to the desktop via modem and personal computer, saving trips to government facilities and searches through paper files.

**CUSTOMER PREMISES EQUIPMENT (CPE)**
Communications equipment owned by customers, including telephones and switches.

**DATA COMMUNICATIONS**
Digital transmissions through wired or wireless networks, usually linking computers.

**DIGITAL**
An alternative to traditional analog communications, digital systems transport information in the 1's and 0's of computer code for improved clarity and quality.

**DISTANCE LEARNING**
Video and data services that electronically bring teachers, libraries and resources from other institutions to the classroom to broaden students' learning experiences.

**ELECTRONIC COMMERCE AND CONTENT**
Includes business services that link computer systems among a business, its suppliers, distributors, manufacturers and customers. Also includes consumer services such as entertainment, software and on-line services that can be carried through various communications networks.

**INTERNET**
The global web of networks that connects computers around the world, providing rapid access to information from multiple sources.

**INTRASTATE REVENUES**
The portion of revenues regulated by state rather than federal authorities.

**ISDN**
Integrated Services Digital Network. A service that carries voice, data and video at the same time. Offers nine times the capacity of a conventional telephone line at only twice the cost.

**LANDLINE**
Refers to conventional, wired telephone service.

**LIBRARY SERVICES**
Automation of all major library functions, including information access and retrieval, for library patrons.

**LOCAL ACCESS**
Refers to the local completion of long distance calls.

**LONG DISTANCE**
Voice, data and video communications to locations beyond local service areas. Ameritech is currently prohibited from carrying certain long distance communications beyond local areas.

**MANAGED SERVICES**
Services that give business customers one point of contact for all communications and computing needs. For example, desktop managed services provide business customers one place to call for anything involving personal computers, phones, videoconferencing, local area networks, PBXs and more.

**ON-LINE HEALTH CARE**
Services that improve the delivery of health care to patients by moving information rather than paper or patients. Includes regional health care networks that improve administration, as well as telemedicine.

**ON-LINE SERVICES**
Part of the electronic commerce market, these two-way services enable customers to interact with others through a personal computer and modem. Examples include on-line shopping services and Internet services.

**PAGING**
A wireless messaging service that displays numbers and/or words.

**PBX**
Private branch exchange. A telephone system designed for large businesses.

**PERSONAL COMMUNICATIONS SERVICES (PCS)**
Wireless services, such as cellular-like phone service and two-way paging, that will use radio frequencies recently auctioned by the FCC.

**PRICE REGULATION**
A new form of regulation that limits prices customers pay for basic telephone services. An older form of regulation, called rate-base/rate-of-return, limited profits instead.

**PRIVATIZATION**
A government sale of part or all of a national telephone company to private firms and investors.

**PROGRAMMING**
Movies, TV programs, games and other content delivered over video networks or other media.

**SECURITY MONITORING**
Services that help secure people and property at home and at work, including burglar and fire alarm systems, closed circuit cameras (CCTV) and electronic card access.

**SMART HOME/SMART OFFICE**
Future services that automate the management of homes and offices through communications and control systems. Enables customers to remotely control energy usage, lighting, appliances and security systems.

**TELEPHONE LINE**
An access line for voice, data or video reaching from a local telephone company to a home or business.

**TOTAL RETURN**
Stock price appreciation plus reinvested dividends.

**VIDEO**
Services that deliver moving pictures, including videoconferencing, TV programs and interactive services.

**VOICE MAIL**
A service that automatically answers calls and distributes messages.

**WIRELESS**
Voice, data and video communications that use radio frequencies rather than wires for transmission. Includes cellular, paging and personal communications services (PCS).

# FOR HELP WITH YOUR SHAREOWNER ACCOUNT AND INFORMATION ON AMERITECH STOCK OR DIVIDENDS, CALL US TOLL-FREE AT 1-800-233-1342.

**WE'RE HERE TO HELP YOU** Monday through Friday from 9 a.m. to 6 p.m. Eastern Time. Call 1-800-233-1342 for inquiries on stock-related matters – including dividend payments, direct deposit of dividends, stock transfers, dividend reinvestments, odd-lot sales, lost certificates and address changes.

**DIVIDEND REINVESTMENT PLAN** The Ameritech Dividend Reinvestment and Stock Purchase Plan affords current shareowners the opportunity to buy additional Ameritech shares conveniently and economically. For more information or a prospectus, call us at 1-800-233-1342.

**DIRECT DEPOSIT OF DIVIDENDS** Direct deposit of dividends enables shareowners to have dividend payments automatically deposited into designated financial institutions and accounts. Just call 1-800-233-1342 for an enrollment form.

**SEMI-ANNUAL REPORT & QUARTERLY RESULTS** In 1996 Ameritech will replace quarterly reports with a semi-annual report that will be sent to all registered and street name shareowners in August. Starting in April, shareowners can call 1-800-984-0248 for financial and other news delivered by phone, fax on demand or mail.

**REQUESTS FOR ADDITIONAL INFORMATION** Additional financial information is available without charge. To request a copy of the Ameritech Fact Book, Annual Report on Form 10-K, the Ameritech Report to the Community or an audio cassette version of this annual report, contact

**SARI L. MACRIE**
Vice President-Investor Relations
Ameritech Corporation
30 South Wacker Drive, 35th Floor
Chicago, Illinois 60606
312-750-5353

**HOW TO CONTACT AMERITECH**

| | |
|---|---|
| In the United States | 1-800-233-1342 |
| Outside the United States, call collect | 201-324-0308 |
| TDD/TTY Teletypewriter | 1-800-822-2794 |
| Internet | www.ameritech.com |
| E-mail | share owners@ameritech.com |

**WRITE TO US AT:** Ameritech Shareowner Services
c/o First Chicago Trust Company of New York
P.O. Box 2558, Jersey City, New Jersey 07303-2558

**ANNUAL MEETING** The 1996 annual meeting of shareowners will be held at 9:30 a.m. Central Time on Wednesday, April 17, 1996, in the Arthur Rubloff Auditorium of The Art Institute of Chicago, Columbus Drive and Monroe Street, Chicago, Illinois.

**TRADING AND DIVIDEND INFORMATION**

| | High | Low | Close | Dividends Declared |
|---|---|---|---|---|
| **1995** | | | | |
| 1st Quarter | $44.38 | $39.88 | $41.25 | $.50 |
| 2nd Quarter | 47.25 | 41.25 | 44.00 | .50 |
| 3rd Quarter | 52.75 | 44.00 | 52.13 | .50 |
| 4th Quarter | 59.38 | 50.38 | 58.88 | .53 |
| **1994** | | | | |
| 1st Quarter | $42.25 | $36.38 | $38.13 | $.48 |
| 2nd Quarter | 43.13 | 36.25 | 38.13 | .48 |
| 3rd Quarter | 43.00 | 38.00 | 40.25 | .48 |
| 4th Quarter | 42.75 | 38.00 | 40.38 | .50 |

**STOCK TRADING INFORMATION** Ameritech stock is traded in the United States on the New York, Boston, Chicago, Pacific and Philadelphia stock exchanges. Overseas, it is listed on the London, Tokyo and Amsterdam stock exchanges, and on the Swiss stock exchanges of Basel, Geneva and Zurich.

**KEY DIVIDEND DATES***

| | Record Date | Payment Date |
|---|---|---|
| 1st Quarter | March 29, 1996 | May 1, 1996 |
| 2nd Quarter | June 28, 1996 | August 1, 1996 |
| 3rd Quarter | September 30, 1996 | November 1, 1996 |
| 4th Quarter | December 31, 1996 | February 1, 1997 |

* Subject to discretion of the Ameritech Board of Directors

**AMERITECH STOCK** Ticker symbol – AIT (NYSE)
Newspaper stock table listing – Ameritech or Amrtch

**CORPORATE HEADQUARTERS**
Ameritech Corporation
30 South Wacker Drive
Chicago, Illinois 60606
1-800-257-0902

**REPORT PRINTED ENTIRELY ON RECYCLED PAPER**

AMERITECH WILL BE THE WORLD'S PREMIER PROVIDER OF FULL-SERVICE COMMUNICATIONS FOR PEOPLE AT WORK, AT HOME OR ON THE MOVE. OUR GOAL IS TO IMPROVE THE QUALITY OF LIFE FOR INDIVIDUALS AND TO INCREASE THE COMPETITIVE EFFECTIVENESS OF THE BUSINESSES WE SERVE. AS WE MOVE AND MANAGE INFORMATION FOR OUR CUSTOMERS, WE SET STANDARDS FOR VALUE AND QUALITY. AMERITECH'S COMPETENCE REACHES WORLDWIDE, BUILDING ON OUR STRENGTH IN AMERICA'S VIBRANT UPPER MIDWEST. CUSTOMERS CAN BE ASSURED THAT WE WILL ASSUME ONLY THOSE TASKS WE CAN DO EXCEEDINGLY WELL.


Ameritech.

30 South Wacker Drive Chicago, Illinois 60606 1-800-257-0902 www.ameritech.com

## ATTACHMENT B

**Tariff**

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This Tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by Ameritech Communications International, Inc. (hereinafter "Carrier") with principal offices at 9525 W. Bryn Mawr, Suite 600, Rosemont, IL 60018. This Tariff applies to services furnished within the state of Florida. This Tariff is on file with the Florida Public Service Commission ("Commission"), and copies may be inspected, during normal business hours, at Carrier's principal place of business.

## CHECK SHEET

Sheets of this Tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets, as named below, comprise all changes from the original Tariff that are currently in effect as of the date on the bottom of this sheet.

| SHEET | NUMBER OF REVISION (except as indicated) | EFFECTIVE DATE |
|---|---|---|
| 1 | Original | |
| 2 | Original | |
| 3 | Original | |
| 4 | Original | |
| 5 | Original | |
| 6 | Original | |
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| 32 | Original | |
| 33 | Original | |
| 34 | Original | |

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## EXPLANATION OF SYMBOLS AND ABBREVIATIONS

The following are the only symbols used for the purposes indicated below

D - Delete or Discontinue
I - Change resulting in an increase to a Customer's bill
M - Moved from another Tariff location
N - New
R - Change resulting in a reduction to a Customer's bill
T - Change in text or regulation but no change in rate or charge

The following are abbreviations used in this tariff

LATA - Local Access and Transport Area

## TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper-right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the Tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between Sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper-right corner of the sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the third revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their Tariff approval process, the most current sheet number on file with the Commission is not always the Tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.

2.
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i)(1)

D. Check Sheets - When a Tariff filing is made with the Commission, an updated check sheet accompanies the Tariff filing. The check sheet lists the sheets contained in the Tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The Tariff user should refer to the latest check sheet to find out if a particular sheet is the most current sheet on file with the Commission.

## SECTION 1 - DEFINITIONS

Application for Service - A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the Carrier to provide telecommunication service as required.

Carrier - Ameritech Communications International, Inc. ("Carrier"), unless the context indicates otherwise.

Commission - Florida Public Service Commission, unless context indicates otherwise.

Customer - The person, firm, corporation, or other entity which orders or uses service and is responsible for the payment of rates and charges and compliance with Tariff regulations.

Day - From 8:00 a.m. up to but not including 5:00 p.m. local time Monday through Friday.

Disconnection - The disconnection of a circuit, dedicated access line, or port connection being used for existing service.

Evening - From 5:00 p.m. up to but not including 11:00 p.m. local time Sunday through Friday.

Holiday - Carrier specified holidays are New Year's Day, Martin Luther King's Birthday (federally observed), Presidents' Day, Memorial Day (federally observed), Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

Night/Weekend - From 11:00 p.m. up to but not including 8:00 a.m., and 8:00 a.m. Saturday up to but not including 5:00 p.m. Sunday.

Premises - The space designated by a Customer as its place or places of business for termination of service (whether for its own communications needs or for its resale Customers). In the case of a non-profit sharing group, this term includes space at each sharer's place or places of business, as well as space at the Customer place of business.

Service or Services - The services covered by this Tariff shall include only the State of Florida.

Terminal Equipment - Telecommunications devices, apparatus, and their associated wiring, such as teleprinters, telephone, and data sets.

## SECTION 2 - RULES AND REGULATIONS

### 2.1 UNDERTAKING OF CARRIER

Carrier is a resale common carrier providing intrastate communications services to Customers for their direct transmission and reception of voice, data, and other types of telecommunications. Service is available 24 hours a day, seven days a week, throughout the state.

### 2.2 LIMITATIONS OF SERVICE

2.2.1 The Carrier offers service to all those who desire to purchase service from the Carrier consistent with all provisions of this Tariff. Customers or subscribers interested in the Carrier's services shall file a service application with the Carrier which fully satisfies the Carrier and identifies the services required.

2.2.2 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this Tariff. Carrier reserves the right not to provide service to or from a location where legally prohibited or the necessary facilities or equipment are not available.

2.2.3 Carrier reserves the right to discontinue furnishing service, upon a written notice, when necessitated by conditions beyond its control, or when the Customer is using the service in violation of any provision in this Tariff, the rules and regulations of the Commission, or the law.

2.2.4 Title to all facilities provided by the Carrier under these regulations remains with the Carrier. Prior written permission from the Carrier is required before any assignment or transfer. All regulations and conditions contained in this Tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

### 2.3 USE OF SERVICE

Service may not be used for any unlawful purposes or for any purpose for which any payment or other compensation is received by the Customer, except when the Customer is a duly authorized and regulated common carrier. This provision does not prohibit an arrangement between the Customer, authorized user, or joint user to share the cost of the service as long as the arrangement generates no profit for any participant in the arrangement.

2.3.1 Minimum Service Period

The minimum period of service is one month (30 days), unless otherwise stated in this Tariff.

## 2.4 LIABILITY

2.4.1 The liability of the Carrier for any claim or loss, expense or damage, due to any interruption, delay, error, omission, or defect in any service, facility, or transmission provided under the Tariff shall not exceed an amount equivalent to the proportionate charge to the Customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs. For the purpose of computing this amount, a month is considered to have 30 days. In no event will Carrier be liable for any indirect, consequential, or special damages, or for any lost profits, even if advised of the possibility of the same.

2.4.2 Carrier shall not be liable for any claim or loss, expense, or damage, due to any interruption, delay, error, omission, or other defect in service, facility, or transmission provided under this Tariff, if caused by any person or entity other than Carrier, any malfunction of any service or facility provided by any other carrier, act of God, fire, war, civil disturbance, act of government, or by any other cause beyond Carrier's control.

2.4.3 Carrier shall not be liable for and shall be fully indemnified and held harmless by Customer against any claim of loss, expense, or damage, including indirect, special, or consequential damage for:

A. defamation, libel, slander, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, trade name, or service mark, unfair competition, interference with or misappropriation, or violation of any contract, proprietary or creative right, or any other injury to any person, property, or entity arising from the material, data, information, or content revealed to, transmitted, processed, handled, or used by Carrier under this Tariff;

B. connecting, combining, or adapting Carrier's facilities with Customer's apparatus or systems;

C. any act of omission by the Customer; or

D. any personal injury or death of any person or for any loss of or damage to Customer's premises or any other property, whether owned by Customer or others, caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use, or removal of equipment or wiring provided by the Carrier, if not caused by gross negligence of the Carrier.

2.4.4 No agent or employee of any other carrier shall be deemed to be an agent or employee of the Carrier.

2.4.5 CARRIER MAKES NO WARRANTY REGARDING THE PROVISION OF SERVICE PURSUANT TO THIS TARIFF, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

## 2.5 INTERRUPTION OF SERVICE

Credit allowance for interruption of service which is not due to the negligence of Customer or to the failure of channels, equipment, and/or communications systems provided by the Customer and other carriers are subject to the general liability provisions set forth in Section 2.4 herein. It shall be the obligation of the Customer to notify Carrier immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission of the Customer within his or her control, or is not in wiring or equipment, if any, furnished by Customer and connected to Carrier's terminal.

## 2.6 RESPONSIBILITY OF THE CUSTOMER

2.6.1 All Customers assume general responsibilities in connection with the provisions and use of Carrier's service. When facilities, equipment, and/or communications systems provided by others are connected to Carrier's facilities, Customer assumes additional responsibilities. Customers are responsible for the following:

A. Customer is responsible for placing orders for service, paying all charges for service rendered by Carrier, and complying with Carrier's regulations governing the service. Customer is also responsible for assuring that its users comply with regulations.

B. When placing an order for service, Customer must provide:

1. the name(s) and address(es) of the person(s) responsible for the payment of service charges; and

2. the name(s), telephone number(s), and address(es) of the Customer contact person(s).

C. Customer must pay Carrier for the replacement or repair of Carrier's equipment when the damage results from:

1. the negligence or willful act of Customer or user,

2. improper use of service, or

3. any use of equipment or service provided by others.

2.6.2 Availability of Service for Maintenance, Testing, and Adjustment

Upon reasonable notice, the facilities provided by Carrier shall be made available to Carrier for such tests and adjustments as may be necessary to maintain them in satisfactory condition. No interruption allowance will be granted for the time during which such tests and adjustments are made.

2.6 RESPONSIBILITY OF THE CUSTOMER (continued)

2.6.3 Credit Allowances

A. Credit for failure of service or equipment will be allowed only when failure is caused by or occurs in facilities or equipment owned, provided and billed for, by Carrier

B. Credit allowances for failure of service or equipment starts when Customer notifies Carrier of the failure or when Carrier becomes aware of the failure and ceases when the operation has been restored and an attempt has been made to notify Customer

C. Customer shall notify Carrier of failures of service or equipment and make reasonable attempts to ascertain that the failure is not caused by Customer provided facilities, any act or omission of the Customer, or in wiring or equipment connected to the terminal

D. Only those portions of the service or equipment disabled will be credited No credit allowances will be made for

1. interruptions of service resulting from Carrier performing routine maintenance,

2. interruptions of service for implementation of a Customer order for a change in the service,

3. interruptions caused by negligence of Customer or his authorized user, or

4. interruptions of service because of the failure of service or equipment provided by Customer, authorized user, or other carriers

2.6.4 Cancellation by Customer

A. Customer may cancel service any time after meeting the minimum service period Termination charges will apply if Customer cancels prior to the expiration of a one-year or multi-year service agreement Such termination charge will be equal to one month's usage as projected in the Carrier's proposal for service, or the actual average monthly usage to date, whichever is higher, plus the monthly account charge for the remainder of the contract period

B. If Customer orders service requiring special facilities dedicated to the Customer's use and then cancels the order before the service begins, before completion of the minimum service period, or before completion of some other period mutually agreed upon by Customer and Carrier, a charge will be made to Customer for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of Customer by Carrier and not fully reimbursed by installation and monthly charges If, based on the order, any construction has either begun or been completed, but no service provided, the

2.6 RESPONSIBILITY OF THE CUSTOMER (continued)

nonrecoverable cost of such construction shall be borne by Customer. Such charge will be determined on a case-by-case basis.

2.6.5 Payment and Charges for Service

A. Charges for service are applied on recurring and nonrecurring bases. Service is billed on a monthly basis. Service continues to be provided until canceled by Customer or by Carrier in accordance with provisions of this Tariff.

B. Payment will be due upon receipt of the statement. A nonrecurring 1.5 percent per month penalty fee (unless a lower rate is prescribed by law in which event at the highest rate allowable by law) will accrue upon any unpaid amount commencing 30 days after rendition of the bill.

C. The Customer is responsible for payment of all charges for service furnished to the Customer, including, but not limited to all calls originated at the Customer's number(s), received at the Customer's number(s), billed to the Customer's number(s) via third-party billing, incurred at the specific request of the Customer, or placed using a calling card issued to the Customer. The initial billing may include the account set-up charge where applicable. Charges based on actual usage during a month will be billed monthly in arrears. All fixed monthly and nonrecurring charges for services ordered will be billed monthly in advance.

D. Service may be denied or discontinued at Carrier's discretion, for non-payment of amounts due to Carrier, past the due date. Restoration of service will be subject to all applicable installation charges.

E. Customer is liable for all costs associated with collecting past due charges, including all attorneys' fees.

F. Customers of toll free (e.g., 800 or 888) services are responsible for payment for all calls placed to or via Customer's toll free service number(s). This responsibility is not changed by virtue of any use, misuse, or abuse of Customer's service by Customer-provided systems, equipment, facilities, or services interconnected to Customer's toll free service, or use, misuse, or abuse occasioned by third parties, including, without limitation, Customer's employees, other common carriers, or members of the public who dial Customer's toll free service number(s) by mistake. Carrier reserves the right to not switch Customer's toll free number(s) to another carrier until Customer has paid in full all amounts owned to Carrier for such toll free service.

2.6 RESPONSIBILITY OF THE CUSTOMER (continued)

2.6.6 Application of Charges

The charges for service are those in effect for the period that service is furnished. If the charge for a period covered by a bill changes after the bill has been rendered, the bill will be adjusted to reflect the new charges.

2.6.7 Deposits

Carrier reserves the right to require a deposit or usage prepayment equal to one month's estimated charge.

2.6.8 Bad Check Charge

Carrier will bill Customer a one-time charge of $25.00 or five percent of the amount of the check, which ever is greater, if Customer's check for payment of service is returned for insufficient or uncollected funds, closed accounts, or any other insufficiency or discrepancy necessitating return of the check at the discretion of the drawee bank or other financial institution.

2.7 RESPONSIBILITY OF CARRIER

2.7.1 Calculation of Credit Allowance

Pursuant to limitations set forth in Section 2.6.3, when service is interrupted the credit allowance will be computed on the following basis:

A. No credit shall be allowed for an interruption of less than two hours.

B. Customer shall be credited for an interruption of two hours or more for as long as the interruption continues.

C. When a minimum usage charge is applicable and Customer fails to meet the minimum usage charge because of a service interruption, a credit shall be applied against that minimum usage charge in the following manner. For each period of two hours that the interruption continues the credit shall equal 1/360th of the monthly minimum charge. Note: in this instance a fractional period of more than one hour shall be treated as a two hour period.

D. If notice of a dispute as to charges is not received in writing by Carrier within 30 days after billing is received by the Customer, the invoice shall be considered correct and binding on the Customer, unless extraordinary circumstances are demonstrated.

2.7 RESPONSIBILITY OF CARRIER (continued)

2.7.2 Cancellation of Credit

Where Carrier cancels a service and the final service period is less than the month'y billing period, a credit will be issued for any amounts billed in advance, prorated at 1/30th of the monthly recurring charge for each day after the service was discontinued. This credit will be issued to Customer or applied against the balance remaining on Customer's account.

2.7.3 Disconnection of Service by Carrier

Carrier may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

A. After ten days' written notice, for non-payment of any sum due to Carrier for service for more than 30 days beyond the date of rendition of the bill for such service. Notice of disconnection shall be separate and apart from the regular monthly bill for service.

B. After ten days' written notice, in the event of a violation of any regulation governing the service under this Tariff;

C. Without notice, in the event of a violation of any law, rule, or regulation of any government authority having jurisdiction over the service;

D. Without notice in the event Carrier is prohibited from furnishing services by order of a court or other government authority having jurisdiction; or

E. In the event of fraudulent use of Carrier's network, Carrier will discontinue service and/or seek legal recourse to recover all costs involved in enforcement of this provision.

2.7.4 Fractional Charges

Charges for a fractional part of a month are calculated by counting the number of days remaining in the billing period after service is furnished. Divide that number of days by 30 days (billing period). The result is then multiplied by the applicable monthly service charge to arrive at the appropriate fractional monthly service charge.

## 2.8 RESTORATION OF SERVICE

The use and restoration of service in emergencies shall be in accordance with the priority system specified in Part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission

## 2.9 TAXES

Customer will be billed and is responsible for payment of applicable local, state, and federal taxes assessed in conjunction with service used

## 2.10 TIMING OF CALLS

### 2.10.1 When Billing Charges Begin and Terminate for Phone Calls

Customer's long distance usage charge is based on the actual usage of Carrier's network. Usage begins when the called party picks up the receiver (i.e., when two-way communication, often referred to as "conversation time," is possible). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as a usage of the network. A call is terminated when the calling or called party hangs up

### 2.10.2 Billing Increments

Unless otherwise specified in this Tariff, the minimum call duration for billing purposes is one minute for a connected call. Calls beyond one minute are billed in one-minute increments. Billing will be rounded to the nearest penny for each call

## 2.11 START OF BILLING

For billing purposes, the start of service is the day following acceptance by the Customer of Carrier's service or equipment. The end of service date is the last day of the minimum notification of cancellation or any portion of the last day, after receipt by Carrier of notification of cancellation as described in Section 2.6.4 of this Tariff

## 2.12 INTERCONNECTION

2.12.1 Service furnished by Carrier may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to the technical limitation established by Carrier. Service furnished by Carrier is not part of a joint undertaking with such other carriers. Any special interface equipment or facilities necessary to achieve compatibility between the facilities of Carrier and other participating carriers shall be provided at the Customer's expense

2.12 INTERCONNECTION (continued)

2.12.2 Interconnection with the facilities or services of other carriers shall be under the applicable terms and conditions of the other carriers' tariffs. The Customer is responsible for taking all necessary legal steps for interconnecting his or her customer provided terminal equipment or communications systems with Carriers' facilities. Customers shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnections.

2.13 CALCULATION OF DISTANCE

Usage charges for all mileage-sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved.

Formula:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

## SECTION 3 - SERVICES AND RATES

### 3.1 BASIC MESSAGE TELECOMMUNICATIONS SERVICE (MTS)

Basic MTS is an usage-based service which is available for access by residential subscribers on a full time basis. It consists of those service components required for telecommunications between the calling and called parties. The subscriber will employ one of the following dialing patterns to use this service:

A. In all equal access exchanges, the Customer's telephone line(s) can be programmed (presubscribed) by the Local Exchange Company (LEC) to automatically route "1+" InterLATA calls to the Carrier's network);

B. To access the Carrier's network from an equal access office for an IntraLATA call or when calling from a telephone line not presubscribed to Carrier, Customers would dial "10113" and then the called telephone number; or

C. From non-equal access offices, Customers would dial an access telephone number, receive a second dial tone, then dial their authorization code and the called telephone number.

D. In the event that Carrier determines that provision of Basic MTS via a seven digit access number imposes a significant risk of fraudulent use of its service, Carrier, at its discretion, may choose not to process new orders for service and/or may, after written notice, cancel existing Customers' authorization codes. Basic MTS is provided only where facilities and billing capabilities permit.

E. Rate periods, as defined in Section 1, are applicable as indicated and are based on the local prevailing time at the point from which the call is made. The evening rate shall also apply on Carrier-specified holidays from 8:00 a.m. to 11:00 p.m., except when a lower rate would normally apply. Carrier specified holidays are New Year's Day, Martin Luther King's Birthday (federally observed), Presidents' Day, Memorial Day (federally observed), Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day. Calls that begin in one rate period and terminate in another will be prorated accordingly, on a per minute basis.

3.1 BASIC MESSAGE TELECOMMUNICATIONS SERVICE (MTS) (continued)

3.1.1 InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ 1800 | $ 1300 | $.1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | .2500 | 2500 | 1700 | .1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

3.1.2 IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | .2000 | 2000 | 1500 | .1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | .1700 | .1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | .1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | .1900 | 1900 | 1500 | 1500 |

3.2 BASIC CALLING CARD SERVICES

Basic Calling Card Services allow a Customer to have a call billed to their specific calling card rather than to the phone line from which the call is originated. If the calling line is presubscribed to Carrier, the Customer can dial 0+ the called number and then dial the full calling card number when the network signals that it is ready. If the calling line is not presubscribed to Carrier, the Customer can dial 101130+ the called number and then input the full calling card number at the appropriate time. Operator assistance with calling card calls is also available. Calling Card Services are provided only where facilities and billing capabilities permit.

3.2.1 Customer Dialed Calling Card station per minute of use charges:

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | .2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | .2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | .2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | .2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | .2600 | .2600 | 1900 | 1900 | 1500 | 1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

3.2 BASIC CALLING CARD SERVICES (continued)

3.2.2 Operator Dialed Calling Card station per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ 1300 | $.1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 25-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

3.2 BASIC CALLING CARD SERVICES (continued)

3.2.3 Person-to-Person calls billed to Carrier Calling Card per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1400 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1400 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.2 BASIC CALLING CARD SERVICES (continued)

3.2.4 Real Time Rated Operator Station/Person-to-Person calls billed to Carrier Calling Card per minute of use charges:

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.2 BASIC CALLING CARD SERVICES (continued)

3.2.5 Service Charges for Calling Card usage on Carrier Calling Card

| | Service Charge Per Call |
|---|---|
| Customer Dialed Automated | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Customer Dialed Operator Must Assist | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Operator Dialed Calling Card Station | |
| • IntraLATA | $ 1.80 |
| • InterLATA | $ 1.80 |
| Operator Dialed Person-to-Person billed to Calling Card | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |

3.3 BASIC OPERATOR ASSISTED SERVICES

Basic Operator Assistance Services are available on station-to-station calls, person-to-person, collect calls, calls billed to a third number and calling card calls. From presubscribed lines, Customers can obtain operator assistance by dialing "00". From any line, Customers can obtain Carrier operator assistance by dialing "101130." Operator Assisted services are provided only where facilities and billing capabilities permit.

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.1 Operator Assisted per minute of use charges for Collect, Third Party and Sent Paid non-coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ .1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | .1500 | 1500 | 1200 | 1200 |
| 23- 55 | .2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | .2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | .2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

INTEREXCHANGE TELECOMMUNICATIONS SERVICES

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.2 Operator Station per minute of use charges for Sent Paid Coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $ 5400 | $ .1800 | $ 3900 | $ 1300 | $ 3300 | $ 1100 |
| 11- 22 | 6000 | .2000 | 4500 | 1500 | 3600 | 1200 |
| 23- 55 | 6900 | .2300 | 5100 | 1700 | 3900 | 1300 |
| 56-124 | 7500 | .2500 | 5100 | 1700 | 4200 | 1400 |
| 125-292 | 7800 | .2600 | 5400 | 1800 | 4200 | 1400 |
| 293-430 | 7800 | .2600 | 5700 | 1900 | 4500 | 1500 |
| 431-624 | 7800 | .2600 | 5700 | 1900 | 4500 | 1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $ 5400 | $ 1800 | $ 3900 | $ 1300 | $ 3300 | $ 1100 |
| 11- 22 | .6000 | 2000 | 4500 | 1500 | 3600 | 1200 |
| 23- 55 | .6900 | 2300 | 5100 | 1700 | 3900 | 1300 |
| 56-124 | 7500 | .2500 | .5100 | 1700 | 4200 | 1400 |
| 125-292 | 7800 | 2600 | 5400 | 1800 | 4200 | 1400 |
| 293-430 | 7800 | 2600 | 5700 | 1900 | 4500 | 1500 |
| 431-624 | 7800 | 2600 | 5700 | 1900 | 4500 | 1500 |



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Rosemont, IL 60018

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.3 Operator Assisted per minute of use charges for Person-to-Person non-coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.4 Operator Assisted, Person-to-Person per minute of use charges for Sent Paid Coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.5 Service Charges for Operator Assistance

| | Service Charge Per Call |
|---|---|
| Person-to-Person | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |
| Collect | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Billed to a Third Party | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Non Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |

3.4 BASIC OPTIONAL CALLING PLANS

3.4.1 Basic Optional Calling Plan A

Basic Optional Calling Plan A provides a discount on Monthly Usage according to the following schedule. Monthly Usage is the Customer's total monthly billed usage for Basic MTS and Basic Calling Card Service. Usage associated with Basic Operator Service, Toll Free Service, Directory Assistance Service, monthly recurring Charges, nonrecurring charges, and taxes are excluded. The discounts set forth below will be applied during each monthly billing period in which the Monthly Usage is within the specified range. Basic Optional Calling Plan A is provided as an add-on to Carrier's interstate offering.

3.3 BASIC OPERATOR ASSISTED SERVICES (continued)

3.3.5 Service Charges for Operator Assistance

| | Service Charge Per Call |
|---|---|
| Person-to-Person | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |
| Collect | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Billed to a Third Party | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Non Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |

3.4 BASIC OPTIONAL CALLING PLANS

3.4.1 Basic Optional Calling Plan A

Basic Optional Calling Plan A provides a discount on Monthly Usage according to the following schedule. Monthly Usage is the Customer's total monthly billed usage for Basic MTS and Basic Calling Card Service. Usage associated with Basic Operator Service, Toll Free Service, Directory Assistance Service, monthly recurring Charges, nonrecurring charges, and taxes are excluded. The discounts set forth below will be applied during each monthly billing period in which the Monthly Usage is within the specified range. Basic Optional Calling Plan A is provided as an add-on to Carrier's interstate offering.

3.4 BASIC OPTIONAL CALLING PLANS (continued)

3.4.1 Basic Optional Calling Plan A (continued)

| Monthly Usage | Special Discount Level |
|---|---|
| $ 0.00 - $ 2.99 | 0% |
| 3.00 - 9.99 | 0% |
| 10.00 - 14.99 | 0% |
| 15.00 - 19.99 | 0% |
| 20.00 - 24.99 | 0% |
| 25.00 - 29.99 | 0% |
| 30.00 - 34.99 | 0% |
| 35.00 - 49.99 | 0% |
| 50.00 - 74.99 | 0% |
| 75.00 - 99.99 | 0% |
| 100.00 - 149.99 | 0% |
| 150.00 - and above | 0% |

3.4.2 Basic Optional Calling Plan B

Basic Optional Calling Plan B is a non-distance sensitive calling arrangement associated with Basic MTS and Basic Calling Card Service Usage. Charges are based on the Plan's time periods during which the call is placed. Fractional calls will be rounded up to the next minute. Calling Card surcharges will be billed as specified elsewhere in this Tariff. Basic Optional Calling Plan B is provided as an add-on to Carrier's interstate offering.

Time Periods

| | |
|---|---|
| Peak | 7 AM - 7 PM† (MONDAY - FRIDAY) |
| Off-Peak | 7 PM - 7 AM† (MONDAY - FRIDAY) |
| | ALL HOURS (SATURDAY & SUNDAY) |

† To but not including

3.4 BASIC OPTIONAL CALLING PLANS (continued)

3.4.2 Basic Optional Calling Plan B (continued)

Per Minute Usage Rates

A. InterLATA - Dial 1

| | |
|---|---|
| Peak | $0.25 |
| Off-Peak | $0.25 |

B. InterLATA - Calling Card, Operator Services

| | |
|---|---|
| Peak | $0.25 |
| Off-Peak | $0.25 |

C. IntraLATA -Dial 1

| | |
|---|---|
| Peak | $0.25 |
| Off-Peak | $0.25 |

D. IntraLATA - Calling Card, Operator Services

| | |
|---|---|
| Peak | $0.25 |
| Off-Peak | $0.25 |

## 3.5 COMMERCIAL MESSAGE TELECOMMUNICATIONS SERVICE (MTS)

MTS is an usage-based service for Customers classified as business Customers by their local exchange provider. Commercial will receive a ten (10%) percent discount in each month that their total interstate and intrastate usage charges equal or exceed $25.00. Commercial MTS is provided only where facilities and billing capabilities permit.

### 3.5.1 InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1900 | $.0900 | $.1425 | $.0675 | $.0950 | $.0450 |
| 11- 22 | .2600 | .1600 | .1950 | .1200 | .1350 | .0800 |
| 23- 55 | .2734 | .2160 | .2050 | .1610 | .1550 | .1150 |
| 56-124 | .2729 | .2200 | .2046 | .1650 | .1595 | .1190 |
| 125-292 | .2709 | .2250 | .2032 | .1684 | .1620 | .1240 |
| 293-430 | .2700 | .2300 | .2025 | .1723 | .1635 | .1240 |
| 431-624 | .2700 | .2301 | .2025 | .1725 | .1670 | .1290 |

### 3.5.2 IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1900 | $.0900 | $.1425 | $.0675 | $.0950 | $.0450 |
| 11- 22 | .2600 | .1600 | .1950 | .1200 | .1350 | .0800 |
| 23- 55 | .2734 | .2160 | .2050 | .1610 | .1550 | .1150 |
| 56-124 | .2729 | .2200 | .2046 | .1650 | .1595 | .1190 |
| 125-292 | .2709 | .2250 | .2032 | .1684 | .1620 | .1240 |
| 293-430 | .2700 | .2300 | .2025 | .1723 | .1635 | .1240 |
| 431-624 | .2700 | .2301 | .2025 | .1725 | .1670 | .1290 |

## 3.6 COMMERCIAL CALLING CARD SERVICES

Commercial Calling Card Services allow a Customer to have a call billed to their specific calling card rather than to the phone line from which the call is originated. If the calling line is presubscribed to Carrier, the Customer can dial 0+ the called number and then dial the full calling card number when the network signals that it is ready. If the calling line is not presubscribed to Carrier, the Customer can dial 101130+ the called number and then input the full calling card number at the appropriate time. Operator assistance with calling card calls is also available. Calling Card Services are provided only where facilities and billing capabilities permit.

3.6.1 Customer Dialed Calling Card station per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ .1800 | $ .1800 | $ .1300 | $ .1300 | $ .1100 | $ .1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ .1800 | $ .1800 | $ .1300 | $ .1300 | $ .1100 | $ .1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.6 COMMERCIAL CALLING CARD SERVICES (continued)

3.6.2 Operator Dialed Calling Card station per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ .1800 | $ .1300 | $.1300 | $ .1100 | $ .1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ .1800 | $ .1300 | $.1300 | $ .1100 | $ .1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.6 COMMERCIAL CALLING CARD SERVICES (continued)

3.6.3 Person-to-Person calls billed to Carrier Calling Card per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.6 COMMERCIAL CALLING CARD SERVICES (continued)

3.6.4 Real Time Rated Operator Station/Person-to-Person calls billed to Carrier Calling Card per minute of use charges.

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ .1800 | $ .1300 | $.1300 | $.1100 | $ .1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1 - 10 | $.1800 | $ .1800 | $ .1300 | $.1300 | $ .1100 | $ .1100 |
| 11 - 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23 - 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.6 COMMERCIAL CALLING CARD SERVICES (continued)

3.6.5 Service Charges for Calling Card usage on Carrier Calling Card

| | Service Charge Per Call |
|---|---|
| Customer Dialed Automated | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Customer Dialed Operator Must Assist | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Operator Dialed Calling Card Station | |
| • IntraLATA | $ 1.80 |
| • InterLATA | $ 1.80 |
| Person-to-Person billed to Calling Card | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |

3.7 COMMERCIAL OPERATOR ASSISTED SERVICES

Commercial Operator Assisted Services are available on station-to-station calls, person-to-person, collect calls, calls billed to a third number and calling card calls. From presubscribed lines, Customers can obtain operator assistance by dialing "00". From any line, Customers can obtain Carrier operator assistance by dialing "101130." Operator Assisted services are provided only where facilities and billing capabilities permit.

3.7.1 Commercial Operator Assisted per minute of use charges for Collect, Third Party and Sent Paid non-coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1 - 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11 - 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23 - 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $.1800 | $.1300 | $.1300 | $.1100 | $.1100 |
| 11- 22 | .2000 | .2000 | .1500 | .1500 | .1200 | .1200 |
| 23- 55 | .2300 | .2300 | .1700 | .1700 | .1300 | .1300 |
| 56-124 | .2500 | .2500 | .1700 | .1700 | .1400 | .1400 |
| 125-292 | .2600 | .2600 | .1800 | .1800 | .1400 | .1400 |
| 293-430 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |
| 431-624 | .2600 | .2600 | .1900 | .1900 | .1500 | .1500 |

3.7 COMMERCIAL OPERATOR ASSISTED SERVICES (continued)

3.7.2 Operator Station per minute of use charges for Sent Paid Coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

3.7 COMMERCIAL OPERATOR ASSISTED SERVICES (continued)

3.7.3 Operator Assisted per minute of use charges for Person-to-Person non-coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $ 1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | 2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | 2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | 2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | 2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | 2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute | Initial 1 Minute | Each Additional Minute |
| 1- 10 | $.1800 | $ 1800 | $ 1300 | $ 1300 | $ 1100 | $ 1100 |
| 11- 22 | .2000 | 2000 | 1500 | 1500 | 1200 | 1200 |
| 23- 55 | .2300 | 2300 | 1700 | 1700 | 1300 | 1300 |
| 56-124 | .2500 | 2500 | 1700 | 1700 | 1400 | 1400 |
| 125-292 | .2600 | 2600 | 1800 | 1800 | 1400 | 1400 |
| 293-430 | .2600 | 2600 | 1900 | 1900 | 1500 | 1500 |
| 431-624 | .2600 | 2600 | 1900 | 1900 | 1500 | 1500 |

3.7 COMMERCIAL OPERATOR ASSISTED SERVICES (continued)

3.7.4 Operator Assisted, Person-to-Person per minute of use charges for Sent Paid Coin Calls

A. InterLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

B. IntraLATA Rates

| | Day | | Evening | | Night/Weekend | |
|---|---|---|---|---|---|---|
| Rate Mileage | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute | Initial 3 Minutes | Each Additional Minute |
| 1- 10 | $.5400 | $.1800 | $.3900 | $.1300 | $.3300 | $.1100 |
| 11- 22 | .6000 | .2000 | .4500 | .1500 | .3600 | .1200 |
| 23- 55 | .6900 | .2300 | .5100 | .1700 | .3900 | .1300 |
| 56-124 | .7500 | .2500 | .5100 | .1700 | .4200 | .1400 |
| 125-292 | .7800 | .2600 | .5400 | .1800 | .4200 | .1400 |
| 293-430 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |
| 431-624 | .7800 | .2600 | .5700 | .1900 | .4500 | .1500 |

3.7 COMMERCIAL OPERATOR ASSISTED SERVICES (continued)

3.7.5 Service Charges for Operator Assistance

| | Service Charge Per Call |
|---|---|
| Person-to-Person | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |
| Collect | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Billed to a Third Party | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Non Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |
| Sent Paid - Coin | |
| • IntraLATA | $ 1.00 |
| • InterLATA | $ 1.00 |

3.8 COMMERCIAL OPTIONAL CALLING PLANS

3.8.1 Commercial Optional Calling Plan A

Commercial Optional Calling Plan A provides volume discounts on outbound, calling card, and toll free usage over switched lines. Usage is billed on an initial and additional minute basis. Time of day and holiday periods are the same as those defined for Basic MTS. A monthly charge of $5.00 shall apply in each month that the net monthly usage is below $5.00. The volume discount applies on a monthly basis to the billed usage for that monthly billing period. Commercial Optional Calling Plan A is provided as an add-on to Carrier's interstate offering. Calling Card surcharges are not included in the Plan.

| Monthly Usage Volume | Discount Level |
|---|---|
| $0 to $25 | 0% |
| Over $25-$1000 | 10% |
| Over $1000-$5000 | 15% |

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.1 Commercial Optional Calling Plan A (continued)

Usage from multiple locations of the same Customer may be combined under this Plan. A multi-location discount provides a reduced rate for calls between the Customer's locations that Customer has identified and enrolled as part of the Plan. The multi-location discount is 20% of the gross billed usage for calls between these locations. The discount will be applied in addition to the discounts identified above for applicable usage.

A. Outbound direct dial usage rates

| Initial Minute or fraction | | | Each Additional Minute or fraction | | |
|---|---|---|---|---|---|
| Day | Evening | Night/ Weekend | Day | Evening | Night/ Weekend |
| $0.1980 | $0.1800 | $0.1800 | $0.1980 | $0.1800 | $0.1800 |

B. Toll free usage rates.

| Initial Minute or fraction | | | Each Additional Minute or fraction | | |
|---|---|---|---|---|---|
| Day | Evening | Night/ Weekend | Day | Evening | Night/ Weekend |
| $0.2580 | $0.2160 | $0.2160 | $0.2580 | $0.2160 | $0.2160 |

C. Calling Card usage rates

| Initial Minute or fraction | | | Each Additional Minute or fraction | | |
|---|---|---|---|---|---|
| Day | Evening | Night/ Weekend | Day | Evening | Night/ Weekend |
| $0.2580 | $0.2580 | $0.2280 | $0.2580 | $0.2580 | $0.2580 |

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.1 Commercial Optional Calling Plan A (continued)

D. Service Charges for Calling Card usage on Optional Calling Plan A

| | Service Charge Per Call |
|---|---|
| Customer Dialed Automated | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Customer Dialed Operator Must Assist | |
| • IntraLATA | $ .80 |
| • InterLATA | $ .80 |
| Operator Dialed Calling Card Station | |
| • IntraLATA | $ 1.80 |
| • InterLATA | $ 1.80 |
| Person-to-Person billed to Calling Card | |
| • IntraLATA | $ 2.50 |
| • InterLATA | $ 2.50 |

3.8.2 Commercial Optional Calling Plan B

Commercial Optional Calling Plan B provides a non-distance sensitive calling arrangement for switched outbound, calling card, and toll free usage. Charges are based on the Plan's time periods during which the call is placed. Fractional calls will be rounded up to the next minute. Calling Card surcharges will be as specified elsewhere in this Tariff. The Customer's rate will be determined by the term commitment and minimum monthly usage commitment selected by the Customer. Commercial Optional Calling Plan B is provided as an add-on to Carrier's interstate offering.

Time Periods

| | |
|---|---|
| Peak | 7 AM - 7 PM† (MONDAY - FRIDAY) |
| Off-Peak | 7 PM - 7 AM† (MONDAY - FRIDAY) |
| | ALL HOURS (SATURDAY & SUNDAY) |

† To but not including

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.2 Commercial Optional Calling Plan B (continued)

A. Dial-1

1. InterLATA Usage Peak Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

2. IntraLATA Usage Peak Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.2 Commercial Optional Calling Plan B (continued)

B. Toll Free

1. InterLATA Usage Peak Rates (per minute)

| Commitment Level | Non-Term Rate | Term Commitment 1 Year Rate | 2 Year Rate | 3 Year Rate |
|---|---|---|---|---|
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

2. IntraLATA Usage Peak Rates (per minute)

| Commitment Level | Non-Term Rate | Term Commitment 1 Year Rate | 2 Year Rate | 3 Year Rate |
|---|---|---|---|---|
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.2 Commercial Optional Calling Plan B (continued)

B Toll Free (continued)

3 InterLATA Usage Off-Peak Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

4 IntraLATA Usage Off-Peak Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

3.8 COMMERCIAL OPTIONAL CALLING PLANS (continued)

3.8.2 Commercial Optional Calling Plan B (continued)

C. Calling Card

1. Per Call Surcharge

If an operator assists in call placement, the applicable operator service charge and usage rates will apply in lieu of the following surcharge and usage rates.

Per call Surcharge: $0.80

2. InterLATA Usage Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

3. IntraLATA Usage Rates (per minute)

| | | Term Commitment | | |
|---|---|---|---|---|
| Commitment Level | Non-Term Rate | 1 Year Rate | 2 Year Rate | 3 Year Rate |
| $0.00 | $0.25 | $0.25 | $0.25 | $0.25 |
| 25.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 50.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 100.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 200.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 500.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 750.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 1,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2,000.00 | 0.25 | 0.25 | 0.25 | 0.25 |

3.9 TOLL FREE SERVICE

Toll Free service is an usage-based service where calls are dialed with a specific prefix (800 or 888) and paid for by the subscriber of the service rather than the calling party. The Customer is responsible for all charges for use of the Carrier network arising from calls placed to the Customer's toll free number. For Basic Consumer Service, the toll free service Customer shall not have any ownership interest or proprietary right in any particular toll free service number. Carrier shall not be liable, at all, for the use, misuse or abuse of a Customer's toll free service by third parties, including , without limitation, the Customer's employees or members of the public who dial the Customer's toll free number by mistake. Compensation for any injury that the Customer may suffer due to the fault of others than the Carrier must be sought from such other parties. Each toll free telephone number must be placed in actual use by the Customer.

The Customer may be required to provide calling pattern information necessary for Carrier to evaluate whether it may result in network blockage and Carrier may suspend installation until adequate facilities are available. In situations where heavy call volumes are expected in a short period of time Carrier may require the Customer to supply a traffic forecast, identify the anticipated busy hour, the geographical marketing areas and the schedule of promotional activities. Customers may not use ANI Delivery to invoice their Customers in connection with services other than common carrier services.

Customers can choose Carrier to serve as their Responsible Organization (Resp Org) for the administration of their toll free number (s). A Resp Org is the entity responsible for managing and administering toll free subscriber's records in the Toll Free Service Management System (SMS/800). The SMS/800 recognizes one Resp Org for each 800/888 number. In its capacity as Resp Org, Carrier will reserve, assign, activate or change, upon receipt of a verified request, toll free numbers for a Customer or potential Customer and will administer toll free numbers, in accordance with customary industry standards and practices, the terms of this service description and the effective procedures of the SMS/800. When a Customer decides not to utilize the reserved, assigned or activated toll free number, the Customer must notify Carrier within 48 hours so that Carrier may release the toll free number to the pool of numbers available for assignment in accordance with industry practice and standards.

Toll free numbers are incidental to the inbound calling services with which they are associated and, as such, may not be sold, transferred or otherwise conveyed independent of inbound transmission services. The assignment of a toll free telephone number for use with Carrier provided inbound transmission service confers on the Cu_omer no proprietary interest whatsoever in the number assigned. It shall be a violation of the Customer's service agreement if the Customer seeks to acquire, or does acquire, any toll free number associated with inbound service provided by the Carrier for the primary purpose of selling, brokering, bartering or releasing for a fee (or other consideration) to another party that number, independent of the service with which it is associated. In any instance in which the Carrier learns that a Customer or prospective Customer is attempting to sell or otherwise transfer or assign a toll free number to another person, in violation of the service provisions, Carrier may immediately and without notice release the number from reserved status, or it may immediately, upon written notice to the Customer, discontinue the furnishing of service via the number, which ever course of action is appropriate.

3.9 TOLL FREE SERVICE (continued)

The following options are available under Toll Free Service Basic Consumer Service, Basic Business Service and High Usage Service. High Usage Service is originated via normal shared use facilities and is terminated via dedicated access lines or T-1 access lines between the subscriber's premises and Carrier's POP in the terminating LATA. Basic Consumer Service and Basic Business Service are originated via normal shared use facilities and terminate via local exchange service access lines.

Basic Consumer Service is a non-distance sensitive service designed for residential Customers. Charges are based on the duration of the call and the applicable per-minute usage rate. Calls will be billed in six-second increments. Carrier will provide the Customer with a toll free telephone number and a 4 digit authorization code, the combination of which will designate their service and billing location.

Basic Business Service is a non-distance sensitive service designed for business Customers. Charges are based on the duration of the call and the applicable per-minute rate. Calls will be billed in six-second increments.

High Usage Service is a non-distance sensitive service designed for business Customers. Charges are based on the duration of the call and the applicable per-minute rate. Calls will be billed in six-second increments.

Calls are rounded up to the next one tenth minute. If the charge for a call includes a fraction of a cent, the fraction will be rounded up to the nearest whole cent. Call duration begins when a call is received by or passes through the Customer premises equipment. It is the Customer's responsibility to pass appropriate answer supervision back to the Carrier network.

3.9.1 Per-minute rates for toll free calls

| | Rate/Min | Monthly (per location) Recurring | Non-Recurring |
|---|---|---|---|
| Basic Consumer Service | .2600 | $ 5 | $0 |
| Basic Business Service | .2548 | $20 | $0 |
| High Usage Service* | | $50 | $0 |
| Day | .1525 | | |
| Evening | .1287 | | |
| Night/Weekend | .0935 | | |

* Prices for High Usage Service are exclusive of the dedicated connection facilities.

3.9 TOLL FREE SERVICE (continued)

3.9.1 Per-minute rates for toll free calls. (continued)

Other non-recurring charges are

| | Per Order |
|---|---|
| Order Processing | $ 20.00 |
| Order Expedite | $ 105.00 |
| Order Change | $ 130.00 |

3.10 PREPAID CARD SERVICE

Prepaid Card Service provides an outbound voice grade communications service for calls charged to an Prepaid Card. Prepaid Card Service is accessed using a toll free number printed on the card.

All calls must be charged against an Prepaid Card that has a sufficient available balance. The following types of calls may not be completed with the Prepaid Card Service

- Calls to 700 numbers
- Calls to toll free numbers
- Calls to 900 numbers
- Directory Assistance calls
- All Operator Service calls
- Busy Line Verification and Interrupt Service
- Calls requiring the quotation of time and charges
- Air-to-Ground calls

Except as may be specifically referenced therein, calls made utilizing Prepaid Card Service are not included in any Optional Calling Plans, or any other Carrier services or promotions.

The number of available Prepaid Cards is subject to technical limitations. Such cards will be offered to Customers on a first come, first served basis. Prepaid Cards are available in various unit denominations as determined by the Carrier. The price of the card is inclusive of all taxes. Prepaid Cards will be sold at prices rounded to the nearest cent.

3.10.1 Price Per Unit

$.4500

## 3.11 DIRECTORY ASSISTANCE SERVICES

Directory Assistance Service is available to Customers who dial 1+ (NPA) + 555-1212 from lines presubscribed to Carrier or who dial 10113 + 1 + (NPA) + 555-1212 from lines not presubscribed to Carrier. Directory Assistance service is provided only where facilities and billing capabilities permit.

The rate for each call to Directory Assistance is $0.85. Up to two requests for numbers may be made on each call to Directory Assistance. The Directory Assistance Charge applies whether or not the Directory Assistance bureau furnishes the requested telephone number(s). Calling Card Surcharges and Operator Service Surcharges apply when calls to Directory Assistance are made using a calling card or operator assistance.

## 3.12 PROMOTIONS

Carrier may, from time to time, engage in national and/or intrastate promotional offerings or trials, designed to attract new Customers, to stimulate Customer usage, to test potential new services, and/or to increase existing Customer awareness of Carrier services. These offerings may be limited to certain services, dates, times of day and/or locations determined by Carrier. National offerings, the terms of which are set forth in the applicable interstate tariffs governing such programs, may include without limitations discounts, redeemable points, or cash rewards to Customers. To the extent that these programs extend to intrastate services, the terms of these national offerings are incorporated by reference, herein.

** APPENDIX A **

## CERTIFICATE TRANSFER STATEMENT

N/A

I, ______________________, current holder of certificate number ________.

have reviewed this application and join in the petitioner's request

______________________
Signature of owner or chief
officer of the certificate

______________________
Title

______________________
Date

** APPENDIX B **

## CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

( X ) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.

( ) The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

John Gockley

Vice President - General Counsel

847 [illegible]

Telephone Number

[illegible]

Date

## ** APPENDIX C **

## INTRASTATE NETWORK

1. **POP**: Addresses where located, and indicate if owned or leased.

   N/A

   1) 2)

   3) 4)

2. **SWITCHES**: Address where located, by type of switch, and indicate if owned or leased.

   N/A

   1) 2)

   3) 4)

3. **TRANSMISSION FACILITIES**: Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

   | POP-to-POP | TYPE | OWNERSHIP |
   |---|---|---|

   N/A

4. **ORIGINATING SERVICE**: Please provide the list of exchanges where you are proposing to provide originating service within 30 days after the effective date of the certificate (Appendix D).

   All exchanges within the State of Florida.

5. **TRAFFIC RESTRICTIONS**: Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

   Applicant will provide inter-EAEA services over resold facilities. Intra-EAEA calls will be handled by th Customer's Local Exchange Carrier.

6. **CURRENT FLORIDA INTRASTATE SERVICES** Applicant has ( ) or has not ( X ) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

(a) What services have been provided and when did these services begin?

(b) If the services are not currently offered, when were they discontinued?

John Gockley

Vice President - General Counsel

847-928-8556

Telephone Number

9/23/98

Date

****APPENDIX D****

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES

Applicant proposes to provide service throughout the State of Florida

960523-TI

****330955

Ameritech

PAY DATE
02/28/96

Bank One

PAY TWO HUNDRED FIFTY AND 00/100******************************************** DOLLARS

$***********250 00

To the Order of
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BLVD
TALLAHASSEE FL 32399

AMERITECH

AUTHORIZED SIGNATURE