DOCKET NO. 960847-TP

AT&T v. GTE ARBITRATION

**In The Matter Of The
Interconnection Agreement
Negotiations Between AT&T
And GTE Pursuant to
47 U.S.C. § 252**

# AT&T'S DOCUMENTS SUBMITTED UNDER THE TELECOMMUNICATIONS ACT OF 1996

## VOLUME IV

## TABS 98-102

## AUGUST 16, 1996

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

| | |
|---|---|
| Petition by AT&T Communications of the Southern States, Inc. for Arbitration of Certain Terms and conditions of a proposed agreement with GTE Florida, Inc. concerning Interconnection and Resale under the Telecommunications Act of 1996 | DOCKET NO. 960847-TP<br><br>PETITION BY AT&T FOR ARBITRATION UNDER THE TELECOMMUNICATIONS ACT OF 1996 |

# INDEX TO AT&T'S DOCUMENTS SUBMITTED PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996*

* Documents indexed at Tabs 104 through 116 are not included herein because they have been designated by GTE as containing information that is proprietary and confidential to GTE.

# GTE ARBITRATION INDEX

| VOLUME | TAB | DATE | DESCRIPTION | BATES NO. |
|---|---|---|---|---|
| I | 1 | 3/11/96 | Letter from R. Harrison to T. White | AGPL 001554 |
| | 1A | 3/12/96 | Letter from M. Billings to G. Rall | AGPL 001563 |
| | 2 | 3/19/96 | Letter from D. McLeod to R. Harrison | AGBH 000037 |
| | 3 | 3/26/96 | Letter from R. Harrison to D. McLeod | AGBR 000015 |
| | 4 | 4/3/96 | Letter from R. Wren to L. Sparrow | AGBH 000078 |
| | 5 | 4/9/96 | Letter from T. Casey to D. Bennett | AGPL 001995 |
| | 6 | 4/9/96 | Letter from T. Casey to D. Bennett | AGPL 003202 |
| | 7 | 4/11/96 | Letter from R. Shurter to D. McLeod | AGBH 000079 |
| | 8 | 4/12/96 | Letter from R. Shurter to D. McLeod | AGPL 002022 |
| | 9 | 4/15/96 | Letter from D. McLeod to R. Wren | AGPL 002028 |
| | 10 | 4/17/96 | Letter from D. McLeod to R. Shurter | AGBH 000082 |
| | 11 | 4/18/96 | Status Report on GTE Negotiations; Items of Major Dispute between AT&T and GTE for Total Service Resale | AGBR 000020 |
| | 12 | 4/19/96 | Letter from G. Rall to J. Peterson | AGBR 000042 |
| | 13 | 4/24/96 | Letter from R. Shurter to D. McLeod | AGPL 002256 |
| | 14 | 4/25/96 | Letter from D. Bennett to T. Casey | AGBH 000094 |
| | 15 | 4/26/96 | Letter from R. Shurter to D. McLeod | AGBR 000048 |
| | 16 | 4/29/96 | Letter from W. West to M. Esstman | AGBH 000095 |
| | 17 | 4/29/96 | Letter from C. Nicholas to J. Beasley; Confidentiality Agreement | AGBR 003080 |
| | 18 | 4/30/96 | Letter from J. Peterson to G. Rall | AGPL 002272 |
| | 19 | 5/1/96 | Letter from D. McLeod to R. Shurter | AGBR 000070 |
| | 20 | 5/1/96 | Memo from T. Casey to D. Bennett | AGBH 000307 |
| | 21 | 5/8/96 | Letter from D. McLeod to R. Harrison | AGBR 000072 |
| | 22 | 5/8/96 | Letter from J. Beasley to C. Nicholas | AGBR 000074 |
| | 23 | 5/9/96 | Letter from C. Nicholas to J. Beasley | AGBR 000078 |
| | 24 | 5/9/96 | Fax from J. Honabargar to L. Tyler | AGBH 000311 |
| | 25 | 5/10/96 | GTE Incremental Cost Methodology and Models | AGBH 000333 |
| | 26 | 5/10/96 | Detailed Log of Meetings with LECs; First Negotiations Session on Pricing Issues | AGPL 002310 |
| | 27 | 5/13/96 | Letter from J. Beasley to C. Nicholas | AGBR 000093 |
| | 28 | 5/13/96 | Letter from D. McLeod to R. Shurter | AGBH 000113 |
| | 29 | 5/14/96 | Letter from R. Harrison to D. McLeod | AGBR 000095 |
| | 30 | 5/14/96 | Synopsis of AT&T/GTE Conference Calls | AGPL 002314 |
| | 31 | 5/15/96 | E-mail from G. Perrotta to A. Navarro | AGPL 002330 |
| | 32 | 5/15/96 | Fax to D. Bennett; Emergency Restoral Procedures (ROW) | AGPL 002348 |
| | 33 | 5/17/96 | Fax to D. Bennett; Emergency Restoral Procedures (ROW) | AGPL 002374 |
| | 34 | 5/17/96 | AT&T/GTE TSR Open Issues | AGPL 002369 |
| | 35 | 5/23/96 | Letter from L. Tyler to J. Peterson | AGBH 000353 |

# GTE ARBITRATION INDEX

| | | | | |
|---|---|---|---|---|
| | 36 | 5/24/96 | AT&T and GTE Core Negotiation Team Meeting | AGBH 000364 |
| | 37 | 5/28/96 | Letter from M. Seaman to R. Shurter | AGBH 000103 |
| | 38 | 5/30/96 | Letter from R. Harrison to M. Esstman | AGBR 000206 |
| | 39 | 5/30/96 | AT&T Requirements Presented at 4/2/96 Meeting | AGBR 000106 |
| II | 40 | 5/30/96 | AT&T's Requirements Presented at 5/18/96 Meeting [Matrix] | AGBR 000135 |
| | 41 | 5/30/96 | AT&T and GTE Negotiation Work Plan | AGBR 000203 |
| | 42 | 6/3/96 | Letter from R. McGrew to D. Bennett | AGPL 002611 |
| | 43 | 6/3/96 | Letter from D. McLeod to R. Harrison | AGBH 000126 |
| | 44 | 6/3/96 | Letter from D. McLeod to R. Harrison | AGBH 000133 |
| | 45 | 6/3/96 | Letter from R. Shurter to M. Seaman | AGBR 000225 |
| | 46 | 6/3/96 | Letter from R. Harrison to M. Esstman | AGBR 000221 |
| | 47 | 6/3/96 | Letter from J. Beasley to C. Nicholas | AGBR 000217 |
| | 48 | 6/4/96 | Letter from C. Nicholas to J. Beasley | AGBR 000229 |
| | 49 | 6/4/96 | Letter from R. Shurter to L. Sparrow | AGBH 000134 |
| | 50 | 6/4/96 | Chart re: Pre-ordering/Ordering with Change As Is and Without | AGPL 003229 |
| | 51 | 6/4/96 | Detailed Log of Dealings with LEC | AGPL 002681 |
| | 52 | 6/5/96 | Letter from D. McLeod to R. Harrison | AGBH 000141 |
| | 53 | 6/5/96 | Letter from L. Sparrow to R. Shurter | AGBR 000289 |
| | 54 | 6/5/96 | Charts from R. Langley & D. Bennett | AGPL 003237 |
| | 55 | 6/6/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002714 |
| | 56 | 6/10/96 | Letter from R. Harrison to D. McLeod | AGBR 000308 |
| | 57 | 6/10/96 | GTE/AT&T Executive Meeting | AGBH 000241 |
| | 58 | 6/10/96 | Letter from J. Beasley to C. Nicholas | AGBR 000298 |
| | 59 | 6/10/96 | Letter from J. Beasley to C. Nicholas | AGBR 000295 |
| | 60 | 6/10/96 | Letter from B. Watson to D. Gudino | AGBR 000301 |
| | 61 | 6/10/96 | Chart re: Change As Is Issue | AGBR 000080 |
| | 62 | 6/14/96 | Letter from D. McLeod to R. Harrison | AGBR 000312 |
| | 63 | 6/14/96 | Letter from M. Seaman to R. Shurter | AGPL 000001 |
| | 64 | 6/17/96 | Letter from R. Harrison to D. Myers | AGBR 000321 |
| | 65 | 6/17/96 | Letter from R. Harrison to M. Sepic | AGBR 000319 |
| | 66 | 6/17/96 | GTE Customer Guide for ALEC Establishment of Local Services: Resale & Unbundling | AGPL 003729 |
| III | 67 | 6/17/96 | Fax from R. Honebarger to L. Tyler & R. Damji | AGBH 000390 |
| | 68 | 6/17/96 | Letter from R. Harrison to D. McLeod | AGBH 000442 |
| | 69 | 6/18/96 | Memo from R. Harrison to R. Shurter | AGBR 000323 |
| | 70 | 6/19/96 | Detailed Log and Dealings with LEC | AGPL 4517 |
| | 71 | 6/20/96 | E-mail from J. Peterson to R. Damji | AGBH 000407 |
| | 72 | 6/21/96 | Letter from R. Shurter to M. Seaman | AGPL 003961 |

# GTE ARBITRATION INDEX

| | | | | |
|---|---|---|---|---|
| | 73 | 6/21/96 | Letter from D. McLeod to R. Harrison | AGBH 000408 |
| | 74 | 6/25/96 | Letter from R. Damji to J. Peterson | AGBR 000366 |
| | 75 | 6/25/96 | Letter from B. Kahn to M. Seaman | AGBR 000906 |
| | 76 | 6/26/96 | Letter from J. Beasley to C. Nicholas | AGBR 000355 |
| | 77 | 6/27/96 | Letter from M. Seaman to R. Shurter | AGBR 000359 |
| | 78 | 6/28/96 | Letter from J. Beasley to C. Nicholas | AGBH 000434 |
| | 79 | 6/29/96 | Letter from J. Peterson to R. Damji | AGBR 000381 |
| | 80 | 6/29/96 | Letter from J. Peterson to R. Damji | AGBH 000441 |
| | 81 | 6/29/96 | Fax from J. Peterson to R. Damji | AGBH 000443 |
| | 82 | 7/1/96 | Letter from R. Harrison to D. McLeod | AGBR 000397 |
| | 83 | 7/1/96 | Memo from J. Beasley to File | AGBR 000420 |
| | 84 | 7/1/96 | Letter from B. Haux to D. Bennett | AGPL 004469 |
| | 85 | 7/2/96 | Fax from A. Wood to B. Haux | AGPL 004493 |
| | 86 | 7/8/96 | Letter from D. McLeod to R. Harrison | AGBR 000916 |
| | 87 | 7/9/96 | Letter from J. Peterson to R. Damji | AGBH 000454 |
| | 88 | 7/9/96 | Memo from R. Shurter to File | AGBH 000457 |
| | 89 | 7/11/96 | Letter from J. Beasley to C. Nicholas | AGBR 000872 |
| | 90 | 7/12/96 | Letter from R. Harrison to D. McLeod | AGBR 000919 |
| | 91 | 7/16/96 | Fax from B. Watson to C. Nicholas | AGBR 000927 |
| | 92 | 7/17/96 | Memo from J. Beasley to File | AGBR 000941 |
| | 93 | 7/19/96 | Letter from R. Harrison to D. McLeod | AGBR 003053 |
| | 94 | 7/22/96 | Letter from B. Watson to C. Nicholas | AGBR 000958 |
| | 95 | 7/22/96 | Memo from B. Haux to File | AGPL 004567 |
| | 96 | 7/24/96 | Letter from D. McLeod to R. Harrison | AGBR 003056 |
| | 97 | 7/25/96 | Letter from D. McLeod to R. Harrison | AGBR 003077 |
| IV | 98 | 8/5/96 | Memo from B. Watson to File | AGBR 003108 |
| | 99 | 3/8/96 | GTE 1996 Proxy Statement | none |
| | 100 | 2/2/96 | Testimony of R. Mercer | none |
| | 101 | 0/0/95 | GTE 1995 Annual Report | none |
| | 102 | 4/18/96 | AT&T Requirements | none |
| V | 103 | various | Minutes of Meetings between AT&T & GTE | AGPL 001594 |
| | | 3/20/96 | Detailed Log of Dealings with LEC; Wholesale Service Requirements | AGPL 001594 |
| | | 3/25/96 | Detailed Log of Dealings with LEC; Audix Telephone Messages | AGPL 001606 |
| | | 3/26/96 | Detailed Log of Dealings with LEC; GTE Competitive Local Service Provider Workshop; 3/26-27/96 | AGPL 001611 |
| | | 3/28/96 | Detailed Log of Dealings with LEC; Law Enforcement Interface | AGPL 001620 |
| | | 3/29/96 | Detailed Log of Dealings with LEC; Wholesale Service Requirements | AGPL 001622 |
| | | 4/2/96 | Detailed Log of Dealings with LEC; Wholesale Service Requirements; and Interconnection Requirements | AGPL 001627 |

# GTE ARBITRATION INDEX

| | | | | |
|---|---|---|---|---|
| | | 4/2/96 | Summary of GTE Meeting 4/2/96, Irving , TX; Executive negotiations kickoff meeting on 1996 Telecom Bill | AGBH 000045 |
| | | 4/3/96 | AT&T/GTE Operations Meeting | AGPL 001674 |
| | | 4/5/96 | Detailed Log of Dealings with LEC; Directories | AGPL 001730 |
| | | 4/9/96 | GTE Competitive Local Service Provider Workshop | AGPL 001996 |
| | | 4/9/96 | Detailed Log of Dealings with LEC | AGPL 003203 |
| | | 4/11/96 | Detailed Log of Dealings with LEC; Law Enforcement Interface | AGPL 002025 |
| | | 4/17/96 | AT&T/GTE Negotiations Meeting; 4/17-18/96; Dallas, TX | AGPL 002035 |
| | | 4/18/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002033 |
| | | 4/18/96 | Detailed Log of Dealings with LEC; Executive Team Meeting | AGPL 002076 |
| | | 4/18/96 | Detailed Log of Dealings with LEC; Executive Team Meeting | AGBH 000083 |
| | | 4/22/96 | Detailed Log of Dealings with LEC; Phone Call to Schedule First Unbundled/Interconnection Negotiations; Meeting with GTE | AGPL 002252 |
| | | 4/23/96 | Detailed Log of Dealings with LEC; Interconnection & Unbundling | AGPL 002180 |
| | | 4/23/96 | Detailed Log of Dealings with LEC: Telephone Call | AGPL 002255 |
| | | 4/25/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002263 |
| | | 4/29/96 | Executive GTE Negotiation; Status Conference Call; Monday 4/29/96 | AGBH 000096 |
| | | 4/30/96 | Detailed Log of Dealings with LEC; Video Teleconference Call to Discuss Right of Way Issues with GTE | AGPL 002274 |
| | | 5/1/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002279 |
| | | 5/2/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002286 |
| | | 5/7/96 | Detailed Log of Dealings with LEC; Total Services Resale | AGPL 002287 |
| | | 5/7/96 | Detailed Log of Dealings with LEC; Executive Team Meeting | AGPL 002299 |
| | | 5/10/96 | Detailed Log of Dealings with LEC; Total Services Resale | AGPL 002301 |
| | | 5/15/96 | Detailed Log of Dealings with LEC; Executive Team Meeting | AGPL 002350 |
| | | 5/16/96 | AT&T/GTE Negotiation Conference Call | AGPL 002343 |
| | | 5/16/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002366 |
| | | 5/20/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002392 |
| | | 5/20/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002399 |
| | | 5/21/96 | Detailed Log of Dealings with LEC; Telephone Call Re: Core Team Issues Matrix | AGPL 002403 |
| | | 5/22/96 | AT&T & GTE Core Team Meeting | AGPL 002436 |
| | | 5/22/96 | Detailed Log of Dealings with LEC | AGPL 002440 |
| | | 5/23/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002442 |
| | | 5/23/96 | Detailed Log of Dealings with LEC; Billing | AGPL 002448 |
| | | 5/23/96 | Detailed Log of Dealings with LEC; Directories | AGPL 002462 |
| | | 5/23/96 | Detailed Log of Dealings with LEC; Telephone Call Row | AGPL 003213 |
| | | 5/24/96 | Detailed Log of Dealings with LEC | AGPL 004515 |
| | | 5/28/96 | Detailed Log of Dealings with LEC; Directories Requirement | AGPL 002477 |
| | | 5/29/96 | Detailed Log of Dealings with LEC; Telephone Call | AGPL 002560 |

# GTE ARBITRATION INDEX

| | | | | |
|---|---|---|---|---|
| | | 5/30/96 | Detailed Log of Dealings with LEC; Telephone Call | AGPL 002564 |
| | | 5/30/96 | Detailed Log of Dealings with LEC; Operator Services | AGPL 002574 |
| | | 5/30/96 | Detailed Log of Dealings with LEC; Executive Team Meeting | AGBH 000107 |
| | | 5/31/96 | Detailed Log of Dealings with LEC; Telephone Call | AGPL 002584 |
| | | 5/31/96 | Detailed Log of Dealings with LEC; Total Services Resale | AGPL 002585 |
| | | 6/3/96 | Detailed Log of Dealings with LEC; Operator Services/Directories/Voice Mail | AGPL 002590 |
| | | 6/4/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002678 |
| | | 6/4/96 | Meeting/Communications Log | AGPL 003336 |
| | | 6/5/96 | Detailed Log of Dealings with LEC | AGPL 002654 |
| | | 6/5/96 | Detailed Log of Dealings with LEC Signaling | AGPL 002664 |
| | | 6/5/96 | Detailed Log of Dealings with LEC; Conference Call | AGPL 002672 |
| | | 6/6/96 | Detailed Meeting Minutes with LEC; Rights of Way | AGPL 002669 |
| | | 6/6/96 | Detailed Log of Dealings with LEC; Directories Requirement | AGPL 002702 |
| | | 6/6/96 | Detailed Log of Dealings with LEC; Conference Call Transport | AGPL 002721 |
| | | 6/7/96 | Meeting/Communication Log; Conference Call | AGPL 003347 |
| | | 6/10/96 | Detailed Log of Dealings with LEC; Call Log | AGPL 002736 |
| | | 6/10/96 | Detailed Meeting Minutes with LEC; Security | AGPL 002763 |
| | | 6/10/96 | Meeting/Communications Log; Conference Log | AGPL 003357 |
| | | 6/11/96 | Detailed Log of Dealings with LEC; Directories Assistance and Operator Services | AGPL 002866 |
| | | 6/12/96 | Detailed Meeting Minutes with LEC | AGPL 002897 |
| | | 6/13/96 | Detailed Log of Dealings with LEC; Interconnection Signaling | AGPL 003638 |
| | | 6/13/96 | Detailed Log of Dealings with LEC; Number Portability | AGPL 003641 |
| | | 6/14/96 | Detailed Log of Dealings with LEC Unbundling & Interconnection | AGPL 003645 |
| | | 6/14/96 | Collocation | AGPL 003648 |
| | | 6/14/96 | Detailed Minutes of Meeting with LEC; Interconnection Transport | AGPL 003652 |
| | | 6/17/96 | Detailed Log of Dealings with LEC; Directories | AGPL 003656 |
| | | 6/14/96 | Detailed Log of Dealings with LEC | AGPL 003659 |
| | | 6/19/96 | Detailed Log of Dealings with LEC | AGPL 003719 |
| | | 6/19/96 | Detailed Log of Dealings with LEC; Interconnection Signaling | AGPL 003720 |
| | | 6/19/96 | Detailed Log of Dealings with LEC | AGPL 003723 |
| | | 6/19/96 | Detailed Log of Meeting Minutes with LEC; E911 | AGPL 003725 |
| | | 6/19/96 | Detailed Log of Meeting with LEC | AGPL 003726 |
| | | 6/20/96 | Detailed Log of Meeting with LEC | AGPL 003958 |
| | | 6/21/96 | Detailed Log of Dealings with LEC | AGPL 003982 |
| | | 6/28/96 | Detailed Log of Dealings with LEC; Telephone Call | AGBR 000380 |
| | | 7/3/96 | Detailed Log of Dealings with LEC | AGPL 004512 |
| | 104 | 6/4/96 | Letter from C. Nicholas to J. Beasley; GTE California Avoided Cost Study | AGBR 000229 |

# GTE ARBITRATION INDEX

| | | | | |
|---|---|---|---|---|
| | 105 | 6/5/96 | Letter from J. Beasley to C. Nicholas; AT&T Avoided Cost Study for GTE Hawaiian Telephone Company | AGBR 000283 |
| | 106 | 6/14/96 | Letter from M. Seaman to R.H. Shurter; GTE Local Services Resale Proposal | AGPL 000001 |
| | 107 | 7/1/96 | Letter from R. Harrison to D. McLeod | AGBR 000419 |
| | 108 | 7/1/96 | Letter from R. Harrison to D. McLeod; AT&T Pricing Proposal | AGBR 000401 |
| | 109 | 7/1/96 | Fax from C. Nicholas to J. Beasley | AGBR 000364 |
| | 110 | 7/1/96 | GTE Florida Cost Study | AGBR 001658 |
| | 111 | 7/2/96 | AT&T Attachment 14 to July 2, 1996 Contract Proposal | AGBR 000750 |
| | 112 | 7/12/96 | Matrix of Open Issues on Local Resale and Unbundling | none |
| | 113 | 7/24/96 | Letter from D. McLeod to R. Harrison; GTE Resale and Unbundled Network Elements Pricing Proposal | none |
| | 114 | 7/24/96 | AT&T/GTE Cost/Price Negotiations Minutes | AGBR 003060 |
| | 115 | 7/27/96 | GTE Responses to AT&T Requirements (Matrix #1 -- Billing for Local Resale, Matrix #2 -- Features/Services for Local Resale; Matrix #3 -- Pre-ordering/Ordering for Local Resale; Matrix #4 -- Interconnection/Unbundling; Matrix #5 -- Pay Phone/Local Resale) | none |
| | 116 | 8/2/96 | Letter from R. Harrison to D. McLeod; Pricing Proposal | AGBR 003101 |
| V | 117 | undated | Cost Study | none |
| | 118 | undated | Memo re: Quality Measures and Approaches | none |
| | 119 | 8/15/96 | Letter from R. Harrison to D. McLeod | none |

AT&T

August 5, 1996

Note to File

Re: Phone Call with Connie Nicholas Monday August 5 approximately 3:00 PM EST.

I called Connie Nicholas (GTE Legal) to follow up on open drafting issues in the interconnection agreement, in particular, with respect to my request last Thursday for a conference call to negotiate Attachment 3, Ancillary Functions. Until Thursday, August 1, Connie and I had exchanged proposed language for the agreement by fax and electronically (modem to modem) on a daily basis.

Connie informed me that since Thursday she has been in several internal meetings and conversations with Don McLeod, Meade Seaman and Frank Compton and that they are beginning to think that AT&T and GTE do not have a "meeting of the minds" on the contract language. She mentioned that some of the recent draft language, such as the new draft of Section 11 on DMOQs, taken together with the complaint which AT&T has filed in California, as evidence of this suspicion. Frank Compton told Connie that new Section 11 does not reflect what was agreed by Reed Harrison and Ron Shurter in Berkeley Heights, namely that there would be no specific mention of DMOQs in the agreement, although GTE was willing to do a "side" agreement. Consequently, she expects that Don McLeod will call Ron Shurter to discuss GTE's concern that, since we do not appear to have a meeting of the minds, the further exchange of contract language would not be productive.

I asked Connie for specific examples of contract language which does not reflect what has been agreed. I told her that it would be difficult for the executives to discuss GTE's concerns without specific examples. She said that she would provide these to Don. I then told her that writing and reviewing the language will always be a challenge when the lawyers are not in the room with the negotiators. She agreed. I told her that I had expected that during the process of negotiating the contract language, we would get the negotiators and the SMEs in the room with us in order to properly draft. Finally, I asked Connie to let me know when we could schedule a call to discuss Attachment 3 with our subject matter experts. I informed her that Jim Veatch and I were available all day tomorrow.

Bonnie

Bonnie Watson

AGBR 003108

GTE

**GTE CORPORATION**
One Stamford Forum
Stamford, Connecticut 06904
Telephone: 203-965-2000

CHARLES R. LEE
Chairman and Chief Executive Officer

March 8, 1996

To Our Shareholders:

On behalf of the Board of Directors, I cordially invite you to attend the 1996 Annual Meeting of Shareholders of GTE Corporation. The Annual Meeting will be held from 2:00 P.M. to 4:00 P.M., Local Time, on Wednesday, April 17, 1996, in the Wisteria Room of the Italian Center, 1620 Newfield Avenue, Stamford, Connecticut. The formal notice of the Annual Meeting appears on the next page and directions to the Annual Meeting are printed on the back cover.

The attached Proxy Statement describes matters that we expect will be acted upon at the Annual Meeting. Shareholders who are present at the Annual Meeting will have the opportunity to ask questions.

It is important that your views be represented whether or not you are able to be present at the Annual Meeting. Please sign and date the enclosed proxy card and promptly return it in the postage prepaid envelope. The Board of Directors recommends that shareholders vote FOR Items 1 and 2, and AGAINST Items 3 through 11, as listed on the proxy card.

We are gratified by our shareholders' continued interest in GTE and pleased that in the past so many of you have voted your shares either in person or by proxy. We hope that you will continue to do so and urge you to return your proxy card as soon as possible.

Sincerely,

Charles R. Lee

GTE

# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
APRIL 17, 1996

Stamford, Connecticut
March 8, 1996

The Annual Meeting of Shareholders of GTE Corporation will be held in the Wisteria Room of the Italian Center, 1620 Newfield Avenue, Stamford, Connecticut, on Wednesday, April 17, 1996, at 2:00 P.M., Local Time, for the following purposes:

1. To elect four Class I directors and two Class II directors to the Board of Directors;

2. To ratify the appointment of auditors;

3. To consider and act upon the following nine shareholder proposals described in the accompanying Proxy Statement:

    (a) eliminate the staggered election of directors,

    (b) establish a policy of reporting on GTE's foreign military sales,

    (c) establish a policy of reporting on GTE's equal employment opportunity/affirmative action program,

    (d) endorse the CERES Principles,

    (e) require shareholder approval of bonuses to executive officers in excess of $30,000,

    (f) require shareholder approval of agreements with officers and directors providing for the payment of benefits upon a change in control,

    (g) eliminate non-employee directors' retirement plan and pensions previously granted under the plan,

    (h) establish criteria to limit executive officers' compensation so that it does not exceed 75 times the wages of the average hourly employee and to more closely link wages and compensation to company profits, and

    (i) limit increases in executive officers' total annual cash compensation to an amount no greater than the average annual percentage pay increases to employees; and

4. To act upon any other matters properly coming before the Annual Meeting and any adjournment thereof.

Only shareholders of record at the close of business on February 27, 1996 will be entitled to vote at the Annual Meeting.

By order of the Board of Directors,

MARIANNE DROST
*Secretary*

**PLEASE SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED FOR THAT PURPOSE.**

a separate proxy card for their individual and plan holdings. Unvoted shares of the CESOP are votec at the discretion of the trustee of the CESOP. Unvoted shares of the Savings Plans are voted by th trustee in the same proportion as shares for which the trustee has received voting instructions.

**Cost of Solicitation**

GTE is responsible for the cost of soliciting proxies. Proxies may be solicited by directors officers or regular employees of GTE in person or by telephone, or by other means. In addition, GTI has retained D.F. King & Co., Inc., New York, New York, to assist in the solicitation of proxies, and i is estimated their charges and expenses will not exceed $30,000. GTE also will reimburse brokerag houses and other custodians, nominees and fiduciaries for their expenses in accordance with th regulations of the Securities and Exchange Commission (the "SEC") and the New York Stocl Exchange, Inc. (the "NYSE") concerning the sending of proxies and proxy material to the beneficia owners of stock.

**Voting**

*Shares Outstanding*

As of January 31, 1996, the outstanding voting stock of GTE consisted of 975,598,047 shares c GTE Common Stock. Each share of GTE Common Stock is entitled to one vote.

It is GTE's policy that all proxies, ballots and tabulations that identify the vote of individua shareholders are kept confidential. These items are not seen by nor reported to the Corporatior except where shareholders write comments on their proxy cards, as necessary to meet lega requirements or in a contested proxy solicitation.

*Vote Required*

The nominees for directors who receive a plurality of the votes cast by the holders of th outstanding GTE Common Stock entitled to vote at the Annual Meeting will be elected. A affirmative majority of the votes cast is required to ratify the appointment of auditors and to approv each of the shareholder proposals. Abstentions and broker non-votes are not counted in determir ing the number of shares voted for or against any nominee for director or any proposal. Abstentior are counted toward determining whether a quorum has been obtained. However, shares repre sented by broker non-votes are not considered present at the meeting and, accordingly, are n counted towards quorum.

**Proxy Statement Proposals**

At the Annual Meeting each year, the Board of Directors submits to shareholders its nomine for election as directors. The shareholders also vote to ratify or reject the auditors selected by th Audit Committee and approved by the Board of Directors. In addition, the Board of Directors m submit other matters to the shareholders for action at the Annual Meeting.

Shareholders of GTE also may submit proposals for inclusion in the proxy material. The proposals must meet the shareholder eligibility and other requirements of the SEC. In order to l included in GTE's 1997 proxy material, a shareholder's proposal must be received no later th November 8, 1996 at GTE's Corporate Headquarters, One Stamford Forum, Stamford, Connectic 06904, Attention: Secretary.

In addition, GTE's By-Laws (the "By-Laws") provide that in order for business to be broug before the Annual Meeting, a shareholder must deliver written notice to the Secretary not less th 30 nor more than 60 days prior to the date of the Annual Meeting. The notice must state t shareholder's name, address and number of shares of GTE Common Stock held, and brie describe the business to be brought before the meeting, the reasons for conducting such busine at the Annual Meeting and any material interest of the shareholder in the proposal.

The By-Laws also provide that if a shareholder intends to nominate a candidate for election as a director, the shareholder must deliver written notice of his or her intention to the Secretary. The notice must be delivered not less than 30 nor more than 60 days before the date of a meeting of shareholders. The notice must set forth the following: the name and address of and number of shares of GTE Common Stock owned by the shareholder (and that of any other shareholders known to be supporting said nominee) and the nominee for election as a director; the age of the nominee; the nominee's business address and experience during the past five years; any other directorships held by the nominee; the nominee's involvement in certain legal proceedings during the past five years; and such other information concerning the nominee as would be required to be included in a proxy statement soliciting proxies for the election of the nominee. In addition, the notice must include the nominee's consent to serve as a director of GTE if elected.

**Board of Directors**

The Board of Directors manages the business of GTE. It establishes the overall policies and standards for GTE and reviews the performance of management. The directors are kept informed of GTE's operations at meetings of the Board and committees of the Board (the "Committees") and through reports and analyses and discussions with management.

The Board of Directors meets on a regularly scheduled basis and, during 1995, met on thirteen occasions. In addition, significant communications between the directors and the Corporation occur apart from regularly scheduled meetings of the Board and its Committees. Accordingly, management does not regard attendance at meetings to be the primary criterion in evaluating the contributions a director makes to GTE. For the Board of Directors as a whole, average attendance at meetings of the Board and its Committees (the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all Committees on which each director served) during 1995 was 94.1%. During 1995, none of the incumbent directors attended less than 75% of the aggregate of the total number of Board meetings and the total number of meetings of all Committees on which he or she served.

**Committees of the Board of Directors**

The Board of Directors has established six standing Committees and has assigned certain responsibilities to each of those Committees.

*Audit Committee*

The Audit Committee had five meetings in 1995. The Audit Committee recommends the appointment of independent public accountants for GTE, reviews the scope of audits proposed by the independent public accountants, reviews internal audit reports on various aspects of corporate operations and periodically consults with the independent public accountants on matters relating to internal financial controls and procedures.

*Executive Compensation and Organizational Structure Committee*

The Executive Compensation and Organizational Structure Committee had eleven meetings during 1995. The functions of this Committee include the review and approval of compensation of employees above a certain salary level, the review of management recommendations relating to incentive compensation plans, the administration of the GTE Corporation Executive Incentive Plan and the GTE Corporation 1991 Long-Term Incentive Plan, the review of and recommendations concerning directors' compensation and consultation on senior executive continuity and organizational matters.

*Nominating Committee*

The Nominating Committee had two meetings during 1995. The functions of this Committee include the consideration of the size and composition of the Board, review and recommendation of individuals for election as directors or officers of GTE, review of criteria for selecting directors, evaluation of directors, as appropriate, and consideration of policies and practices with respect to the functioning of the Board. In carrying out its responsibilities for recommending candidates to fill vacancies on the Board and in recommending a slate of directors for election by the shareholders at the Annual Meeting, this Committee will consider candidates suggested by other directors, employees and shareholders. Suggestions for candidates, accompanied by biographical material for evaluation, may be sent to the Secretary at GTE's Corporate Headquarters. Individuals suggested as candidates should have high level management experience in a large, relatively complex organization or have experience dealing with complex problems. A candidate also must indicate a willingness to attend scheduled meetings of the Board and its Committees.

*Pension Trust Coordinating Committee*

The Pension Trust Coordinating Committee is responsible for reviewing the performance of the portfolios of and investment advisors to GTE's pension plans, approving overall investment policy relating to the assets of the pension plans and monitoring the actuarial soundness of those plans. This Committee had two meetings during 1995.

*Public Policy Committee*

The Public Policy Committee, which had two meetings during 1995, reviews the policies and practices of GTE as to corporate contributions, employee safety and health and assumes such other duties as the Board may from time to time delegate.

*Strategic Issues, Planning and Technology Committee*

The Strategic Issues, Planning and Technology Committee is responsible for reviewing the long-term strategic objectives and goals of the Corporation and the external and internal issues related to those goals and to technology. This Committee had two meetings during 1995.

**Directors' Compensation**

*Retainer and Meeting Fees*

Directors who are also employees of GTE are not paid any fees or other remuneration, as such for service on the Board or any of its Committees.

Each non-employee director receives an annual retainer of $30,000 plus 200 shares of GTE Common Stock awarded pursuant to the GTE Corporation 1991 Long-Term Incentive Plan ("LTIP"). Non-employee directors receive a retainer of $1,500 for each Committee on which they serve. A director who chairs a Committee receives a retainer of $2,500. In addition, non-employee directors receive $1,200 for each Board or Committee meeting they attend. Non-employee directors are those directors who are not otherwise employees of GTE or its subsidiaries and thus are not otherwise eligible to fully participate in the GTE employee incentive programs, savings plans, or stock purchase plans.

*Other Compensation*

Under the Deferred Compensation Plan for Non-Employee Members of the Board of Directors of GTE Corporation (the "Deferred Compensation Plan"), any non-employee director may elect annually to defer all or any portion of his or her current cash compensation as a director and receive future payments in one or more installments. Amounts deferred under the Deferred Compensation Plan are treated as if held in GTE Common Stock and are accounted for in units with each unit equa to the value of one share of GTE Common Stock ("Common Stock Units"). Common Stock Units increase or decrease in value based on the fair market value of an equivalent number of shares of GTE Common Stock. In addition, cash equal to the dividends on an equivalent number of shares of GTE Common Stock is credited to a non-employee director's account each time a dividend is paid. The cash is then converted into additional Common Stock Units. All payments under the Deferred Compensation Plan are made in cash. A director may elect a payment schedule that begins either on fixed dates in the future at least six months after the close of the year for which the deferral is made, or at any time commencing at least six months after the director retires from the Board.

Under the Phantom Stock Plan for Non-Employee Members of the Board of Directors of GTE Corporation (the "PSP"), non-employee directors are awarded 300 Common Stock Units annually. Common Stock Units increase or decrease in value based on the fair market value of an equivalent number of shares of GTE Common Stock. The Common Stock Units are held in an account for the director and, each time a dividend is paid, an equivalent amount is converted to Common Stock Units and credited to the director's PSP account. Payments under the PSP are made in cash and a director may elect a schedule of payments beginning no earlier than six months after the director retires from the Board.

Directors may also elect to invest the balance of their Deferred Compensation Plan account and their PSP account in a variety of investment options other than Common Stock Units beginning six months after the director retires from the Board.

Messrs. Johnson and Palmer, directors of GTE, also received $4,000 each in meeting and retainer fees during 1995 for serving as directors of Contel Cellular Inc. ("Contel Cellular") until June 1995 and September 1995, respectively. Mr. Johnson also received $8,465 in meeting and retainer fees for serving as a director of BC TEL until April 1995. GTE indirectly owns 50.7% of the voting stock of BC TEL and the balance is held by public shareholders.

*Retirement Plan For Non-Employee Directors*

The Retirement Plan for Non-Employee Members of the Board of Directors of GTE Corporation (the "Directors' Retirement Plan") is designed to provide competitive compensation arrangements for GTE's non-employee directors. Directors who are employees of GTE do not participate in this plan.

Under the terms of the Directors' Retirement Plan, a non-employee director who retires is eligible to receive annual payments equal to the value of the annual cash retainer in effect on the date of his or her retirement, the value of the most recent award of Common Stock Units under the PSP prior to the director's retirement and the cash equivalent of the most recent award of GTE Common Stock under the LTIP prior to the director's retirement. Payments are made for the lesser of the remainder of the director's life or a period equal to the length of his or her Board service. If a director retires from the Board before reaching age 65, the annual payment is reduced by 5% for each year the director's age is below age 65 up to a maximum of 50%.

If a director dies before retirement, his or her spouse will receive the director's benefit, unreduced on account of age, for the lesser of the remainder of the spouse's life or a period equal to the length of the director's Board service. If a director dies after retirement, the spouse will continue to receive the benefit being received by the director at the time of his or her death for the lesser of the remainder of the spouse's life or a period equal to the length of the director's Board service.

One director, Mr. Sloan, who serves on the Board does not participate in the Directors' Retirement Plan. He was formerly a director of Contel Corporation ("Contel"), which merged with a subsidiary of GTE in 1991. Under the terms of the Contel merger agreement, Mr. Sloan continues to participate in the Retirement Plan for Outside Directors of Contel Corporation (the "Contel Directors' Plan"). However, his retirement benefit will be based upon the greater of the annual retainer previously paid by Contel or that paid by GTE at the time of retirement. The Contel

Directors' Plan provides eligible directors who retired from Contel's Board after attaining age 65 and completing five years of service with, among other things, an annual benefit for the remainder of their life equal to the basic annual retainer for members of the Board in effect during the last full year of the director's service.

**Charitable Awards Program**

Non-employee directors and designated senior executives of GTE, including the individuals named in the Summary Compensation Table on page 11, participate in a charitable awards program. Under this program, the Corporation will donate an aggregate of $1 million to up to four tax-exempt educational institutions or public charities designated by the participant. The donations will be paid in five equal annual installments after a participant's death. Generally, the donations will only be paid if: (1) the participant dies while a director or a designated senior officer; or (2) the participant was either (a) a director who separated from service with GTE after completing five or more years of service as a director or (b) a designated senior officer who separated from service after attaining age 65 and completing five or more years of service as an employee of GTE and who was no involuntarily separated from service for cause; or (3) a change in control occurs while the participant is a director or designated senior executive of GTE. The program is financed through the purchase of life insurance by GTE. Participants derive no financial benefit from this program since al charitable deductions accrue solely to GTE.

**Executive Compensation**

## EXECUTIVE COMPENSATION COMMITTEE REPORT

As members of the Executive Compensation and Organizational Structure Committee (th "Committee"), we review and approve annual salary range adjustments for GTE's executiv employee group and administer GTE's executive short- and long-term incentive plans includin approving grant and payout targets and awards under those plans. The Committee also evaluate the performance of senior management, including the Chief Executive Officer, and reviews an approves changes to the base salary of executive management of GTE and its subsidiaries. Th Committee periodically reports to the Board on its activities.

*Compensation Philosophy*

The Committee works with senior management to develop and approve GTE's executiv compensation philosophy and policies, which then form the basis for the Committee's decision GTE's executive compensation philosophy relates the level of compensation to GTE's success meeting its annual and long-term performance goals and achieving long-term returns for sharehol ers, rewards individual achievement, and seeks to attract and retain executives of the highe caliber. GTE's philosophy is to pay average compensation (including base, bonus and long-ter incentives) for average results and above-average compensation for above-average results. Th Corporation's comparator group for benchmarking competitiveness includes other major comp nies, both in telecommunications and general industry. The companies used as comparators have reputation for excellence and are comparable to GTE in terms of such quantitative measures revenues, assets, market value and total shareholder return and are viewed as direct competito for executive talent in the overall labor market. Compensation data for the comparator compani are obtained from benchmarking surveys conducted by nationally recognized independent compe sation consultants. These surveys cover more companies than those used in the peer gro performance comparison shown in the Performance Graph on page 15. In reviewing the surv data, GTE takes into account how its compensation policies and overall performance compare similar indices for the comparator group.

GTE has compared its ratio of base salary to total executive compensation to the practices the comparator companies. Under GTE's compensation philosophy, base salary is intended represent less than 40% of executive compensation. The remaining compensation is paid under *incentive plans*. Payments under these incentive plans are based upon the achievement of annual and long-term performance goals and, accordingly, are "at risk".

*Executive Compensation*

*In determining* whether to adjust the base salary of an executive, including the Chief Executive Officer, the Committee takes into account individual performance, performance of the operations directed by that executive and the position of compensation in relation to the established salary range. In evaluating whether an executive's total compensation package (base salary plus incentive compensation) should be adjusted, the Committee also takes into account changes in the executive's responsibilities and GTE's competitive philosophy.

The Committee reviewed Mr. Lee's 1995 performance based upon GTE's financial performance in terms of earnings per share, revenue growth, return on equity ("ROE"), operating cash flow margin ("OCFM"), total shareholder return, asset deployment, and the complexity of managing a multinational corporation in an industry that is experiencing enormous change, as well as his leadership role in the Corporation's restructuring/reorganization. The Committee also based its review upon Mr. Lee's performance with respect to further implementing plans to control costs and streamline operations; providing leadership in the development of legislative reform and regulatory strategies that will lead to increased flexibility; establishing, in anticipation of potential regulatory changes, the capability to offer a full range of wireline, wireless, data and video services; pursuing international telecommunications alliances; enhancing GTE's position with respect to telecommunications technology; and continuing the pursuit of quality, reliability and customer value enhancement. Based on these factors, together with the relative scope of Mr. Lee's job and pay compared to Senior Executive Officers in similar companies, the Committee approved a salary range adjustment and a base salary increase for Mr. Lee.

*Incentive Compensation*

Certain executives are also eligible to receive payments under two incentive plans in addition to their base salary.

Under the Executive Incentive Plan (the "EIP"), awards are made based upon GTE's performance during the last fiscal year and upon the individuals' achievement of certain goals for their business unit and other individual objectives. At the conclusion of each plan year, the Committee compares GTE's overall performance and that of its business units to established objectives. The Committee then arrives at an overall rating of the Corporation and the business units to determine the percentage payout of incentive awards for each unit and the individual awards for certain senior executives.

No awards under the EIP are made for any year in which GTE's ROE does not exceed 8%. However, under the terms of the EIP, the Committee shall also take into consideration unusual or extraordinary items or circumstances affecting GTE's financial performance, such as the impact of mandated accounting changes or unusual charges related to acquisitions or divestitures. GTE's 1995 ROE exceeded 8%, excluding the adjustment for Financial Accounting Standard No. 71, and awards under the EIP were made.

Mr. Lee's EIP award for 1995 is based upon the performance of GTE as a whole and Mr. Lee's performance with respect to critical qualitative and quantitative objectives approved by the Committee. Although GTE does not use specific weighting factors with respect to performance measures, the Committee considered the Corporation's financial and operational performance in 1995, and Mr. Lee's achievement of other non-quantitative objectives. Specifically, Mr. Lee's 1995 objectives included quantitative goals related to earnings per share, total return to shareholders, ROE, operating and net income, revenues, OCFM, and return on investment and asset deployment. Mr. Lee's goals also included significant qualitative objectives such as: progress toward attainment of GTE's five strategic thrusts (voice, video services, data services, wireless business and international telecommunications); continuing re-engineering efforts in all operating units to streamline processes; implementing plans with respect to market leadership programs aimed at taking full advantage of the changing regulatory structure, including speeding up the rollout of new products and services such as video, Tele-Go and Personal Communications Services, and entering into selective joint ventures; effecting operational and financial performance improvements at GTE's international operations; improving certain qualitative financial results including the capital structure; updating and implementing plans relating to GTE's investment in its human resources, including upgrading internal communications, increasing training efforts and aggressive healthcare cost containment; and other goals related to the advancement of technology and the securing of favorable national telecommunications legislation and local regulatory flexibility and, based on the regulatory relief, the establishment of capability to offer a full range of wireline voice, wireless, data and video services.

EIP awards for the five most highly compensated executives of GTE are included in the "Bonus" column of the Summary Compensation Table on page 11.

Certain GTE executives also have an opportunity to earn incentive payments under GTE's 1991 Long-Term Incentive Plan (the "LTIP"). The primary purpose of the LTIP is to offer participants an incentive to cause GTE to achieve superior financial performance, thereby helping assure superior performance for the shareholders. Two types of grants are currently used under the provisions of the LTIP — performance bonuses and stock options, which may include tandem stock appreciation rights.

Senior executives of GTE, including the five executives named in the Summary Compensation Table, are eligible to receive annual grants of performance bonuses which are earned during a 36-month performance cycle. Awards for the three-year performance cycle ending in 1995 were based on GTE's financial performance during the relevant cycle as measured by GTE's average ROE against pre-established target levels. In 1994, the Committee established an additional measure of corporate performance — operating cash flow margin ("OCFM"). To transition from awards based solely on performance against ROE targets to awards based on a combination of ROE and OCFM performance, and to bring opportunities to competitive levels, the Committee established a special performance period of a two-year duration to run concurrently with the final two years of the three-year ROE performance cycle ending in 1995. The awards for the additional period were based on GTE's performance against ROE and OCFM goals for the two-year period. The Committee also authorized grants for the three-year performance cycle ending in 1997. The payments under this cycle will be based on GTE's performance against the ROE and OCFM targets established for the full three-year cycle. 75% of the award will be determined based on ROE performance and 25% of the award will be determined based on OCFM performance.

The Committee established minimum and target award opportunities for each cycle based upon competitive practices. In establishing the targeted performance objectives for ROE and OCFM, the Committee considered past performance, the strategic goals of the Corporation and the plans for implementing those goals. The established targets are designed to facilitate implementing strategic plans and improving performance.

At the time the performance targets for the current LTIP cycles were established, a Common Stock Unit account was set up for each participant in the LTIP. An initial dollar amount for each account ("Target Award") was determined based on the competitive performance bonus grant practices of the market comparator group. That amount was then divided by the average market price for GTE Common Stock for the calendar week preceding the day the account was established to determine the number of Common Stock Units in the account. The value of the account increased or decreased based on the market price of the GTE Common Stock. An amount equal to the dividends paid on an equivalent number of shares of GTE Common Stock was added on each dividend payment date. This amount was then converted into a number of Common Stock Units obtained by dividing the amount of the dividend by the average price of the GTE Common Stock on the composite tape of the New York Stock Exchange on the dividend payment date and added to the Common Stock Unit Account.

If the minimum level of the targeted performance range is not attained, no award is paid. If the minimum of the performance target range is achieved, participants receive a payment of 20% of the Target Award for that performance measure. If the target value of the performance range is attained, participants receive a payment of 100% of the Target Award for that performance measure. Superior performance, achieving results in excess of the target value, results in a payment in excess of 100% of the Target Award based upon a formula, as exhibited in footnote 4 under the Long-Term Incentive Plan Table. The formula is applied separately for each performance measure.

Payouts to the named executives for the 1993-1995 award cycle and 1994-1995 award period are shown in the Summary Compensation Table on page 11. Also shown are historical awards for the 1991-1993, 1992-1994 cycles and 1994 supplement. The awards shown reflect the following combinations of performance: the 1993-1995 ROE goal was not met completely, while the goal for the 1994-1995 award period was exceeded. With respect to these three-year cycles, the Committee had the discretion to adjust targets or performance results to reflect unusual items that the Committee determined were extraordinary, nonrecurring and unrelated to the normal operations of the business and unanticipated or not contemplated at the time the targets were originally established. Grants for the 1995-1997 award cycle are shown in the Long-Term Incentive Plan Awards Table on page 13.

Under the LTIP, the Committee normally approves grants of stock options, which may include tandem stock appreciation rights ("SARs"). These options are granted to a substantially larger group of executives, including the five executives named in the Summary Compensation Table, than those who are eligible to receive performance bonuses under the LTIP.

In approving the number of options and SARs awarded under the LTIP, the Committee compares GTE's grant levels to competitive practices with respect to such grants over a period of time. GTE's philosophy is to be at or near a median grant posture of the comparator group of companies. The number of options currently held by any individual participant was not a factor in determining individual grants for 1995. In 1995, Mr. Lee and the other four most highly compensated officers received the awards shown in the Summary Compensation Table on page 11.

Mr. Lee's supplemental award was the result of the range adjustment, as discussed earlier.

*Internal Revenue Service Rules Relating to Deductibility of Compensation*

In late December 1995, the Internal Revenue Service ("IRS") issued final regulations that apply to the provision in the Internal Revenue Code limiting the tax deduction a publicly held corporation may take for compensation paid to its chief executive officer and its four other most highly compensated employees. The IRS regulations limit the amount that a company may deduct to one million dollars per person unless the compensation constitutes "performance based" compensation. The regulations contain transition rules which companies generally may rely on until the first shareholder meeting in 1997.

In order to comply with the IRS regulations, the Committee has adopted certain procedures to provide for the deductibility of future amounts received under the EIP for 1995 and LTIP for cycles commencing in 1994. The provisions include, but are not limited to, limiting positive discretion and establishing the maximum award payable to any individual participant under the EIP. However, performance bonuses paid under the LTIP for 3-year performance cycles beginning prior to 1994, do not qualify for the performance-based exemption to the one million dollar limit.

*Other Compensation Plans*

GTE also has various broad-based employee benefit plans. Executives participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid to executives under the plans. GTE offers an Employees' Stock Plan pursuant to the provisions of Section 423 of the Internal Revenue Code of 1986 as amended (the "Code") under which employees may purchase GTE Common Stock at a discount. The GTE Savings Plan (the "Savings Plan"), pursuant to the provisions of Section 401(k) of the Code, permits employees to invest in a variety of funds on a pre- or after-tax basis. Matching contributions under the Savings Plan are made in GTE Common Stock.

GTE also maintains pension, insurance and other benefit plans for its employees.

Russell E. Palmer, Chairman
James R. Barker
Edward H. Budd
James L. Ketelsen

March 8, 1996

### Executive Compensation Tables

The following tables provide information about executive compensation.

**SUMMARY COMPENSATION TABLE**

The following table sets forth information about the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of GTE for services in all capacities to GTE and its subsidiaries.

| | | Annual Compensation | | | Long Term Compensation — Awards | | Long Term Compensation — Payouts | |
|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary ($)(1) | Bonus($) | Other Annual Compensation($) | Restricted Stock Awards(2) | Securities Underlying Options/ SARs(#) | LTIP Payouts ($)(3) | All Other Compensation ($)(4) |
| Charles R. Lee | 1995 | 897,500 | 1,403,600 | 0 | 0 | 247,100 | 1,347,500 | 10,613 |
| Chairman & Chief | 1994 | 784,615 | 1,219,500 | 0 | 0 | 182,300 | 698,100 | 7,075 |
| Executive Officer | 1993 | 728,846 | 1,016,800 | 0 | 0 | 86,000 | 207,100 | 7,067 |
| Kent B. Foster | 1995 | 762,604 | 953,200 | 0 | 0 | 187,900 | 848,300 | 10,613 |
| President(5) | 1994 | 687,608 | 837,900 | 0 | 0 | 138,100 | 397,800 | 7,075 |
| | 1993 | 603,659 | 531,700 | 0 | 0 | 58,800 | 117,100 | 6,502 |
| Michael T. Masin | 1995 | 633,230 | 797,400 | 0 | 0 | 163,100 | 683,200 | 10,613 |
| Vice Chairman and | 1994 | 564,577 | 706,500 | 0 | 0 | 117,800 | 364,600 | 5,690 |
| President – International(6) | 1993 | 95,192 | 119,100 | 0 | 0 | 100,000 | 130,800 | 0 |
| Thomas W. White President – GTE Telephone Operations Group(7) | 1995 | 418,884 | 443,800 | 0 | 0 | 98,800 | 331,800 | 10,613 |
| William P. Barr | 1995 | 382,500 | 316,400 | 0 | 0 | 47,600 | 255,100 | 10,613 |
| Senior Vice President and General Counsel(8) | 1994 | 183,577 | 149,400 | 0 | 0 | 60,000 | 140,100 | 0 |

(1) The data in the table includes fees of $20,604, $22,896 and $21,944, respectively, received by Mr. Foster when he served as a director of BC TEL during 1995, 1994 and 1993. Mr. Masin and Mr. White received fees of $6,730 and $16,607, respectively, for serving as directors of BC TEL during 1995. BC TEL is an indirectly-owned subsidiary of GTE.

(2) Neither Messrs. Lee, Foster, Masin, White nor Barr own any restricted shares of GTE Common Stock.

(3) 1995 LTIP Payouts include transition awards for the 1994-95 performance period, which were established by the Committee as a special grant to allow for the smooth transitioning from a single measure of long-term performance (return on equity) to a combined measure (return on equity and operating cash flow margin).

(4) All other compensation for 1995 includes company contributions to the GTE Savings Plan of $6,750 for each of Messrs. Lee, Foster, Masin, White and Barr and company contributions to the GTE Executive Salary Deferral Plan of $3,863 for each of Messrs. Lee, Foster, Masin, White and Barr.

(5) Mr. Foster was elected President in June 1995. He served as Vice Chairman and President — GTE Telephone Operations Group from October 1993 until June 1995. He had been President — GTE Telephone Operations Group since 1989.

(6) Mr. Masin joined GTE as Vice Chairman effective October 1993. He was also elected President — International in June 1995. Prior to joining GTE he was a partner with the law firm of O'Melveny & Myers.

(7) Mr. White was elected President — GTE Telephone Operations Group in July 1995. He served as an Executive Vice President of GTE Telephone Operations Group since 1991 and had been a Senior Vice President of GTE Telephone Operations Group since 1989.

(8) Mr. Barr was elected Senior Vice President and General Counsel effective July 1994. Prior to joining GTE, he was a partner in the Washington, D.C. office of the law firm of Shaw, Pittman, Potts & Trowbridge since 1993. He served as Attorney General of the United States from 1991 to 1993. Mr. Barr joined the Department of Justice as Assistant Attorney General in charge of the office of Legal Counsel in 1989, and subsequently served as Deputy Attorney General prior to his appointment as Attorney General.

## OPTION/SAR GRANTS IN LAST FISCAL YEAR

The following table shows all grants of options and tandem stock appreciation rights ("SARs") to the named executive officers of GTE in 1995. The options and SARs were granted under the LTIP. Pursuant to SEC rules, the table also shows the value of the options granted at the end of the option terms (ten years) if the stock price were to appreciate annually by 5% and 10%, respectively. There is no assurance that the stock price will appreciate at the rates shown in the table. The table also indicates that if the stock price does not appreciate, there will be no increase in the potential realizable value of the options granted.

| | Individual Grants | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | | |
|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Options/SARs Granted(1) | Percent of Total Options/SARs Granted to Employees in Fiscal Year | Exercise or Base Price ($/SH) | Expiration Date | 0% | 5% | 10% |
| Charles R. Lee ............. | 215,500 | 3.81% | 33.38 | 02-13-05 | $0 | $4,523,207 | $11,462,694 |
| | 31,600 | 0.56% | 41.00 | 11-08-05 | 0 | 814,514 | 2,063,975 |
| Kent B. Foster.............. | 163,100 | 2.89% | 33.38 | 02-13-05 | 0 | 3,423,364 | 8,675,477 |
| | 24,800 | 0.44% | 34.44 | 07-02-05 | 0 | 536,922 | 1,360,557 |
| Michael T. Masin ........... | 139,000 | 2.46% | 33.38 | 02-13-05 | 0 | 2,917,521 | 7,393,570 |
| | 24,100 | 0.43% | 34.44 | 07-02-05 | 0 | 521,766 | 1,322,155 |
| Thomas W. White........... | 63,500 | 1.12% | 33.38 | 02-13-05 | 0 | 1,332,824 | 3,377,638 |
| | 35,300 | 0.62% | 35.75 | 07-30-05 | 0 | 793,375 | 2,010,409 |
| William P. Barr ............. | 47,600 | 0.84% | 33.38 | 02-13-05 | 0 | 999,093 | 2,531,899 |

(1) Each option was granted in tandem with a SAR, which will expire upon exercise of the option. Under the LTIP, one-third of these grants vest annually commencing one year after the date of grant.

If the price of the GTE Common Stock appreciates, the value of GTE Common Stock held by the shareholders will also increase. For example, the market value of GTE Common Stock on February 14, 1995 was approximately $32.03 billion based upon the market price on that date. If the share price of GTE's Common Stock increases by 5% per year, the market value on February 14, 2005 of the same number of shares would be approximately $52.18 billion. If the price of GTE's Common Stock increases by 10% per year, the market value on February 14, 2005 would be approximately $83.09 billion.

## AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

The following table provides information as to options and SARs exercised by each of the ıed executive officers of GTE during 1995. The table sets forth the value of options and SARs ɉ by such officers at year end measured in terms of the closing price of GTE Common Stock on :ember 29, 1995.

| Name | Shares Acquired on Exercise(#) | Value Realized($) | Number of Securities Underlying Unexercised Options/SARs at FY-End: Exercisable | Unexercisable | Value of Unexercised In-The-Money Options/SARs At FY-End($): Exercisable | Unexercisable |
|---|---|---|---|---|---|---|
| ·les R. Lee ........ | 18,600 | 367,738 | 553,399 | 397,301 | 7,891,305 | 3,874,739 |
| ; B. Foster ........ | 0 | 0 | 251,331 | 299,569 | 2,836,272 | 3,071,409 |
| ıael T. Masin ...... | 0 | 0 | 105,932 | 274,968 | 826,501 | 2,714,980 |
| nas W. White ..... | 19,800 | 227,700 | 105,566 | 142,134 | 1,227,717 | 1,428,689 |
| ım P. Barr ........ | 0 | 0 | 20,000 | 87,600 | 261,250 | 1,022,300 |

## LONG-TERM INCENTIVE PLAN — AWARDS IN LAST FISCAL YEAR

The LTIP provides for awards, currently in the form of stock options with tandem SARs, other k-based awards and dollar denominated awards, to participating employees. The stock options tandem SARs awarded under the LTIP to the five most highly compensated individuals in 1995 shown in the table on page 12. The LTIP is described in more detail on pages 8 and 9.

| Name | Number of Shares, Units or Other Rights | Performance or Other Period Until Maturation or Payout | Estimated Future Payouts Under Non-Stock Price-Based Plan(1): Threshold(2) (# of Units) | Target(3) (# of Units) | Maximum(4) |
|---|---|---|---|---|---|
| ·les R. Lee(5) ............. | 21,600 | 3 Years | 4,946 | 24,732 | |
| | 3,085 | 30 Months | 687 | 3,436 | |
| | 1,900 | 18 Months | 406 | 2,028 | |
| | 950 | 6 Months | 194 | 972 | |
| B. Foster(6) .............. | 15,400 | 3 Years | 3,527 | 17,633 | |
| | 2,415 | 30 Months | 538 | 2,690 | |
| | 1,450 | 18 Months | 310 | 1,548 | |
| | 610 | 6 Months | 125 | 624 | |
| ael T. Masin(7) ........... | 13,000 | 3 Years | 2,977 | 14,885 | |
| | 2,000 | 30 Months | 446 | 2,228 | |
| | 1,200 | 18 Months | 256 | 1,281 | |
| | 485 | 6 Months | 99 | 496 | |
| ıas W. White(8) ........... | 5,900 | 3 Years | 1,351 | 6,755 | |
| | 2,495 | 29 Months | 556 | 2,779 | |
| | 1,465 | 17 Months | 313 | 1,564 | |
| | 370 | 5 Months | 76 | 378 | |
| m P. Barr ................. | 4,700 | 3 Years | 1,076 | 5,381 | |

---

t is not possible to predict future dividends and, accordingly, estimated Common Stock Unit ıccruals in this table are calculated for illustrative purposes only and are based upon the lividend rate and price of GTE Common Stock at the close of business on December 29, 1995. The target award is the dollar amount derived by multiplying the Common Stock Unit balance at he end of the award cycle by the price of GTE Common Stock.

The Threshold is the level of the average return on equity ("ROE") and the average operating :ash flow margin ("OCFM") during the relevant cycle which represents the minimum acceptıble performance level for both the ROE and OCFM performance measures. If the Threshold is ıttained with respect to both performance measures, the award will be equal to 20% of the combined target award for ROE and OCFM. Because ROE and OCFM are separate performance measures, it is possible to receive an award if the Threshold is achieved with respect to only one of the performance measures. If the actual results for one, but not both, performance measures is at the Threshold level, the portion of the award determined by the measure performing at the Threshold level will be at 20% of the target award for that performance measure, and no award will be made for the portion of the award determined by the measure performing at less than the Threshold level. However, if the actual results for both performance measures are below the minimum acceptable performance level, no award will be earned.

(3) The Target is the level of the average ROE and the average OCFM during the cycle which represents outstanding performance for both the ROE and OCFM performance measures. If the Target is attained with respect to both performance measures, the award will be equal to 100% of the target award for ROE and OCFM. If the actual results for one, but not both, performance measures is at the Target level, the portion of the award determined by the measure performing at the Target level will be at 100% of the target award for that performance measure, and the portion of the award determined by the measure performing at less than 100% will be determined accordingly.

(4) This column has intentionally been left blank because it is not possible to determine the maximum award until the award cycle has been completed. The maximum amount of the award is limited by the amount the actual ROE and the actual OCFM exceed the targeted ROE and the targeted OCFM. If GTE's average ROE and OCFM during the cycle exceed their respective performance targets, additional bonuses may be earned according to the following schedule:

| Performance Increment Above Maximum Performance Target | Added Percentage to Maximum Awards |
|---|---|
| First and Second 0.1% | +2% |
| Third and Fourth 0.1% | +3% |
| Fifth and above 0.1% | +4% |

For example, if average ROE and OCFM performance each exceed the ROE and OCFM targets by .5%, respectively, the performance bonus will equal 114% of the combined target award.

(5) The award of 21,600 units to Mr. Lee represents the grant for the 1995-97 performance period made in his position as Chairman and Chief Executive Officer. Pursuant to GTE's compensation policies, the other grants shown are incremental, prorated awards made in 1995 when his position was reclassified and apply to the original targets under the 1995-97, 1994-96 and 1993-95 performance periods.

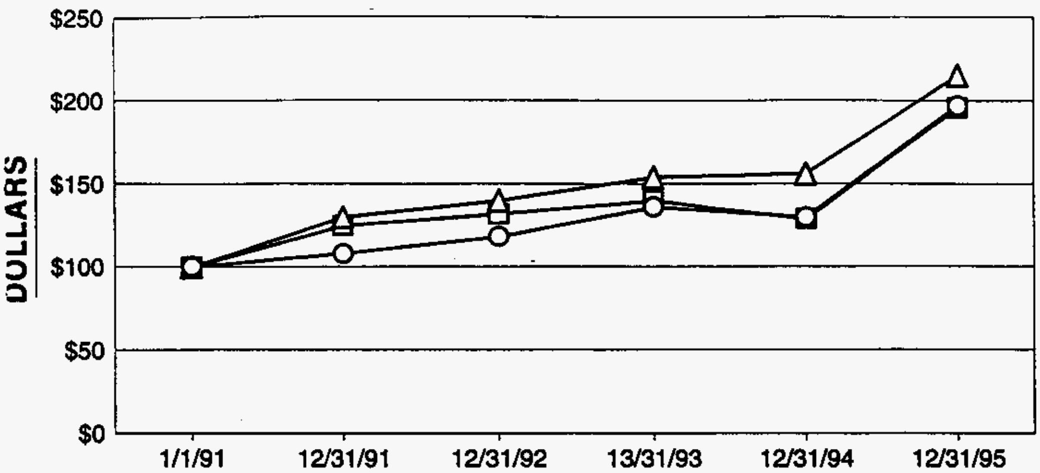
(6) The award of 15,400 units to Mr. Foster represents the grant for the 1995-97 performance period made while he was Vice Chairman and President of GTE Telephone Operations Group. Pursuant to GTE's compensation policies, the other grants shown are incremental, prorated awards made when he was promoted to President and his position was reclassified and apply to the original targets under the 1995-97, 1994-96 and 1993-95 performance periods.

(7) The award of 13,000 units to Mr. Masin represents the grant for the 1995-97 performance period made while he was Vice Chairman. Pursuant to GTE's compensation policies, the other grants shown are incremental, prorated awards made when he took on the additional responsibilities of President — International and his position was reclassified and apply to the original targets under the 1995-97, 1994-96 and 1993-95 performance periods.

(8) The award of 5,900 units to Mr. White represents the grant for the 1995-97 performance period made while he was an Executive Vice President of GTE Telephone Operations Group. Pursuant to GTE's compensation policies, the other grants shown are incremental, prorated awards made when he was promoted to President — GTE Telephone Operations Group and apply to the 1995-97, 1994-96, and 1993-95 performance periods.

rmance Graph

he following table shows a comparison of five year cumulative total return to shareholders for Common Stock, Standard & Poor's ("S&P") 500 Index, and Standard & Poor's Telephone .




| | 1/1/91 | 12/31/91 | 12/31/92 | 13/31/93 | 12/31/94 | 12/31/95 |
|---|---|---|---|---|---|---|
| GTE COMMON STOCK | $100 | $125 | $132 | $140 | $129 | $196 |
| S & P 500 INDEX | $100 | $130 | $140 | $154 | $156 | $215 |
| S & P TELEPHONE INDEX | $100 | $108 | $118 | $136 | $130 | $197 |

—□— GTE —△— S & P 500 INDEX —○— S & P TELEPHONE INDEX

- Assumes $100 Invested on January 1, 1991.
- S&P Telephone Index is comprised of the common stocks of the Regional Bell Holding Companies plus GTE and Alltel Corporation.

**:ive Agreements**

'E has entered into agreements (the "Agreements") with Messrs. Lee, Foster, Masin, White ırr regarding benefits to be paid in the event of a change in control of GTE (a "Change in l").

Change in Control is deemed to have occurred if a majority of the members of the Board do nsist of members of the Incumbent Board (as defined in the Agreements) or if, in any ıth period, three or more directors are elected without the approval of the Incumbent Board. vidual whose initial assumption of office occurred pursuant to an agreement to avoid or settle / or other election contest is not considered a member of the Incumbent Board. In addition, a r who is elected pursuant to such a settlement agreement will not be deemed a director who ed or nominated by the Incumbent Board for purposes of determining whether a Change in . has occurred. A Change in Control will not occur in the following situations: (1) certain transactions in which there is at least 50% GTE shareholder continuity in the surviving ation, at least a majority of the members of the board of directors of the surviving corporation of members of the Board and no person owns more than 20% (or under certain circum- ;, a lower percentage, not less than 10%) of the voting power of the surviving corporation ıg the transaction, and (2) transactions in which GTE's securities are acquired directly from

The Agreements provide for benefits to be paid in the event these individuals separate from service and have a "good reason" for leaving or are terminated without "cause" within two years after a Change in Control of GTE.

Good reason for leaving includes but is not limited to the following events: demotion, relocation or a reduction in total compensation or benefits, or the new entity's failure to expressly assume obligations under the Agreements. Termination for cause includes certain unlawful acts on the part of the executive or a material violation of his or her responsibilities to the Corporation resulting in material injury to the Corporation.

An executive who experiences a qualifying separation from service will be entitled to receive up to two times the sum of (i) base salary and (ii) the average of his percentage awards under the EIP for the previous three years. The executive will also continue to receive medical and life insurance coverage for up to two years and will be provided with financial and outplacement counseling.

In addition, any member of the Office of the Chairman with less than 10 years of service with GTE will receive the following special service credit in the following amounts: two times years of service otherwise credited if the executive has five or fewer years of credited service; 10 years if credited service is more than five and not more than 10 years; and, if the executive's credited service exceeds 10 years, the actual number of credited years of service. These additional years of service will apply towards vesting, retirement eligibility, benefit accrual and all other purposes under the Supplemental Executive Retirement Plan ("SERP") and the Executive Retired Life Insurance Plan. In addition, each executive covered under an Agreement will be considered to have not less than 76 points and 15 years of accredited service for the purpose of determining his eligibility for early retirement benefits. The Agreements provide that there will be no duplication of benefits.

In order to replace certain pension entitlements that would have been payable to Mr. Masin had he remained with his former employer, he will also receive a single life annuity pension of $200,000 per year (the "Special Pension") with an unreduced surviving spouse benefit when he leaves GTE. He will only be eligible to receive the Special Pension if he meets certain eligibility criteria when he separates from GTE. If he is separated involuntarily after age 60 or a Change in Control occurs at any age and Mr. Masin separates for "good reason" or is terminated without "cause," he will be eligible for postretirement medical benefits.

Each of the Agreements remains in effect until July 1, 1999 unless terminated earlier pursuant to its terms. The Agreements will be automatically renewed on each successive July 1 unless, not later than December 31 of the preceding year, one of the parties notifies the other that he does not wish to extend his respective Agreement. If a Change in Control occurs, the Agreements will remain in effect until the obligations of GTE (or its successor) under the Agreements have been satisfied.

**Retirement Programs**

*Pension Plans*

The estimated annual benefits payable, calculated on a single life annuity basis, under GTE's defined benefit pension plans at normal retirement at age 65, based upon final average earnings (integrated with social security as described below) and years of service, is illustrated in the following table:

## PENSION PLAN TABLE

| al Average Earnings | Years of Service 15 | 20 | 25 | 30 | 35 |
|---|---|---|---|---|---|
| 300,000 | $ 64,085 | $ 85,446 | $106,808 | $ 128,169 | $ 149,531 |
| 400,000 | 85,835 | 114,446 | 143,058 | 171,669 | 200,281 |
| 500,000 | 107,585 | 143,446 | 179,308 | 215,169 | 251,031 |
| 600,000 | 129,335 | 172,446 | 215,558 | 258,669 | 301,781 |
| 700,000 | 151,085 | 201,446 | 251,808 | 302,169 | 352,531 |
| 800,000 | 172,835 | 230,446 | 288,058 | 345,669 | 403,281 |
| 900,000 | 194,585 | 259,446 | 324,308 | 389,169 | 454,031 |
| ,000,000 | 216,335 | 288,446 | 360,558 | 432,669 | 504,781 |
| ,200,000 | 259,835 | 346,446 | 433,058 | 519,669 | 606,281 |
| ,500,000 | 325,085 | 433,446 | 541,808 | 650,169 | 758,531 |
| ,000,000 | 433,835 | 578,446 | 723,058 | 867,669 | 1,012,281 |
| ,500,000 | 542,585 | 723,446 | 904,308 | 1,085,169 | 1,266,031 |
| ,750,000 | 596,960 | 795,946 | 994,933 | 1,193,919 | 1,392,906 |

All executive officers of GTE are employees of GTE Service Corporation, a wholly-owned ısidiary, which maintains the GTE Service Corporation Plan for Employees' Pensions (the ervice Corporation Plan"), a noncontributory pension plan for the benefit of all of its employees ed on years of service. Pension benefits to be paid from the Service Corporation Plan and tributions to the Service Corporation Plan are related to basic salary exclusive of overtime, erentials, incentive compensation (except as otherwise described) and other similar types of ments. Under the Service Corporation Plan, pensions are computed on a two-rate formula basis .15% and 1.45% for each year of service, with the 1.15% service credit being applied to that tion of the average annual salary for the five highest consecutive years that does not exceed the ial Security Integration Level (the portion of salary subject to the Federal Social Security Act), the 1.45% service credit being applied to that portion of the average annual salary that exceeds l level. As of March 8, 1996, the credited years of service under the Service Corporation Plan for ssrs. Lee, Foster, Masin, White and Barr are 12, 25, 2, 27, and 1, respectively.

Under federal law, an employee's benefits under a qualified pension plan, such as the Service poration Plan, are limited to certain maximum amounts. GTE maintains a SERP, which supple- its the benefits of any participant in the Service Corporation Plan in an amount by which any icipant's benefits under the Service Corporation Plan are limited by law. In addition, the SERP ides a provision permitting the payment of additional retirement benefits determined in a similar ner as under the Service Corporation Plan on remuneration accrued under management ntive plans as determined by the Executive Compensation and Organizational Structure Com- ee. SERP benefits are payable in a lump sum or an annuity.

*ecutive Retired Life Insurance Plan*

The GTE Corporation Executive Retired Life Insurance Plan ("ERLIP") provides Messrs. Lee, er, Masin, White and Barr a postretirement life insurance benefit of three times final base salary. n retirement, ERLIP benefits may be paid as life insurance or, optionally, an equivalent amount l to the present value of the life insurance amount (based on actuarial factors and the interest then in effect), as a lump sum payment, as an annuity or as installment payments.

## Certain Transactions

During 1995, The Boston Consulting Group, Inc. received fees from GTE's subsidiaries of approximately $2,884,000 for consulting services. Dr. Sandra O. Moose is a director of GTE and a Senior Vice President, Chair of the East Coast Practice and Director of The Boston Consulting Group, Inc.

GTE's subsidiaries utilized the services of Thompson, Hine and Flory during 1995. Mr. Robert D. Storey is a director of GTE and a partner in that law firm.

The investment banking firm of PaineWebber Incorporated received underwriting commissions and fees from GTE and its subsidiaries on the sale of securities and financial advisory services during 1995. It is possible that PaineWebber may have received additional brokerage commissions from trustees of the various pension, retirement, savings or similar plans of GTE and its subsidiaries; but any such commissions would not have been as a result of direction by GTE or its subsidiaries with regard to such orders. Mr. Richard W. Jones is a director of GTE and a business consultant for PaineWebber Incorporated.

Mr. Charles Wohlstetter, who was Vice Chairman and a director of GTE, died during 1995. After Contel merged with a subsidiary of GTE in 1991, GTE assumed and modified Mr. Wohlstetter's agreement with Contel to serve as a consultant for the remainder of his life. The agreement provided that he would be compensated at an annual rate of $824,828 plus the payments he received under the Contel Senior Executive Supplemental Income Plan and pension plan. In the event of Mr. Wohlstetter's death, such agreement provided that GTE would pay his wife during her lifetime one-half of the amounts which would have been payable to Mr. Wohlstetter under the agreement. During 1995, Mr. and Mrs. Wohlstetter each received $274,944, and Mr. Wohlstetter also received miscellaneous compensation from GTE (including personal automobile and aircraft related expenses, club memberships and tax assistance services) valued at $65,079.

## Ownership of Stock by Directors, Nominees for Directors and Executive Officers

### *Voting Stock and Stock-Based Holdings*

The table below sets forth (a) the shares of GTE Common Stock beneficially owned by each director, nominee for director, the Chief Executive Officer and the other four most highly compensated executive officers, and by all directors and executive officers as a group; and (b) the total GTE stock-based holdings of the named individuals and the group. No director, nominee for director or executive officer owns as much as one-tenth of one percent of the total outstanding shares of GTE Common Stock, and all directors and executive officers as a group own less than one-half of one percent of the total outstanding shares of GTE Common Stock. Unless otherwise indicated, all persons named in the table have sole voting and investment power with respect to the shares shown.

The last column of the table combines beneficial ownership of shares of GTE Common Stock (including shares which may be acquired within 60 days pursuant to the exercise of stock options) with holdings of Common Stock Units by nonemployee directors (which are payable in cash under the Deferred Compensation Plan and the PSP) and by executive officers (which are payable in cash pursuant to deferrals under the EIP and the LTIP). This column indicates the alignment of the named individuals and group with the interests of GTE's shareholders because the value of their total holdings will increase or decrease in line with the price of GTE Common Stock.

| ne of Director or Nominee | Shares Beneficially Owned as of March 8, 1996 | GTE Stock-Based Holdings as of March 8, 1996 |
|---|---|---|
| win L. Artzt | 2,501 | 4,304 |
| nes R. Barker | 4,200 | 84,150 |
| ward H. Budd | 4,181 | 14,085 |
| bert F. Daniell | 200 | 200 |
| nt B. Foster(1)(2) | 422,748 | 459,858 |
| nes L. Johnson(2) | 673,543 | 675,204 |
| hard W. Jones | 12,288 | 156,205 |
| nes L. Ketelsen | 1,800 | 3,461 |
| arles R. Lee(1)(2) | 796,562 | 828,285 |
| hael T. Masin(1)(2)(4) | 195,133 | 206,070 |
| ndra O. Moose | 1,800 | 3,461 |
| ssell E. Palmer | 2,200 | 3,861 |
| ward Sloan(3) | 54,799 | 56,460 |
| bert D. Storey | 700 | 2,361 |
| | 2,172,655 | 2,497,965 |
| cutive Officers(1)(2) | | |
| arles R. Lee | 796,562 | 828,285 |
| t B. Foster | 422,748 | 459,858 |
| hael T. Masin(4) | 195,133 | 206,070 |
| mas W. White | 116,841 | 116,841 |
| am P. Barr | 98,436 | 98,436 |
| | 1,629,720 | 1,709,490 |
| directors and executive officers as a group(1)(2) | 2,754,038 | 3,093,749 |

Includes shares acquired through participation in GTE's Consolidated Employee Stock Ownership Plan and/or the GTE Savings Plan.

Included in the number of shares beneficially owned by Messrs. Lee, Foster, Masin, White, Barr and Johnson and all directors and executive officers as a group are 695,165, 367,865, 191,531, 106,699, 97,600, 596,900, and 2,369,497, respectively, which such persons have the right to acquire within 60 days pursuant to the exercise of stock options.

Includes 10,797 shares held in trusts on behalf of a member of Mr. Sloan's family. Mr. Sloan has voting and investment power with respect to these shares but disclaims any beneficial interest therein.

Mr. Masin participated in the Deferred Compensation Plan and the PSP while he was a non-employee director of GTE. In October 1993, Mr. Masin became an employee of GTE. He is no longer eligible to receive or defer additional compensation under the Deferred Compensation Plan or to receive new grants under the PSP.

### ctor and Executive Officer Securities Reports

The Federal securities laws require GTE's directors and executive officers, and persons who more than 10% of a registered class of GTE's equity securities, to file with the SEC and the E initial reports of ownership and reports of changes in ownership of any equity securities of the oration.

To GTE's knowledge, based solely on review of the copies of such reports furnished to GTE representations that no other reports were required, all persons subject to these reporting rements filed the required reports on a timely basis.

## Election of Directors

The Board of Directors is divided into three classes. Each class of directors is elected for a three-year term. Messrs. Budd, Johnson, Ketelsen and Lee are nominated for election by GTE's shareholders as Class I directors. Mr. Daniell was elected a director in March 1996 but was not assigned to a specific class. He is nominated for election by GTE's shareholders as a Class II director. In order to better balance the number of directors in each class, Mr. Masin, who is presently serving as a Class I director, is nominated for election by GTE's shareholders as a Class II director. All nominees for both Class I and Class II directors are currently directors and, other than Mr. Daniell, were previously elected by the shareholders. The Class I directors will serve for a term of three years which expires at the Annual Meeting of Shareholders in 1999 or when their successors are elected and qualified. The newly-elected Class II directors, Messrs. Daniell and Masin, will serve for a term of one year which expires at the Annual Meeting of Shareholders in 1997 or when their successors are elected and qualified. Each nominee is at present available for election.

Prior to the Annual Meeting, Mr. Howard Sloan, a Class II director, will reach the mandatory age for retirement. Accordingly, he will retire from the Board at the conclusion of the Annual Meeting.

If all the nominees for directors are elected by GTE's shareholders at the Annual Meeting, the Board of Directors will then consist of 13 directors, 10 directors whose principal occupations are outside GTE and 3 directors who are presently employees of GTE. The following provides information about the nominees for directors and the continuing directors.

**The Board recommends a vote FOR all nominees.**

## BIOGRAPHICAL INFORMATION

| Nominee, Age and Year Elected a Director | Principal Occupation and Other Information |
| --- | --- |

**Nominees for Class I Directors**
**Term Expiring at 1999 Annual Meeting**

**DWARD H. BUDD**
**2 1985**

Retired Chairman of the Board of The Travelers Corporation. From January 1994 to September 1994, Mr. Budd was Chairman of Travelers Insurance Group, Inc. Mr. Budd was elected President and Chief Operating Officer of The Travelers Corporation in 1976, Chief Executive Officer in 1981 and Chairman in 1982. He is a Director of the Travelers Group Inc., Delta Air Lines, Inc. and a member of The Business Council. He is Chairman of the Audit Committee and a member of the Nominating Committee and the Executive Compensation and Organizational Structure Committee of GTE.

**AMES L. JOHNSON**
**3 1985**

Retired Chairman and Chief Executive Officer. Mr. Johnson, who retired in 1992, has been designated Chairman Emeritus by the Board. He joined GTE in 1949 and has held a variety of management positions within the Telephone Operations Group. He was elected President of the GTE Telephone Operations Group in 1981, Senior Vice President of GTE and President and Chief Operating Officer of its Telephone Operations Group in December 1983, President and Chief Operating Officer of GTE in March 1986 and became Chairman and Chief Executive Officer in May 1988. Mr. Johnson is a Director of MONY (The Mutual Life Insurance Company of New York), Valero Energy Corporation, Harte-Hanks Communications, Inc., The Finover Group, Walter Industries, Inc. and CellStar Corporation. He is also a Trustee of the Joint Council on Economic Education. Mr. Johnson is a member of the Audit Committee, the Pension Trust Coordinating Committee and the Strategic Issues, Planning and Technology Committee of GTE.

**AMES L. KETELSEN**
**5 1986**

Retired Chairman of Tenneco Inc. Mr. Ketelsen retired as Chairman of Tenneco in 1992. He was elected Executive Vice President — Finance of Tenneco Inc. in 1972 and was appointed Chairman and Chief Executive Officer in 1978. He is a Director of J.P. Morgan & Co. Incorporated and its principal subsidiary, Morgan Guaranty Trust Company of New York, and of Sara Lee Corporation and a Trustee of Northwestern University. Mr. Ketelsen is Chairman of the Pension Trust Coordinating Committee and a member of the Executive Compensation and Organizational Structure Committee and the Public Policy Committee of GTE.

## BIOGRAPHICAL INFORMATION

| Nominee, Age and Year Elected a Director | Principal Occupation and Other Information |
| --- | --- |

### Nominees for Class I Directors
### Term Expiring at 1999 Annual Meeting

**CHARLES R. LEE**
56 1989

Chairman and Chief Executive Officer. Mr. Lee joined GTE in 1983 as Senior Vice President — Finance and in 1986 he was named Senior Vice President — Finance and Planning. He was elected President and Chief Operating Officer, effective January 1, 1989, and became Chairman and Chief Executive Officer in 1992. Prior to joining GTE, he held various financial and management positions in the steel, transportation and entertainment industries. Mr. Lee is a Director of United Technologies Corporation, USX Corporation and The Procter & Gamble Company. He is a member of the Business Roundtable, a Trustee of the Board of Trustees of Cornell University, a Trustee of the National Planning Association and Chairman of the New American Realities Committee of the National Planning Association, a member of The Conference Board, Harvard Business School's Board of Directors of the Associates, and a Director of the Stamford Hospital Foundation. Mr. Lee is a Personal Trustee of the GTE Foundation and a member of the Strategic Issues, Planning and Technology Committee of GTE.

| Nominee, Age and Year Elected a Director | Principal Occupation and Other Information |
| --- | --- |

### Nominees for Class II Directors
### Term Expiring at 1997 Annual Meeting

**ROBERT F. DANIELL**
62 1996

Chairman, United Technologies Corporation. Mr. Daniell was elected Chairman, United Technologies Corporation, effective January 1, 1987. He relinquished the offices of President and Chief Operating Officer in February 1992 and the office of Chief Executive Officer in April 1994. Mr. Daniell was elected President and Chief Operating Officer in 1984 and named to the additional post of Chief Executive Officer effective January 1, 1986. He was elected Senior Vice President — Defense Systems in 1983 and had served as Vice President of United Technologies from 1982 to 1983 and President of Sikorsky Aircraft from 1981 to 1983. He is a director of Shell Oil Co. and Travelers Group Inc.

**MICHAEL T. MASIN**
51 1989

Vice Chairman of the Board and President — International. Mr. Masin was elected Vice Chairman in October 1993 and President — International in June 1995. Prior to that, he was Managing Partner of the New York office of the law firm of O'Melveny & Myers and Co-chair of the firm's International Practice Group. Mr. Masin joined the firm in 1969 and became a partner in 1977. He is a Director of TCW Management Co., BC Telecom Inc., BC TEL, Compania Anonima Nacional Telefonos de Venezuela (CANTV) and VenWorld. Mr. Masin is a member of the Board of Trustees of Carnegie Hall, the Board of Directors of the China America Society, the Dean's Advisory Council of Dartmouth College, the US-Canada Private Sector Advisory Council of the Inter-American Development Board, the Business Committee of the Board of Trustees of the Museum of Modern Art, the Council on Foreign Relations, and a Personal Trustee of the GTE Foundation.

The following provides information about the members of the Board of Directors who are ›ntinuing in office, as well as Mr. Sloan, who will retire from the Board at the conclusion of the ›nnual Meeting.

## BIOGRAPHICAL INFORMATION

| Director, Age and Year Elected | Principal Occupation and Other Information |
|---|---|
| | **Class II Directors Term Expiring at 1997 Annual Meeting** |
| **\AMES R. BARKER** ) 1976 | Chairman of The Interlake Steamship Co. and Vice Chairman of Mormac Marine Group, Inc. and the Moran Towing Company. Mr. Barker is also a Director and a principal owner of Meridian ›ggregates, Inc., a producer of aggregate products for the construction and railroad industries. r. Barker was formerly Chairman of the Board of Moore McCormack Resources, Inc. and ›hairman of that company's operating subsidiaries since April 1971. He was also Chief Executive fficer of Moore McCormack Resources, Inc. from 1971 to January 1987. In 1969, Mr. Barker co-unded a management consulting firm, Temple, Barker & Sloane, Inc., and served in the capacity of ‹ecutive Vice President. He is a Director of The Pittston Company and Eastern Enterprises and is ce Chairman of the Board of Trustees of Stamford Hospital. Mr. Barker is Chairman of the ›minating Committee and a member the Executive Compensation and Organizational Structure ›mmittee and the Strategic Issues, Planning and Technology Committee of GTE. |
| **'CHARD W. JONES** ) 1966-1974 ›nuary 1975 | Business Consultant, PaineWebber Incorporated. From 1977 to 1988 he was Managing Director and Executive Vice President of the investment banking firm of E.F. Hutton & Company, Inc. Prior to assuming that position, Mr. Jones was associated with Paine, 'ebber, Jackson & Curtis Incorporated, investment bankers, having served as Senior Vice 'esident and a Director of that firm from 1973 to 1977. Mr. Jones was also associated with itchum, Jones & Templeton Incorporated, investment bankers, having served as President of that m from 1961 through 1970 and Chairman of the Board from 1970 through 1973. He is a member of e Audit Committee and the Public Policy Committee of GTE. |
| **›WARD SLOAN** ! 1991 | Mr. Sloan is a private investor. Prior to joining GTE's Board he was a Director of Contel Corporation. Mr. Sloan is a Director of Melville Biologies Inc., a Trustee and Chairman of the Board of the New York ood Center and a Trustee of Lincoln Center Theater. He is a member of the Audit Committee, the ›blic Policy Committee and the Pension Trust Coordinating Committee of GTE. |

## BIOGRAPHICAL INFORMATION

| Director, Age and Year Elected | Principal Occupation and Other Information |
|---|---|

### Class III Directors
### Term Expiring at 1998 Annual Meeting

**EDWIN L. ARTZT**
**65 1984**

Chairman of the Executive Committee and Director of The Procter & Gamble Company. Mr. Artzt was Chairman of the Board and Chief Executive Officer from January 1990 until July 1995. Mr. Artzt had served as Vice Chairman of the Board of The Procter & Gamble Company and President of Procter & Gamble International since 1984. Prior to that, he was an Executive Vice President since 1980 and had served as Group Vice President for European operations. Mr. Artzt is a Director of Teradyne, Inc., Delta Air Lines, Inc., American Express Company, Barilla S.p.A. and a member of the Business Council. Mr. Artzt is Chairman of the Strategic Issues, Planning and Technology Committee, and a member of the Nominating Committee and the Pension Trust Coordinating Committee of GTE.

**KENT B. FOSTER**
**52 1992**

President. Mr. Foster served as Vice Chairman of the Board of Directors from October 1993 until June 1995 and President of GTE Telephone Operations Group from January 1989 until June 1995. Since joining GTE in 1970, Mr. Foster served in a number of positions of increasing responsibility throughout the GTE system. Mr. Foster serves on the Board of Directors of New York Life Insurance Company, NationsBank of Texas and the Dallas Symphony Orchestra. He is a Trustee of The Dallas Museum of Art and a member of the Dallas Opera Executive Board. Mr. Foster is also a Personal Trustee of the GTE Foundation.

**SANDRA O. MOOSE**
**54 1978**

Senior Vice President, Director and Chair of the East Coast Practice, The Boston Consulting Group, Inc. She is a Director of Rohm and Haas Company and twenty-seven investment companies sponsored by The New England Funds, a Corporator of New England Deaconess Hospital, a member of the Dana-Farber Cancer Institute and a Director of the Harvard University Graduate School Alumni Association. She is Chairperson of the Public Policy Committee and a member of the Audit Committee and the Strategic Issues, Planning and Technology Committee of GTE.

**RUSSELL E. PALMER**
**61 1984**

Chairman and Chief Executive Officer, The Palmer Group. Mr. Palmer was formerly Dean, The Wharton School, University of Pennsylvania from 1983 until June 1990. Prior to that, he was Managing Director and Chief Executive Officer of Touche Ross International (now Deloitte and Touche), a worldwide accounting firm. Mr. Palmer joined Touche Ross in 1956 and was elected Managing Director of Touche Ross International in 1974. Mr. Palmer is a Director of Bankers Trust New York Corporation and its subsidiary, Bankers Trust Company, May Department Stores Company, Allied-Signal, Inc., Safeguard Scientifics, Inc., Imasco Limited and Federal Home Loan Mortgage Corporation. He has been President of the Financial Accounting Foundation and a member of the Board of Directors of the American Institute of Certified Public Accountants. Mr. Palmer is a former member of the Presidential Commission on Management Improvement and serves on the boards of a number of charitable and civic organizations. He is Chairman of the Executive Compensation and Organizational Structure Committee and a member of the Nominating Committee and the Strategic Issues, Planning and Technology Committee of GTE.

| Director, Age and Year Elected | Principal Occupation and Other Information |
|---|---|

**Class III Directors**
**Term Expiring at 1998 Annual Meeting**

**BERT D. STOREY**
**1985**

Partner with the Cleveland law firm of Thompson, Hine and Flory. Mr. Storey previously was a partner with the Cleveland law firm of McDonald, Hopkins, Burke & Haber Co., L.P.A. Mr. Storey joined its decessor firm in 1967 and became a partner in 1971. In 1964 he began his career as an attorney ι The East Ohio Gas Company and in 1966 he became Assistant Director of The Legal Aid ;iety of Cleveland. He is a Director of Bank One, Cleveland, The Procter & Gamble Company and y Department Stores Company. Mr. Storey is a Trustee of Case Western Reserve University and Kresge Foundation and a former Trustee of Phillips Exeter Academy, Cleveland State University l Overseer of Harvard University. He is a member of the Audit Committee, the Nominating nmittee and the Public Policy Committee of GTE.

## ITEM 2.

The following resolution will be offered by the Board of Directors at the meeting:

RESOLVED: That the appointment of Arthur Andersen LLP by the Board of Directors of the 'poration to conduct the annual audit of the financial statements of GTE Corporation and its )sidiary companies for the year ending December 31, 1996 is ratified, confirmed and approved.

**The Board of Directors Recommends a Vote FOR the Foregoing Proposal for the Following asons:**

The Board of Directors first appointed Arthur Andersen LLP ("Arthur Andersen"), independent olic accountants, as its auditors in 1935 and has reappointed the firm as auditors each ;ceeding year to date. As a result of Arthur Andersen's knowledge of GTE's operations and utation in the auditing field, the Board of Directors is convinced that the firm has the necessary 'sonnel, professional qualifications and independence to act as GTE's auditors. The Board has iin selected Arthur Andersen as GTE's auditors for the year 1996 and recommends that the ireholders ratify and approve the selection. Arthur Andersen's fees for recurring auditing and tax vices for GTE and all of its subsidiaries for the year ended December 31, 1995 are estimated at ).4 million.

In the event this resolution does not receive the necessary vote for adoption, or if for any reason hur Andersen ceases to act as auditors for GTE, the Board of Directors will appoint other ependent public accountants as auditors. Representatives of Arthur Andersen will attend the nual Meeting. They will have the opportunity to make a statement and also will be available to pond to appropriate questions from shareholders at the Annual Meeting.

## ITEM 3.

Mr. John J. Gilbert, representing 300 shares of GTE Common Stock and/or Margaret R. Gilbert, resenting 300 shares of GTE Common Stock and Margaret R. Gilbert and John J. Gilbert, co-stees under the will of Caston J. Gilbert for 300 shares of GTE Common Stock, and representing additional family interest of 800 shares of GTE Common Stock, and also representing Corporate mocracy, Inc. (a not-for-profit-corporation), 29 East 64th Street, New York, New York )21-7043, for 300 shares of GTE Common Stock; and Margaret R. and/or John J. Gilbert trustees ler the will of Samuel Rosenthal for 1,400 shares of GTE Common Stock; and M. Allan Frank, 32 East Center Avenue, Denver, Colorado 80224-1503, representing 100 shares of GTE Common ıck; and Edward and/or Edith Rudy, Box 7077, Yorkville Station, New York, New York 128-7077, who state that they are the beneficial owners of 519.262 shares of GTE Common ıck, have informed GTE that they intend to propose the following resolution at the Annual

Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"RESOLVED: That the stockholders of GTE Corporation, assembled in annual meeting in person and by proxy, hereby request that the Board of Directors take the needed steps to provide that at future elections of directors new directors be elected annually and not by classes as is now provided and that on expiration of present terms of directors their subsequent election shall also be on an annual basis."

The following is the statement submitted in support of this proposal:

"Continued, very strong support along the lines we suggest were shown at the last annual meeting when 38%, a large increase over the previous year, 37,363 owners of 254,832,548 shares, were cast in favor of this proposal. The vote against included 43,860 unmarked proxies,

ARCO to its credit, voluntarily ended theirs stating that when a very high percentage (34.6%) desired it to be changed to an annual election it was reason enough for them to change it. Several other companies have also followed suit such as Pacific Enterprises, Katy Industries, Hanover Direct and others. Also, Lockheed-Martin in the recent merger ended the stagger system.

Because of the normal need to find new directors and because of environmental problems and the avalanche of derivative losses and many groups desiring to have directors who are qualified on the subjects, we think that ending the stagger system of electing directors is the answer. In addition, some recommendations have been made to carry out the CERES 10 points. The 11th, in our opinion, should be to end the stagger system of electing directors and to have cumulative voting.

Equitable Life Insurance Company, which is now called Equitable Companies, converted from a policy owned company to a public stockholder meeting. Thanks to AXA, the comptrolling French insurance company not wanting it, they now do not have a staggered board.

Orange and Rockland Utility Company had a terrible time with the stagger system and its 80% clause to recall a director. The chairman was involved in a scandal effecting the company. Not having enough votes the meeting to get rid of the chairman had to be adjourned. Finally, at the adjourned meeting enough votes were counted to recall him.

If you agree, please mark your proxy FOR; if you disagree mark AGAINST. NOTE: PROXY OR PROXIES NOT MARKED WILL BE VOTED FOR THIS RESOLUTION."

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The Board of Directors believes that a staggered board where approximately one-third of the directors are elected annually, is in the best interests of the Corporation and its shareholders. Unlike companies that have had a staggered board since their incorporation, GTE submitted the creation of a staggered board to the vote of its shareholders at a special meeting in 1986. Approximately 75.6% of the Corporation's shares voted at that meeting voted to approve the creation of a staggered board. This proposal seeks to reverse that action.

GTE continues to believe that this system is in the best interests of the Corporation and its shareholders. This system helps provide continuity and stability of GTE's management and policies because a majority of the directors at any one time will have prior experience as directors of GTE and in-depth knowledge of the Corporation. This system permits directors to effectively represent the interests of all shareholders in a variety of circumstances, including those created by a minority shareholder.

Approximately 44% of the companies listed in the "Forbes Super 50" have a staggered board. The Board recommends a vote against this proposal.

**ITEM 4.**

GTE has been notified by the Ursuline Provincialate, Eastern Province of the United States, 323 ;t 198th Street, Bronx, New York 10458-3105, which states that it is the owner of 3,100 shares of E Common Stock; the Congregation of the Sisters of Charity of the Incarnate Word, 6510 vndale, Houston, Texas 77223-0969, which states that it is the owner of 1,400 shares of GTE nmon Stock; the Dominican Congregation of Our Lady of the Rosary, Sparkill, New York 10976, ch states that it is the owner of 2,000 shares of GTE Common Stock; the Sisters of Charity of nt Vincent de Paul, Mount St. Vincent Motherhouse, 150 Bedford Highway, Halifax, Nova Scotia M3J5, Canada, which states that it is the owner of 6,000 shares of Common Stock; the Domestic l Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, · Second Avenue, New York, New York 10017-4594, which states that it is the owner of 25,000 ires of GTE Common Stock; the General Board of Pension and Health Benefits of the United thodist Church, 1201 Davis Street, Evanston, Illinois 60201, which states that it is the owner of ·,835 shares of GTE Common Stock; the Sisters of Charity of Saint Elizabeth, P.O. Box 476, ivent Station, New Jersey 07961-0476, which states that it is the owner of 869 shares of GTE nmon Stock; and the Sisters of Loretto (Loretto Literary and Benevolent Institution), 3126 South ceola, Denver, Colorado 80236-2332, which states that it is the owner of 120 shares of GTE nmon Stock, that they intend to propose the following resolution at the Annual Meeting. The posed resolution and supporting statement, for which the Board of Directors and GTE accept no ponsibility, are as follows:

"WHEREAS in fiscal year 1994, the United States controlled 55 — 70% of the world's arms ·ket, delivering $12 billion in weapons. Since the fall of the Berlin Wall, the U.S. delivered over $62 on in weapons — almost half of the total worldwide exports. ('Arms Trade News', 7/95).

WHEREAS the last three times the U.S. sent troops into combat in significant numbers, in iama, Iraq and Somalia, they faced adversaries that received U.S. weapons or military technol- · in the period leading to the conflict. U.S. weapons supplied to anti-Communist rebels in Angola l Afghanistan under the Reagan Doctrine have been used for devastating civil wars; in the Afghan e, U.S.-supplied Stinger missiles turned up on the international black market as prized items ight by all manner of rebel groups and terrorist organizations. ('Sale of the Century', *Common- il*, William Hartung, 5/20/94).

'U.S. Weapons at War: United States Arms Deliveries to Regions of Conflict', (World Policy itute, 1995) shows the U.S. was a major arms supplier in one-third of the 50 ethnic and territorial iflicts currently raging. The study says some 45 parties involved in the conflicts purchased over : billion in U.S. arms in the last ten years.

WHEREAS our company ranked 20 among Department of Defense leading corporations with itracts in excess of $788 million.

RESOLVED the shareholders request the Board of Directors to provide a comprehensive report GTE's foreign military sales. The report, prepared at reasonable cost, should be available to all ireholders by December, 1996, and may omit classified and proprietary information."

The following is the statement submitted in support of this proposal:

"Global security is security of people. The cold-war notion of using arms sales to maintain ances of power or support allies has been discredited by 1990s experience, when alliances, ernments and boundaries in large parts of the world are in flux.

We are disturbed at industry's claims and lobbying efforts asserting the only way to keep jobs is promote foreign military sales. We believe such statements are inconsistent with co-production eements and transfer of technology to foreign companies. Offset arrangements on major sales en give business to overseas suppliers. Such contracts with foreign companies/governments have harsh repercussions on U.S. workers during this time of accelerated down-sizing of our workforce.

Therefore, it is reasonable for shareholders to ask:

1. Criteria used to promote foreign sales.

2. Procedures used to negotiate sales directly with foreign governments or through the U.S. government. For example, what determines which weapons are direct commercial arms sales and what must be negotiated through the Pentagon? What percentage is commercial arms sales and what is foreign military sales?

3. Categories of military equipment exported for the past three years, with as much statistical information as is permissible; contracts for servicing/maintaining equipment; offset agreements; and licensing and/or co-production with foreign governments.

4. Analysis of legislation establishing a code for U.S. arms transfers, e.g., no sales to governments that violate human rights of their own citizens, engage in aggression against neighbors, come to power through undemocratic means or ignore international arms control arrangements."

***The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:***

GTE believes that the defense needs and foreign policy of the United States are properly the responsibility of our government and our duly elected public officials. GTE is proud to be able to supply communications and electronic systems which help to protect the United States, its military forces and our allies. Foreign military sales represent a very small percentage of GTE's overall sales and revenues. Moreover, as a responsible corporate citizen, GTE expects to continue to support the U.S. Government and to offer its products and services in defense of the United States, the American people and their interests.

GTE does not manufacture or sell weapons to any government in the United States or abroad. GTE has acted and will continue to act as a socially responsible and ethical corporate citizen not only in its military contracting but in all its business activities. GTE has in place a comprehensive ethics program which requires compliance with U.S. laws as well as laws of any foreign country with which it does or proposes to do business. GTE conducts ongoing training programs to ensure that its employees understand and are aware of the requirements under this program.

Accordingly, GTE does not believe that the report requested would provide significant, relevant information.

**ITEM 5.**

GTE has been notified by the National Council of the Churches of Christ in the U.S.A., 475 Riverside Drive, Room 880, New York, New York 10115-0050, which states that it is the owner of 2,000 shares of GTE Common Stock, that it intends to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"Be it resolved: A report shall be prepared at reasonable cost, by September, 1996, excluding confidential information and shall focus on the following areas:

1. A copy of the consolidated EEO-1 report for 1993, 1994 and 1995 available to shareholders upon request.

2. Report the number of discrimination complaints and lawsuits concerning race, gender and the physically challenged. The cost to the company and shareholders from discrimination lawsuits and alternatives to resolve the issue.

3. Report any federal audit, corporate management review, and letter of compliance with corrective measures enacted to protect the company's government contracts and legal penalties.

4. Report to shareholders on race, ethnicity and gender among top management.

5. A description of any policies and programs utilizing the purchase of goods and services from minority-and/or female-owned business enterprises."

The following is the statement submitted in support of this proposal:

"In 1994 corporations spent more than $2.2 billion on legal fees and related discrimination ttlements. Also, the Equal Employment Opportunity Commission (EEOC) reported that over 5,000 discrimination complaints were filed in 1994. The high cost of legal expenses, the potential ;s of government contracts and both the social and financial consequences of a damaged rporate image from discrimination allegations place this issue high upon a priority list for areholders. Companies must better reflect the market-place, the customer, trading partners, and diverse workforce through all levels of its organization.

CEOs from 28 major companies have cited changing demographics of the labor force, the erse national consumer market, and rapid globalization of the marketplace as reasons for panding diversity. Over 100 major employers publicly report on work diversity and EEO-1 ormation. Corporate publications available to their shareholders such as: Capital Cities/ABC's *mmitment Report* for shareholders, Kmart Corporation's *Reflections of America*, U.S. Air's *rming Workplace Diversity*, Amoco's *Diverse Work Force* and Sears' *Corporate Responsibility port*, just to name a few, are disclosing EEO statistics for public review.

Many California corporations provide this data voluntarily, including all of the regulated utilities d most of the major banks. Southern California Edison, for example, has informed the Glass iling Commission that it supports public reporting of this kind.

The bi-partisan Glass Ceiling Commission was established to study and make recommenda- is on the Glass Ceiling by 1995. Concerned investors have closely watched the development of study. Secretary of Labor, Robert Reich and a 21 member Glass Ceiling Commission released a ort called "Good For Business: Making Full Use of The Nation's Human Capital." This report is important analysis for shareholders because it shows that in the U.S. we select from less than ½ total talent in our workforce. For example, women and minorities who represent over 57% of the rkforce represent only 3% of the executive management positions. This is a serious deficiency in ability to select the most talented people for our top management positions. It affects our npetitive position if we stifle this gifted portion of our workforce.

Through this resolution we are asking our company to report to shareholders the progress we e made and the obstacles we still have to overcome."

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the lowing Reasons:**

GTE is strongly committed to equal employment opportunity as evidenced by its policies and grams. GTE has taken and continues to take a variety of actions in support of that goal. These ions include adopting an equal employment policy that is communicated to employees and forced in a variety of communications; establishing a corporate-wide Workforce Diversity Forum 992; designating a senior member of management to lead workforce diversity efforts; conducting us groups; conducting training programs for managers in a variety of areas including employ- nt law and workforce diversity; establishing relationships with numerous minority organizations l educational institutions to enhance GTE's efforts to attract talented candidates for employment; l a variety of other initiatives. GTE is also a significant contributor to educational initiatives igned to enhance educational and employment opportunities for minorities.

More specifically, GTE's Associate Development, College Relations and Summer Intern Programs serve as a prime source of attracting, hiring and retaining qualified females and minorities. For example, women and minorities account for a significant number of all Associates hired as potential future management personnel. A conscientious effort is made on an on-going basis to establish a high ratio of both females and minorities.

To further accelerate our efforts to attract, hire and retain female and minority employees, GTE maintains active membership in a variety of organizations and regularly attends career fairs conducted by associations of minority professionals.

Other initiatives which demonstrate GTE's commitment to the hiring and advancement of women and minorities can be found throughout the business units in activities which include: mentor program, career counseling, cultural awareness, diversity symposiums and workshops, flexible leaves of absence for dependent care, flexible work schedules, telecommuting, job sharing, child care initiatives and cross-functional training (job swapping).

GTE will continue to implement these and other initiatives, enhancing our position as a global business leader in the area of diversity. Communications which highlight our many accomplishments will be published as deemed appropriate.

The foregoing affirms GTE's commitment and efforts towards equal employment opportunity and the recruiting, hiring and retaining of women and minorities for management positions throughout the organization. Therefore, the Board of Directors does not believe that the additional reporting requested by the proponent would serve any useful purpose.

## ITEM 6.

GTE has been notified by the Missionary Oblates of Mary Immaculate, 8818 Cameron Street, Silver Spring, Maryland 20910-4113, which states that it is the beneficial owner of 2,000 shares of GTE Common Stock; and Lois Van Lear, c/o Progressive Securities, 2435 S.W. Fifth Avenue, Portland, Oregon 97201, who states that she is the beneficial owner of 676 shares of GTE Common Stock, that they intend to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"WHEREAS WE BELIEVE:

The responsible implementation of a sound, credible environmental policy increases long-term shareholder value by raising efficiency, decreasing clean-up costs, reducing litigation, and enhancing public image and product attractiveness;

Adherence to public standards for environmental performance gives a company greater public credibility than following standards created by industry alone. For maximum credibility and usefulness, such standards should reflect what investors and other stakeholders want to know about the environmental records of their companies;

Companies are increasingly being expected by investors to do meaningful, regular, comprehensive and impartial environmental reports. These help investors and the public to understand environmental progress and problems.

Uniform standards for environmental reports permit comparisons of performance over time. It also allows companies to attract new capital from investors seeking investments which are environmentally responsible and responsive and which minimize risk of environmental liability.

WHEREAS: The Coalition for Environmentally Responsible Economies (CERES) — which comprises large institutional investors (including shareholders of this Company) with $160 billion in stockholdings, public interest representatives, and environmental experts — consulted with corporations and produced comprehensive public standards for both environmental performance and

:porting. Over 80 companies, including Sun (Oil), General Motors, H.B. Fuller, Polaroid, and ·izona Public Service Company have endorsed the CERES Principles to demonstrate their ›mmitment to public environmental accountability. Fortune 500 endorsers speak enthusiastically ›out the benefits that flow from working with CERES: increasing public credibility; adding 'value' to e company's environmental initiatives; and advancing the company's own environmental plans ıd agenda.

In endorsing the CERES Principles, a company commits to work toward:

1. Protection of the biosphere
2. Sustainable use of natural resources
3. Waste reduction and disposal
4. Energy conservation
5. Risk reduction
6. Safe products and services
7. Environmental restoration
8. Informing the public
9. Management commitment
10. Audits and reports.

(Full text of the CERES Principles and accompanying CERES Report Form obtainable from ΞRES, 711 Atlantic Avenue, Boston, MA 02110, Tel.: 617-451-0927.)

RESOLVED: Shareholders request the Company to endorse the CERES Principles as a part of . commitment to be publicly accountable for its environmental impact."

The following is the statement submitted in support of this proposal:

"Concerned investors are asking the Company to be publicly accountable for its environmental ›pact, including collaborating with this corporate-environmental-investor-community coalition to ›velop: standards for environmental performance and disclosure; methods for measuring progress ward these goals; and a format for public reporting of progress. We believe this is comparable to e European Community regulation for voluntary participation in verified and publicly-reported eco-ınagement and auditing.

We invite our Company to endorse the CERES Principles by (1) stating its endorsement in a :ter signed by a senior officer; (2) committing to implement the Principles; and (3) annually ıblishing an environmental report in the format of the CERES Report. This will complement — not ıpplant — internal corporate environmental policies and procedures.

Without such public scrutiny, corporate environmental policies and reports lack the critical ›mponent of adherence to standards upheld by management and stakeholders alike. Shareholders e asked to vote FOR this resolution to encourage our Company to demonstrate environmental ıdership and accountability."

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the ıllowing Reasons:**

GTE is concerned about the environment and the ways in which its operations affect the ›vironment. GTE takes environmental issues seriously and is committed to a clean and safe .vironment.

As stated in the Corporation's Standards of Business Conduct, GTE and its operating units are mmitted to complying with all laws, environmental regulations and reporting requirements. In addition to complying with governmental laws and regulations, GTE strives to improve the environment by avoiding or reducing:

— Use of materials which may harm the environment;

— Environmentally sensitive discharges; and

— Fuel consumption, energy usage, and emissions.

GTE's business units continue to accomplish these objectives in many ways, including: reducing the use of hazardous materials by substituting non-hazardous materials as new technologies become available; by promoting recycling; by upgrading material containment and disposal operations; and by utilizing environmentally friendly, low-energy consuming products.

The Board of Directors believes that implementation of the proposal, though well-intentioned, would serve to burden the Corporation and its shareholders with additional requirements and costs while not providing any greater environmental protection than already exists.

GTE finds the CERES Principles to be ambiguous in several respects and also to cause some concerns to be raised. For example, implementation of the Principles would require GTE to complete a CERES environmental report. However, no generally accepted environmental audit standards by which to create such a report presently exist. Additionally, the CERES report form does not relate to the majority of GTE's businesses which are of a service nature.

In summary, the Board of Directors believes that the environment is important and that the Corporation continues to take significant steps to ensure that it contributes in a meaningful way to the preservation and enhancement of a safe and healthy environment for the present and future generations. Accordingly, the Board recommends a vote against this proposal.

## ITEM 7.

GTE has been notified by Fred Wilson and Mazie M. Wilson, 3011 North Miles Drive, Edmond, Oklahoma 73034-4112, representing 100 shares of GTE Common Stock, that they intend to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"RESOLVED: That all bonuses in excess of $30,000 be approved by the stockholders at the Annual Stockholders Meeting."

The following is the statement submitted in support of this resolution:

"IT IS MY OPINION THAT THE EXECUTIVES ARE NOT JUSTIFIED IN RECEIVING THE UNUSUALLY LARGE INCENTIVES AND BONUSES WHICH ARE APPARENTLY AWARDED BY THE BOARD OF DIRECTORS. IT SEEMS THAT THE FINE SALARIES THAT THEY ALREADY RECEIVE SHOULD BE SUFFICIENT JUSTIFICATION AND INCENTIVE FOR DOING A GOOD JOB. IF THE EXECUTIVES CANNOT GET ALONG ON THE FANTASTIC SALARIES THAT THEY ARE BEING PAID, THEN LET THEM MOVE ON TO 'GREENER PASTURES.' "

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The Board of Directors believes that GTE has established criteria for setting competitive compensation levels, including incentive awards. The Executive Compensation and Organizational Structure Committee (the "Compensation Committee") has adopted a compensation philosophy that relates employees' compensation levels to GTE's success in meeting both annual and long-term goals, and is competitive with other major companies in the telecommunications and general industry groups. GTE believes that this philosophy aligns the employees' interest with that of GTE's shareholders in promoting strong operational results and shareholder returns.

As discussed in the report of the Compensation Committee, a key element of GTE's compensation philosophy is that a large portion of an executive's compensation is "at risk." This means that there is a significant upside as well as downside risk in such an individual's compensation depending on GTE's performance, financial and otherwise. In determining the amount of awards, the Compensation Committee evaluates performance against specific criteria established under GTE's employee compensation plans. Each of the plans under which bonuses are awarded has been approved by shareholders. Frequently, the criteria upon which the Compensation Committee makes its evaluations are based on confidential information which, for competitive reasons, should not be shared with the public.

Because GTE believes that the availability of incentive compensation encourages superior operating results, GTE has greatly expanded the number of employees eligible to receive incentive compensation. Under this proposal, shareholders could be required to consider awarding bonuses to several thousand employees. Accordingly, the Board believes that the proposal is impractical. The Board recommends a vote against this proposal.

**ITEM 8.**

GTE has been notified by Mr. Kenneth Steiner, 14 Stoner Avenue, Suite 2-M, Great Neck, New York 11021, representing 508 shares of GTE Common Stock, that he intends to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"RESOLVED, that the shareholders recommend that the board of directors adopt a policy against entering into future agreements with officers and directors of this corporation which provide compensation contingent on a change of control of the corporation, unless such compensation agreements are submitted to a vote of the shareholders and approved by a majority of shares present and voting on the issue."

The following is the statement submitted in support of this resolution:

"At last year's annual meeting of stockholders a similar resolution was approved by a significant number of voting shares.

Lucrative severance contracts awarded to senior corporate executives which provide compensation contingent on a change of control, usually through a merger or acquisition of the corporation, are known as 'golden parachutes'. These contracts are awarded without shareholder approval.

The practice of providing these large cash awards to a small group of senior corporate managers without shareholder approval has been a subject of public outcry. In 1988, the U.S. Senate in emphasizing the potential conflict of interest between management and shareholders created by these agreements voted ninety eight to one to require shareholder approval of golden parachutes which exceed three times annual compensation.

Although final action was not taken, it is clear to me that the overwhelming vote in favor of the measure reflects public sentiment against golden parachutes. A shareholder vote would allow the corporation's owners to decide for themselves whether golden parachutes are in their best interests.

I am a founding member of the Investors Rights Association of America and it is clear to me that requiring a shareholder vote is necessary to address the conflicts of interest between management and shareholders that arise in the awarding of golden parachutes.

*I URGE YOUR SUPPORT, VOTE FOR THIS RESOLUTION."*

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The Board of Directors believes that agreements with key executives that provide a reasonable, but not excessive, contingent benefit in the event of a change in control of GTE that results in the elimination of an executive's job or that otherwise adversely affects him or her are an appropriate element of sound corporate governance and serve the best interest of the shareholders. Agreements of this type are common among major corporations and are an important component in being able to compete for top management talent.

The separation benefits under the GTE agreements (which are described on pages 15 and 16 of this Proxy Statement) are modest when compared to similar types of separation benefits that are payable under agreements that have been adopted by many other companies. It is important to note that under the GTE agreements, no benefit is paid unless (1) a change in control occurs, and (2) thereafter, the executive is discharged from employment or is otherwise adversely affected by the change in control. Thus, it is the potential acquirer — and not the executive — who controls whether the termination benefits will be owed. Moreover, it is common for these types of agreements to provide that upon a change in control, an executive will receive benefits relating to compensation of up to three times his or her compensation. GTE's agreements limit the payment to two times compensation.

GTE's change in control agreements are designed to ensure that management objectively assesses any proposal relating to a change in control of GTE, and advises the Board as to whether the proposal is in the best interest of GTE and its shareholders without undue concern for personal financial loss or other uncertainties. Therefore, the agreements are intended to minimize rather than create a conflict of interest for executives in the event of a proposal for a change in control. As a result, the Board strongly believes that the executives covered by the agreements do not have any financial or other incentive to act detrimentally to the shareholders' interest. Moreover, the agreements have no current cost to GTE or its shareholders.

The Board believes that requiring shareholder approval of these agreements may weaken the Board's flexibility to act promptly, decisively and with a competitive edge with respect to attracting and retaining seasoned executives, thereby potentially depriving the Corporation and the shareholders of the strength and leadership necessary to strive for long-term maximization of shareholder value.

## ITEM 9.

GTE has been notified by Mr. William Steiner, 4 Radcliff Drive, Great Neck, New York 11024, representing 900 shares of GTE Common Stock, that he intends to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"RESOLVED, that the shareholders assembled in person and by proxy, recommend (i) that all future non-employee directors not be granted pension benefits and (ii) current non-employee directors voluntarily relinquish their pension benefits."

The following is the statement submitted in support of this resolution:

"At last year's annual meeting of stockholders a similar resolution was approved by a significant number of voting shares.

Aside from the usual reasons, presented in the past, regarding 'double dipping', that is outside (non-employee) directors who are in almost all cases amply rewarded with their pension at their primary place of employment, and in many instances serving as outside pensioned directors with other companies, there are other more cogent reasons that render this policy as unacceptable.

Traditionally, pensions have been granted in both the private and public sectors for long term service. The service component usually represents a significant number of hours per week. The practice of offering pensions for consultants is a rarity. Outside directors' service could logically fit the definition of consultants and pensions for this type of service is an abuse of the term.

But more importantly, outside directors, although retained by corporate management, namely the C.E.O., are in reality representatives of shareholders. Their purpose is to serve as an impartial group to which management is accountable. Although outside directors are certainly entitled to compensation for their time and expertise, pensions have the pernicious effect of compromising their impartiality. In essence, pensions are management's grants to outside directors to insure their unquestioning loyalty and acquiescence to whatever policy management initiates, and at times, serving their own self interests. Thus, pensions become another device to enhance and entrench management's controls over corporate policies while being accountable only to themselves. I am a founding member of the Investors Rights Association of America and I feel this practice perpetuates a culture of corporate management 'cronyism' that can easily be at odds with shareholder and company interest.

A final note in rebuttal to management's contention that many companies offer their outside directors pensions, so they can attract and retain persons of the highest quality. Since there are also companies that do not offer their outside directors pensions, can management demonstrate that those companies that offer pensions have a better performance record then their non-pensioned peers? In addition, do we have any evidence of a significant improvement in corporate profitability with the advent of pensions for outside directors?

*I URGE YOUR SUPPORT, VOTE FOR THIS RESOLUTION."*

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The best interests of GTE and its shareholders are served by having the most talented, experienced and committed individuals serving as outside directors. In order to attract and retain highly sought after individuals for its Board service, GTE must provide a competitive total compensation program. GTE views this benefit as a form of deferred compensation based upon the years of service of the director on GTE's Board. GTE regularly examines its compensation package and compares it to other major companies. GTE has determined that paying a portion of total compensation in the form of a benefit paid after retirement is appropriate.

The retirement benefit that is payable under the Retirement Plan for Non-Employee Members of the Board of Directors (the "Directors Retirement Plan") is only paid for a period equal to the number of years that the director served on GTE's Board and is based upon the annual directors' compensation in effect at the time he or she retires. The annual compensation includes three components — the cash retainer, the value of certain shares awarded to directors under the PSP and the value of shares awarded to directors under the LTIP. Two of the three components of compensation are stock based and, accordingly, the retirement benefit is closely tied to GTE's stock and re-enforces the mutual interest of GTE's directors and shareholders. Moreover, the design of this plan ensures that this commonality of interest is long-term and continues beyond a director's retirement date. Therefore, the Board of Directors recommends a vote against the proposal.

## ITEM 10.

GTE has been notified by the International Brotherhood of Electrical Workers, 6603 East Chelsea Street, Tampa, Florida 33610, and sponsors Guy A. Langlais, 5158 Lancewood Drive, Sarasota, Florida 34232, Harrison L. Thornhill, 3200 Lucerne Park Road, Winter Haven, Florida, 33880, Richard O'Lone, 1833 Oakdale Lane S., Clearwater, Florida 34624, and Linda K. Shirley, 3605 W. Reynolds, Plant City, Florida, 33567, each representing at least 100 shares of GTE Common Stock, that they intend to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"WHEREAS, in 1991 GTE's outside board of directors received an approximate 44% increase in their retainer which automatically increased their retirement by approximately 44%;

WHEREAS, in 1994 Mr. Lee, C.E.O. of GTE, did in fact enjoy an increase in total compensation of approximately $1,465,114 (55.0%) (including the difference in the value of options granted in 1993 and 1994 as determined using a Black-Scholes model);

WHEREAS, in 1994 Mr. Foster, President of GTE's Telops Group, did in fact enjoy an increase in total compensation of approximately $1,253,262 (72.0%) (including the difference in the value of options granted in 1993 and 1994 as determined using a Black-Scholes model);

WHEREAS, we believe that the top executives are not sharing in cost cutting measures and in fact are enhancing their pay with business efficiencies which adversely affect rank and file employees;

WHEREAS, we believe the employees feel that all business efficiencies are not being shared equally;

RESOLVED, that the shareholders request the board of directors:

Take all necessary steps to establish criteria to guide management in setting fair executive compensation levels whereby (a) any individual executive officer's compensation (wages, bonuses, and stock grants, options and rights) would not exceed 75 times the wages of GTE's average hourly employee and (b) that executive wages and compensation be more closely linked to company profits."

The following is the statement submitted in support of this proposal:

"This proposal is submitted by members and/or officers of Local 824, International Brotherhood of Electrical Workers.

1. *The economic health and viability of GTE and its shareholders is intrinsically linked to the economic health and viability of the United States economy.*

GTE's success is, in large part, dependent on the corporation's ability to sell its goods and services to an affluent society. Year after year, GTE's hourly employees have had an adjusted-for-inflation wage decrease. In effect GTE's corporate strategy is denying GTE itself a segment of affluent society necessary for GTE's future success.

The huge disparity in the compensation of the Board of Directors and GTE's hourly employees is counter-productive in establishing a team approach to the competitive and technological challenges GTE faces now and in the future. By establishing a link between the Board of Directors compensation and the hourly employees compensation, all GTE employees and shareholders will share equitably in the fruits of GTE's labors and in the promise of a prosperous future.

2. *In order to remain competitive in a world market and limit demands on the resources of the company, top executives must become 'lean and mean' in a like manner with their employees.*

The 1992 10-K report states 'access lines increased by approximately 4%, these lines were serviced by 5% fewer employees.' The 1993 10-K report states that access lines increased by 15% from 1988 to 1992 while GTE's United States employment has decreased 27% in the same time period. As shareholder/employees we witness daily that 'increased productivity' has come at the expense of GTE's customers.

The years 1993, 1994 saw dramatic fluctuation in executive compensation levels without any appreciable increases in GTE's executive productivity. It is in the best interest of GTE and its' shareholders to establish criteria to insure <u>all</u> compensation is earned not granted."

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The Board of Directors strongly believes that GTE has established criteria for setting competitive compensation levels. As discussed in the Report of the Executive Compensation and Organizational Structure Committee of GTE's Board of Directors (the "Executive Compensation Committee"), the Executive Compensation Committee approves the salary ranges for executives and reviews the salary and increases in base salary for all senior executives of GTE's subsidiaries and for all senior executives of GTE.

The Executive Compensation Committee has adopted a compensation philosophy that relates the level of compensation to GTE's success in meeting annual and long-term goals, rewards individual achievement and is competitive with other major companies in the telecommunications and general industry. GTE believes that this philosophy enables it to attract and retain the most qualified individuals to lead GTE's business undertakings. In determining executives' compensation, the Executive Compensation Committee relies on competitive data and carefully assesses GTE's overall performance and individual achievement.

Accordingly, the Board of Directors believes that criteria are already in place to ensure that the compensation of GTE's executives is competitive and closely linked to GTE's performance. As shown in the Summary Compensation Table on page 11, the cash compensation for Messrs. Lee and Foster increased in 1994 by approximately 38.4% and 53.6%, respectively. The increases in total compensation specified in the proposal include values assigned to the options awarded to Messrs. Lee and Foster. Options can be valued by using a number of methods, which can yield very different results. Moreover, the options represent unrealized value to an executive unless the price of GTE Common Stock increases. The Board of Directors recommends a vote against the proposal establishing a limit on compensation based upon a stated multiple of other employee compensation.

## ITEM 11.

GTE has been notified by the International Brotherhood of Electrical Workers Telephone Coordinating Counsel No. 2, Neal M. Davis, Schuchat, Cook & Werner, The Shell Building, Second Floor, 1221 Locust Street, Saint Louis, Missouri 63103-2364, representing 60 shares of GTE Common Stock, that it intends to propose the following resolution at the Annual Meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

"RESOLVED: The Shareholders of the GTE Corporation recommend that the Board of Directors consider the following nonbinding proposal: With respect to future compensation of active executive officers of GTE, the GTE shareholders recommend that the Board of Directors voluntarily take whatever steps it deems necessary and proper to implement a plan which would limit the total annual cash compensation (salary plus bonuses awarded under the Executive Incentive Plan) of GTE executive officers so that this compensation will not be increased by an amount greater than the average percentage pay increases granted to GTE employees annually."

The following is the statement submitted in support of this proposal:

"In recent years, there has been widespread public debate concerning executive compensation policies and practices. Often this debate has focused on what is perceived by many to be excessive salaries, bonuses and incentives granted to senior executive officers in America, particularly when compared to compensation packages of their counterparts in Japan and Germany. The debate over excessive executive compensation is also a part of a larger concern over the growing inequity in income distribution in America. An article in the New York Times reported on figures made public by the U.S. Census Bureau showing that the typical American household saw its income decline in

1993 by about $300, even though the economy grew by 3%. From 1989 to 1993, the typical American household lost $2,344 in annual income, a fall of 7%. While the Census Bureau reported that average per capita income was up by 1.8% in 1993, most of the benefits flowed to the wealthiest Americans. The Census Report showed record levels of inequality, with the top fifth of American households earning 48.2% of the nation's income, while the bottom fifth earned just 3.6%. This Shareholder Proposal is a modest attempt to address this unfortunate trend.

This proposal recommends that the Board of Directors implement a plan to limit annual executive compensation so that this compensation increases no more than the average annual pay increase granted to other GTE employees. The proposal is intended to assure shareholders and employees that GTE's hard earned profits will be used for research and development, equipment modernization, and other endeavors which build a stronger, more profitable, and more competitive corporation. Furthermore, this proposal could establish GTE as a leader in creatively addressing the issue of executive compensation, thereby enhancing its corporate image.

If you agree, please mark your proxy FOR this proposal."

**The Board of Directors Recommends a Vote AGAINST the Foregoing Proposal for the Following Reasons:**

The Board believes that arbitrary limits on executive compensation called for in the proposal would interfere with GTE's ability to attract, retain and reward key executives in a manner commensurate with their contributions to GTE and, accordingly, recommends a vote against the proposal.

GTE's executive compensation structure is designed to attract and retain talented executives who can lead GTE and direct its business efforts in an increasingly competitive environment. As discussed in the Report of the Executive Compensation and Organizational Structure Committee of GTE's Board of Directors (the "Executive Compensation Committee"), a key element of executive compensation structure is that no less than 60% of an executive's compensation is "at risk." This means that there is a significant upside as well as downside risk in such an individual's compensation depending on GTE's performance, financial and otherwise. Accordingly, it is not practical to establish an arbitrary limit on the total increase in compensation in a given year.

The amount of wage increases for employees represented by unions is based upon negotiations between the company and the union. The Executive Compensation Committee sets the executive pay ranges based upon comparative data from similar companies. The ranges are generally broad and allow for recognition of individual experience and performance. The Executive Compensation Committee reviews the salary and increases in base salary for all senior executives of GTE's subsidiaries and for all senior officers of the Corporation. The Board of Directors believes that adequate review and controls on executive salaries are already in place. Moreover, it believes that the amount of increases granted to executives is consistent with GTE's performance.

## OTHER MATTERS

The Board of Directors does not intend to bring any matters before the Annual Meeting other than those specifically set forth in the notice of the Annual Meeting and knows of no matters to be brought before the Annual Meeting by others. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote such proxy or proxies in accordance with the judgment of the Board of Directors.

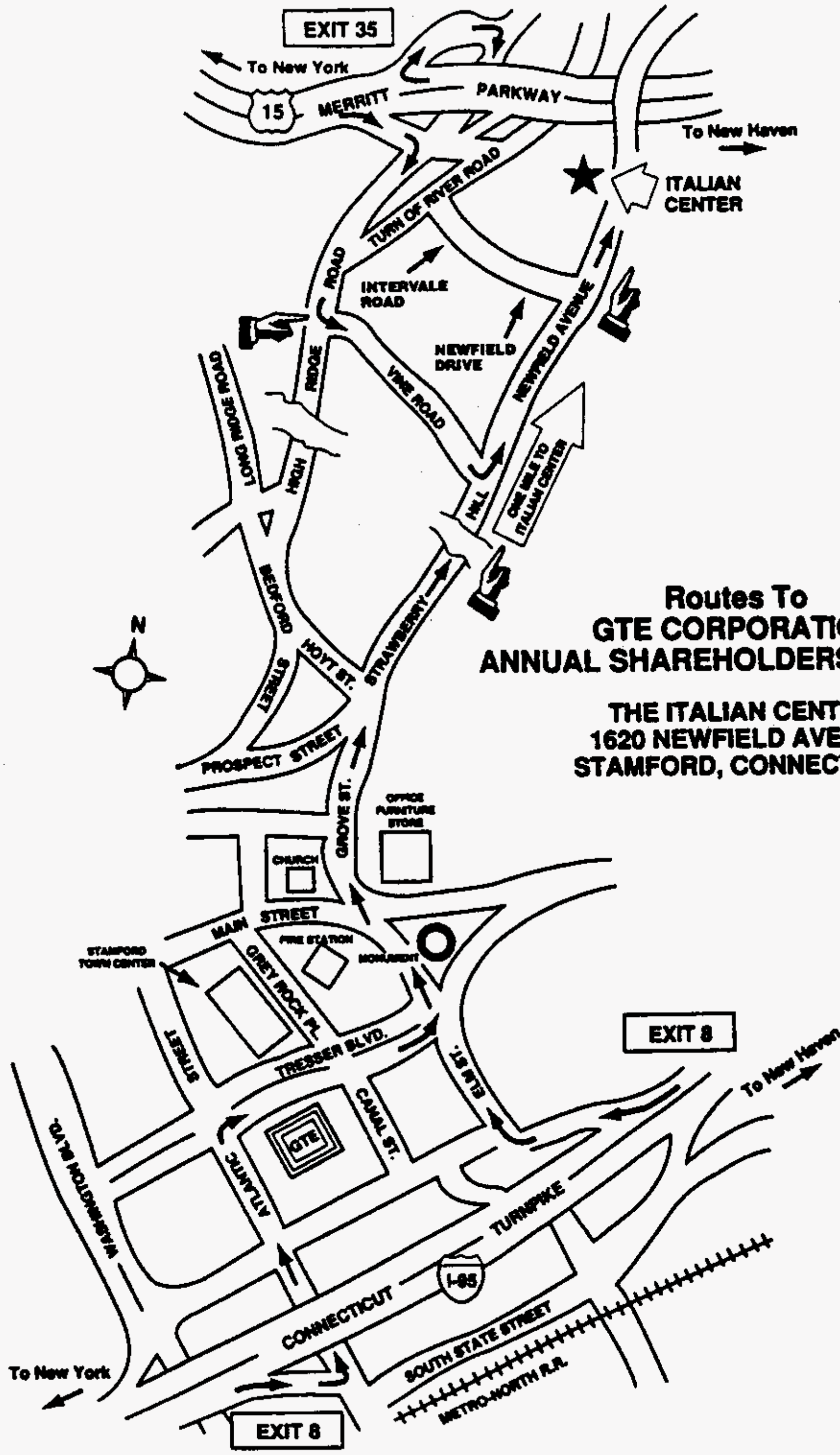
Financial statements for GTE and its consolidated subsidiaries are included in GTE's Annual Report to shareholders for the year 1995 which was mailed to shareholders beginning March 8, 1996.

A COPY OF GTE'S 1995 ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE AVAILABLE AFTER MARCH 31, 1996 WITHOUT CHARGE TO THOSE SHAREHOLDERS WHO WOULD LIKE MORE DETAILED INFORMATION CONCERNING GTE. TO OBTAIN A COPY, PLEASE WRITE TO: MARIANNE DROST, SECRETARY, GTE CORPORATION, ONE STAMFORD FORUM, STAMFORD, CONNECTICUT 06904.

By order of the Board of Directors,

MARIANNE DROST
*Secretary*

Dated: March 8, 1996




# Routes To
# GTE CORPORATION
# ANNUAL SHAREHOLDERS MEETING

**THE ITALIAN CENTER**
**1620 NEWFIELD AVENUE**
**STAMFORD, CONNECTICUT**

Recycl
Pape

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

| | | |
|---|---|---|
| IN THE MATTER OF PROPOSED RULES REGARDING IMPLEMENTATION OF §§ 40-15-101 *ET SEQ.* -- REQUIREMENTS RELATING TO UNIVERSAL SERVICE AND THE COLORADO HIGH COST FUND. | ) ) ) ) ) | DOCKET NO. 95R-558T |

# TESTIMONY

OF

ROBERT A. MERCER

ON BEHALF OF AT&T COMMUNICATIONS

OF THE MOUNTAIN STATES, INC.

and

MCI TELECOMMUNICATIONS CORPORATION

FEBRUARY 2, 1996

Q. **PLEASE STATE YOUR NAME AND ADDRESS.**

A. My name is Dr. Robert A. Mercer. My business address is Hatfield Associates, Inc., 737 29th Street, Suite 200, Boulder, Colorado 80303. I am the President of Hatfield Associates, Inc.

Q. **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

A. I received a Bachelor of Science degree in Physics from Carnegie Institute of Technology (now Carnegie - Mellon University) in 1964, and a Ph.D. in Physics from Johns Hopkins University in 1969. I have attended numerous courses, seminars, and conferences in the field of telecommunications.

Q. **PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

A. After graduation from Johns Hopkins, I was an Assistant Professor of Physics at Indiana University from 1970 until 1973. I then joined Bell Telephone Laboratories. Over the next eleven years, I held a variety of positions in the Network Planning organizations at Bell Labs and AT&T General Departments. My final position at Bell Labs was Director of the Network Architecture Planning Center, where I was responsible for early Bell System planning of the Integrated Services Digital Network (ISDN), as well as systems engineering for new data services being planned by AT&T.

Upon the AT&T divestiture, I joined Bell Communications Research (Bellcore) in January, 1984, where I was Assistant Vice President of Network Compatibility Planning. Among other responsibilities, I directed Bellcore's technology analysis of various legal and regulatory proceedings at the federal and state levels. I also coordinated and provided direction to Bellcore's activities in domestic and international standards activities, and served as a member of the Board of Directors of the American National Standards Institute.

After leaving Bellcore in late 1985, I held positions with BDM Corporation and AT&T Bell Laboratories before joining Hatfield Associates, Inc., in early 1987. I have held the positions of Senior Consultant, Senior Vice President, and President of the firm. The firm specializes in engineering, economic, and policy studies in the telecommunications field. Our clients include firms involved in premises, local exchange, long-haul and international networks, satellite communications, cellular mobile radio, conventional mobile radio, cable television, and data and computer networking.

I also hold an adjunct faculty position in the Interdisciplinary Telecommunications Program at the University of Colorado in Boulder, where I currently teach a course on Advanced Data Communications and Computer Networking. I have taught many other courses and seminars as well, in the areas of the telecommunications infrastructure, network technologies, broadband networks, data and voice communications, computer networking, and network management.

Q. **HAVE YOU TESTIFIED PREVIOUSLY?**

A. Yes. In recent years, I have testified for AT&T in Illinois, MCI in Pennsylvania and Maryland, the Florida Cable Television Association, the Cable Television Association of Georgia, and, in Canada, for Unitel Communications, Inc. I will shortly testify in Washington for AT&T. While an employee of Bell Telephone Laboratories and Bell Communications Research, I testified before state regulatory bodies on a number of occasions.

Q. **WHAT IS THE PURPOSE OF THIS TESTIMONY?**

A. I have been asked by AT&T and MCI to present a methodology for determining the cost of basic universal service, and the results of applying that methodology in the state of Colorado. I will describe the methodology, how it has been used in Colorado, and what results it has yielded. We refer to the methodology as the Hatfield Model. It incorporates portions of the Benchmark Cost Model (BCM), which is a model that was developed by MCI, Sprint, U S WEST, and NYNEX, and has been presented to the FCC in Common Carrier Docket 80-286.

**Q. WHAT IS THE ULTIMATE OUTPUT OF THE HATFIELD MODEL?**

A. It is the monthly cost per line of basic universal service, based on capital investment per line, expense factors based primarily on USOA definitions, and capital cost and depreciation figures.

**Q. PLEASE DEFINE WHAT YOU MEAN BY BASIC UNIVERSAL SERVICE.**

A. Our definition of basic universal service for this study includes the following functional components:

* single-line, single-party telephone access to the first point of switching in a local exchange network;
* usage within a local exchange area;
* touch tone capability;
* a white pages directory listing; and
* access to 911 services, operator services, directory assistance, and telecommunications relay service for the hearing-impaired.

Excluded from this definition are many other local telephone company services, such as toll calling, interexchange carrier access, Custom Calling and CLASS[SM] services, and private line services.

Q. **HOW DOES THE MODEL ESTIMATE THE COST OF BASIC LOCAL TELEPHONE SERVICE?**

A. Attachment 1A depicts the process by which the Hatfield Model estimates the cost of basic local telephone service. The process invokes a number of different modules. It begins with a local network module, which contains an engineering model of the local telephone network infrastructure that would be used to provide basic local telephone service in the particular area being studied. There are several inputs to this module, key ones including the demographic attributes of the area being studied and capacity limits for the various network elements that make up the local network. The module determines the types and amounts of network equipment required to provide basic local telephone service in the area studied, including distribution (local loop) and local end-office switching. These outputs, along with the unit costs of various items of network equipment, become inputs to an investment module.

The investment module develops an estimate of the investment required for various types of network equipment. The outputs of the investment module are subsequently used in two ways. First, they are input to a capital cost module along with various capital cost parameters such as the cost of equity, cost of debt, debt to equity ratio, economic life of the network equipment, and the combined state and federal income tax rate. The capital cost module produces the monthly per-line capital carrying costs. Second, the network investment is also input into an expense module, along with various expense factors, as discussed subsequently. The expense module produces the monthly per-line Operations, Administration and Maintenance (OA&M) expenses.

The monthly capital carrying costs and the monthly expenses are then added to produce the key result, which is the estimated monthly cost per-line of basic universal service. This is essentially the final step of the process. As an alternative additional step, the model can compare the monthly cost per-line and the monthly revenues to determine the amount of subsidy required, if any.

**Q. HOW DOES THE HATFIELD MODEL INCORPORATE THE BCM?**

A. The Hatfield Model makes use of the BCM in two ways. First, the BCM includes a database which assigns each Census Block Group (CBG) in the United States to a specific existing Local Exchange Company (LEC) wire center. Thus it is possible to estimate the number of lines served by, and therefore determine the size of the switches required at, each LEC wire center.

Second, the Hatfield Model uses the BCM to model the loop plant and compute loop investment associated with each CBG. From the input CBG data and another database that contains terrain data by CBG, BCM calculates the following for each CBG:

- *feeder and distribution cable distances and terrain factors*, which are input to the calculation of

- ***amounts, and associated structure multipliers, of copper distribution cable, copper feeder cable, and fiber feeder cable***, which are input into the calculation of
- ***total loop costs and costs per line.***

In making these calculations, BCM allows for the sharing of feeder cable between CBGs belonging to the same wire center, so it produces an accurate depiction of the distribution network associated with each wire center.

As a result of assigning each CBG, with its associated loop costs, to LEC wire centers, it is possible to disaggregate cost studies to the ***wire center level***, while at the same time allowing aggregation to higher levels, such as by population density zone, exchange, telephone company operating territory, state, or the nation as a whole.

**Q. HOW DOES THE HATFIELD MODEL DIFFER FROM THE BCM?**

A. The Hatfield model uses the database and loop model contained in the BCM. But it adjusts certain BCM inputs that were intended to be varied by the user, and uses alternative mechanisms to deal with the investment in the parts of the network other than the loop plant and with the calculation of monthly costs. The relationship between the Hatfield Model and the BCM that it incorporates is shown in Attachment 1B. The specific changes we have made to the BCM inputs, along with other differences between the BCM approach and the Hatfield extensions to BCM, are as follows.

First, the Hatfield Model accounts for business lines and multiple-line residences in the loop plant, which have been excluded from the loop facilities calculation in the BCM. We have modified the BCM input data to account for business lines and two-line residences by density range. We select numbers per range to make the final access line totals equivalent to those shown in the Common Carrier Statistics. The result is to size the loop plant to accommodate business and multi-line residences, which is not done by the BCM.

Second, we use significantly lower investments per line in digital loop carrier (DLC) equipment than the BCM default numbers indicate. Our numbers are based on private conversations we have had over the years with LEC staff involved in DLC procurement, and with manufacturers.

Third, unlike BCM, which makes an overall calculation of monthly costs using a single fixed multiplier to estimate expenses and capital carrying costs associated with the total investment in the distribution network, we use the intermediate BCM results to break the loop investment into categories for applying expense factors based on ARMIS reports, and to compute capital carrying costs for the network investment. This allows us to vary economic life, debt/equity ratio, cost of capital, and other financial factors to gauge their effects on the overall monthly cost results. We treat other network components in the same fashion.

Fourth, the BCM does not compute investment for customer drops or network interface devices. The Hatfield Model as applied to Colorado includes both these items. It assumes a uniform $40 per-line drop investment, as estimated by New England Telephone in an incremental cost study, and an investment of $30 per line for a network interface device. The latter figure is based upon discussions with other industry experts.

Finally, we believe that the default line fill factors assumed by the BCM are too low -- for instance, only 25% in areas of low population density. This tends to lead to cost results that are too high due to the excess amount of outside plant required to serve a given number of customers. We have therefore assumed fill factors that begin at 50% in the lowest density range and end at 75% in the highest range, as shown in Attachment 2A.

Q. **HOW HAVE YOU DETERMINED THE INVESTMENT IN SWITCHING?**

A. As I discussed above, we use intermediate BCM results as inputs to our switching, investment, and expense models. We apply the modified BCM switched access line totals to a two-segment linear switch investment model to produce a per-line switching investment. The switch investment model includes a multiplier for wire center investment and switch installation costs as well as maximum switch fill. Based on the switching system capacity limits and the number of lines served by each wire center, the model calculates the number of switches required to serve each wire center and also determines the size and cost of those switches.

**Q. DOES THE MODEL ESTIMATE THE AMOUNT OF INTEROFFICE FACILITIES REQUIRED?**

A. Yes. Because the BCM does not provide the information necessary to determine the location of tandem switches or the way in which the various wire centers are interconnected, we have added LATA-specific data containing geographical switch locations. These data also allow us to locate tandem switches as well as Signaling System 7 (SS7) Signal Transfer Points (STPs) in relation to the physical location of the end-office switches serving the switched access lines in the model. Knowing the physical locations of the various switching entities makes possible the determination of interoffice transmission investment, as well as investment in STPs and tandem switches.

**Q. WHAT IS THE BASIS FOR THE STRUCTURAL ASSUMPTIONS USED IN THE MODEL?**

A. The overall network structure is typical of a LEC's network using forward-looking technologies, as described in various references, including Bellcore's *BOC Notes on the LEC Networks*. Thus the engineering model we use is consistent with standard LEC network engineering practices.

**Q. HOW DID YOU ARRIVE AT THE VARIOUS CAPACITY ASSUMPTIONS USED IN THE MODEL?**

A. The digital loop carrier (DLC) equipment capacities and cable capacities for both optical and copper facilities used by the BCM are based on systems that are widely used by LECs, on various industry publications, including those by Bellcore and AT&T, on FCC reports, on the knowledge of industry experts who helped develop the model, and on the BCM inputs. Switching system capacity assumptions result from discussions with various industry sources and an examination of the FCC's *Statistics of Common Carriers*.

**Q. HOW DID YOU DEVELOP YOUR INVESTMENT ASSUMPTIONS?**

A. Equipment costs were derived from discussions with equipment manufacturers, published price lists, and cost figures disclosed in various public proceedings such as FCC pleadings. For the distribution network, we used the default assumptions of BCM, except for the cost of DLC systems, as mentioned earlier. We developed switch installation costs from discussions with industry experts directly involved in installation and equipment procurement.

**Q. HAVING CALCULATED CAPITAL INVESTMENT, HOW DO YOU DETERMINE THE RECURRING MONTHLY COSTS OF BASIC LOCAL TELEPHONE SERVICE?**

A. The recurring costs are based on the investment figures generated by the investment module. The recurring cost module has three steps. First, it determines the capital carrying cost for each component of investment associated with the network function Second, it determines the network-related expenses associated with each component of investment. Finally, it determines non-network-related expenses, and assigns the expenses to the network functions.

**Q. WHAT ARE CAPITAL CARRYING COSTS?**

A. Capital carrying costs consist of depreciation expenses, the cost of capital (return and interest), and state and federal income taxes.

**Q. HOW IS DEPRECIATION EXPENSE DETERMINED?**

A. We use a composite average life of 18 years, based on the weighted average depreciation service lives for all categories of investment we have considered. A substantial amount of the investment the model estimates is for long-lived assets such as wire centers and buried cable, and the composite life reflects these long lives. A straight-line depreciation method is assumed, so that 1/18th of the total capital investment is taken as a depreciation expense each year over the life of the investment.

**Q. HOW IS THE RETURN AMOUNT DETERMINED?**

A. The return amount is based on an assumed 11.23% overall cost of capital, using a 38.3/61.7 debt/equity ratio, a cost of debt of 7.6%, and a return on equity of 13.5%. Because depreciation results in a declining value of plant in each year, and thus affects the return amount required in each year, a net present value calculation is used to level the return amount over the assumed life of the investment.

**Q. HOW ARE THE AMOUNTS OF FEDERAL AND STATE INCOME TAXES ESTIMATED?**

A. Because the equity component of the return is subject to state and federal income tax, it is necessary to increase the pre-tax return dollars, so that the after-tax return is equal to the assumed cost of capital. An assumed combined 40% state and federal income tax rate is used to "gross up" return dollars to achieve this result.

**Q. WHAT EXPENSE CATEGORIES DO YOU INCLUDE IN YOUR ESTIMATES OF NETWORK-RELATED EXPENSES?**

A. We include Network Support, General Support, Central Office Switching, Central Office Transmission, Cable and Wire, Provisioning, Network Operations, Call Completion and Billing and Collection Expenses. We also include a factor for Uncollectibles.

**Q. WHAT EXPENSE CATEGORIES ARE EXCLUDED?**

A. We are modeling the cost of basic universal service, as we have defined it previously. Basic universal service, while including <u>access</u> to operator services, directory assistance, and 911, does not include the services themselves, so expenses associated with these functions were not included. The study also excludes installation costs, since customers are charged separately for installation. Therefore, some Customer Services expenses were excluded. Marketing expenses were also excluded.

**Q. HOW ARE NETWORK-RELATED EXPENSES ESTIMATED?**

A. Such expenses would ideally be estimated by determining the forward-looking labor and material costs of each major operational function, given the deployment of the network that was modeled. We do not have studies or data that we could rely upon to help us estimate operating expenses in this way. Therefore, we rely primarily on historical data for U S WEST in Colorado, as recorded in U S WEST's 1994 ARMIS reports, to develop factors that can be applied to the investment outputs of the model to estimate expenses.

Some expense categories, such as Cable and Wire expenses, appear to vary directly with capital investment. For these categories, historical expenses are associated with historical investment to develop an investment factor. This factor is then applied to the equivalent investment amounts developed by the capital investment module to produce an expense estimate.

Other types of expenses, such as Network Operations, appear to vary directly with the number of lines provisioned rather than with capital investment. Historical data are used to determine the expense per line for these categories. The resulting per line factor is applied to the number of lines provisioned. Uncollectibles are treated as a percentage of gross-up to expenses.

**Q. ARE HISTORICAL DATA USED TO DETERMINE ALL OF THE NETWORK-RELATED EXPENSE FACTORS?**

A. No, there is an exception. The historical OA&M expense factor associated with central office switching is overstated because the U S WEST historical expense data may include software expense, which our investment module capitalizes, and because U S WEST may still have some older switches, which are more expensive to maintain than are the newer generation of switches that are currently being deployed. Therefore, we use an expense factor from a public New England Telephone cost study.

**Q. HOW HAVE NON-NETWORK-RELATED EXPENSES BEEN DETERMINED?**

A. We have considered four kinds of non-network-related expenses: billing and [illegible] part of the network.

Q. **HOW HAVE YOU TREATED BILLING AND DIRECTORY EXPENSES?**

A. Using historical data, we could not discriminate between the cost of establishing new customer accounts, which is not included in our definition of basic local exchange service, and the cost of maintaining customer accounts, which should be included. We had no direct data on the cost of the white pages directory listing. Based on the limited information we have available to us, we have used a Billing and Collection factor of $0.55 per line per month, and a directory listing factor of $0.15 per line per month.

Q. **HOW HAVE YOU TREATED MARKETING EXPENSES?**

A. We have excluded marketing expenses because U S WEST does not have to market the basic universal service we have modeled in this study.

Q. **HOW HAVE YOU TREATED "OVERHEAD" EXPENSES?**

A. It is our belief that certain costs that vary with the *size* of the firm, and therefore do not meet the economist's definition of overhead, are often included under the classification of general and administration expenses. For example, if U S WEST did not provide loops, it would be a much smaller company, and would therefore have lower costs. Some of these costs are nonetheless attributed to overhead by U S WEST. We therefore include a portion of "overhead" costs in our estimate of the TSLRIC of basic universal service.

We have settled on the use of a 6% overhead loading factor in our calculation, based on results from other industries. We examined the relationship between revenues and overhead for selected firms in the auto manufacturing and airline industries and believe this overhead loading factor to be appropriate.

Q. **ARE ADDITIONAL INVESTMENTS CALCULATED IN THE RECURRING COST MODULE THAT ARE NOT CALCULATED BY THE INVESTMENT COMPONENT OF THE MODEL?**

A. Yes. The investment module does not calculate investments in the following categories: 1) Furniture; 2) Office Equipment; or 3) General Purpose Computers. We have included such investments in our model as follows. We have used actual 1994 U S WEST investments to determine the ratio of investments in the above categories to total investments. We have multiplied this ratio by the total basic universal service investment estimated by the model, and treated the result as an additional investment needed to provide universal service. The recurring costs of these items are then calculated in the same way as recurring costs for investment categories estimated directly by the investment module of the model.

Q. **HOW HAVE YOU APPLIED THE HATFIELD MODEL TO THE STATE OF COLORADO?**

A. As we have previously described, a primary advantage of the BCM lies in the CBG database it utilizes. This database allows the Hatfield Model to be exercised for any LEC and at any desired level of geographic disaggregation, down to the wire center level, if that is deemed warranted. What we have done is to apply the model to calculate costs in six population density zones for U S WEST: 0-10, 10-100, 100-500, 500-1000, and 1000-5000, and greater than 5000 people/km$^2$.

Q. **PLEASE SUMMARIZE THE INPUTS YOU HAVE USED IN APPLYING THE RESULTS IN COLORADO.**

A. The inputs, and their values, are shown in Attachment 2 to this testimony. Attachment 2A pertains to the distribution network; Attachment 2B, to switching; and Attachment 2C, to financial assumptions. The descriptions of individual parameters are self-explanatory.

Q. **YOU HAVE DESCRIBED THE FINAL STEP OF THE HATFIELD MODEL AS COMBINING THE OPERATING EXPENSES AND INVESTMENT-RELATED EXPENSES TO PRODUCE A MONTHLY SERVICE COST PER LINE. WHAT ARE THE RESULTS OF YOUR ANALYSIS?**

A. The results are included as Attachment 3 to this testimony. Each density zone appears in one of the columns, with the right-most column being the totals. The first line in each column shows the total investment in network equipment for that density zone. Below those investments are the recurring annual costs in various network and operations categories, added to produce a recurring annual cost subtotal. Below that are various factors -- other taxes, overhead, and uncollectibles -- which are used to gross up the cost results to yield the total annual cost shown at the bottom of each column. The totals are followed by the estimated number of residential, business, and total access lines. Dividing the annual cost total by the total number of access lines, and further dividing the result by 12, yields the cost per line per month shown as the last line on the chart. The weighted average monthly cost per line is $15.83 and ranges between $12.34 in the highest density zone to $49.92 in the lowest range.

**Q. DO YOU HAVE ANY OTHER CONCLUSIONS REGARDING THE COST MODELING RESULTS FOR COLORADO?**

A. Yes. The average monthly cost figure of $15.83 is considerably higher than the $13.38 total we computed for U S WEST in the state of Washington. The two states have similar topographies, and the switched access lines served by U S WEST total about two million in each state. One would thus assume that the monthly service costs would be similar. The disparity in our results suggests that U S WEST in Colorado may operate a higher-cost network than it operates in Washington.

**Q. ARE THERE POSSIBLE REFINEMENTS TO YOUR CALCULATIONS?**

A. I believe the basic modeling approach we have used, which uses a Total Service Long Run Incremental Cost (TSLRIC) methodology, is the appropriate one. There are, however, a large number of parameters which must be input to the model. Some of those have been determined from published FCC Common Carrier statistics and demographic statistics. For others, we have used various estimates based on information our firm has learned in the course of its dealings with the industry and talking with industry experts. These include, for instance, the list prices and typical discount percentages for network equipment purchases.

Once the TSLRIC approach is adopted by the Commission, the model could be run using revised parameter values, if appropriate, developed with the assistance of U S WEST, and the results revised accordingly. It is my opinion that such modifications would lead to fairly small changes in the results I have presented during this testimony, over a reasonable range of possible parameter values. Nevertheless, it would be a worthwhile exercise to make such refinements in the future.

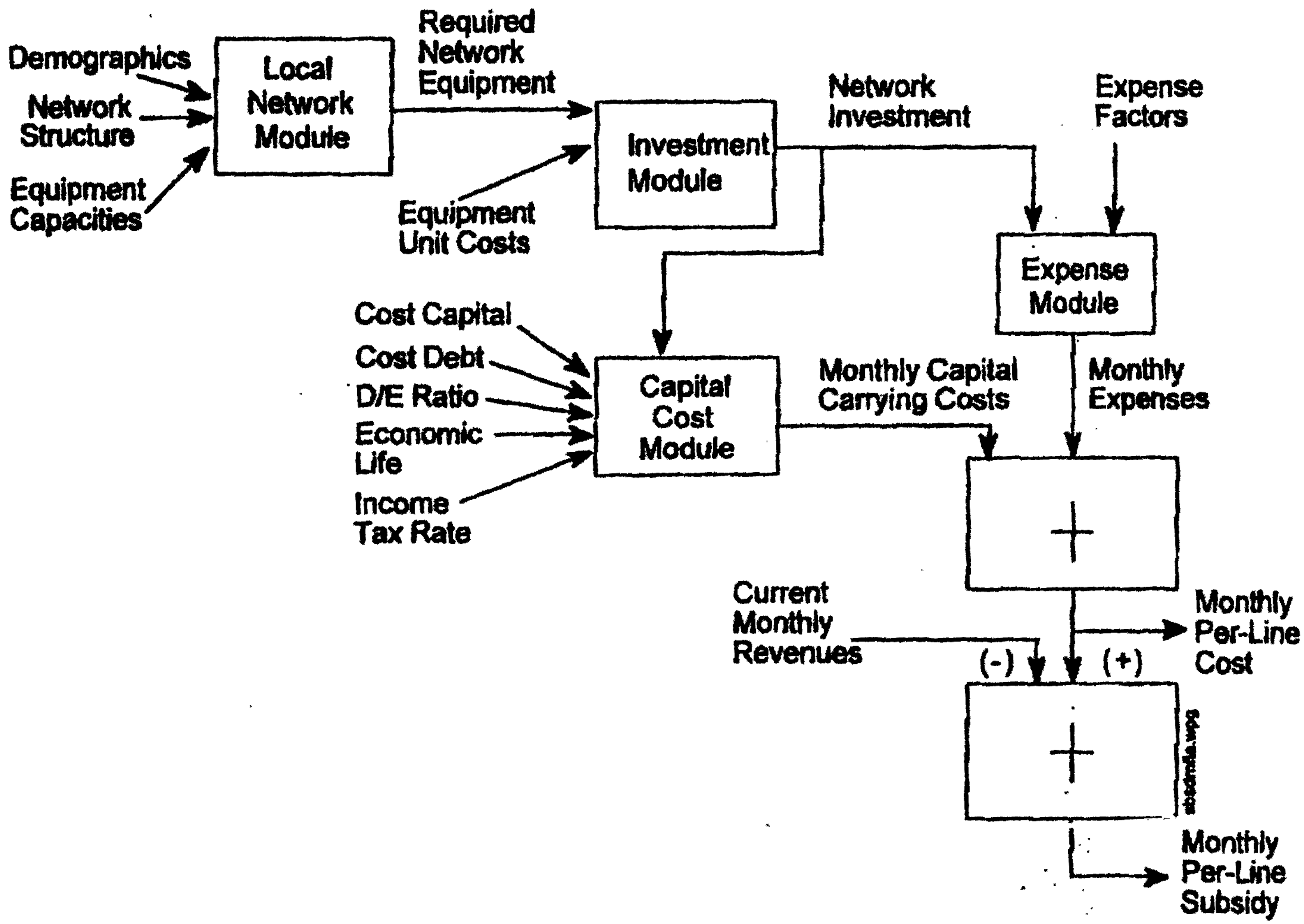
**Q. PLEASE SUMMARIZE YOUR TESTIMONY**

A. We have developed a methodology, which we refer to as the Hatfield Model, for estimating the cost of basic local telephone service in Colorado. The Hatfield Model incorporates the Benchmark Cost Model, developed by MCI, Sprint, U S WEST, and NYNEX. We believe the Hatfield Model provides a valid method of estimating the cost of basic local telephone service. The estimated cost per line per month for U S WEST in Colorado, expressed as a weighted average across all density zones, is $15.83.

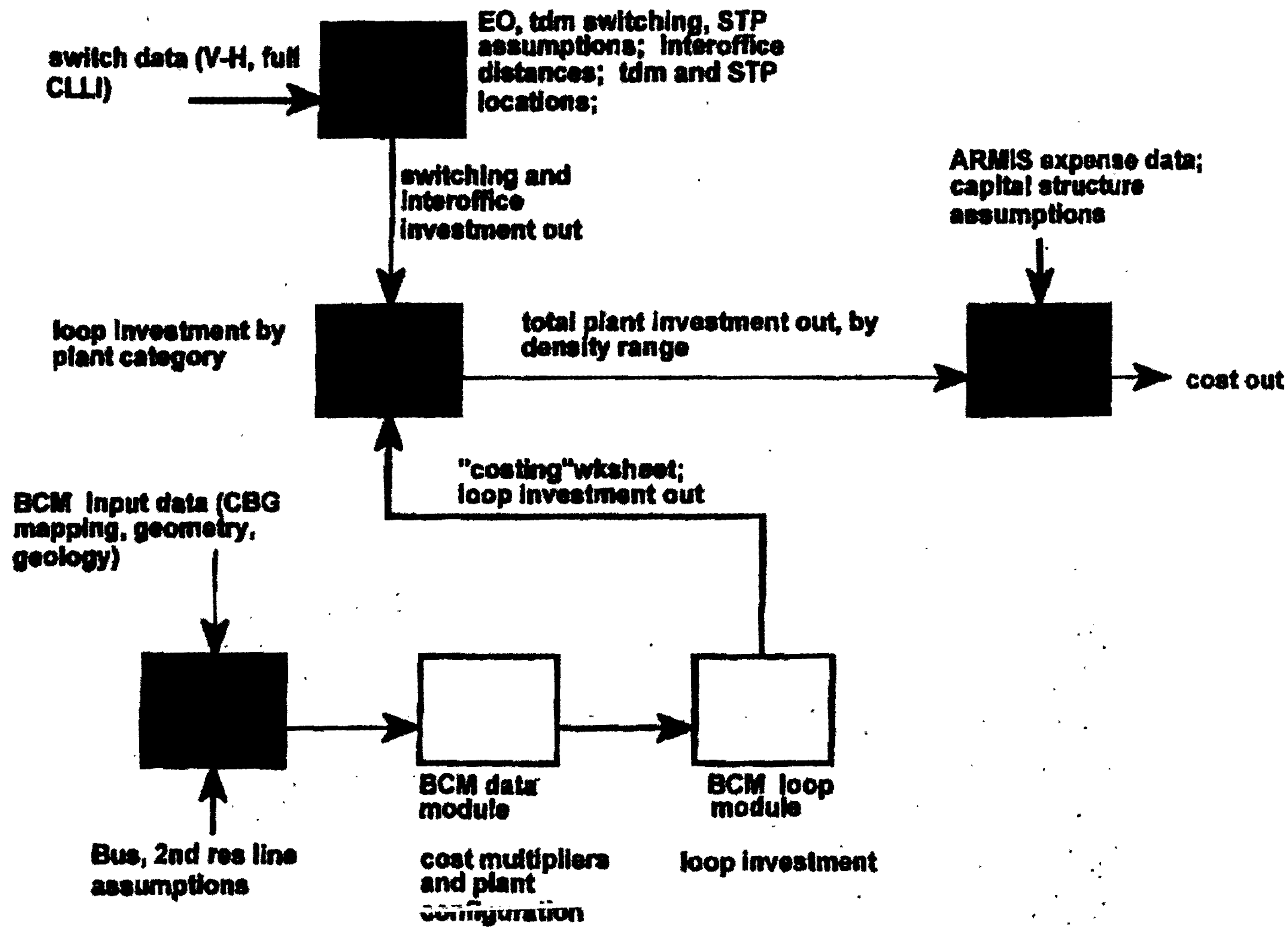
**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes, it does.

## Attachment 1A: Basic Universal Service Modeling Process



# Attachment 1B: Hatfield BCM Extensions



# Attachment 2A
## Loop assumptions

**Fill factors for electronics**

| | |
|---|---|
| 0.8 | DLC |
| 0.8 | Low-density DLC |

**Cable fill factors**

| density range | Feeder | Distribution |
|---|---|---|
| 0-5 | 0.65 | 0.50 |
| 5-200 | 0.75 | 0.55 |
| 200-650 | 0.80 | 0.60 |
| 650-850 | 0.80 | 0.65 |
| 850-2550 | 0.80 | 0.70 |
| >2550 | 0.80 | 0.75 |

**Fiber feeder UG/aerial ratios**

| Density range | UG% | Aerial% |
|---|---|---|
| 0-5 | 60 | 40 |
| 5-200 | 65 | 35 |
| 200-650 | 70 | 30 |
| 650-850 | 80 | 20 |
| 850-2550 | 90 | 10 |
| >2550 | 100 | 0 |

**Copper feeder UG/aerial ratios**

| Density range | UG% | Aerial% |
|---|---|---|
| 0-5 | 60 | 40 |
| 5-200 | 65 | 35 |
| 200-650 | 70 | 30 |
| 650-850 | 80 | 20 |
| 850-2550 | 90 | 10 |
| >2550 | 100 | 0 |

**Distribution UG/aerial ratios**

| Density range | UG% | Aerial% |
|---|---|---|
| 0-5 | 90 | 10 |
| 5-200 | 80 | 20 |
| 200-650 | 70 | 30 |
| 650-850 | 65 | 35 |
| 850-2550 | 60 | 40 |
| >2550 | 50 | 50 |

**Fiber feeder cable investment, per foot**

| Cable Size | UG cable | Aerial cable |
|---|---|---|
| 144 | $ 5.58 | $ 6.24 |
| 96 | $ 3.80 | $ 3.63 |
| 72 | $ 2.94 | $ 2.66 |
| 60 | $ 2.41 | $ 2.23 |
| 48 | $ 1.98 | $ 1.84 |
| 36 | $ 1.60 | $ 1.46 |
| 24 | $ 1.18 | $ 1.06 |
| 18 | $ 0.98 | $ 0.85 |
| 12 | $ 0.79 | $ 0.66 |

**DLC investment per access line**
$ 250

**Low-density DLC investment per access line**
$ 500

**Fiber cable discount**
20%

**Copper cable discount**
20%

**Low density DLC discount**
25%

**DLC discount**
40%

**Copper distribution cable price, per foot**

| Cable Size | UG cable | Aerial cable |
|---|---|---|
| 3600 | $ 22.20 | $ 21.90 |
| 3000 | $ 18.80 | $ 18.50 |
| 2400 | $ 14.30 | $ 14.10 |
| 1800 | $ 12.44 | $ 12.24 |
| 1200 | $ 10.68 | $ 10.00 |
| 900 | $ 7.82 | $ 7.51 |
| 600 | $ 7.13 | $ 7.05 |
| 400 | $ 4.58 | $ 4.82 |
| 200 | $ 2.36 | $ 2.33 |
| 100 | $ 1.28 | $ 1.27 |
| 50 | $ 0.68 | $ 0.57 |

**Copper feeder cable price, per foot**

| Cable Size | UG cable | Aerial cable |
|---|---|---|
| 4200 | $ 25.70 | $ 25.40 |
| 3600 | $ 22.20 | $ 21.90 |
| 3000 | $ 18.80 | $ 18.50 |
| 2400 | $ 14.30 | $ 14.10 |
| 1800 | $ 12.44 | $ 12.24 |
| 1200 | $ 10.68 | $ 10.00 |
| 900 | $ 7.82 | $ 7.51 |
| 600 | $ 7.13 | $ 7.05 |
| 400 | $ 4.58 | $ 4.82 |
| 200 | $ 2.36 | $ 2.33 |
| 100 | $ 1.28 | $ 1.27 |

# Attachment 2B
## Switching assumptions

**switching parameters**

| | | | |
|---|---|---|---|
| **high -- per-line investment curve above breakpoint** | **slope** | **-0.0004** | |
| | **intercept** | **108.72** | |
| **breakpoint** | **11,200** | **lines** | |
| **low -- per-line investment curve below breakpoint** | **slope** | **-0.0163** | |
| | **intercept** | **286.28** | |
| **switch maximum line size** | **100,000** | **lines** | |
| **switch fill** | **0.8** | | |
| **wire center investment multiplier** | **1.25** ? | | |
| **switch installation cost multiplier** | **1.1** | | |
| **switch price/line size references** | **$241/line at 2,782 lines** | | |
| | **$104/line at 11,200 lines** | | |
| | **$78/line at 80,000 lines** | | |

## Attachment 2C
## Capital structure and miscellaneous assumptions

| | |
|---|---|
| Aggregate economic life, years | 18 |
| Debt | 38.34% |
| Cost of debt | 7.57% |
| Equity | 61.66% |
| Cost of equity | 13.5% |
| Overall cost of capital | 11.23% |
| Income tax rate | 40% |
| Local traffic percentage of total | 75% |
| Per-line monthly billing and directory listing expense | $ 0.70 |

# Attachment 3
## U S WEST Communications
## all Colorado wire centers
### interoffice facilities included
### per-line monthly cost of local service

| | 0 - 10 pop/km2 | 10 - 100 pop/km2 | 100 - 500 pop/km2 | 500 - 1000 pop/km2 | 1000 - 5000 pop/km2 | > 5000 pop/km2 | Totals |
|---|---|---|---|---|---|---|---|
| Total investment | $ 161,068,424 | $ 142,326,707 | $ 120,004,895 | $ 112,508,806 | $ 529,041,155 | $ 43,891,973 | $ 1,108,841,561 |
| Annual Capital Cost | $ 23,165,130 | $ 20,401,489 | $ 17,123,711 | $ 16,028,142 | $ 75,319,387 | $ 6,238,843 | $ 158,277,501 |
| Capital Cost - Genl Supp | $ 3,463,696 | $ 3,050,470 | $ 2,560,370 | $ 2,396,559 | $ 11,261,901 | $ 932,964 | $ 23,665,959 |
| Network Expenses | $ 4,711,887 | $ 4,798,067 | $ 4,220,476 | $ 3,963,511 | $ 17,639,187 | $ 1,439,953 | $ 36,973,083 |
| Network Operations | $ 3,806,164 | $ 8,332,646 | $ 12,221,147 | $ 14,314,419 | $ 73,462,304 | $ 7,317,299 | $ 119,443,000 |
| Network Support | $ 191,763 | $ 143,495 | $ 106,969 | $ 97,829 | $ 479,267 | $ 36,922 | $ 1,056,235 |
| Billing, collection, and directory | $ 672,830 | $ 1,254,392 | $ 1,839,765 | $ 2,154,665 | $ 11,057,471 | $ 1,101,542 | $ 17,980,667 |
| Subtotal | $ 36,910,480 | $ 37,980,569 | $ 38,071,438 | $ 38,955,346 | $ 189,409,618 | $ 17,068,323 | $ 357,395,666 |
| other taxes | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 |
| overhead loading | 0.060 | 0.060 | 0.060 | 0.060 | 0.060 | 0.060 | 0.060 |
| uncollectibles | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 |
| Total | $ 40,863,789 | $ 43,208,827 | $ 43,312,217 | $ 44,317,789 | $ 215,482,956 | $ 19,417,888 | $ 406,593,476 |
| Total residential lines | 62,948 | 127,999 | 176,629 | 173,334 | 889,436 | 85,238 | 1,515,585 |
| Total business lines | 5,246 | 21,333 | 42,391 | 83,200 | 426,929 | 45,898 | 624,997 |
| Total switched access lines | 68,184 | 149,332 | 219,020 | 256,534 | 1,316,366 | 131,136 | 2,140,582 |
| Total/line/month | $ 49.92 | $ 24.11 | $ 16.46 | $ 14.40 | $ 13.64 | $ 12.34 | $ 15.83 |

1-07-04-Un

## CERTIFICATE OF SERVICE

I hereby certify that an original and 15 copies of the foregoing Initial Comments of AT&T on the Proposed Rules Regarding the Implementation of the Colorado High Cost Fund in Docket No. 95R-558T and one 3 1/2" diskette were hand-delivered this 2nd day of February, 1996 to:

Bruce Smith, Director
Colorado Public Utilities Commission
1580 Logan Street, Office Level Two
Denver, Colorado 80203

and a true and correct copy was sent, postage paid, on this 2nd day of February, 1996 to:

Virginia M Garcia

Tony Marquez, Esq.
David Beckett, Esq.
State Services Section
Office Of The Attorney General
1525 Sherman St., 5th Fl
Denver, CO 80203

Carol Smith-Rising, Esq.
Mana Jennings-Fader, Esq.
Eugene C. Cavaliere, Esq.
Regulatory Law Section
1525 Sherman St., 5th Fl.
Denver, CO 80203

Thor Nelson
Office of Consumer Counsel
1580 Logan Street, #610
Denver, CO 80203

Tim Sandos
TCI
4700 South Syracuse Street, #1100
Denver, CO 80237

Joe Garrity
QWest
555 - 17th Street
Denver, CO 80202

Sue Williams
ICG
1050 17th St.
Denver, CO 80202

Brian Johnson
U S WEST Communications
1005 - 17th Street, #200
Denver, CO 80202

William Levis, Esq.
Thomas F. Dixon, Esq.
MCI
707 17th Street, Suite 4200
Denver, CO 80202

Deborah S. Waldbaum, Esq.
Assistant Attorney General
Office of Consumer Counsel
1525 Sherman Street, 5th Floor
Denver, CO 80203

Wendy Moser, Esq.
Jim Gallegos, Esq.
U S WEST Communications, Inc.
1801 California Street, #5100
Denver, CO 80202

Peter Stapp
TCI
143 Union Blvd.
Lakewood, CO 80222

Mark W. Williams, Esq.
Berryhill Cage & North, PC
1401 17th St., Ste. 600
Denver, CO 80202

Paul Cain
TCG
Two Teleport Drive
Staten Island, NY 10311

Kathy Oatis, Esq.
Anderson & Assoc.
817 Locust Street
Denver, CO 80220

Ted Vratny
9-1-1 Advisory Task Force
1805 33rd Street
Boulder, CO 80301

Steve Smithers
Geoff Wilson
Colorado Municipal League
1660 Lincoln, #2100
Denver, CO 80264

Elizabeth Haddad
Campus Box 313
University Of Co. At Boulder
Dept. Of Telecom Services
Boulder, CO 80304

Dudley Spiller, Jr., Esq.
Gorsuch Kirgis
P. O. Box 17180 TA
Denver, CO 80217

Michael Morris
TCG
201 No. Civic Dr., #210
Walnut Creek, CA 94596

Eric Artman
Director of Regulatory Affairs
MFS Communications, Company, Inc.
185 Berry St., Suite 5100
San Francisco, CA 94107

Joe Kibbe
Commnet Cellular, Inc.
5990 Greenwood Plaza Blvd. #300
Englewood, CO 80111

Michael Glaser, Esq.
K. Harsha Krishnan
Hopper & Kanouff, PC
1610 Wynkoop, #200
Denver, CO 80202-1196

Phil Davey
Adams City Comm. Center, Inc.
7321 Birch Street
Commerce City, CO 80022

Bob Ross
AARP
8228 So. Syracuse Ct.
Englewood, CO 80112

Dr. Julian Kateley
Director of TeleCommunications
Colorado State University
ACNS
Fort Collins, CO 80523

Joe Isenberg
ITC's Inc.
4775 Barnes Rd.
Colorado Springs, CO 80917

Frank Semone
Colorado Payphone Association
400 South Colorado Blvd., #600
Denver, CO 80222

Roy A. Adkins, Esq.
Antonio, Bates, Bernard &
Haenel, P.C.
3200 Cherry Creek South Dr., #380
Denver, CO 80209

Rick Sullivan
AT&T Wireless Services
1001 - 16th Street, #C-1
Denver, CO 80265

Dr. Florine Raitano
P.O. Box 4528
Dillon, CO 80435

John W. Andrews
Eagle Telecommunications, Inc.
PTI Communications, Inc.
Colorado Division
P. O. Box 482
La Junta, CO 81050

Bob Pomeroy, Esq.
Holland & Hart
8350 East Crescent Parkway, #200
Englewood, CO 80111

Ed Phelan
Sprint
8140 Ward Parkway
Kansas City, MO 64114

Mark A. Davidson, Esq.
LeBoeuf, Lamb, Greene
& MacRae, L.L.P.
633 17th St., Suite 2800
Denver, CO 80202

Robert W. Nichols, Esq.
Nichols & Hecht, LLC
600 Pearl Street, Suite B
Boulder, CO 80302

Kyle Dixon, Esq.
Linda Oliver, Esq.
Hogan & Hartson
555 13th St. N. W.
Washington, D. C. 20004

Genevieve Morelli
CompTel
1140 Conn. Ave. N. W., Ste 200
Washington, D. C. 20036

Fred Lofy
GVNW, Inc.
2270 La Montana Way
Colorado Springs, CO 80918

Tallon & Cheeseman & Assoc.,
Steve Lamb Consultant
3617 Betty Drive, Ste. I
Colorado Springs, CO 80917

Norm Rasmussen
Colorado Independent Telephone
3236 Hiwan Drive
Evergreen, CO 80439

Julie E. Grimwald, Esq.
Sprint Communicatoins Company L. P.
8140 Ward Parkway
Kansas City, MO 64114

Teresa Marrero, Esq.
Teleport Communications Group, Inc.
Two Teleport Drive
Staten Island, NY 10311

John Ivanuska, Esq.
Sprint Telecommunications Venture
4717 Grand Ave., 5th Floor
Kansas City, MO 64112

**1995 ANNUAL REPORT**

**Welcome to GTE!**

Back | Forward | Home | Reload | Images | Open | Print | Find | Stop

URL: http://www.gte.com

WHAT'S NEW

# GTE

SEARCH

AT A GLANCE

GTE WORLDWIDE

WHAT WE CAN DO

WORKING AT GTE

FORUM

**Introducing**

# Evolutions

**Society & Technology Evolving Through Time**

Samuel Wilson

# GTE 1995 ANNUAL REPORT

**GTE** *is one of the world's largest publicly held telecommunications companies, the largest U.S.-based local telephone company and a leading cellular-service provider.*

## Contents



## CONSOLIDATED FINANCIAL HIGHLIGHTS[a]

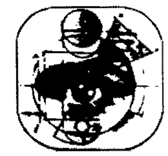
| (Millions of Dollars, Except Per-Share Amounts) | 1995 | 1994 |
|---|---|---|
| **Consolidated** | | |
| Revenues and sales | **$19,957** | $19,528 |
| Operating income | **5,056** | 4,752 |
| Income before extraordinary charges | **2,538** | 2,441 |
| Net income (loss) | **(2,144)** | 2,441 |
| Common shareholders' equity[b] | **6,871** | 10,473 |
| Average common shares outstanding (in millions) | **970** | 958 |
| Return on common equity[b] | **(20.3%)** | 24.8% |
| Capital expenditures | **4,034** | 4,192 |
| Access minutes of use (in millions) | **64,417** | 59,247 |
| Access lines (in thousands) | **24,135** | 22,805 |
| Employees (in thousands) | **106** | 111 |
| **Per Common Share** | | |
| Income before extraordinary charges | **$ 2.62** | $ 2.55 |
| Net income (loss) | **(2.21)** | 2.55 |
| Dividends declared | **1.88** | 1.88 |
| Book value[b] | **7.05** | 10.85 |

(a) The table below has been adjusted for comparison purposes to exclude from earnings per share the 1995 extraordinary charges of $4.7 billion, or $4.83 per share, and the 1995 and 1994 gains on sales of certain nonstrategic domestic telephone properties of $11 million, or $.01 per share, and $162 million, or $.17 per share, respectively. In addition, the table includes pro forma adjustments to revenue and operating income to remove the 1994 operating results of GTE Spacenet and the nonstrategic telephone properties sold during 1994.

| (Millions of Dollars, Except Per-Share Amounts) | 1995 | 1994 | % Change |
|---|---|---|---|
| Revenues and sales | **$19,957** | $19,191 | 4.0 |
| Operating income | **5,056** | 4,700 | 7.6 |
| Earnings per share | **2.61** | 2.38 | 9.7 |

(b) During 1995, GTE discontinued using the regulatory accounting practices required by Statement of Financial Accounting Standards No. 71 and recorded after-tax, extraordinary charges of $4.7 billion, or $4.83 per share. Excluding these charges, common shareholders' equity, return on common equity and book value per share would have been $11.6 billion, 23.3% and $11.85 for 1995, respectively.

# Visit GTE's Home Page.



**Welcome to GTE!**

Back Forward Home GTE

URL http://www.gte.com

In the evolution of communications technology, nothing received more attention in 1995 than the Internet, the rapidly growing network that links computers and people around the world.

GTE is committed to the Internet because it represents a powerful communications medium for businesses and individuals. It also demonstrates the value of the worldwide networks that make it possible – networks such as the ones GTE owns and operates in various parts of the world. As the Internet expands, so does the demand for the high-speed, high-technology connections that GTE provides.

Recognizing the potential of this communications medium, GTE has introduced services that give customers access to the Internet and developed a corporate site on the Internet's World Wide Web to provide easy access to information about the company.

Our new Home Page, which welcomes visitors to our corporate Internet site and appears on the cover of this publication, summarizes GTE's accomplishments and capabilities – not unlike an annual report. So we've brought a little of its look – the icons that serve as indexes – to the pages that follow, while we explain why GTE will thrive in the new competitive environment that technology and regulatory reform are spawning.

# CHAIRMAN'S MESSAGE

## *We expect earnings-per-share growth of not less than 10% for the foreseeable future.*

The most important story for 1995 is how well GTE performed. We executed our strategies across the board. As a result, operating income increased 8% to $5.1 billion, revenues and sales rose 4% to $20 billion, and earnings per share grew 10% to $2.61 before special items.

Another sign of our excellent year was that GTE's common stock climbed from $30.375 to $43.875. That plus the dividend gave shareholders a total return of 52% in 1995.

To appreciate GTE's current position, you have to remember where we've come from. For several years we've pushed hard to get ready for open competition. We've divested, re-engineered, reorganized and focused on what we do best. Today, GTE is one of the world's pre-eminent telecommunications companies.

We're now entering the era we've been preparing for – when competition breaks out in full force. With passage of the telecommunications bill, competitors can enter our markets and we can enter theirs. We intend to be a winner, not just surviving but also growing revenues, producing strong earnings and maximizing shareholder value. We will succeed because of our four basic strengths, which separate us from our competition.

**Strategic Focus:** Two years ago we identified the five strategic thrusts most important to us: enhancing wireline voice services, accelerating wireless development, expanding data services, pursuing international opportunities and entering video services. We made significant strides in all areas during 1995, which are discussed in the pages that follow.

**Management Depth:** GTE has superb management depth. With last June's reorganization, we have created a structure that gives our managers sharper focus and encourages greater team effort. We put all of our domestic commercial operations, including wireline and wireless, under Kent Foster, president, GTE. And we consolidated substantially all international activities and technology resources under Michael Masin, vice chairman, and president – International.

**Attractive Markets:** While GTE is often compared with the regional Bell operating companies, there are major differences. Overall, we have broader scope and better markets. They operate in single geographic areas. We operate in 29 states, reaching more than a third of the U.S. population. Their traffic concentrates in big cities. We have more affluent, faster-growing suburbs.

**Financial Strength:** Our company has a current total market capitalization of $60 billion. At GTE's last Analysts' Day conference, I re-emphasized that we will remain focused on our primary financial objective – maximizing shareholder value. We're so confident about the outlook for GTE that we've gone on record with the following: We forecast an earnings-per-share growth rate of not less than 10% for the foreseeable future. We expect continued strong growth domestically, and we look for greater success internationally. We are on target with our massive re-engineering effort to achieve annual operating cost savings of $1 billion by 1997. Certain factors that may affect these forward-looking statements are discussed on page 23.

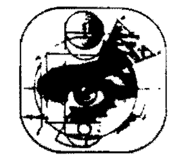
Turning to our Board of Directors, I note with sadness the passing last May of Charles Wohlstetter, who became vice chairman when Contel merged with GTE. We also will miss James Walter, who retired from our Board after 26 years of service. They brought a wealth of experience and wisdom to our deliberations. Nicholas Trivisonno also left the Board last year after making many fine contributions to the company.

In closing, I invite our shareholders to join me in thanking all 106,000 GTE employees for a terrific year of effort and success. It is our employees – a skilled, dedicated group of men and women – who are executing a very crucial part of our strategy: To make GTE the easiest telecommunications company to do business with. This will be good for our customers and therefore rewarding to our shareholders.

Chuck Lee

Charles R. Lee
*Chairman and Chief Executive Officer*
February 20, 1996

# GTE's far-ranging actions and accomplishments reflect five key thrusts.



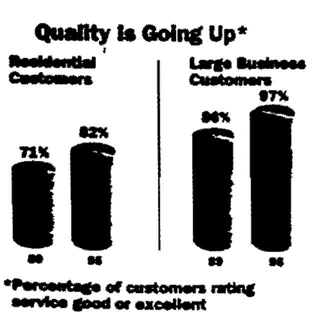
Outlining the future direction of the company in 1994, the Office of the Chairman listed five key strategic thrusts: enhancing wireline voice services, accelerating wireless development, expanding data services, pursuing international opportunities and entering video services. GTE's varied actions and accomplishments in 1995 reflect that agenda.

**Operating income** rose to a record high for the second straight year, totaling $5.1 billion, up 8%, while revenues and sales rose 4% to $20 billion.

**Access line growth** of 6%, outpacing industry gains, increased total U.S. access lines to 18.5 million, with another 5.6 million in international markets.

**Network usage growth** of 10% also surpassed industry performance; minutes of use topped 64 billion.

**Cellular subscriber** additions totaled 672,000 in the U.S., an increase of 29%, bringing the total mobile-cellular customer base to more than three million, with another 536,000 in international markets.




**GTE VoiceCall,** a voice-activated calling service, was launched on a trial basis in Florida, enabling customers to place calls by speaking the name of the person they wish to reach into the phone.

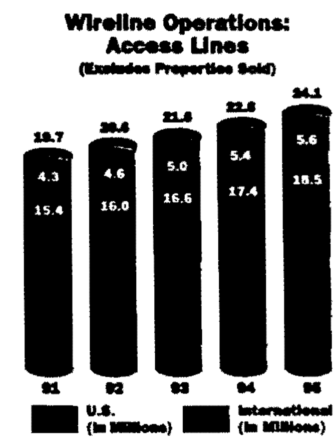
**Video networks,** after Federal Communications Commission approval, moved toward start-up, initially in Florida and California.

**Video programming** plans received another significant boost with the signing of an agreement to join The Walt Disney Company and three Bell companies in americast™, a pioneering home-entertainment venture.

**The world's first** two-way international wireless roaming system – GlobalRoam℠ – was introduced in collaboration with Deutsche Telekom AG, Germany's national telephone company.

**Internet access** through GTE.net℠ debuted in the Dallas-Ft. Worth metroplex, furthering GTE's plans to build a nationwide data-network infrastructure.

**The addition** of about 10,000 new advertisers helped GTE Directories post a 4.3% increase in domestic sales orders.




**In Latin America** GTE's joint venture in Argentina built its cellular customer base to more than 100,000 customers, while in Venezuela the national telephone company, CANTV, which GTE manages and has a 20% interest in, achieved significant operational improvements; in Mexico a GTE joint venture obtained a license that could lead to construction of a fiber-optic network linking 60 cities; in Brazil GTE opened an office to pursue opportunities in that important market.

**In Asia** GTE formed a joint venture to provide a paging network in China, expanded its cellular-communications investments in Japan, and broadened its consulting relationships in Korea.

# Chuck Lee

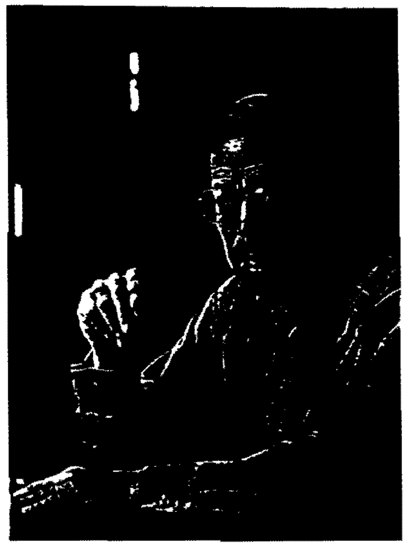
**CHAIRMAN AND CEO**

As chairman and chief executive officer, Charles R. Lee focuses much of his attention on strategic planning and the issues and trends influencing the global telecommunications industry as well as GTE's future.

*What's ahead for GTE?*
The focusing, cost-cutting and financial strengthening of the past few years are very important. Now the building blocks we've put into place are starting to pay off. We're concentrating on achieving strong growth with strong returns for our shareholders.

*Why is the telecommunications law so important?*
The rationale for reform is straightforward. Telecommunications advances greatly benefit consumers and American competitiveness. In today's economy – where silicon chips and fiber-optic lines are as important as oil and steel – we've been hamstrung by rules made 62 years ago when conditions were far different and we didn't have the tremendous technological capabilities we have now.

*Are state regulations a problem?*
Actually, regulation at the state level has been changing for the better. It builds in incentives. Shareholders participate in the savings produced through re-engineering programs and other economies. Consumers get lower prices



for some services, while we get better margins. About 60% of our access lines are already tied to incentive regulations adopted by various states.

*How will open competition affect the industry?*
In the past, local service providers functioned as monopolies in controlled markets. Now the marketplace is going to set the pace. It will be a free-for-all. Darwinian economics. Survival of the fittest.

*Shouldn't that concern telecommunications shareholders?*
Not ours, certainly. Open competition is going to change the face of GTE, but we've been getting ready for it and we welcome the new environment. Yes, our plans for the future assume some market share loss, but that will be more than offset by new products and services and entering new businesses, such as long distance.

*Where will competition be the hottest?*
In attractive markets like California. It's already hot there. As of January 1, 1995, we faced new competition on certain long-distance calls within the state. We lost a 10% market share as expected. At the same time, California has been a very good market for new services, such as ISDN (integrated services data network).

*What's the value of more competition to consumers?*
Some people make a serious mistake by equating "value" only with price. It's a lot more. It's a combination of product, price and service. We're bringing our customers a series of new services that make their lives easier, at prices that are competitive. We'll be able to add more new services, and we intend to be nothing less than the easiest company to do business with in our industry.

*Why do you consider the GTE brand a competitive weapon?*
No regional Bell company can match the brand awareness we have among consumers on a national basis, and against the long-distance companies we rank well in our markets. We think consumers

# We have clearly defined strategies, continuity and momentum.

will increasingly associate our brand with the positive attributes I just talked about. That will help bring in new customers. We've done a lot of things to become a very visible player in telecommunications, and we're going to become even more visible and more aggressive.

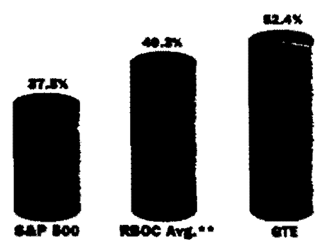
**Q** *What are your views on the alliances occurring in the industry?*
We have alliances right now with many companies, and there will be more. For example, in the U.S. we have an alliance with SBC Communications that extends our wireless coverage in Texas, and we're part of a joint venture that handles Yellow Pages advertising for 95 Bell Atlantic directories. We have several international alliances as well, such as the consortium in Venezuela through which we manage the telephone company there.

From another perspective, we call AT&T our biggest customer because they pay for access to our lines, but our relationship with them is, in fact, a kind of alliance – and we're competitors too.

In a retail/wholesale world, where companies make their networks available to each other at negotiated prices, there are many ways of working together – and competing at the same time.

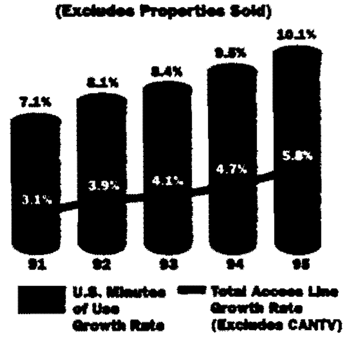
**Q** *What's behind Wall Street's more positive view of GTE?*
Solid performance, plus a change of perception. At one point Wall Street seemed to think the long-distance companies would prevail at the expense of

**1995 Return to Shareholders***

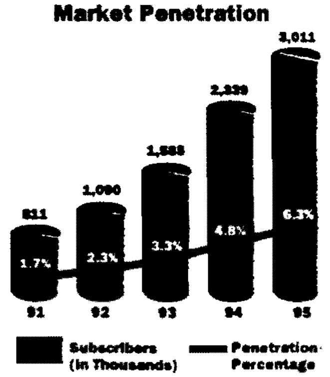



*Assumes dividends are reinvested
**Regional Bell operating companies

**Wireline Operations: Minutes of Use and Access Line Growth Rates**
**(Excludes Properties Sold)**




**U.S. Cellular Operations: Subscribers and Market Penetration**




local-exchange carriers, but there's a new sense that the companies closest to their customers – which describes GTE – will be in the best position to maximize profits. AT&T, MCI and Sprint basically get to their customers through us and other local service providers. We own the infrastructure. We deal directly with the customer every day.

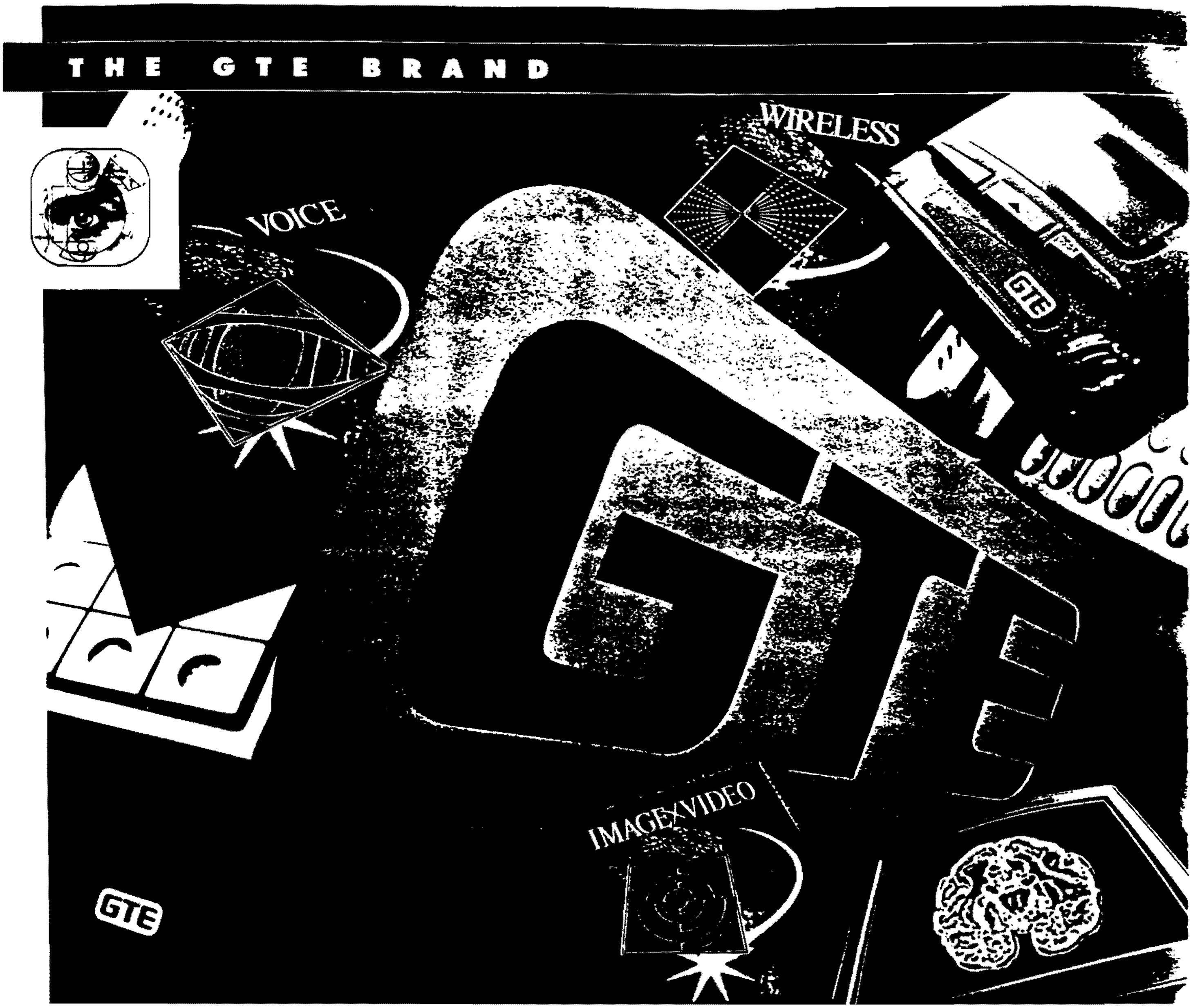
**Q** *So what advantage does GTE offer over the regional Bells?*
To reiterate, we're better positioned in the marketplace.

First, our geographic dispersion protects us, to a large degree, from regional economic upheavals.

Second, many of our most attractive markets are in major suburban areas, which gives us the best of two worlds – the growth and affluent characteristics of big city suburbs combined with less competitive pressures in the rural areas we serve.

Third, as I've already mentioned, we have stronger brand recognition. In addition, I'm convinced we have a people and technology edge.

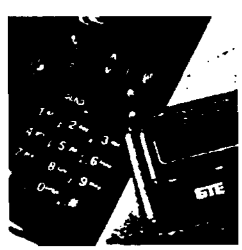
**Q** *Any final word for investors?*
I believe GTE is a great investment, not just today but also for many years to come. We have clearly defined strategies, continuity and momentum.



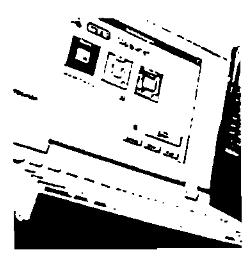

*Three letters symbolize shared strengths. The GTE brand carries an increasingly powerful punch in the marketplace.*


As the telecommunications marketplace moves toward "one-stop shopping," the GTE brand – and what it stands for – has assumed a growing role in distinguishing us from our competitors. The brand tells customers what they can expect: easy-to-use features, innovative applications, solid value, exceptional service. It now encompasses all GTE operations. Today, the familiar GTE logo supporting the brand is seen in more places and on more products and services than ever before. We're promoting the brand with the most extensive national advertising in our history, and consumer surveys show high brand awareness in our markets.





GTE's brand is not only visible at work locations and on GTE products but also in popular leisure settings, such as the Reunion Arena (above), home of the Dallas Stars, and Super Bowl XXX. GTE has provided communications services for the Super Bowl for 11 years.



# Kent Foster

**PRESIDENT, GTE**

Assuming responsibility for both U.S. telephone operations and mobile-cellular, Kent B. Foster became president, GTE, in June 1995. He also oversees GTE Airfone, Information Services (including GTE Directories) and corporate marketing and quality programs.

**Q** *How will the new telecommunications law affect competition?*
Both the business and residential markets will become wide open to competition, which will be good for consumers – and a challenge to us. We accept it willingly and are confident that we will be the company of choice in the markets we serve.

**Q** *Will you lose market share?*
The gains will far outweigh the losses. We'll gain from strong market growth, by entering the long-distance and home-entertainment markets, and as a wholesaler of wireline and wireless services. At the same time, we expect to lose some market share, just as AT&T after its 1984 breakup lost market share to Sprint and MCI.

**Q** *Will wholesaling revenues be large?*
Yes, although it will be a balancing act to set rates. The rates must be attractive to the customer, the company that's selling our service, and ourselves.

**Q** *Why would a competitor buy access rather than build?*
Most markets already have two local networks in place, the local telephone company and the local cable company. New networks are expensive.

**Q** *How will GTE enter long distance?*
Initially, we'll resell the services of established long-distance providers. Long term, we'll look at what our customers want, and do what is necessary to provide the best service in the most economical way.

**Q** *Why the rush to offer long distance?*
We want to move quickly to maximize our home advantage. We know customers want one service provider and one bill at the end of the month. We'll offer wireline, wireless and long distance. We're also going into video home entertainment, although at a more measured pace.

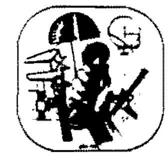
**Q** *What's the outlook for Airfone and Directories?*
They add another set of high-value services and strongly contribute to GTE's goal of providing a single point of contact for all services. They're doing well, and we see good growth ahead.

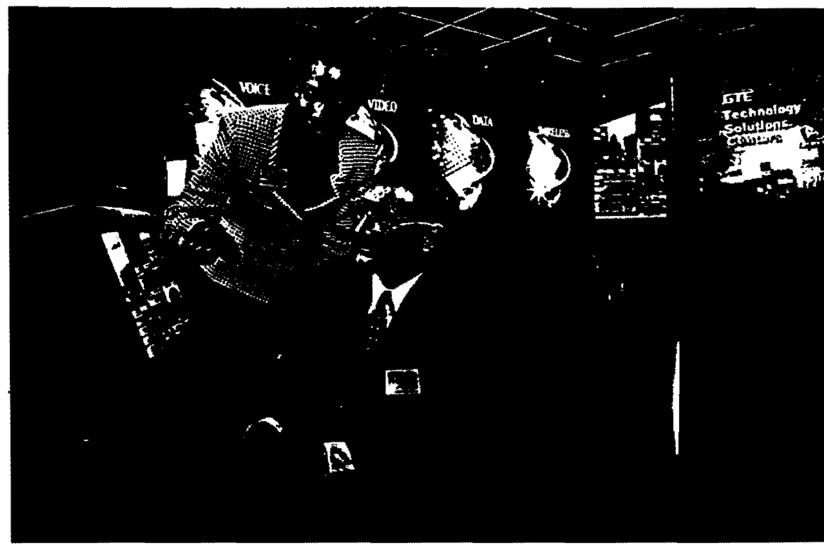
**Q** *What are GTE's key competitive advantages?*
We'll be able to offer customers the best package – quality, price, service, technology.

**Q** *What about the Internet?*
The potential for Internet-related business is tremendous, and services will continue to grow. We began offering Internet access to customers in 1995, but access alone is only the beginning. We plan to provide a range of services, and we are developing Internet-related applications that will become part of a broader, integrated offering that includes voice, video and data services.

**Q** *What's your take on GTE's future?*
This is a great market, a great environment. We have huge opportunities, and we're well positioned to take advantage of them.

# *Our customers want one-stop shopping, and we're well on our way to providing it.*






**At GTE's Technology Solutions Center in Fort Wayne, Ind., Brenda Coleman, a GTE manager, demonstrates the latest video conferencing technology to a business customer. Visitors from the Midwest come to the center, one of eight in the U.S., to see advanced telecommunications products and services.**

Our customers tell us they want their telecommunications services – including local, long-distance, wireless and data transmission services – from a single source.

To meet that demand and tap growing market opportunities more efficiently, we combined the strengths and capabilities of our domestic operations into a single organization in 1995.

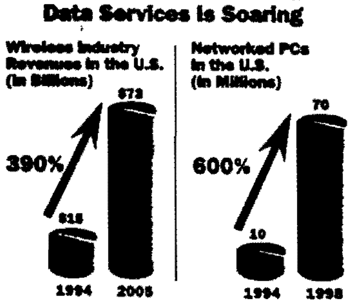
Domestic operations encompasses four business units: U.S. Telephone Operations (wireline services), Mobilnet (wireless services), Information Services (directories and credit/calling card services) and Airfone (airborne communications).

These domestic operations posted combined revenues of $16.5 billion in 1995, up 5.3%. All made substantial strides in our drive to deliver features, conveniences and top-quality performance that make customers' lives easier.

**Wireline: Enhancements sustain gains.**

Growing numbers of our customers don't buy just basic phone services. They add one or more of the dozen-plus custom-calling features we offer, and 10% of the households we serve now have a second line. An estimated 50% of all U.S. households will have multiple phone lines by the year 2000, due to the growing number of home offices, computers and other factors.

**Demand for Wireless and Data Services Is Soaring**




Features that we offer range from caller identification to a voice messaging service that turns an ordinary touchtone phone into an alarm clock, message center and answering machine. Voice-activated services are now in market test.

Complementing such enhanced features, we continue to upgrade customer service. Streamlined processes enabled representatives at our Customer Call Centers to handle an average of 10,000 calls each in 1995 – 20% more than in 1994 – while maintaining high service quality standards.

One aim is to fulfill customer needs during a single phone call, and progress has been excellent. With expansion of the "One Touch" concept, almost a third of all customers who report trouble to repair centers now get their problems solved while they're still on the line. Three years ago the ratio was one out of 200. Quick response eliminated the need for 3.5 million service order and repair dispatches in 1995.

In the business market, we opened a new center in Dallas as a single point of contact to better serve our biggest national business customers. Revenues from CentraNet®, our enhanced

# *New and nontraditional products and services added $850 million to revenues, an increase of 33% over 1994.*

version of Centrex service for businesses of all sizes, are exceeding targets. CentraNet allows equipment at a GTE central facility to switch calls for customers, replacing their traditional on-site PBX systems.

**Wireless: Efficiency rises; robust growth continues.**

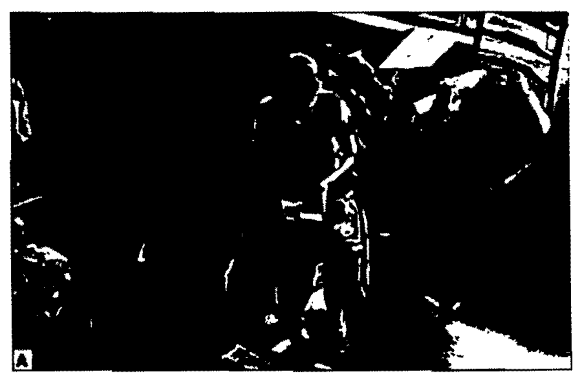
GTE Mobilnet continued to increase the reach and efficiency of its operations as it added 672,000 customers during 1995. At the same time, to raise future retention rates, it launched marketing programs targeted to higher-value customers.

Completion of the merger of Contel Cellular and GTE Mobilnet (in all states except California, pending regulatory approval) unified wireless operations, enhancing the marketing impact of the GTE brand name. Meanwhile, Mobilnet achieved gains in operating efficiency both as a result of that move and improved clustering of markets, primarily through property exchanges and acquisitions.

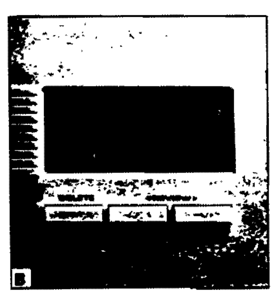
Expanding its market presence, GTE holds licenses to offer personal communications services (PCS) in the high-potential Seattle, Atlanta and Cincinnati markets. PCS, a new

### Some ways we're making customers' lives easier

- **Express dialtone. Customers who have moved can obtain full phone service at their new address within two hours by plugging a phone into a wall jack; nearly two-thirds of our access lines have this capability – *photo A.***
- **SmartCall® services. Customers can choose from an array of optional features, such as caller ID, call waiting and 3-way calling – *photo B.***
- **GlobalRoam℠. International travelers can place and receive wireless calls from numerous countries, and the calls will automatically be billed to the home cellular number – *photo C.***
- **InContact℠. Customers can connect home, business and cellular phones, voice mail and pager with one number (initially available in three markets).**
- **"One Touch" service. Almost a third of all customers who report trouble to repair centers have their problems solved while they're still on the line; three years ago the ratio was one out of 200.**



A



B

C

# *We'll spend $18 billion by 2001 to make improvements in basic services and add new features and capabilities.*


**At GTE's Phone Mart in Largo, Fla., sales associates Theresa Turner and Alan Larkin discuss product features. Eighty-six of GTE's 119 Phone Marts across the U.S. posted more than $1 million in sales during 1995. Larkin, with transactions totaling $1.6 million, led the entire U.S. sales force.**

generation of wireless technology, improves the clarity of voice messages and provides added services – such as paging, voice mail and data transmission.

Availability of cellular digital packet data (CDPD) technology continued to increase. CDPD is a wireless service that transmits data over the existing cellular network.

Conversion of our cellular networks to code division multiple access (CDMA) technology is starting in key markets in 1996. This advanced digital technology allows higher traffic over a single channel than other digital technologies.

**Data: Soaring ISDN demand speeds growth.**

Revenue from data products rose more than 60% in 1995, with particularly strong contributions from integrated services digital network (ISDN) sales, up 150%. ISDN service is available in 54% of our markets.

Data on ISDN lines move six to 10 times faster than on regular phone lines – a capability increasingly sought by home-based businesses and Internet users as well as companies of all sizes.

GTE's ISDN-based World Class Network, which provides advanced data services, has been deployed in 15 metropolitan markets and has been well received by business customers.

**Video: Florida will switch on this spring.**

The first of two planned GTE video systems will begin operations this spring in the Tampa Bay area of Florida. Construction of the second, in Thousand Oaks, Calif., just north of Los Angeles, is under way, with the start-up of service scheduled for mid-1996. In August we joined The Walt Disney Company and three regional Bell companies – Ameritech, BellSouth and SBC Communications – as an equal partner in americast™, a venture that is developing video programming and interactive services for millions of American households. The venture will substantially strengthen the appeal of our video products as we expand.

**Airfone: Digital service boards more aircraft.**

The transition to GTE's Advanced Digital Airfone® Service, introduced in 1994, picked up speed in 1995. By mid-1996 nearly 90% of the aircraft served by GTE Airfone will be equipped with the technologically advanced service. Advanced Digital Airfone Service gives travelers an Airborne Office℠, enabling them to be more productive. They can

*In both our wireline and wireless operations, the demographics of our markets are excellent.*

make and receive calls while in flight, send and receive data and faxes, access e-mail, conduct conference calls and surf the Internet.

Twenty domestic and international carriers offer GTE's airborne communications services and/or equipment.

**Directories: New advertisers boost sales orders.**

Posting an increase in domestic sales orders of 4.3% in 1995, GTE Directories reinforced its number-two position in the U.S. directories industry and continued its international expansion. It capitalized on opportunities for its core Yellow Pages product, welcoming about 10,000 new advertisers in the U.S., and achieved gains in nontraditional services.

With the addition of more than 200 directories as a result of a recent acquisition, the unit now provides products and services in 47 states and the District of Columbia, including all of GTE's markets.

A new joint venture to publish independent Yellow Pages directories in Hungary represents its most recent expansion in international markets. Directories currently publishes or provides services for about 2,400 titles, and total circulation exceeds 80 million copies. Including GTE's international operations, directory products and services reach 15 countries and generate revenues of nearly $1.4 billion.

GTE Directories' broadened initiatives in nontraditional areas include Card Services and New Media Services.

**GTE Directories is testing smaller directories, with local white page listings, for cellular customers.**

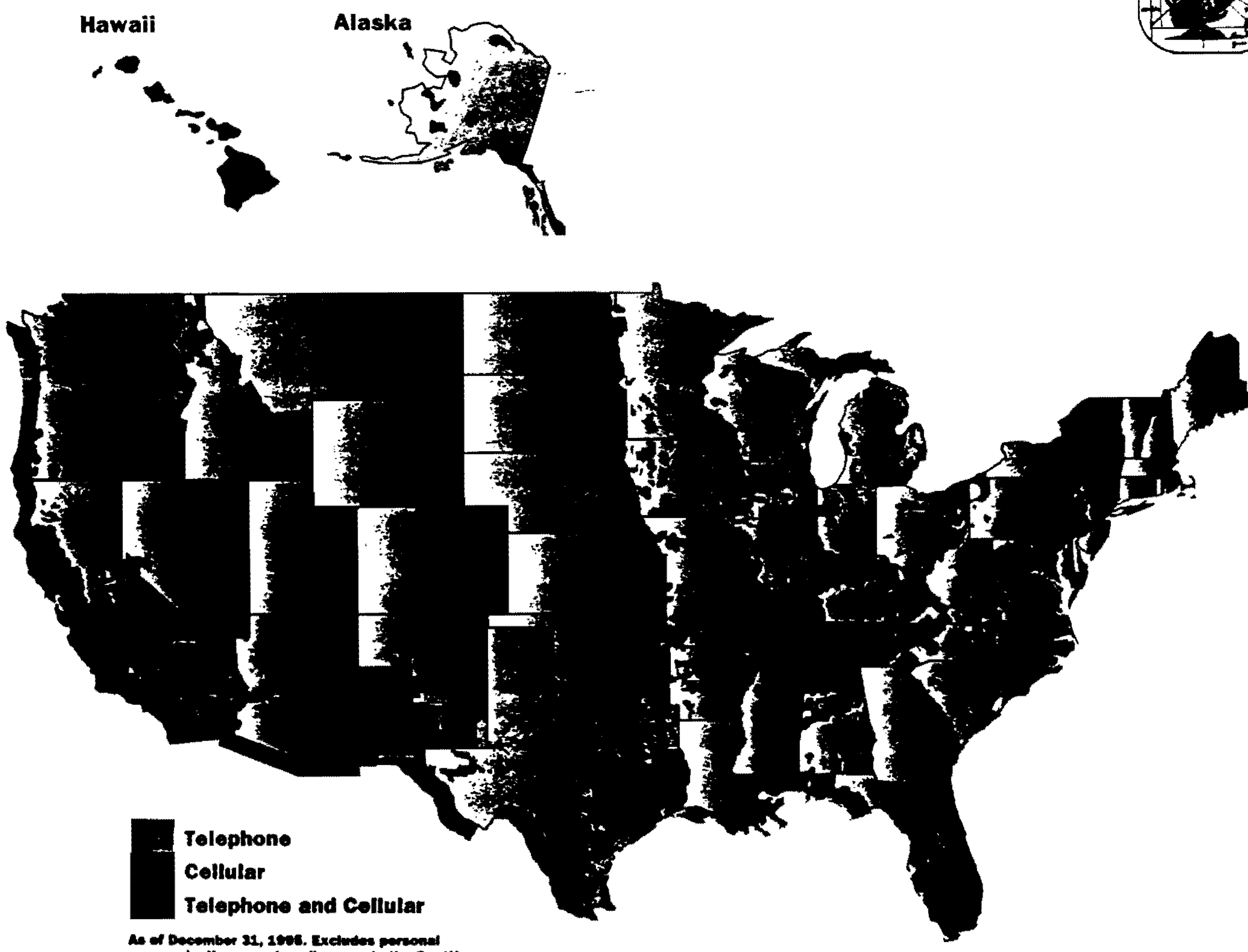
### A profile of our markets

- **Our wireline operations, in 28 states, and wireless operations, in 15 of those states plus Tennessee, serve markets encompassing more than a third of the U.S. population.**
- **Our wireless services are available in 74 MSAs (metropolitan statistical areas), with 52 million potential customers – and another 15 million internationally.**
- **Internationally, we provide phone services in four countries; other GTE services are provided in dozens of countries around the globe.**
- **Within our U.S. territories we serve more than 12.4 million residential and 6.1 million business lines.**
- **45% of our U.S. access lines are in California, Florida and Texas, the three largest Sunbelt states, and a third are in five key metropolitan markets: Dallas, Honolulu, Los Angeles, Riverside/San Bernardino, Calif., and Tampa/St. Petersburg, Fla.**

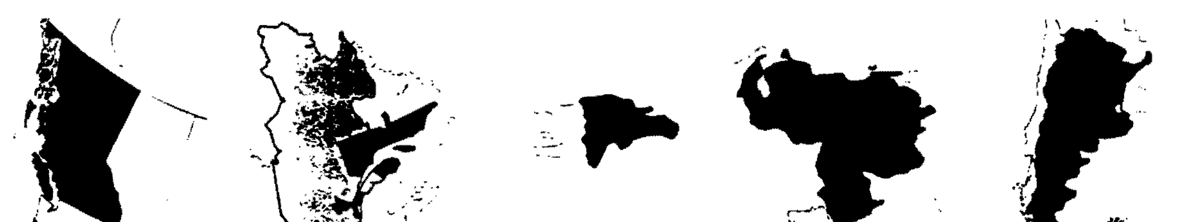
Card Services offers several credit card products and now has more than one million accounts. It also offers prepaid telephone calling cards.

New Media Services is developing online information and interactive services, such as its SuperPages℠ online directory. SuperPages provides a high-quality marketing medium for the many businesses attempting to promote services via the Internet. It positions GTE Directories as a leader in the Internet directory industry, and can be located on the World Wide Web at http://superpages.gte.net.

# GTE'S SERVICE AREAS




As of December 31, 1995. Excludes personal communications services licenses in the Seattle, Atlanta and Cincinnati major trading areas (MTAs)



| BRITISH COLUMBIA | QUEBEC | DOMINICAN REPUBLIC | VENEZUELA | ARGENTINA |
|---|---|---|---|---|
| 3,700,000* | 550,000* | 7,800,000* | 21,000,000* | 22,000,000* |
| 2,287,000** | 280,000** | 569,000** | 2,472,000** | |
| 219,000*** | 13,000*** | 33,000*** | 168,000*** | 103,000*** |

*Population in franchise areas **Access lines ***Cellular customers

# Mike Masin

**VICE CHAIRMAN, GTE; PRESIDENT—INTERNATIONAL**

Under GTE's new management structure, Michael T. Masin became president – International in June 1995 in addition to serving as vice chairman. He also continues to oversee GTE's legal, human resources, communications and technology functions (including GTE Government Systems and GTE Laboratories).

**Q** ***How did last June's restructuring affect GTE's International operations?***
It brought together substantially all of our international operations under one roof. Now we can focus our efforts and leverage our considerable international resources to maximize the value of our existing operations and pursue new opportunities.

**Q** ***International profits were down in 1995. What have you done to turn performance around?***
A series of things. We've made some management changes where necessary. We've refocused some units. We've used GTE's enormous domestic resources and experience to help guide necessary changes. Equally important, everyone in our new international organization is working together to help meet objectives. This year will be critical to our international units as they reposition themselves for profitable growth.

**Q** ***What about new opportunities?***
We're making good progress in Latin America, one of our targeted areas for growth. In Mexico, we've positioned ourselves well for the open competition coming in the months ahead. We have a solid team and aggressive business objectives. In Brazil, we're also set to participate in the opening of the telecommunications sector, which is likely to begin this year.

**Q** ***What's happening in Asia?***
We're focusing a great deal of our energy on China, the world's biggest market. We recently announced a joint venture with a Chinese partner, Guangzhou Guangtong Resources Company, to develop a paging network in China, and we're in negotiations on other significant projects as well. We're also studying opportunities in South Korea and Taiwan, and determining how we can leverage our valuable cellular investments in Japan to best advantage.

**Q** ***Why did you put GTE Laboratories and GTE Government Systems under a new management structure?***
Much of the tremendous change in our industry is driven by technology, and Chuck, Kent and I recognized that GTE has unique technology resources – not only in Government Systems and our Laboratories but also in a number of major business units. We know those resources can give GTE a competitive advantage in this fast-moving world, particularly when they are centrally coordinated to support GTE's overall objectives.

**Q** ***Any final observation?***
Last year was a watershed year for GTE in many respects – outstanding financial and operational performance and creation of substantial value for our shareholders. But equally important, I see our company as having positioned itself very well for the new competitive world we've entered. GTE has a very clear sense of its future and, most importantly, its virtually unlimited potential.

# *Over 40 years of international success is a matchless foundation for profitable growth.*

Having operated outside the U.S. for over 40 years, GTE is uniquely situated internationally. Today, we manage operations with more than $4 billion of annual revenue and over six million customers. We are the only U.S. telecommunications company with major operating units both north and south of the U.S. At the same time, we are leveraging our longstanding business activities in Asia to capitalize on the enormous opportunities in that region.

In 1995, GTE's income from all international operations totaled $220 million before extraordinary charges, down 20%. Most of the decline was due to intense competitive pressures, which resulted in reduced long-distance prices for several of our operating units. However, in 1995 our international units made major strides in repositioning themselves to meet our commitment to double net income over the next five years*.

**Canada: Gains in British Columbia and Québec.**

Serving British Columbia, BC Telecom sustained an earnings uptrend, while Québec Telephone achieved a modest earnings gain in 1995. In an increasingly competitive environment, the Canadian companies have seen profit margins tighten and have lost some market share. They are responding by intensifying marketing efforts and re-engineering operations using GTE's domestic experience as a model. They also are working with regulators to rebalance rates. The forecasts for the companies are optimistic, given their solid positions and the favorable projections for the Canadian economy.

**Dominican Republic: On track to rising earnings.**

In recent years CODETEL has been a strong performer. Over the past two years it has faced more vigorous competition and unprecedented profit-margin pressures. CODETEL is regaining its momentum through cost reductions, rate adjustments, initiatives to revitalize its organization, enhanced capabilities and emphasis on newer, higher-margin services.

*See the discussion of forward-looking statements on page 23.

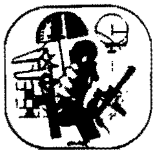

**GTE demonstrated its international services and capabilities at Telecom 95, a quadrennial exhibit and conference in Geneva, Switzerland, for the global telecommunications industry. A three-story, interactive multimedia exhibit, with touch-screen monitors, attracted over 1,000 visitors daily.**

**Venezuela: Upgrading for an economic rebound.**

During a period of monetary devaluations and other severe economic strains in Venezuela, CANTV has improved operating performance, increased its profitability and continued to make prudent capital investments to achieve better returns as the nation's economy recovers. We remain very optimistic about CANTV's future.

**Argentina: 100,000 cellular customers.**

To win cellular licenses in Argentina in 1994, we assembled a "Quick Start" team and committed ourselves to rapid development of a system covering provinces with a population of 22 million people. By December 1995, CTI, our cellular operation, passed a milestone – 100,000 customers – overcoming a multitude of economic, regulatory and other start-up hurdles. CTI's long-term prospects are excellent.



# *The scope of our resources and expertise gives us a competitive advantage.*

Because our technological capabilities increasingly converge in serving customer needs, we realigned those capabilities in a new organization that includes GTE Government Systems, GTE Worldwide Telecommunications Services and GTE Laboratories. This structure ensures that the extensive activities of the three organizations, together with the substantial technology resources of our business units, will be coordinated effectively in pursuing business objectives. No other local phone company has comparable scope in technology.

**At GTE Laboratories in Waltham, Mass., engineer Phil Rossoni examines a print generated by GRANET, a graphics-based software tool developed by GTE to help engineers worldwide plan cellular networks and predict their performance.**

### GTE Laboratories: Paving the way to advanced services.

Over the past five years, the people of GTE Laboratories have been awarded more than 260 patents for applied research and development projects. Their work encompasses broadband, wireless, software, intelligent systems and operations automation – areas critical to GTE's success.

Recent successes of special note include:

- TONICS – a system that integrates network management and operations functions, which helps speed installation of new technology and provide superior quality, and
- GRANET – a comprehensive software package used to create cellular and radio networks providing personal communications services.

Development of cellular fraud-control systems is among GTE Labs' other areas of expertise. It is the Cellular Telecommunications Industry Association's designated technical analysis laboratory and serves as adviser to the entire industry.

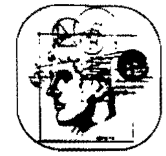
### GTE Government Systems: Adapting to the needs of the private sector.

As Department of Defense needs have diminished, GTE Government Systems is adapting leading-edge military applications for other governmental agencies and commercial uses. Along with GTE Worldwide Telecommunications Services, it has customers in more than 20 countries.

Information security is one example of an expertise with considerable growth potential in the private sector. A system designed to assure secure transaction processing for the National Security Agency is now being adapted for commercial use on the Internet and other sites for electronic commerce.

Government Systems also collaborates with other GTE business units to enhance their services. It has assisted the construction of cell sites for GTE's cellular networks in the U.S. and Argentina and provided engineering-design services for GTE Airfone's Advanced Digital Airfone Service.

# *Preparing our employees for an era of enhanced services is a priority.*



With a new competitive era dawning, preparing our workforce – at every level – is a priority. We have intensified our programs to equip GTE's people to succeed in the changing marketplace, while broadening the scope of our efforts to assure a work environment that helps nurture achievement.

To date more than 8,500 GTE managers have completed courses in GTE's three-phase management development curriculum, designed particularly to foster leadership. Participation has been accelerated so that 25,000 GTE managers will complete the curriculum by the end of 1997.

Education and training programs that reach all employees use advanced communications technologies and self-directed modules to ensure "just-in-time" training.

Taking a longer view, we are identifying the specific capabilities GTE will need in the 21st century and the actions required to assure that all are in place. Toward that same goal, we continue to bring new and diverse talent into the organization, from entry to senior levels. In addition, we are enhancing our compensation plans, not only to recruit effectively but also to provide incentives and rewards to all employees commensurate with our ongoing drive to improve performance and service to customers.

**GTE's Family Health Center in Temple Terrace, Fla., exemplifies the innovative steps the company is taking to meet varied employee health care needs.**

To help employees fulfill family obligations, we use a wide array of special programs, such as nontraditional work hours, telecommuting, emergency and school holiday child care, and college planning seminars.

Improving the quality of health care while containing costs remains a key objective, and GTE is in the corporate vanguard. We have become part of a path-breaking alliance to rate and improve the quality of care at health maintenance organizations. In December, ABC's "Nightline" reported that GTE "is being held up as a model of how a company can move its workers into managed care while cutting costs and maintaining quality." By the end of 1996, nearly two-thirds of our employees will be enrolled in managed-care options.

## Corporate Citizenship: Joining technology and education

**While GTE supports a wide variety of programs that benefit the communities we serve, our focus increasingly is on technology-related goals. We are helping schools and other non-profit organizations enhance their ability to use technology more effectively in teaching, placing particular emphasis on efforts that contribute to the creation of technical talent – which is vital to U.S. economic leadership.**

**The programs include online access and electronic forums based on the PBS television show *Scientific American Frontiers* (which we sponsor), funding for technology-based literacy training, and a new emphasis on technology as a criterion for the annual "Growth Initiatives for Teachers" awards for math and science teachers.**

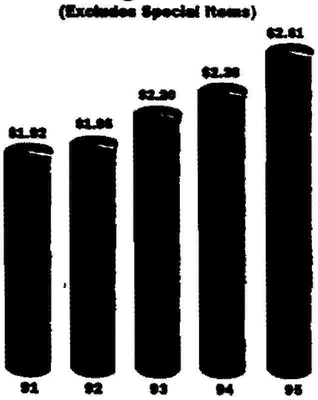
**In 1995, contributions through the GTE Foundation totaled $23 million, and more than half were directed to education.**

## Return to Shareholders

GTE's primary financial objective is to maximize shareholders' long-term total return, consisting of share-price appreciation and dividends. Total return to GTE shareholders in 1995 was 52.4% compared with 49.3% for the regional Bell operating companies and 37.5% for the S&P 500 index. For the five-year period ending in 1995, average annualized total return was 14.4% compared with 14.5% for the regional Bell operating companies and 16.5% for the S&P 500 index. GTE's outstanding stock-price appreciation in 1995 significantly narrowed these differences compared with the same measure in 1994. GTE's commitment to shareholder value is supported by clear investment criteria: investments must be in the company's core business, telecommunications, and they must be expected to earn more than their cost of capital over time. GTE's commitment to shareholder value is also supported by a policy of maintaining a dividend payout ratio that is competitive with peer companies. Consistent with this policy, GTE maintained its dividend at $1.88 per share in 1995.

Over the past several years, GTE has taken aggressive action to improve its competitive position and enhance its profitability. GTE has: combined its domestic wireline and wireless businesses under common leadership to begin offering "one-stop shopping" for all telecommunications services; combined all international operations into one unit to focus on developing growth opportunities, especially in Latin America and Asia; implemented process re-engineering—which will be substantially completed in 1996; and sold nonstrategic telephone properties. GTE is now better prepared to meet the challenges and opportunities of a fully competitive marketplace with tremendous potential for highly profitable growth.

**Consolidated Earnings Per Share**
**(Excludes Special Items)**




## Consolidated Operations

Operationally, 1995 was an excellent year for GTE, led by strong customer growth and network usage in both telephone and cellular operations as well as cost-reduction programs throughout GTE. Income before special items was $2.5 billion, or $2.61 per share, in 1995, an increase of 10% compared with $2.3 billion, or $2.38 per share, in 1994. Minutes of use of GTE's domestic network for long-distance calling grew at an annual rate of 10.1%, while total access lines increased 5.8% excluding the impact of the nonstrategic telephone properties sold. During 1995, GTE added 887,000 new cellular customers, bringing total cellular customers, both domestic and international, to 3.5 million—nearly double the level just two years ago.

Consolidated revenues and sales totaled $20.0 billion in 1995 compared with $19.5 billion in 1994. Excluding the revenues from the properties sold and the satellite-communications business divested in 1994, consolidated revenues and sales increased 4% in 1995 (see Note 5 to Consolidated Financial Statements). Strong volume growth in telephone operations and substantial increases in cellular customers more than offset lower, more competitive pricing. In the U.S., new price reductions and regulatory actions, primarily in California, reduced revenues by approximately $450 million in 1995, bringing cumulative price reductions over the past three years to $1.1 billion. However, such reductions are expected to moderate in 1996. Outside the U.S., regulatory and competitive pressures increased in Canada and the Dominican Republic as price reductions and rate rebalancing plans were implemented.

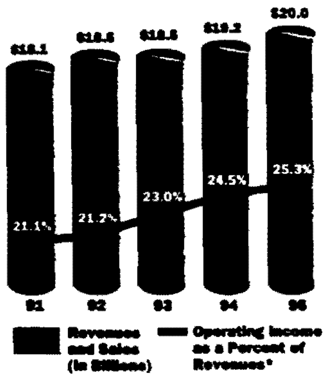
Operating income for 1995 reached a record $5.1 billion, up 8% excluding the operating income attributable to the properties sold. The increase was due to higher revenues, improved cellular operating margins and ongoing cost reductions from process re-engineering activities. Net interest expense declined slightly as the favorable effects of lower interest rates were partially offset by higher debt balances. Other expense totaled $5 million in 1995 compared with $280 million of other income in 1994, primarily reflecting gains recorded in 1994 in connection with telephone property sales. GTE's effective income tax rate declined from 38.6% in 1994 to 36.6% in 1995 primarily as a result of a settlement with the IRS of certain open tax years.

During 1995, GTE adopted accounting principles appropriate for nonregulated companies and recorded extraordinary charges totaling $4.7 billion, or $4.83 per share, as discussed in Note 2 to Consolidated Financial Statements. For a discussion of the reclassifications made to the prior-year consolidated financial statements, disclosure of recently issued accounting pronouncements and use of financial instruments and contingencies, see Notes 1, 10 and 16 to Consolidated Financial Statements.

In 1994, consolidated revenues and sales totaled $19.5 billion compared with $19.3 billion in 1993. Excluding the revenues from the properties sold, consolidated revenues and sales increased 4% during 1994. Strong volume growth for both domestic and international wireline and wireless services drove the improvement. Lower, more competitive domestic telephone pricing, particularly in rates charged to interexchange carriers for access to GTE's local-exchange network, partially offset the strong volume growth. The completion late in 1993 of a major U.S. defense communications contract also offset the volume growth.

Operating income in 1994 increased 11% over 1993 excluding the impact of properties sold and other 1993 special items. This improvement was due to the revenue growth as well as

**Consolidated Revenues and Margins**
**(Excludes Properties Sold)**




*Excludes special items

cost-reduction efforts at all business units. Consolidated net income was $2.4 billion, or $2.55 per share, which included after-tax gains on sales of certain nonstrategic domestic local-exchange telephone properties of $162 million, or 17 cents per share. Excluding the impact of special items in both years, consolidated net income in 1994 was $2.3 billion, or $2.38 per share, an 8% increase over 1993.

In 1993, consolidated net income was $882 million, or 93 cents per share. Results in 1993 included gains of $91 million, or 10 cents per share, similar to those in 1994 as well as one-time after-tax charges totaling $1.3 billion, or $1.37 per share, to restructure operations, complete voluntary separation programs and for the early retirement of high-coupon debt.

### Local Service Revenues

Local service revenues are based on fees charged to customers for providing local telephone exchange service within designated franchise areas. Local service revenues increased 12% to $5.8 billion compared with $5.2 billion in 1994. This growth was attributable to placing an additional 1.2 million access lines in service in 1995, a 5.8% increase over last year, driven by 12% growth in second residential lines over 1994. The growth in second lines is primarily attributable to strong consumer demand for fax machines, access to the Internet and online computer services. The increase in revenues was also attributable to a rate rebalancing order issued by the California Public Utilities Commission (CPUC) effective January 1, 1995. The order provided for increases in basic local rates in exchange for significant rate reductions for toll service and access charges. Although this rate rebalancing was intended by the CPUC to be revenue neutral, the actual increase in volumes did not fully compensate for the toll and access rate reductions.

The rollout of new and nontraditional services also drove the increase in local revenues. These services, which include CentraNet® data and custom-calling features, such as Personal Secretary and SmartCall® increased 33% to $850 million in 1995. These new high-margin services are expected to contribute a larger percentage of GTE's total revenue stream in future years as a result of strong business and consumer demand.

### Network Access Service Revenues

Interstate and intrastate network access service revenues are based on fees charged to interexchange carriers that use GTE's U.S. local-exchange network in providing long-distance services to their customers. Network access service revenues of $4.4 billion remained relatively unchanged from 1994. The impact of the 10.1% growth in minutes of use of GTE's domestic local-exchange network for long-distance calling was offset by competitive and regulatory-mandated rate reductions and the effect of the previously discussed 1994 sales of nonstrategic properties.

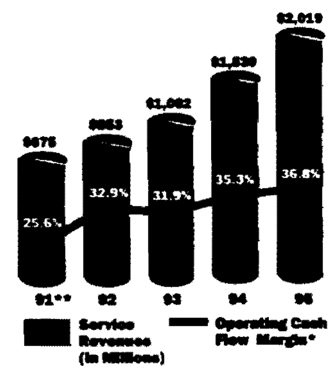
### Toll Service Revenues

Toll service revenues are based on fees charged for service beyond a customer's local calling area but within the local access transport area (LATA). Toll service revenues decreased 22% to $2.5 billion compared with $3.3 billion in 1994. This decline was primarily attributable to price reductions to meet competition and regulatory-mandated rate reductions, particularly the previously discussed rate rebalancing actions in California, Canada and the Dominican Republic.

### Cellular Service Revenues

Cellular service revenues exceeded $2 billion for the first time in the company's history, rising 32% to $2.2 billion. The growth in revenues was primarily attributable to the growth in customers both in the U.S. and internationally. Total U.S. customers served at the end of 1995 reached 3,011,000, an increase of 29% over 1994. Customer growth slowed at the end of 1995 as various targeted marketing programs successfully focused on the addition of higher-value customers. Cellular market penetration increased to 6.3% in 1995 compared with 4.8% in 1994. This growth was tempered by a decline in revenues per customer in the U.S., reflecting continuing growth of casual and security users in the customer base. During the year revenues per customer in the U.S. averaged $63 per month compared with $68 in 1994.

**U.S. Cellular Operations: Service Revenues and Operating Cash Flow Margin**




*Represents operating income before depreciation and amortization as a percent of service revenues
**Excludes merger integration costs

### Directory Services Revenues

Directory services revenues are based on fees charged to publish, print, distribute and sell advertising for Yellow Pages telephone directories. GTE annually publishes or provides sales and other directory-related services for approximately 2,400 different directories in 47 states and 15 foreign countries. Directory service revenues increased slightly to $1.4 billion in 1995, reflecting improved volume in the U.S. partially offset by the completion in 1994 of a contract for the publication of directories in Hong Kong.

**Other Services and Sales**

Other services and sales include revenues from: GTE Government Systems, which provides telecommunication systems and equipment to U.S. governmental defense and civilian agencies as well as commercial users; GTE Airfone, which provides aircraft-based telecommunication services; and telephone and cellular equipment sales and services. Other services and sales revenues increased slightly to $3.6 billion in 1995, reflecting the growth in non-network related equipment sales partially offset by the overall decline in U.S. government defense spending. GTE Government Systems received orders valued at $1.2 billion during 1995, a slight increase compared with 1994, reflecting higher international orders partially offset by the decline in U.S. defense spending.

**Cost of Services and Sales**

Cost of services and sales declined 2% to $7.5 billion in 1995 compared with $7.7 billion in 1994, primarily reflecting the impact of the three-year process re-engineering program at the U.S. telephone operations. This program is redesigning and streamlining processes to improve customer responsiveness and product quality, reduce the time necessary to introduce new products and services, and further reduce costs.

Several re-engineering programs enhanced productivity. Consolidation of work centers and the rollout of technologically-advanced systems reduced labor-intensive processes. For example, Express Dial Tone, which enables a customer to start local service without waiting for a service call, was implemented in most major service territories. Also, GTE's "One Touch" process, which allows a wide range of customer needs to be satisfied by contacting just one service representative, is now available in most of GTE's domestic telephone service areas. U.S. access lines per employee, a key indicator of productivity, totaled 289 at year-end 1995, a 15% increase over 1994 and 55% higher than four years ago, excluding properties sold.

By the end of 1995, GTE's Telephone Operations had reduced its U.S. workforce to approximately 64,000 employees, a 25% decline from four years ago. Since the re-engineering program began two years ago, the workforce has been reduced by over 12,000 employees and contractors. A further workforce reduction of approximately 5,000, bringing the total to 17,000, is expected to be substantially completed by the end of 1996.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses rose slightly to $3.7 billion in 1995. The growth in operating costs, particularly in cellular services, was substantially offset by ongoing cost containment and reduction programs, which have been implemented across all business units.

**Depreciation and Amortization**

Depreciation and amortization increased 7% to $3.7 billion in 1995 compared with $3.4 billion in 1994. The increase reflects the expansion of the telephone network to meet demand for additional lines, enhanced calling features and switched data services and to continue the deployment of enabling technologies for broadband services. The mobile-cellular network was also expanded to provide significantly higher capacity and improve service quality.

**Other Income and Expense**

Other income and expense is comprised primarily of gains on sale of properties, minority interests and earnings of unconsolidated subsidiaries, which include cellular partnerships, and international ventures. In 1995 GTE reported other expense of $5 million compared with other income of $280 million in 1994. Results in 1994 included $264 million of gains on sales of nonstrategic telephone properties compared with $16 million in 1995.

During 1995, difficult economic conditions continued in Venezuela, which significantly affected CANTV, the Venezuelan telephone company that is 20.4% owned and operated by GTE. The weak economy, combined with currency controls that began in mid-1994, limited CANTV's access to international banking and capital markets during most of 1995. However, in September 1995, CANTV and a group of creditors completed the refinancing of approximately $1 billion of CANTV's obligations. As a result, investments in the expansion and modernization of Venezuela's telecommunications system have continued. These investments, along with an overall reduction in debt, were funded by operating cash flow.

Due to the high level of inflation experienced in Venezuela, CANTV's results are substantially influenced by its ability to increase tariffs. CANTV operates under a Concession Agreement with the Venezuelan government that provides, among other things, for quarterly tariff increases based on previous rates of inflation in Venezuela. In 1995, CANTV successfully obtained tariff increases that mitigated the effects of high local inflation and improved its operating margins when compared with 1994. CANTV believes that it can continue to obtain tariff increases in 1996.

Because of the difficult economic conditions, CANTV made only a relatively small contribution to GTE's 1995 earnings. The network modernization program continued to produce excellent results in service quality and productivity. Residential customer satisfaction has doubled to 80% and productivity, as measured by lines per employee, has increased 75% since the GTE led consortium began operations in late 1991. CANTV's cumulative mandates under the Concession Agreement to expand, modernize and improve the telephone network have been met or exceeded.

In December 1995, the Venezuelan government devalued the local currency by 71%. However, due to the mix of local currency and U.S. dollar denominated assets and liabilities, the devaluation did not have a significant impact on GTE's results. GTE believes these economic difficulties are temporary and will be corrected, and continues to view its interest in CANTV as an excellent long-term investment.

**Regulatory and Competitive Trends**

Significant regulatory and legislative developments during 1995 and early 1996 opened various sectors of the telecommunications marketplace to greater levels of competition.

In February 1996, federal telecommunications reform legislation was signed into law—addressing a wide range of competitive and regulatory issues that will affect the future development of local and long-distance services, cable television and information services.

The Telecommunications Act of 1996 overhauls 62 years of telecommunications law, replacing government regulation with competition as the chief way of assuring that telecommunications services are delivered to customers. The law removes many of the statutory and court-ordered barriers to competition between segments of the industry, enabling local-exchange, long-distance and cable companies to go head-to-head in offering voice, video and information services.

The new law also sets guidelines to open local-exchange markets, loosens restrictions barring local telephone companies from entering the cable market, preserves universal service while equalizing the responsibility for contribution among all carriers, and lifts controls on cable prices.

A key provision of the law also eliminates the legal restraints of the GTE Consent Decree which has kept GTE's telephone operating companies from providing interLATA services. This action will simplify GTE's ability to market local and interLATA services to customers. GTE plans to offer interLATA services early in 1996.

Another key aspect of the federal legislation requires local telephone companies to allow customers to pre-subscribe to a specific carrier to handle their intraLATA calls. Pre-subscribed customers will simply dial "1" before the telephone number in order to complete intraLATA calls. This action will significantly increase competition in that market.

An order issued by the CPUC that became effective on January 1, 1995 authorized toll competition, without pre-subscription in California. The order also provided for rate rebalancing with significant rate reductions for toll services while increasing local service rates closer to the actual cost of providing such service. As expected, the net effect on GTE of the implementation of this order was a decrease of approximately $220 million on revenues in California for 1995 and a loss of approximately 10% of its toll market share.

During 1995 the CPUC accelerated the issuance of regulations that facilitated competition in local markets beginning in January 1996. Several carriers have already received approval to enter local markets. GTE and the other major local-exchange carrier in California will also be able to provide local service in each other's territory.

In addition to California, several other state legislatures have enacted laws favoring competition, which will open the local-exchange market and free existing local-exchange carriers from rate-of-return pricing restrictions. In Florida, legislation was enacted removing an earnings cap beginning in January 1996 concurrent with the opening of the local-exchange market to competition. In Texas, GTE agreed to a six-year price plan while opening the local-exchange market to competition. This plan removes an earnings cap, establishes a universal service mechanism, and requires certain capital spending levels to provide enhanced service capabilities. During 1995 several other states began to consider opening the local-exchange market to competition and associated issues involved in interconnection arrangements, universal service and other issues.

As of the beginning of 1996 approximately 60% of GTE's domestic access lines no longer operate under traditional rate-of-return regulations and have adopted incentive regulation plans for intrastate service.

Interstate access prices charged to interexchange carriers are based on an annual price cap filing with the Federal Communications Commission (FCC), which is effective in July of each year. The pricing formulas allow a local-exchange carrier to select higher productivity factors, which reduce prices, in return for reducing or eliminating a rate-of-return cap. GTE selected a 4% productivity factor in jurisdictions representing approximately half of its access lines and a 5.3% factor for others. The jurisdictions that have a 5.3% productivity factor do not have an earnings ceiling. The other jurisdictions require 50% sharing with customers for returns between 12.25% and 13.25% and a 100% refund for returns in excess of this range. The FCC is considering how the price cap plan should be modified in the future in order to adapt the system to the emergence of competition.

Internationally, the pace of regulatory and competitive change has also accelerated. In Canada, the Canadian Radio-television and Telecommunications Commission, the telecommunications regulatory authority, issued an order opening the market for toll services to full competition. To meet this competition, GTE has implemented aggressive marketing of customer services and technologically advanced product service offerings to minimize loss of market share. In addition, cost saving efforts through planned workforce reductions are being implemented. In the Dominican Republic competitive pressures for international and local toll traffic have begun to impact revenues and operating margins. However, government-approved local rate increases as well as the implementation of productivity improvement programs are expected to offset the impact of competition.

These recent legislative, judicial and regulatory developments, as well as the pace of technological change, have continued to influence industry trends and broaden competition. In virtually all aspects of their businesses, GTE's wireline and wireless operations face increasing competition from numerous sources, including interexchange carriers, competitive access providers for network access services, specialized communications companies that have constructed new systems in certain markets to bypass the local-exchange network, and wireless communications providers. Competition from local-exchange carriers, interexchange carriers, wireless and cable TV companies, as well as more recent entry by media and computer companies, is expected to increase in the rapidly changing telecommunications marketplace.

GTE supports greater competition in telecommunications provided that, overall, the actions to eliminate existing legal and regulatory barriers allow an opportunity for all service providers to participate equally in a competitive marketplace under comparable conditions.

### GTE Initiatives

In 1995, GTE continued to position itself to respond aggressively to competitive developments and benefit from new opportunities.

During 1995, GTE continued the implementation of the $1.4 billion re-engineering program for its U.S. Telephone Operations. Since the program began in 1994, 258 work centers have been consolidated to 58 and the company's workforce has been reduced by more than 12,000. Costs of $858 million have been charged to the restructuring reserve—$585 million related to customer service processes, $103 million related to administrative processes and $170 million related to the consolidation of facilities. These costs were primarily associated with the closure and relocation of various centers, software enhancements and separation benefits associated with the workforce reductions. The continued implementation of this program positions GTE to accelerate delivery of a full array of voice, video and data services and to reach its stated objective of being the easiest company to do business with in the industry.

In May 1995, the FCC approved GTE's applications to construct new fiber-optic and coaxial-cable video networks in Ventura County, Calif., and Pasco and Pinellas Counties, Fla. GTE expects to begin delivery of video services to customers during 1996.

In August 1995, GTE signed a definitive agreement to join The Walt Disney Company, Ameritech Corporation, BellSouth Corporation and SBC Communications, Inc. as an equal partner in americast,™ a venture designed to provide video programming and interactive services for millions of American households. GTE's involvement strengthens the venture by increasing its combined reach from 50 million to 68 million access lines in 33 states.

GTE and its three other telecommunications partners will distribute, through their local broadband networks, video programming developed by The Walt Disney Company. In addition, GTE will invest in the necessary equipment to deliver programming to its customers. These activities will strengthen GTE's existing activities in video. GTE Interactive Media and GTE mainStreet give GTE the ability to develop, market, publish and distribute video games and interactive programs as well as explore new technologies.

In late 1995, GTE entered the Internet access business. Initially the service will be targeted to schools, universities and business customers. GTE.net, a first step, paves the way for a nationwide data-network infrastructure, allowing GTE to enter new markets and to develop new products and services.

In March 1995, GTE acquired the Seattle, Atlanta and Cincinnati markets for wireless PCS through an auction by the FCC for 1.8 GHz broadband spectrum licenses. Once construction of the network is complete, this will provide GTE with new market coverage and create a more complete "footprint" in several large markets. The Seattle market, already served by GTE wireline service, will be enhanced with wireless offerings, enabling GTE to provide a full bundle of communication services to consumers. The new spectrum in Atlanta and Cincinnati will allow GTE to build on its cluster strategy and to expand an already strong cellular presence.

To capitalize on opportunities for long-term profitable growth, GTE is actively pursuing expansion of its international operations. Specifically, GTE has formed an alliance in Mexico to pursue opportunities when Mexico's telecommunications market opens to competition in 1997. The alliance intends to provide national and international long-distance services.

In China, GTE has formed an alliance with China United Telecommunication Corporation for various projects relating to the development of China's second telecommunications network. Additionally in 1996, GTE established a joint venture with a leading Chinese wireless telecommunications operator. GTE will initially invest approximately $28 million, which will be used to design, build and install wireless networks, provide training and offer technical consulting. The venture's first project is to support a wireless paging system that will eventually encompass 25 cities, including Beijing.

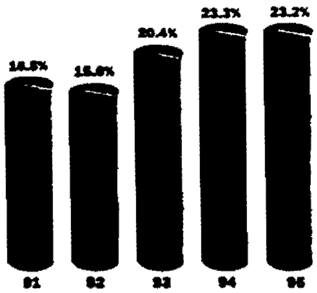
Early in 1995, GTE, as leader of the CTI consortium, completed the construction of a network to provide wireless service to most of Argentina. CTI ended 1995 with over 100,000 customers served by the network. Long-term financing was arranged for CTI in late 1995.

## Capital Investment, Resources and Liquidity

### Return on Equity

GTE's return on average common equity was 23.2% in 1995 compared with 23.3% in 1994, before considering the extraordinary charges in 1995 and the gains on the sales of certain nonstrategic domestic local-exchange telephone properties in both years.

**Consolidated Return on Equity**
**(Excludes Special Items)**

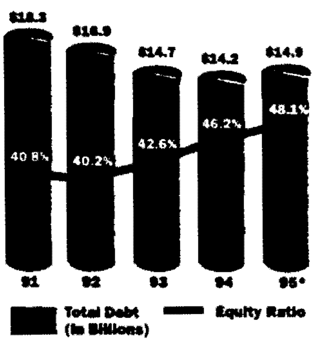



### Capitalization

GTE targets a capital structure and overall credit position that is appropriate for an "A" rated company. This allows GTE's shareholders to enjoy the benefits of reasonable financial leverage, while also protecting debtholder interests and ensuring ready access to the capital markets. During 1995, GTE announced plans to repurchase up to 20 million shares of its currently issued common stock from time to time, depending on market conditions. The shares will be used to satisfy the requirements of GTE's employee benefit and dividend reinvestment programs. At the end of 1995, 3.6 million shares had been repurchased under this program.

Total equity as a percentage of total capitalization was 37.9% at the end of 1995 compared with 46.2% in 1994, primarily reflecting the impact of the extraordinary charges recorded at the end of 1995. Excluding the extraordinary charges, total equity would have been 48.1% of total capitalization at the end of 1995.

**Consolidated Debt and Equity Ratio**




*Excludes extraordinary charges

### Cash Flow

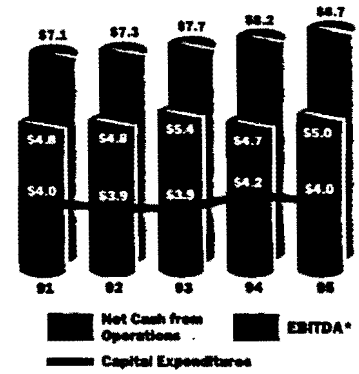
GTE's cash flow from operations increased from $4.7 billion in 1994 to $5.0 billion in 1995, reflecting improved operating results as well as lower tax payments from nonstrategic property sales and the completion of a major government telecommunications contract last year.

During 1995, GTE invested approximately $350 million to acquire PCS licenses during the FCC's auction process, as well as approximately $250 million to acquire the remaining 10% ownership of Contel Cellular Inc. that GTE did not already own.

At the end of 1995, GTE redeemed, in advance of scheduled maturity, $932 million of its telephone operating subsidiaries' high-coupon debt issues and 12 series of preferred stock totaling $71 million. The refinancing of the high-coupon debt and preferred stock will be completed during 1996.

Capital expenditures totaled $4.0 billion in 1995, about 4% below the level of expenditures in 1994. The declining requirements for conversion to digital switching systems offset expansion and enhancements of the cellular network, as well as investments in fiber optics and other enabling technologies for broadband services. In 1996, capital expenditures are expected to increase slightly for the deployment of broadband video networks in California and Florida, buildout of the new wireless PCS networks and other requirements for new revenue growth initiatives and expanded service capabilities. In 1996, GTE expects to fund dividends and the capital requirements for its businesses substantially with cash from operations. However, GTE's strong financial position allows ready access to worldwide capital markets for any additional requirements.

**Consolidated Cash Flows**
**(In Billions)**




*Represents operating income plus depreciation and amortization, excluding special items

## Forward-Looking Statements

GTE has projected earnings-per-share growth of not less than 10% for the foreseeable future. GTE has also projected that revenue will grow by a range of 6% to 8%. In addition, GTE expects net income from existing international operations to double in the next five years.

### Risk Factors

GTE's forward-looking statements are based on a series of projections and estimates regarding the economy and the telecommunications industry in general and on key performance indicators which impact the company directly. The projections and estimates regarding the telecommunications industry relate to pricing of services, the effects of competition and the success of new products and services and new businesses such as long distance.

Key performance indicators that have a direct bearing on GTE's ability to attain these projections include continuing annual growth in: telephone access lines and minutes of use; cellular volume and customers; and new and nontraditional revenues at levels that meet internal forecasts. Also, in developing its forward-looking statements, GTE has made certain assumptions relating to productivity improvements and the outcome of various commercial, legal and regulatory proceedings and lack of disruption to its markets.

If GTE's actual performance differs materially from its projections and estimates regarding the economy, the telecommunications industry and key performance indicators, GTE's actual results could vary significantly from the performance projected in the forward-looking statements.

## Report of Independent Public Accountants

To the Board of Directors and
Shareholders of GTE Corporation:

We have audited the consolidated financial statements of GTE Corporation (a New York corporation) and subsidiaries as of December 31, 1995 and 1994 and for each of the three years in the period ended December 31, 1995 as set forth on pages 25 through 38 of this report. 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 consolidated 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 financial statements referred to above present fairly, in all material respects, the financial position of GTE 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 2 to the consolidated financial statements, in 1995 the company discontinued applying the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation."

Arthur Andersen LLP

Stamford, Connecticut
January 25, 1996

## Management Report

To Our Shareholders:

The management of GTE is responsible for the integrity and objectivity of the financial and operating information contained in this annual report, including the consolidated financial statements covered by the Report of Independent Public Accountants. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

The company has a system of internal accounting controls which provides management with reasonable assurance that transactions are recorded and executed in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are maintained so as to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors. The company also has instituted policies and guidelines which require employees to maintain the highest level of ethical standards.

In addition, the Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent public accountants to review internal accounting controls, audit results and accounting principles and practices, and annually recommends to the Board of Directors the selection of independent public accountants.

Charles R. Lee

Charles R. Lee
Chairman and
Chief Executive Officer

J. Michael Kelly

J. Michael Kelly
Senior Vice President–Finance and
Chief Financial Officer

# SELECTED FINANCIAL DATA

**GTE Corporation and Subsidiaries**

| (Millions of Dollars, Except Per-Share Amounts) | 1995 | 1994 | 1993 | 1992 | 1991 | Five-Year Annual Growth Rate* |
|---|---|---|---|---|---|---|
| **Results of Operations** | | | | | | |
| Revenues and sales | | | | | | |
| Local services | **$ 5,839** | $ 5,234 | $ 5,159 | $ 4,932 | $ 4,746 | 4.5% |
| Network access services—interstate | **2,741** | 2,722 | 2,690 | 2,774 | 2,713 | .2 |
| —intrastate | **1,622** | 1,626 | 1,708 | 1,703 | 1,652 | .4 |
| Toll services | **2,548** | 3,285 | 3,321 | 3,388 | 3,482 | (4.9) |
| Cellular services | **2,191** | 1,666 | 1,178 | 929 | 726 | 32.9 |
| Directory services | **1,383** | 1,372 | 1,438 | 1,405 | 1,466 | 1.7 |
| Other services and sales | **3,633** | 3,623 | 3,838 | 4,394 | 4,321 | (4.9) |
| Total revenues and sales | **19,957** | 19,528 | 19,332 | 19,525 | 19,106 | 1.2 |
| Cost of services and sales | **7,537** | 7,677 | 7,848 | 8,229 | 8,157 | (1.6) |
| Selling, general and administrative | **3,689** | 3,667 | 3,817 | 3,977 | 3,826 | (.3) |
| Depreciation and amortization | **3,675** | 3,432 | 3,419 | 3,289 | 3,254 | 2.6 |
| Restructuring and merger costs | **—** | — | 1,840[a] | — | 342[b] | — |
| Operating income | **5,056** | 4,752 | 2,408[c] | 4,030 | 3,527 | 5.9 |
| Net income (loss)[f] | | | | | | |
| Continuing operations[d] | **2,538** | 2,441 | 972 | 1,761 | 1,492[b] | 9.8 |
| Consolidated[e] | **(2,144)** | 2,441 | 882 | (780)[f] | 1,543[f] | — |
| Earnings (loss) per common share[f] | | | | | | |
| Continuing operations[d] | **2.62** | 2.55 | 1.03 | 1.95 | 1.69[b] | 7.2 |
| Consolidated[e] | **(2.21)** | 2.55 | .93 | (.86)[f] | 1.75[f] | — |
| Common dividends declared per share | **1.88** | 1.88 | 1.85 | 1.76 | 1.64 | 4.4 |
| Book value per share | **7.05**[e] | 10.85 | 9.96 | 10.61 | 12.21 | (8.2) |
| Average common shares outstanding (in millions) | **970** | 958 | 945 | 905 | 882 | 2.5 |
| **Assets and Capital** | | | | | | |
| Consolidated assets | **37,019**[e] | 42,500 | 41,575 | 42,144 | 42,437 | (1.2) |
| Long-term debt and redeemable preferred stock | **12,744** | 12,236 | 13,103 | 14,277 | 16,153 | (3.9) |
| Shareholders' equity | **6,871**[e] | 10,483 | 9,593 | 10,076 | 11,313 | (6.9) |
| Cash from continuing operations | **5,033** | 4,740 | 5,373 | 4,832 | 4,643 | 2.8 |
| Capital expenditures | **4,034** | 4,192 | 3,893 | 3,909 | 3,965 | .1 |
| **Consolidated Ratios and Other Information** | | | | | | |
| Return on common equity[f] | **(20.3)%** | 24.8% | 8.8% | (8.8)% | 14.8% | — |
| Return on investment[f] | **(4.2)%** | 13.1% | 6.9% | 1.3 % | 9.4% | — |
| Average common equity | **10,539** | 9,838 | 10,030 | 8,832 | 10,434 | 1.0 |
| Equity ratio | **37.9%**[e] | 46.2% | 42.6% | 40.2% | 40.8% | — |
| Average investment | **27,150** | 25,647 | 27,322 | 28,057 | 29,418 | (1.3) |
| Research and development | **137** | 139 | 135 | 159 | 155 | (1.4) |
| Employees (in thousands) | | | | | | |
| Total | **106** | 111 | 117 | 129 | 159 | (9.9) |
| United States | **85** | 89 | 94 | 104 | 124 | (9.6) |
| **International Operations (included above)**[g] | | | | | | |
| Revenues and sales | **$ 2,583** | $ 2,616 | $ 2,520 | $ 2,401 | $ 2,317 | 3.9 |
| Income before extraordinary charges | **220** | 276 | 328 | 244 | 227 | 1.3 |
| Total assets | **6,210** | 5,826 | 6,096 | 5,963 | 5,757 | 4.5 |

Notes to Selected Financial Data appear on page 26.

## GTE Corporation and Subsidiaries

| (Millions of Dollars) | **1995** | 1994 | 1993 | 1992 | 1991 | Five-Year Annual Growth Rate* |
|---|---|---|---|---|---|---|
| **Network Statistics** | | | | | | |
| Access minutes of use (in millions) | **64,417** | 59,247 | 55,864 | 52,180 | 48,169 | 7.5% |
| Access lines (in thousands) | | | | | | |
| Total[h] | **24,135** | 22,805 | 22,043 | 21,427 | 20,481 | 5.1 |
| United States[h] | **18,527** | 17,442 | 17,073 | 16,819 | 16,233 | 3.0 |
| Switched | **16,665** | 16,037 | 15,929 | 15,835 | 15,338 | 2.0 |
| U.S. lines per employee | **289** | 252 | 234 | 208 | 191 | 10.7 |
| Cellular subscribers (in thousands) | | | | | | |
| Total | **3,547** | 2,660 | 1,787 | 1,204 | 881 | 41.9 |
| United States | **3,011** | 2,339 | 1,585 | 1,090 | 811 | 39.6 |
| Adjusted "POPs" (in millions)[i] | | | | | | |
| Total | **82.4** | 68.0 | 63.4 | 60.8 | 59.9 | — |
| United States | **67.4** | 53.0 | 53.0 | 53.1 | 52.2 | 4.0 |
| U.S. Telephone Operations | | | | | | |
| Revenues and sales | **$13,375** | $13,212 | $13,162 | $13,160 | $12,950 | .9 |
| Operating income[a] | **3,621** | 3,490 | 1,962[c] | 3,284 | 3,073[b] | 1.9 |
| Operating cash flow margin | **47.8%** | 46.4% | 34.7% | 44.1% | 43.4% | — |
| Capital expenditures | **2,564** | 2,821 | 2,811 | 2,859 | 3,004 | (2.4) |
| U.S. Cellular Operations | | | | | | |
| Service revenues | **$ 2,019** | $ 1,539 | $ 1,082 | $ 853 | $ 675 | 32.7 |
| Operating income | **410** | 278 | 124 | 77 | (29)[b] | — |
| Operating cash flow margin[j] | **36.8%** | 35.3% | 31.9% | 32.9% | 21.4% | — |
| Capital expenditures | **709** | 610 | 389 | 376 | 260 | 21.2 |

* Least-squares method; percentages have been omitted where not meaningful.

(a) See Note 4 on 1993 Restructuring Costs.

(b) Reflects costs incurred in connection with the merger and integration of GTE Corporation and Contel Corporation, including $150 million and $29 million at U.S. Telephone and U.S. Cellular Operations, respectively. These costs, net of a gain on the transfer of certain cellular properties, reduced 1991 net income by $204 million, or $.23 per share.

(c) Includes a $74 million pre-tax charge ($46 million after-tax, or $.05 per share) for the cost of voluntary separation programs at U.S. Telephone Operations.

(d) 1995, 1994 and 1993 include after-tax gains of $11 million, or $.01 per share, $162 million, or $.17 per share, and $91 million, or $.10 per share, respectively, on sales of certain nonstrategic domestic local-exchange telephone properties.

(e) See Note 2 on Extraordinary Charges.

(f) 1992 reflects a noncash, after-tax charge of $2.4 billion, or $2.70 per share, for the cumulative effect of accounting changes for postretirement health care and life insurance benefits as well as income taxes, as a result of the adoption of Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and No. 109, "Accounting for Income Taxes," respectively.

1992 also includes charges totaling $100 million, or $.11 per share, associated with the sale of the Electrical Products Group, which was accounted for as a discontinued operation. 1991 includes net income from discontinued operations of $51 million, or $.06 per share (see Note 5 on Property Repositioning and Discontinued Operations).

Excluding the special items described in footnotes (a) through (f), net income, earnings per share, return on common equity and return on investment would have been:

| | **1995** | 1994 | 1993 | 1992 | 1991 | Five-Year Annual Growth Rate* |
|---|---|---|---|---|---|---|
| Net income (in millions) | **$2,527** | $2,279 | $2,077 | $1,761 | $1,696 | 10.2% |
| Earnings per share | **2.61** | 2.38 | 2.20 | 1.95 | 1.92 | 7.6 |
| Return on common equity | **23.2%** | 23.3% | 20.4% | 15.6% | 16.5% | — |
| Return on investment | **12.8%** | 12.5% | 11.2% | 9.5% | 10.1% | — |

(g) Includes GTE's international affiliates as well as international activities from domestic companies.

(h) Access lines in 1994 and 1993 exclude 448,000 and 440,000 net lines, respectively, sold during those years. Total access lines include 2.5 million, 2.3 million, 2.0 million, 1.8 million and 1.6 million lines served by CANTV in 1995-1991, respectively. GTE acquired operating control of CANTV in 1991. Excluding the effect of the CANTV acquisition and the access lines sold during 1994 and 1993, the five-year total access line growth rate was 4.3%.

(i) Represents population to be served times GTE's percentage interest in wireless markets.

(j) Represents operating income before depreciation and amortization divided by service revenues.

## Consolidated Statements of Income

### GTE Corporation and Subsidiaries

| (Millions of Dollars, Except Per-Share Amounts) | Years Ended December 31 1995 | 1994 | 1993 |
|---|---|---|---|
| **Revenues and Sales** | | | |
| Local services | **$ 5,839** | $ 5,234 | $ 5,159 |
| Network access services | **4,363** | 4,348 | 4,398 |
| Toll services | **2,548** | 3,285 | 3,321 |
| Cellular services | **2,191** | 1,666 | 1,178 |
| Directory services | **1,383** | 1,372 | 1,438 |
| Other services and sales | **3,633** | 3,623 | 3,838 |
| Total revenues and sales | **19,957** | 19,528 | 19,332 |
| **Operating Costs and Expenses** | | | |
| Cost of services and sales | **7,537** | 7,677 | 7,848 |
| Selling, general and administrative | **3,689** | 3,667 | 3,817 |
| Depreciation and amortization | **3,675** | 3,432 | 3,419 |
| Restructuring | **—** | — | 1,840 |
| Total operating costs and expenses | **14,901** | 14,776 | 16,924 |
| **Operating Income** | **5,056** | 4,752 | 2,408 |
| **Other (Income) Expense** | | | |
| Interest—net | **1,047** | 1,059 | 1,197 |
| Other—net | **5** | (280) | (329) |
| Income before income taxes | **4,004** | 3,973 | 1,540 |
| Income taxes | **1,466** | 1,532 | 568 |
| Income before extraordinary charges | **2,538** | 2,441 | 972 |
| Extraordinary charges | **(4,682)** | — | (90) |
| **Net Income (Loss)** | **$ (2,144)** | $ 2,441 | $ 882 |
| **Earnings (Loss) Per Common Share** | | | |
| Before extraordinary charges | **$ 2.62** | $ 2.55 | $ 1.03 |
| Extraordinary charges | **(4.83)** | — | (.10) |
| **Net Income (Loss)** | **$ (2.21)** | $ 2.55 | $ .93 |
| Average common shares outstanding (in millions) | **970** | 958 | 945 |

See Notes to Consolidated Financial Statements.

## Consolidated Balance Sheets

### GTE Corporation and Subsidiaries

| (Millions of Dollars) | December 31 1995 | 1994 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and temporary investments | $ 332 | $ 323 |
| Receivables, less allowances of $263 and $207 | 4,227 | 4,022 |
| Inventories and supplies | 719 | 676 |
| Deferred income tax benefits | 330 | 321 |
| Other | 284 | 292 |
| Total current assets | 5,892 | 5,634 |
| Property, plant and equipment, net | 22,437 | 29,328 |
| Employee benefit plans | 3,058 | 2,529 |
| Franchises, goodwill and other intangibles | 2,765 | 2,149 |
| Investments in unconsolidated companies | 1,745 | 1,551 |
| Other assets | 1,122 | 1,309 |
| Total assets | $37,019 | $42,500 |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Short-term obligations, including current maturities | $ 2,156 | $ 2,042 |
| Accounts payable and accrued expenses | 3,858 | 4,010 |
| Taxes payable | 890 | 871 |
| Accrued restructuring costs | 512 | 436 |
| Dividends payable | 476 | 472 |
| Other | 420 | 390 |
| Total current liabilities | 8,312 | 8,221 |
| Long-term debt | 12,744 | 12,163 |
| Employee benefit plans | 4,638 | 4,651 |
| Deferred income taxes | 1,203 | 3,522 |
| Minority interests in equity of subsidiaries | 2,230 | 1,658 |
| Other liabilities | 1,021 | 1,729 |
| Total liabilities | 30,148 | 31,944 |
| **Preferred Stock, subject to mandatory redemption** | — | 73 |
| **Shareholders' Equity** | | |
| Preferred stock | — | 10 |
| Common stock—shares issued 977,483,844 and 965,084,925 | 49 | 48 |
| Additional paid-in capital | 8,049 | 7,627 |
| Retained earnings (deficit) | (534) | 3,422 |
| Guaranteed ESOP obligations | (603) | (624) |
| Treasury stock—2,423,284 shares in 1995, at cost | (90) | — |
| Total shareholders' equity | 6,871 | 10,483 |
| Total liabilities and shareholders' equity | $37,019 | $42,500 |

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows
### GTE Corporation and Subsidiaries

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| | Years Ended December 31 | | |
| **Operations** | | | |
| Income before extraordinary charges | $ 2,538 | $ 2,441 | $ 972 |
| Adjustments to reconcile income before extraordinary charges to net cash from operations: | | | |
| Depreciation and amortization | 3,675 | 3,432 | 3,419 |
| Deferred income taxes | 484 | 248 | (864) |
| Restructuring costs | — | — | 1,840 |
| Changes in current assets and current liabilities, excluding the effects of acquisitions and dispositions: | | | |
| Receivables—net | (561) | (554) | (706) |
| Other current assets | (92) | (4) | 168 |
| Accrued taxes and interest | (25) | (209) | 465 |
| Other current liabilities | (598) | (262) | 60 |
| Other—net | (388) | (352) | 19 |
| Net cash from operations | 5,033 | 4,740 | 5,373 |
| **Investing** | | | |
| Capital expenditures | (4,034) | (4,192) | (3,893) |
| Acquisitions and investments | (798) | (244) | (46) |
| Proceeds from sales of assets | 314 | 1,163 | 2,267 |
| Other—net | 17 | 4 | (66) |
| Net cash used in investing | (4,501) | (3,269) | (1,738) |
| **Financing** | | | |
| Common stock issued | 385 | 422 | 383 |
| Purchase of treasury stock | (133) | — | — |
| Dividends | (1,827) | (1,806) | (1,744) |
| Long-term debt and preferred securities issued | 1,098 | 2,345 | 2,325 |
| Long-term debt and preferred securities retired | (1,553) | (1,178) | (4,539) |
| Increase (decrease) in short-term obligations, excluding current maturities | 1,529 | (1,278) | 7 |
| Other—net | (22) | 25 | (99) |
| Net cash used in financing | (523) | (1,470) | (3,667) |
| Increase (decrease) in cash and temporary investments | 9 | 1 | (32) |
| Cash and temporary investments | | | |
| Beginning of year | 323 | 322 | 354 |
| End of year | $ 332 | $ 323 | $ 322 |
| **Cash paid during the year for** | | | |
| Interest | $ 1,133 | $ 1,084 | $ 1,373 |
| Income taxes | 985 | 1,598 | 880 |

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Equity
### GTE Corporation and Subsidiaries

| (Millions of Dollars) | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings (Deficit) | Guaranteed ESOP Obligations | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| **Shareholders' Equity, December 31, 1992** | $ 112 | $ 47 | $ 7,134 | $ 3,621 | $ (657) | $ (181) | $ 10,076 |
| Net income |  |  |  | 882 |  |  | 882 |
| Dividends declared |  |  |  | (1,748) |  |  | (1,748) |
| Common stock issued under employee and shareholder plans (6,614,705 shares) |  | 1 | 201 |  |  |  | 202 |
| Treasury stock issued (5,616,851 shares) |  |  |  |  |  | 181 | 181 |
| Other | (1) |  | (26) | 14 | 13 |  | — |
| **Shareholders' Equity, December 31, 1993** | 111 | 48 | 7,309 | 2,769 | (644) | — | 9,593 |
| Net income |  |  |  | 2,441 |  |  | 2,441 |
| Dividends declared |  |  |  | (1,800) |  |  | (1,800) |
| Common stock issued under employee and shareholder plans (13,323,033 shares) |  |  | 395 |  |  |  | 395 |
| Retirement of preferred stock (4,000,000 shares) | (100) |  |  |  |  |  | (100) |
| Other | (1) |  | (77) | 12 | 20 |  | (46) |
| **Shareholders' Equity, December 31, 1994** | 10 | 48 | 7,627 | 3,422 | (624) | — | 10,483 |
| Net loss |  |  |  | (2,144) |  |  | (2,144) |
| Dividends declared |  |  |  | (1,824) |  |  | (1,824) |
| Common stock issued under employee and shareholder plans (12,398,919 shares) |  | 1 | 369 |  |  |  | 370 |
| Purchase of treasury stock (3,589,200 shares) |  |  |  |  |  | (133) | (133) |
| Treasury stock issued (1,165,916 shares) |  |  |  |  |  | 43 | 43 |
| Retirement of preferred stock (265,895 shares) | (10) |  |  |  |  |  | (10) |
| Other |  |  | 53 | 12 | 21 |  | 86 |
| **Shareholders' Equity, December 31, 1995** | **$ —** | **$49** | **$8,049** | **$ (534)** | **$(603)** | **$ (90)** | **$ 6,871** |

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

**GTE Corporation and Subsidiaries**

### 1. Summary of Significant Accounting Policies

**Description of Business**

GTE Corporation and subsidiaries (GTE) is the largest U.S.-based local telephone company. GTE's domestic and international operations serve 24.1 million access lines in the United States, Canada, the Dominican Republic and Venezuela. Domestically, GTE is a leading mobile-cellular operator with the potential of serving 67 million cellular and personal communications service customers. Outside the United States, GTE operates mobile-cellular networks serving some 15 million POPs through affiliates in Canada, the Dominican Republic, Venezuela and Argentina. GTE is also a leader in government and defense communications systems and equipment, aircraft-passenger telecommunications, directories and telecommunications-based information services and systems.

**Basis of Presentation**

GTE prepares its consolidated financial statements in accordance with generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

The consolidated financial statements of GTE include the accounts of all majority-owned subsidiaries. All significant intercompany amounts have been eliminated. Investments in 20%-50% owned companies are accounted for on the equity basis. Investments of less than 20% are generally accounted for on the cost basis.

GTE's telephone subsidiaries discontinued applying the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (FAS 71), in the fourth quarter of 1995 (see Note 2). The 1995 financial statement presentation reflects account classifications consistent with unregulated enterprises operating in a competitive environment. Specifically, intercompany sales and related costs of materials and equipment to regulated telephone operations have been eliminated. In addition, uncollectible revenue accounts have been reclassified from revenues and sales to selling, general and administrative expenses. Reclassifications of prior-year data have been made, where appropriate, to conform to the 1995 presentation.

**Revenue Recognition**

Revenues are generally recognized when services are rendered or products are delivered to customers. Long-term contracts are accounted for using the percentage of completion method, with revenues recognized in the proportion that costs incurred bear to the estimated total costs at completion. Expected losses on such contracts, if any, are charged to income currently.

**Depreciation and Amortization**

GTE's telephone subsidiaries have historically provided for depreciation on a straight-line basis over asset lives approved by regulators. Beginning in 1996, GTE's telephone subsidiaries will provide for depreciation on a straight-line basis over the estimated economic lives of their assets (see Note 2). All other subsidiaries provide for depreciation over the estimated economic lives of assets using the straight-line method.

Franchises, goodwill and other intangibles are amortized on a straight-line basis over the periods to be benefited, or 40 years, whichever is less. Amortization expense for consolidated subsidiaries was $87 million, $71 million and $83 million in 1995-93, respectively. Accumulated amortization was $404 million and $319 million at December 31, 1995 and 1994, respectively.

Goodwill resulting from investments in unconsolidated subsidiaries is also amortized on a straight-line basis over the periods to be benefited, or 40 years, whichever is less.

**Foreign Currency Translation**

Assets and liabilities of subsidiaries operating in foreign countries, except those operating in highly inflationary economies, are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in shareholders' equity. Translation gains and losses of affiliates operating in highly inflationary economies are included in net income as they occur.

**Employee Benefit Plans**

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on accumulated benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits. Material curtailment/settlement gains and losses associated with employee separations are recognized in the period in which they occur.

### Income Taxes

Deferred tax assets and liabilities are established for temporary differences between financial and tax reporting bases and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely.

Deferred income taxes are not provided on undistributed earnings of foreign subsidiaries, aggregating approximately $381 million at December 31, 1995, as such earnings are expected to be permanently reinvested in those companies.

### Computer Software

The cost of computer software for internal use, except initial operating system software, is charged to expense as incurred. Initial operating system software is capitalized and amortized over the life of the related hardware.

### Earnings Per Share

Earnings per common share is computed by dividing net income (loss) applicable to common stock by the weighted average number of common shares outstanding during the period. Common share equivalents have been excluded from this computation since they do not have a dilutive effect of 3% or more.

### Cash and Temporary Investments

Cash and temporary investments include investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

### Inventories and Supplies

Inventories and supplies are stated at the lower of cost, determined principally by the average cost method, or net realizable value.

### Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (FAS 121) in March 1995, which is effective January 1, 1996. FAS 121 requires that an impairment loss be recognized when circumstances indicate that the carrying amount of an asset may not be recoverable. Historically, GTE has used a methodology similar to FAS 121 in determining the amount of an impairment. Accordingly, the issuance of FAS 121 will not have a significant impact on GTE's consolidated financial statements.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123). As permitted by FAS 123, GTE will continue to apply the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and adopt the disclosure requirements of FAS 123 beginning in 1996. Accordingly, the issuance of FAS 123 will not impact GTE's consolidated financial statements.

## 2. Extraordinary Charges

In response to recently enacted and pending legislation and the increasingly competitive environment in which GTE's telephone subsidiaries expect to operate, GTE discontinued the use of FAS 71 in the fourth quarter of 1995. During 1995, 10 states in which GTE's telephone subsidiaries operate, including California, Florida and Texas, passed or initiated legislation allowing local competition. Furthermore, there has been a shift in the manner in which GTE's telephone subsidiaries are regulated; at the beginning of 1996, approximately 70% of GTE's domestic telephone service revenues were subject to alternative forms of regulation.

In general, FAS 71 required GTE's telephone subsidiaries to depreciate their telephone plant and equipment over lives approved by regulators that, in many cases, extended beyond the assets' economic lives. FAS 71 also required the deferral of certain costs based upon approvals received from regulators to recover such costs in the future. As a result of these requirements, the recorded net book value of GTE's assets, primarily telephone plant and equipment, were in many cases higher than that which would otherwise have been recorded based on their economic lives.

As a result of the decision to discontinue FAS 71, GTE recorded a noncash, after-tax extraordinary charge of $4.6 billion (net of tax benefits of $2.8 billion), or $4.79 per share, in the fourth quarter of 1995. The charge primarily represents a reduction in the net book value of telephone plant and equipment of GTE's domestic telephone subsidiaries through an increase in accumulated depreciation. The amount of the charge was based on an analysis of the discounted cash flows expected to be generated by the embedded telephone plant and equipment over their remaining economic lives. In addition to the one-time charge, GTE, beginning in 1996, will shorten the depreciable lives of its telephone plant and equipment as follows as a result of the discontinuation of FAS 71:

| | Depreciable Lives | |
|---|---|---|
| Asset Category | Before | After |
| Copper | 20-30 | 15 |
| Switching | 17-19 | 10 |
| Circuit | 11-13 | 8 |
| Fiber | 25-30 | 20 |

As a result of these transactions, GTE recorded pre-tax gains in 1994 and 1993 of $264 million and $168 million, respectively. In addition, during 1995, GTE sold approximately 10,000 access lines for $30 million in cash, resulting in a pre-tax gain of $16 million. These gains are included in "Other—net" in the accompanying consolidated statements of income.

In January 1993, GTE sold its previously discontinued worldwide Electrical Products Group. The aggregate sales price, which included the assumption of debt, totaled approximately $1.2 billion.

## 6. Shareholders' Equity

### Preferred Stock

During 1995, GTE retired prior to stated maturity, its non-redeemable preferred stock of approximately $10 million (see Note 2). Preferred stock had voting rights generally on an equal basis with common stock. Dividends were cumulative on all preferred stock.

### Common Stock

The authorized common stock of GTE at December 31, 1995 consisted of two billion shares with a par value of $.05 per share. In August 1995, GTE's Board of Directors authorized repurchasing up to 20 million shares of GTE common stock in the open market or in privately negotiated transactions. The repurchase of shares will occur from time to time through year-end 1996, depending on market conditions. The shares will be used to satisfy the requirements of GTE's employee benefit and dividend reinvestment programs.

### Additional Paid-in Capital

Additional paid-in capital includes the cumulative foreign currency translation adjustment of ($192) million, ($207) million and ($168) million at December 31, 1995-93, respectively, and the cumulative unrealized gains (losses) on investments in debt and equity securities of $20 million, ($22) million and $16 million at December 31, 1995-93, respectively.

## 7. Stock Option and Shareholder Rights Plans

### Stock Option Plans

GTE maintains stock option plans for key management employees. The options may be granted separately or in conjunction with stock appreciation rights. The options allow the purchase of GTE common stock at the market price on the date of grant and have a term of 10 years. The options vest over periods not exceeding four years.

The number of shares that are available for granting in each year is limited to four tenths of one percent of GTE's outstanding common stock as of December 31 of the preceding year. Any unused amount is carried forward and made available for granting in the subsequent year.

The following table summarizes stock option activity during each of the last three years:

| (Number of Options in Thousands) | Stock Options | Average Price |
|---|---|---|
| Balance, December 31, 1992 | 7,728 | $ 27.88 |
| Options granted | 1,989 | 35.24 |
| Options exercised | (1,195) | 23.99 |
| Options cancelled or forfeited | (50) | 23.21 |
| Balance, December 31, 1993 | 8,472 | 30.19 |
| Options granted | 4,118 | 32.53 |
| Options exercised | (173) | 25.09 |
| Options cancelled or forfeited | (153) | 33.12 |
| Balance, December 31, 1994 | 12,264 | 31.01 |
| Options granted | 5,728 | 33.54 |
| Options exercised | (2,375) | 29.17 |
| Options cancelled or forfeited | (183) | 33.16 |
| **Balance, December 31, 1995** | **15,434** | **$32.21** |

At December 31, 1995, 6.9 million options were exercisable.

### Shareholder Rights Plan

GTE maintains a shareholder rights plan. Under the original provisions of this plan, a right to purchase one one-thousandth of a share of series A participating no par preferred stock for $200 (a "Right") was granted for each outstanding share of GTE common stock. As a result of a two-for-one stock split effected after the adoption of the plan, each share of GTE common stock is currently entitled to one-half of a Right. The Rights become exercisable only if a person or group, without GTE's prior consent, (i) acquires or commences a tender or exchange offer for 20% or more of GTE common stock, or (ii) acquires 10% or more of GTE common stock and executes an agreement with GTE to effect a merger or other business combination. The Rights have certain anti-takeover effects. The Rights are designed to cause substantial dilution to a person or group that attempts to acquire GTE on terms not approved by GTE's Board of Directors. The Rights may be redeemed by GTE at a price of $.01 per right, at any time prior to becoming exercisable. Rights that are not redeemed or exercised will expire on December 7, 1999.

## 8. Minority Interests

Minority interests in equity of subsidiaries includes the following:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Minority interests in consolidated subsidiaries: | | |
| BC TEL (50.7% GTE ownership) | **$ 721** | $ 659 |
| Quebec Telephone (50.3% GTE ownership) | **81** | 79 |
| Cellular partnerships and other | **117** | 114 |
| Preferred securities issued by subsidiaries | **1,311** | 806 |
| Total minority interests in equity of subsidiaries | **$2,230** | $1,658 |

Preferred securities issued by subsidiaries at December 31, 1995 and 1994 include $1.0 billion and $489 million, respectively, of Monthly Income Preferred Securities which are subject to mandatory redemption. These securities issued by GTE Delaware, a limited partnership holding solely GTE debentures, have cumulative annual dividend rates of 8.75% and 9.25% and maturities of 30 years.

## 9. Debt

Long-term debt as of December 31 was as follows:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| GTE Corporation: | | |
| Debentures, maturing 1998 through 2023, average rate 9.0% | **$ 3,350** | $ 3,350 |
| Guaranteed ESOP obligations, maturing 1997-2005, average rate 9.7% | **624** | 649 |
| Sinking fund debenture, maturing in 2017, at a rate of 10.8% | **200** | 200 |
| | **4,174** | 4,199 |
| Telephone Subsidiaries: | | |
| First mortgage bonds, sinking fund debentures and notes, maturing through 2031, average rates 7.6% and 7.7% | **6,741** | 7,343 |
| Other Subsidiaries: | | |
| Sinking fund debentures and notes, maturing through 2010, average rates 7.7% and 7.6% | **1,078** | 1,301 |
| Commercial paper expected to be refinanced on a long-term basis | **1,306** | — |
| Total principal amount | **13,299** | 12,843 |
| Less: discount and premium—net | **(62)** | (77) |
| Total | **13,237** | 12,766 |
| Less: current maturities | **(493)** | (603) |
| Total long-term debt | **$12,744** | $12,163 |

Estimated payments of long-term debt during the next five years are: $493 million in 1996; $744 million in 1997; $1,272 million in 1998; $1,037 million in 1999, and $889 million in 2000.

GTE's telephone subsidiaries finance part of their construction programs through the use of short-term loans, including commercial paper, which are refinanced at later dates by issues of long-term debt or equity.

Total short-term obligations were as follows:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Commercial paper—average rates 5.9% and 6.0% | **$1,650** | $1,411 |
| Notes payable to banks—average rates 9.7% and 8.3% | **13** | 28 |
| Current maturities of long-term debt | **493** | 603 |
| Total | **$2,156** | $2,042 |

GTE and its subsidiaries had available lines of credit aggregating $4.5 billion at December 31, 1995.

## 10. Financial Instruments

GTE enters into a variety of financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates, and in compensation expense related to GTE's common stock price appreciation. Amounts to be paid or received under interest rate swaps are accrued as interest expense. Gains or losses on foreign currency contracts are recognized based on changes in exchange rates, as are offsetting foreign exchange gains or losses on the foreign currency obligations being hedged. Gains or losses on purchased options indexed to GTE's common stock, which hedge GTE's exposure to compensation expense related to outstanding stock appreciation rights (SARs), are recognized based on fluctuations in the market price of GTE's common stock. Gains or losses recognized on purchased options offset SAR expense or income in GTE's consolidated statements of income.

At December 31, 1995, GTE had entered into interest rate swap agreements to convert $516 million of floating rate long-term and short-term debt to fixed rates. There were no material foreign exchange contracts outstanding at December 31, 1995. Purchased options having a contract value of $256 million were outstanding at December 31, 1995.

During 1995, GTE entered into forward contracts to sell U.S. Treasury bonds in order to hedge against changes in market interest rates during the period between the redemption and the refinancing of $850 million of the debt that GTE called and anticipates refinancing during the first half of 1996. Any gain or loss recognized upon the expiration or settlement of the forward contract will be amortized over the life of the associated refinanced debt as an offset or addition to interest expense.

The risk associated with these off-balance sheet financial instruments arises from the possible inability of counterparties to meet the contract terms and from movements in interest and exchange rates. GTE carefully evaluates and continually monitors the creditworthiness of its counterparties and believes the risk of non-performance is remote.

The fair values of financial instruments, other than long-term debt, closely approximate their carrying value. As of December 31, 1995 the estimated fair value of long-term debt based on either reference to quoted market prices or an option pricing model, exceeded the carrying value by approximately $900 million. The estimated fair value of long-term debt as of December 31, 1994 was lower than the carrying value by approximately $300 million.

## 11. Property, Plant and Equipment

GTE's property, plant and equipment is summarized as follows at December 31:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Land | $ 372 | $ 385 |
| Buildings | 4,195 | 3,971 |
| Plant and equipment | 41,115 | 38,824 |
| Work in progress and other | 5,265 | 5,365 |
| Total | 50,947 | 48,545 |
| Accumulated depreciation | (28,510) | (19,217) |
| Total property, plant and equipment—net | $ 22,437 | $ 29,328 |

Depreciation provisions in 1995-93 for GTE's telephone subsidiaries were equivalent to a composite average percentage of 7.2%, 7.0% and 6.9%, respectively.

## 12. Employee Benefit Plans

### Retirement Plans

GTE sponsors noncontributory defined benefit plans covering substantially all employees. The benefits to be paid under these plans are generally based on years of credited service and average final earnings. GTE's funding policy, subject to the minimum funding requirements of employee benefit and tax laws, is to contribute such amounts as are determined on an actuarial basis to provide the plans with assets sufficient to meet the benefit obligations of the plans. The assets of the plans consist primarily of corporate equities, government securities and corporate debt securities.

The components of the net pension credit for 1995-93 were as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Benefits earned during the year | $ 213 | $ 269 | $ 295 |
| Interest cost on projected benefit obligations | 568 | 542 | 584 |
| Return on plan assets: | | | |
| Actual | (2,420) | (29) | (2,073) |
| Deferred | 1,413 | (971) | 1,110 |
| Other—net | (177) | (168) | (174) |
| Total—net | $ (403) | $(357) | $ (258) |

The expected long-term rate of return on plan assets was 8.5% for 1995 and 1994, and 8.25% for 1993.

The funded status of the plans and the net prepaid pension cost at December 31, 1995 and 1994, were as follows:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Vested benefit obligations | $ 5,361 | $ 4,545 |
| Accumulated benefit obligations | $ 5,996 | $ 5,090 |
| Plan assets at fair value | $13,695 | $11,950 |
| Less: Projected benefit obligations | 7,732 | 6,724 |
| Excess of assets over projected obligations | 5,963 | 5,226 |
| Unrecognized net transition asset | (533) | (644) |
| Unrecognized net gain | (2,602) | (2,270) |
| Total—net | $ 2,828 | $ 2,312 |

Included in the above table are prepaid pension costs of $3.1 billion and $2.5 billion and accrued pension liabilities of $230 million and $217 million for 1995 and 1994, respectively.

Assumptions used to develop the projected benefit obligations at December 31, 1995 and 1994 were as follows:

| | 1995 | 1994 |
|---|---|---|
| Discount rate | **7.50%** | 8.25% |
| Rate of compensation increase | **5.25%** | 5.50% |

**Postretirement Benefits Other Than Pensions**

Substantially all of GTE's employees are covered under postretirement health care and life insurance benefit plans. In addition, many retirees outside the U.S. are covered by government-sponsored and administered programs. The health care benefits paid under the GTE plans are generally based on comprehensive hospital, medical and surgical benefit provisions. GTE funds amounts for postretirement benefits as deemed appropriate from time to time.

The postretirement benefit cost for 1995-93 included the following components:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Benefits earned during the year | **$ 46** | $ 57 | $ 96 |
| Interest on accumulated postretirement benefit obligations | **258** | 259 | 290 |
| Actual return on plan assets | **(41)** | 6 | (6) |
| Amortization of prior service benefits | **(50)** | (54) | (4) |
| Other—net | **17** | (14) | 2 |
| Total—net | **$230** | $254 | $378 |

The following table sets forth the plans' funded status and the accrued postretirement benefit obligations as of December 31, 1995 and 1994:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Accumulated postretirement benefit obligations attributable to: | | |
| Retirees | **$2,815** | $2,731 |
| Fully eligible active plan participants | **254** | 234 |
| Other active plan participants | **969** | 912 |
| Total accumulated postretirement benefit obligations | **4,038** | 3,877 |
| Less: Fair value of plan assets | **353** | 244 |
| Excess of accumulated obligations over plan assets | **3,685** | 3,633 |
| Unrecognized prior service benefits | **563** | 656 |
| Unrecognized net loss | **(114)** | (99) |
| Total | **$4,134** | $4,190 |

The assumed discount rates used to measure the accumulated postretirement benefit obligations were 7.5% at December 31, 1995 and 8.25% at December 31, 1994. The assumed health care cost trend rates in 1995 and 1994 were 11% and 12% for pre-65 participants and 8.5% and 9% for post-65 retirees, each rate declining on a graduated basis to an ultimate rate in the year 2004 of 6%. A one percentage point increase in the assumed health care cost trend rates for each future year would have increased 1995 costs by $34 million and the accumulated postretirement benefit obligation as of December 31, 1995 by $381 million.

During 1993, GTE made certain changes to its postretirement health care and life insurance benefits for nonunion employees retiring on or after January 1, 1995. These changes include, among others, newly established limits to GTE's annual contribution to postretirement medical costs and a revised cost sharing schedule based on a retiree's years of service. The resulting unrecognized prior service benefits are being amortized over the remaining service lives of the employees.

**Savings and Stock Ownership Plans**

GTE sponsors employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, GTE provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were $85 million, $76 million and $66 million in the years 1995-93, respectively.

GTE maintains an Employee Stock Ownership Plan (ESOP). In 1989, the ESOP borrowed $700 million to acquire, at market value, 24.6 million shares of GTE common stock, which will be used to provide a portion of GTE's contributions to certain employee savings plans through the year 2004. The unpaid balance of the loan, which has been guaranteed by GTE, is included in the accompanying consolidated balance sheets as long-term debt with a similar reduction in shareholders' equity. The debt service payments, including interest, made by the ESOP for the years 1995-93 totaled $88 million, $84 million and $81 million, respectively. These payments were funded by $45 million, $46 million and $46 million of dividends accumulated on the GTE stock held by the ESOP and by $43 million, $38 million and $35 million of cash contributions by GTE in 1995-93, respectively.

## 13. Interest—Net

The components of interest—net are as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Interest expense | **$1,151** | $1,139 | $1,298 |
| Interest capitalized | **(49)** | (28) | (40) |
| Interest income | **(55)** | (52) | (61) |
| Total | **$1,047** | $1,059 | $1,197 |

## 14. Other—Net

The components of other—net are as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Minority interests | **$ 227** | $ 140 | $ 112 |
| Preferred dividends | **22** | 28 | 40 |
| Equity in (income) loss of unconsolidated companies: | | | |
| CANTV | **(36)** | (9) | (83) |
| CTI | **33** | 18 | — |
| Cellular partnerships and other | **(104)** | (83) | (81) |
| Gains on sales of nonstrategic telephone properties | **(16)** | (264) | (168) |
| Gains on sales of nonstrategic cellular properties and other | **(121)** | (110) | (149) |
| Total | **$ 5** | $(280) | $(329) |

## 15. Income Taxes

Income before income taxes is as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Domestic | **$3,550** | $3,465 | $ 984 |
| Foreign | **454** | 508 | 556 |
| Total | **$4,004** | $3,973 | $1,540 |

The income tax provision (benefit) is as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Current: | | | |
| Federal | **$ 711** | $ 927 | $1,088 |
| Foreign | **173** | 192 | 183 |
| State and local | **98** | 165 | 161 |
| | **982** | 1,284 | 1,432 |
| Deferred: | | | |
| Federal | **439** | 269 | (682) |
| Foreign | **14** | (1) | 2 |
| State and local | **90** | 56 | (100) |
| | **543** | 324 | (780) |
| Amortization of deferred investment tax credits—net | **(59)** | (76) | (84) |
| Total | **$1,466** | $1,532 | $ 568 |

The amortization of deferred investment tax credits—net, relates to the amortization of investment tax credits previously deferred by GTE's telephone subsidiaries.

A reconciliation between taxes computed by applying the statutory federal income tax rate to pre-tax income and income taxes provided in the consolidated statements of income is as follows:

| (Millions of Dollars) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Amounts computed at statutory rates | **$1,401** | $1,391 | $539 |
| State and local income taxes, net of federal tax benefits | **122** | 144 | 40 |
| Minority interests and preferred stock dividends | **43** | 42 | 46 |
| Amortization of investment tax credits—net | **(59)** | (76) | (84) |
| Other differences—net | **(41)** | 31 | 27 |
| Total provision | **$1,466** | $1,532 | $568 |

The tax effects of temporary differences that give rise to the current deferred income tax benefits and deferred income tax liabilities at December 31, 1995 and 1994 are as follows:

| (Millions of Dollars) | 1995 | 1994 |
|---|---|---|
| Depreciation and amortization | **$ 1,605** | $ 4,165 |
| Employee benefit obligations | **(1,899)** | (1,853) |
| Restructuring costs | **(197)** | (368) |
| Employee benefit plans | **971** | 783 |
| Investment tax credits | **138** | 226 |
| Other—net | **255** | 248 |
| Total | **$ 873** | $ 3,201 |

## 16. Commitments and Contingencies

GTE has noncancelable operating leases covering certain buildings, office space and equipment. Rental expense was $384 million, $419 million, and $459 million in 1995-93, respectively. Minimum rental commitments under noncancelable leases through 2000 do not exceed $225 million annually and aggregate $829 million thereafter.

GTE and its unconsolidated subsidiaries are subject to a number of proceedings arising out of the conduct of its business, including those relating to regulatory actions, commercial transactions, government contracts and environmental, safety and health matters. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of GTE.

Recent judicial and regulatory developments, as well as the pace of technological change, have continued to influence industry trends, including accelerating and expanding the level of competition. As a result, GTE's wireline and wireless operations face increasing competition in virtually all aspects of their business. GTE supports greater competition in telecommunications provided that, overall, the actions to eliminate existing legal and regulatory barriers allow an opportunity for all service providers to participate equally in a competitive marketplace under comparable conditions.

## GTE Corporation and Subsidiaries

(Unaudited)

| (Millions of Dollars. Except Per-Share Amounts) | 1st QTR 1995 | 1st QTR 1994 | 2nd QTR[a] 1995 | 2nd QTR[a] 1994 | 3rd QTR[b] 1995 | 3rd QTR[b] 1994 | 4th QTR[c] 1995 | 4th QTR[c] 1994 |
|---|---|---|---|---|---|---|---|---|
| Revenues and sales | **$4,665** | $4,658 | **$4,932** | $4,840 | **$4,996** | $4,879 | **$ 5,364** | $5,151 |
| Operating income | **1,164** | 1,067 | **1,235** | 1,175 | **1,333** | 1,228 | **1,324** | 1,282 |
| Income before extraordinary charges | **$ 543** | $ 500 | **$ 581** | $ 593 | **$ 695** | $ 657 | **$ 719** | $ 691 |
| Extraordinary charges | **—** | — | **—** | — | **—** | — | **(4,682)** | — |
| Net income (loss) | **$ 543** | $ 500 | **$ 581** | $ 593 | **$ 695** | $ 657 | **$(3,963)** | $ 691 |
| Earnings (loss) per common share: | | | | | | | | |
| Before extraordinary charges | **$ .56** | $ .52 | **$ .60** | $ .62 | **$ .72** | $ .69 | **$ .74** | $ .72 |
| Extraordinary charges | **—** | — | **—** | — | **—** | — | **(4.83)** | — |
| Net income (loss) | **$ .56** | $ .52 | **$ .60** | $ .62 | **$ .72** | $ .69 | **$ (4.09)** | $ .72 |
| Dividends declared per common share | **$ .47** | $ .47 | **$ .47** | $ .47 | **$ .47** | $ .47 | **$ .47** | $ .47 |
| Stock market price: | | | | | | | | |
| High | **$34.88** | $35.25 | **$34.88** | $33.63 | **$39.50** | $33.25 | **$ 45.13** | $31.38 |
| Low | **30.00** | 30.00 | **31.88** | 29.50 | **34.13** | 29.88 | **38.50** | 29.50 |
| Close | **33.25** | 31.00 | **34.13** | 31.00 | **39.13** | 30.38 | **43.88** | 30.38 |

(a) Second-quarter 1994 net income includes after-tax gains on sales of nonstrategic domestic local-exchange telephone properties of $71 million, or $.07 per share (see Note 5 to Consolidated Financial Statements).

(b) Third-quarter 1995 and 1994 net income includes after-tax gains on sales of nonstrategic domestic local-exchange telephone properties of $11 million, or $.01 per share, and $48 million, or $.05 per share, respectively (see Note 5 to Consolidated Financial Statements).

(c) Fourth-quarter 1995 results include after-tax, extraordinary charges of $4.7 billion, or $4.83 per share, primarily as a result of the discontinuance of regulatory accounting under Statement of Financial Accounting Standards No. 71 (see Note 2 to Consolidated Financial Statements). Fourth-quarter 1994 results include after-tax gains on sales of nonstrategic domestic local-exchange telephone properties of $43 million, or $.05 per share (see Note 5 to Consolidated Financial Statements).

## Directors

**Edwin L. Artzt**
Chairman of the Executive Committee and Director, The Procter & Gamble Company
*Manufacturer of household and industrial products*

**James R. Barker**
Chairman, The Interlake Steamship Co., and Vice Chairman, Mormac Marine Group, Inc. and the Moran Towing Company
*Ship owners and operators*

**Edward H. Budd**
Chairman of the Executive Committee and Director, Travelers Group
*Insurance and financial services*

**Kent B. Foster**
President, GTE

**James L. Johnson**
Chairman Emeritus, GTE

**Richard W. Jones**
Business Consultant, PaineWebber Incorporated
*Full-service brokerage firm*

**James L. Ketelsen**
Retired Chairman, Tenneco Inc.
*Industrial company with varied interests*

**Charles R. Lee**
Chairman and Chief Executive Officer, GTE

**Michael T. Masin**
Vice Chairman, GTE; President—International

**Sandra O. Moose**
Senior Vice President, Director and Chair of the East Coast Practice, The Boston Consulting Group, Inc.
*International management consulting group*

**Russell E. Palmer**
Chairman and Chief Executive Officer, The Palmer Group
*Private investment firm*

**Howard Sloan**
Private Investor

**Robert D. Storey**
Partner, Thompson, Hine and Flory
*Law firm*

## Corporate Officers

**Charles R. Lee**
Chairman and Chief Executive Officer

**Kent B. Foster**
President, GTE

**Michael T. Masin**
Vice Chairman; President—International

**William P. Barr**
Senior Vice President and General Counsel

**Robert C. Calafell**
Senior Vice President—Corporate Planning and Development

**Armen Der Marderosian**
Senior Vice President—Technology and Systems

**J. Michael Kelly**
Senior Vice President—Finance and Chief Financial Officer

**J. Randall MacDonald**
Senior Vice President—Human Resources and Administration

**Dan J. Cohrs**
Vice President and Treasurer

**Geoffrey C. Gould**
Vice President—Government and Federal Regulatory Affairs

**John P. Z. Kent**
Vice President—Taxes

**Thomas F. Lysaught**
Vice President—Marketing

**Lawrence R. Whitman**
Vice President and Controller

**D. Otis Wolkins**
Vice President—Quality

**Patricia D. Yoder**
Vice President—Public Affairs and Communications

**Marianne Drost**
Corporate Secretary

## Senior Officers of Business Units

**Thomas W. White**
President, Telephone Operations

**John C. Appel**
Executive Vice President, Telephone Operations

**Michael B. Esstman**
Executive Vice President, Telephone Operations

**Gerald K. Dinsmore**
Senior Vice President—Finance and Planning, Telephone Operations

**Mark S. Feighner**
President, GTE Mobilnet

**Earl A. Goode**
President, GTE Information Services and GTE Directories

**Bruce E. Haddad**
Senior Vice President International—Latin America

**John R. Messier**
President, GTE Government Systems

**Horace A. Lindsay**
President, GTE Airfone

**C. David Decker**
President, GTE Laboratories

**Corporate Headquarters**
GTE Corporation
One Stamford Forum
Stamford, CT 06904
203-965-2000

**Shareholder Services**
The First National Bank of Boston, Transfer Agent and Registrar for GTE's common stock, should be contacted with any questions relating to shareholder accounts. This includes the following:

- Account Information
- Dividends
- Market Prices
- Transfer Instructions
- Statements and Reports
- Change of Address

Shareholders may call toll-free at 1-800-225-5160 anytime, seven days a week. Customer Service Representatives are available Monday through Friday between the hours of 8 a.m. and 5 p.m. Eastern Time. Outside the United States call 1-617-575-2990.

Or write to:
Bank of Boston
c/o Boston EquiServe, L.P.
P.O. Box 9121
Mail Stop 45-02-60
Boston, MA 02205-9121

For overnight delivery services, use the following address:
Bank of Boston
c/o Boston EquiServe, L.P.
Blue Hills Office Park
150 Royall Street
Canton, MA 02021

The Bank of Boston address where shareholders, banks and brokers may deliver certificates is One Exchange Place, 55 Broadway in New York City.

This report is printed on paper that contains recycled fibers (10% post-consumer waste).

**Shareholder Systematic Investment Plan**
Under this plan, GTE shareholders may reinvest their dividends or make optional payments toward the purchase of additional shares of common stock. Shareholders wishing information about this plan should contact the Bank of Boston at 1-800-225-5160.

**Dividend Direct Deposit Service**
GTE offers its registered shareholders the option of having dividends deposited directly into their checking or savings accounts at any financial institution participating in the Automated Clearing House (ACH) system. This service is provided at no charge. To sign up for this service, shareholders should contact the Bank of Boston at 1-800-225-5160.

**Annual Meeting**
The 1996 Annual Meeting of Shareholders will be held at 2 p.m. on Wednesday, April 17, at The Italian Center, 1620 Newfield Avenue, Stamford, Connecticut.

**Investor Relations**
Security analysts, institutional investors and other members of the financial community requesting information about GTE should contact:
Investor Relations Department
GTE Corporation
One Stamford Forum
Stamford, CT 06904
203-965-2789
Int'l Telex: 4750071
Fax: 203-965-2520

**Stock Exchange Listings**
GTE Corporation is listed on the New York Stock Exchange (symbol: GTE). GTE is also listed on the Chicago, Pacific and other regional stock exchanges in the U.S. and on stock exchanges in Amsterdam, Basel, Geneva, Lausanne, London, Paris, Zurich and Tokyo.

**Auditors**
Arthur Andersen LLP
400 Atlantic Street
Stamford, CT 06912

**Requests for Annual Reports**
To obtain an additional copy of this annual report or a copy of the annual Form 10-K filed with the Securities and Exchange Commission, call 1-800-225-5160.

An audiocassette version of the 1995 annual report is available to visually impaired shareholders by contacting:
Manager,
Public Relations Services
GTE Corporation
One Stamford Forum
Stamford, CT 06904
203-965-3188

**Other Securities**
Questions regarding the bonds, debentures and preferred securities of GTE or its subsidiaries should be directed to:
Treasury Department
GTE Corporation
One Stamford Forum
Stamford, CT 06904
203-965-3425

**Information Via the Internet**
Internet World Wide Web users can access information on GTE through the following universal resource:
http://www.gte.com

*Privileged and Confidential -*
*Prepared for use with Counsel*

AT&T/GTE ORDERING/PROVISIONING/MAINTENANCE REQUIREMENTS

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | ***Pre-Order Requirements*** | | | | | |
| 1 | GTE will provide some form of interim electronic means to transfer order information from AT&T to GTE and vice-versa | | | | | |
| 2 | GTE will provide AT&T with the capability to assign telephone numbers "on line", providing AT&T with electronic access to the number assignment system, for "real time" on-line number assignment | | | | | |
| 3 | GTE will provide AT&T the capability to request and receive "Vanity" numbers on a real time basis | | | | | |
| 4 | GTE will provide AT&T with a real time response for Firm Order Confirmation (FOC) | | | | | |
| 5 | GTE will provide AT&T with a real time response for information enabling the scheduling of service availability dates | | | | | |
| 6 | GTE will provide AT&T with a real time response for information relative to the need for a service dispatch for installation | | | | | |
| 7 | GTE will provide AT&T with a real time response for Feature, Service and capacity availability within any given area by LSO. | | | | | |
| 8 | GTE will provide AT&T with a real time response for Service completion with related information on time and materials charges (if any) | | | | | |
| 9 | GTE will provide AT&T with a real time response for a) service errors, b) jeopardy's | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
|---|---|---|---|---|---|---|
| | and c) missed appointments | | | | | |
| 10 | GTE will provide AT&T with a real time response for Any charges associated with required construction for a given service | | | | | |
| 11 | GTE will provide a real time response on change order flexibility | | | | | |
| 12 | GTE will provide AT&T with a real time response for Order Status at critical intervals to be negotiated | | | | | |
| 13 | GTE will provide the ability to schedule installations with the Customer on line and access GTE's schedule availability to determine time of appointment | | | | | |
| 14 | See Number Assignment Section items 1 *and 2* | | | | | |
| 15 | GTE will allow existing GTE Customers to retain their phone number in the event they change carriers with no loss of feature functionality | | | | | |
| 16 | GTE will provide the ability to determine what features and functions a given Customer currently has (this assumes AT&T has the customers consent to have features disclosed) | | | | | |
| 17 | GTE will provide AT&T a complete list of services, features and functions available for resale, and provide the availability of these services, features and functions by LSO | | | | | |
| 18 | GTE will provide AT&T a complete list of services, features and functions available for resale to the individual street address correlation guide | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| 19 | GTE will provide a complete definition of all services, features, and functions available and any ancillary data required by GTE from the Customer to provision these services. | | | | | |
| 20 | GTE will provide the necessary information for the provisioning of DA Exempt, Prison Services, Lifeline services, etc.. | | | | | |
| 21 | Provide GTE with expected levels of performance, (DMOQs) which GTE is expected to meet | | | | | |
| 22 | Levels of performance, (DMOQs) which GTE is expected to meet:<br>Orders completed within 1 day (no prem. installation)<br>Orders completed within 2 days (prem. installation required)<br>Orders for feature changes within 1 day<br>100% Completion by Service Date<br>>99% No troubles found during first 30 days of service<br>Disconnect interval < 1 day | | | | | |
| 23 | Requests that GTE notify AT&T of any changes made in the service and/or feature set at the time of installation that differ from the original Service Order as given to GTE by AT&T | | | | | |
| 24 | GTE will negotiate adequate test and turn up processes and procedures required to support the Services ordered by AT&T for it's Customers | | | | | |
| 25 | Requests that GTE identify those areas | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | where Centranet Service is available, and that GTE provide the required information for the Ordering and Provisioning of Centranet Services in those areas | | | | | |
| 26 | AT&T requires that GTE provide intercept and transfer service | | | | | |
| 27 | Require that GTE notify AT&T prior to Service termination, (Disconnect), or the termination of any service, feature or function by an AT&T Customer. | | | | | |
| 28 | AT&T is GTE's customer of record the end-user CANNOT order a disconnect of AT&T Service | | | | | |
| 29 | GTE will provide interface requirements for populating DA database (i.e. rules) | | | | | |
| 30 | Negotiate with GTE a mutually agreeable escalation and expedite process by which Service Ordering and Provisioning can be provided | | | | | |
| 31 | GTE will agree to list AT&T in the printed White Page Directory as a Local Service provider in that area with the associated information and telephone numbers. | | | | | |
| 32 | Negotiate with GTE Directories for A sales agency agreement relating to the current white and yellow pages listings | | | | | |
| 33 | Negotiate with GTE Directories for any rules and regulations associated with the white and yellow pages listings and the types of listings available | | | | | |
| 34 | Negotiate with GTE Directories for the area covered by a given Directory and the date that Directory is published | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| 35 | Negotiate with GTE Directories for The process associated with updating, ordering, re-ordering and delivery of the white and yellow pages Directories | | | | | |
| 36 | Negotiate with GTE on the management of NPA/NXX splits, the rules regarding the split of a given NPA/NXX and who is in control of a NPA/NXX | | | | | |
| 37 | GTE provide interface agreements between Work Centers regarding systems and establishing a change control process between AT&T and GTE | | | | | |
| 38 | GTE provide training for those technicians assigned to handle AT&T Local Business Installations | | | | | |
| 39 | GTE will provide the ability to suspend an AT&T End-users service upon request (ex summer home) | | | | | |
| 40 | GTE will provide AT&T the ability to suspend service to a given AT&T end-user for non-payment of a bill in accordance with the CPUC regulations | | | | | |
| 41 | GTE will provide blocking of 700, 900, and 976 services upon request from AT&T on a line, trunk or individual service basis | | | | | |
| 42 | GTE agrees to work cooperatively in practices and procedures regarding Law Enforcement and service annoyance handling | | | | | |
| 43 | Establish a process whereby misdirected calls can be routed to the correct Local Service provider regardless of who they may be | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| 44 | Negotiate for the handling of E911 updates to GTE's databases for its Local Resale Customer base | | | | | |
| 45 | GTE to provide engineering support for all Special Services which are covered under a Local Resale offer, e.g. Data Services, Voice Grade private lines, Intermediate bit rate services, Primary Rate ISDN services, Broadband services and Packet services, etc. | | | | | |
| | ***Number Assignment Process*** | | | | | |
| 1 | GTE agrees to provide the capability to reassign (coincident with an end user request) or obtain any GTE controlled number within the geographic boundaries of the LSO, consistent with the current numbering plan. | | | | | |
| 2 | GTE will provide access to the system file linking the address to the Central Office (to determine exchange rates), for rates and billing purposes | | | | | |
| 3 | GTE agrees for long term NPA/NXX Assignment and Administration in establishing s SPOC for the reservation number on a 7 X 24 basis | | | | | |
| 4 | GTE agrees for long term NPA/NXX Assignment and Administration in automated access to the number assignment base. | | | | | |
| | ***Maintenance Procedures*** | | | | | |
| 1 | GTE will provide a "Real Time" electronic interface to Trouble Ticket entry and update | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
|---|---|---|---|---|---|---|
| | capabilities | | | | | |
| 2 | GTE will provide a "Real Time" electronic interface to Review and verify test results | | | | | |
| 3 | GTE will provide a "Real Time" electronic interface to Provide status updates on current "Open" Trouble Tickets | | | | | |
| 4 | GTE will provide a "Real Time" electronic interface to Verify feature and function updates and corrections as they relate to an open Trouble Report | | | | | |
| 5 | GTE will provide a "Real Time" electronic interface to Provide a means for Network Surveillance (Performance Monitoring) | | | | | |
| 6 | GTE will provide the ability to verify and acknowledge any scheduled appointment upon receipt of the Trouble Ticket | | | | | |
| 7 | GTE will meet the following status requirement on AT&T services: Immediate notification of any changes in trouble status, electronically | | | | | |
| 8 | GTE will meet the following status requirement on AT&T services: The ability to retrieve the current status of any trouble report | | | | | |
| 9 | GTE will meet the following status requirement on AT&T services: Immediate notification when any scheduled appointment is in jeopardy | | | | | |
| 10 | GTE will close all TOK (Test OK), NTF (No Trouble Found), and CC (Came Clear) trouble reports in accordance with the AT&T policy (To be provided) | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| 11 | GTE will close the trouble by contacting AT&T, AT&T in turn will be responsible for contacting the end-user Customer, verifying the trouble is repaired, and then closing the trouble out with GTE | | | | | |
| 12 | GTE will immediately notify AT&T of any Network event which impacts AT&T end-users. Notification will include areas affected (NPA NXX) and estimated Time to repair. AT&T would prefer a real time monitoring arrangement if this is feasible | | | | | |
| 13 | GTE agrees to notify the AT&T CNSC of any scheduled maintenance activity which could have an impact on the service provided to AT&T end-users. GTE will work with AT&T to minimize impacts to major AT&T customers. The time frame for this notification will be mutually agreed upon | | | | | |
| 14 | Negotiate a workable Disaster Recovery plan with GTE and agree to perform quarterly tests of the process | | | | | |
| 15 | GTE will provide the AT&T CNSC with "real time" testing capability on AT&T end user services. | | | | | |
| 16 | GTE agrees to route repair service calls to the correct service provider (AT&T), and AT&T agrees to a reciprocal arrangement for GTE Customers | | | | | |
| 17 | GTE will bill any applicable Time and Materials charges to AT&T, <u>not</u> to the end user. AT&T will provide an address and contact for all applicable tariff charges | | | | | |
| 18 | GTE agrees to provide a listing of all applicable charges at the time the Trouble | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | Ticket is closed | | | | | |
| 19 | GTE will use an AT&T branded form any time an AT&T end-user is contacted relative to a trouble report, maintenance charges or any applicable service charges | | | | | |
| 20 | A GTE Technician will clear any reported trouble to the end-user's network interface | | | | | |
| 21 | GTE will provide an on-line transfer of any AT&T end-user "misdirected" trouble call to the AT&T repair center | | | | | |
| 22 | GTE will negotiate DMOQs for Service repair and create a self-reporting process to AT&T's Repair Center. | | | | | |
| 23 | DMOQs for Service Repair:<br><1% Missed Appointments<br><4 hours to restore for >85% of troubles<br><8 hours to restore>95% of troubles<br>24 hours to restore >70% of troubles<br>MTTRestore <8 hours with dispatch/ <2 hours without dispatch/all other<8 hours<br>Repeat troubles <5% | | | | | |
| 24 | GTE will provide AT&T with an escalation and expedite process and a contact list for Maintenance | | | | | |
| 25 | GTE will provide AT&T geographic location information to allow for accurate status's and repair in the case of cable cuts or utility/road construction occurring | | | | | |
| 26 | GTE will provide AT&T distribution and plant layouts information to allow for accurate status and repair in the case cable | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | of cable cuts or utility construction occurring | | | | | |
| 27 | GTE will provide AT&T electrical and performance characteristics information to allow for accurate status and repair in the case of cable cuts or utility/road construction occurring. | | | | | |
| 28 | GTE will report all associated maintenance and service charges at the time the trouble ticket is closed with the AT&T service center | | | | | |
| 29 | GTE will negotiate a mutually acceptable escalation and expedite procedure for all services provided by GTE under this contract | | | | | |
| 30 | GTE will agree to a trouble priority and severity coding format for all trouble reports handled between the two companies | | | | | |
| 31 | GTE will negotiate mutually acceptable DMOQ's which will apply to the network elements which AT&T leases from GTE. These DMOQ's will be tracked monthly and reviewed for performance on a Quarterly basis. In those cases where the negotiated metric is not met, GTE will prepare a plan to correct the problem and submit it to the appropriate AT&T work center for review and compliance | | | | | |
| 32 | GTE will provide the ability to "pre-screen" any activities which would incur charges to AT&T in order for AT&T to validate the activity. This includes, but is not limited to the dispatch of field forces to an AT&T end-users premises | | | | | |
| 33 | GTE agrees to discuss the contracting of GTE technicians to perform work on AT&T end-user Customer's premises representing | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | AT&T. This includes but is not limited to Providing the contracted technicians with AT&T forms for the end-user | | | | | |
| 34 | GTE agrees to discuss the contracting of GTE technicians to perform work on AT&T end-user Customer's premises representing AT&T. This includes but is not limited to providing the contracted technicians with "branded" AT&T "Not at Home" cards | | | | | |
| 35 | GTE agrees to discuss the contracting of GTE technicians to perform work on AT&T end-user Customer's premises representing AT&T. This includes but is not limited to Providing the contracted technicians with AT&T business cards | | | | | |
| 36 | GTE agrees to discuss the contracting of GTE technicians to perform work on AT&T end-user Customer's premises representing AT&T. This includes but is not limited to Assuring that the technicians are trained in a non-discriminatory fashion | | | | | |
| | ***Service Ordering and Provisioning Procedures*** | | | | | |
| 1 | GTE will notify of any changes to the service requested by the AT&T end-user at the time of installation such as added jacks, wiring an extension, etc. | | | | | |
| 2 | GTE will provide the required Loop testing information prior to the establishment of service so that AT&T can verify that the "end to end" service meets the established requirements | | | | | |
| 3 | GTE will provide an escalation and expedite process for service ordering and provisioning in a Loop Resale environment | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
|---|---|---|---|---|---|---|
| | | | | | AT&T | GTE |
| 4 | GTE will make provisions to deal with misdirected AT&T end-user calls and route them to the correct AT&T service center (information to be provided), and AT&T agrees to a reciprocal arrangement with GTE | | | | | |
| 5 | GTE agrees to negotiate a Disaster Recovery Plan to cover the services provided by GTE for AT&T | | | | | |
| 6 | Require electronic bonding between the GTE work center and the appropriate AT&T work center for services purchased by AT&T for their Customers. This "bond" will be based on the EBI standard eventually with a suitable interim solution which provides Due date scheduling and availability as required | | | | | |
| 7 | Require electronic bonding between the GTE work center and the appropriate AT&T work center for services purchased by AT&T for their Customers. This "bond" will be based on the EBI standard eventually with a suitable interim solution which provides Real time number administration | | | | | |
| 8 | Require electronic bonding between the GTE work center and the appropriate AT&T work center for services purchased by AT&T for their Customers. This "bond" will be based on the EBI standard eventually with a suitable interim solution which provides Identification of line options by available LSO | | | | | |
| 9 | Require electronic bonding between the GTE work center and the appropriate AT&T work center for services purchased by AT&T for their Customers. This "bond" will | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
|---|---|---|---|---|---|---|
| | be based on the EBI standard eventually with a suitable interim solution which provides Validation of street address detail for local loop provisioning | | | | | |
| 10 | Requires a real time response for Firm Order Confirmation (FOC) | | | | | |
| 11 | Requires a real time response for Service dispatch required or not | | | | | |
| 12 | Requires a real time response for Rejections or errors on any order for a Local Loop facility | | | | | |
| 13 | Requires a real time response for Order Status (Loop) | | | | | |
| 14 | Requires the ability to schedule "on-line" installation appointments for Customer's requiring an on site visit to connect service. AT&T requests that the intervals provided be the same as those used by GTE in the provisioning of service for it's Customer's | | | | | |
| | | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| **1. PLATFORM** | | | | | | | |
| A. | | ***Platform:*** AT&T will be allowed to purchase unbundled network elements either individually or in combination. | | | | | |
| B. | | ***Platform:*** Elements associated with a specific end user can be ordered on an individual line/customer basis | | | | | |
| C. | | ***Platform:*** When purchasing elements in combination, AT&T will have access to all features and capabilities of each individual element. | | | | | |
| D. | | ***Platform:*** Combinations will be provisioned with a single order | | | | | |

| **2. LOOPS: NETWORK INTERFACE DEVICE** | | | | | | | |
|---|---|---|---|---|---|---|---|
| A. | | ***Network Interface Device:*** Connect Blocks used to terminate loop cable ( fiber, coax, or twisted pair cable) at the Minimum Point of Termination on the customer Premise will be unbundled and will be made available for purchase and/or lease. | | | | | |
| B. | | ***Network Interface Device:*** Priced distinctly from other elements at TSLRIC | | | | | |
| C. | | ***Network Interface Device:*** Unbranded, or Branded AT&T | | | | | |
| D. | | ***Network Interface Device:*** GTE will determine the cable pair used for the particular service that will need to be replaced by AT&T | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| **2. LOOPS: NETWORK INTERFACE DEVICE** | | | | | | | |
| E. | | ***Network Interface Device:*** If required GTE will lift off the existing cable pair and allow AT&T to terminate their service. | | | | | |
| F. | | ***Network Interface Device:*** GTE will be responsible for maintaining the NI device. | | | | | |
| **3. LOOPS: DISTRIBUTION** | | | | | | | |
| A. | | ***Loop Distribution:*** GTE will provide the transmission path between the MPOT at an end user premise and the terminal block appearance on the distribution side of a Feeder distribution interface (FDI), or the first point of multiplexing/loop concentration and/or optical/electrical conversion. | | | 1. | | |
| B. | | ***Loop Distribution:*** Copper twisted pair facilities will be non-loaded for Digital Loop Carrier (DLC) and Hybrid Fiber Coax (HFC) based networks | | | | | |
| C. | | ***Loop Distribution:*** All transmission characteristics of the loop will at least equal the characteristics of those supplied to GTE's own customers. | | | | | |
| D. | | ***Loop Distribution:*** Priced distinctly from other elements at TSLRIC | | | | | |
| **1. LOOPS: CONCENTRATOR** | | | | | | | |
| A. | | ***Loop Concentration/Multiplexer:*** | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | AT&T | GTE |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***1. LOOPS: CONCENTRATOR*** | | | | | | | |
| | | GTE will provide concentrators/multiplexers (DLC, fiber node termination, channel bank, or similar equipment) to connect loops to a high capacity transport system. | | | | | |
| B. | | ***Loop Concentration/Multiplexer:*** Provided distinctly from other elements at TSLRIC | | | | | |
| C. | | ***Loop Concentration/Multiplexer:*** GTE provided concentrators and multiplexers will meet transmission requirements for the following services equal to those used by GTE customers:<br>• Support POTS (including CLASS/LASS and OHT features)<br>• Support basic rate ISDN service<br>• Support DS1 low speed interfaces<br>• Support OC-3 high speed interface<br>• Support DS0 digital transport (2.4 through 64Kb/s and Nx64) DS3. HDSL/ADSL. | | | | | |
| D. | | ***Loop Concentration/Multiplexer:*** Point of Interface must support transmission requirements for the following services equal to those used by their customers: | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| **1.** | ***LOOPS: CONCENTRATOR*** | | | | | | |
| | | • DS1 interface to the local digital switch,<br>• Support Integrated Network Access (INA) DS1s for non-locally switched or non-switched special services. | | | | | |
| E. | | ***Loop Concentration/Multiplexer:*** Signaling will support transmission requirements for the following services equal to those used by GTE customers:<br>• Loop start, Ground start, and reverse battery signaling for low-speed services<br>• basic rate ISDN<br>• channel associated or common channel signaling<br>• Timeslot Management Channel (TMC) | | | | | |
| F. | | ***Loop Concentration/Multiplexer:***<br>Performance requirements will support transmission requirements for the following equal to those used by GTE customers:<br>• Support loop timing free running and hold-over modes<br>• Bit Error Rate (BER)<br>• provide for an automatic | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **1. LOOPS: CONCENTRATOR** | | | | | | |
| | line switch initiated by signal fail and signal degrade conditions on a received OC-3 signal or STS1/VT1.5 path fail or path degrade conditions.<br>• support a delay between DS1 and OC-3 interfaces | | | | | |
| **5. LOOPS: FEEDER** | | | | | | |
| A. | *Loop Feeder:* GTE will provide the medium on which subscriber traffic is carried from the MDF or DSX cross connect panel in a central office or similar environment to the loop concentrator/multiplexer (fiber node) or the feeder distribution interface (twisted pairs). Mediums include copper, coax, fiber or some combination of the above. | | | | | |
| B. | *Loop Feeder:* Loop feeders will be at least at parity in terms of design and performance with that provided to GTE customers. Physical applications may include:<br>• Copper twisted pair<br>• Metallic T1 feeder<br>• Fiber feeder<br>• Hybrid Fiber coax | | | | | |
| C. | *Loop Feeder:* Priced distinctly from other elements at TSLRIC | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| **6.** | ***INTERCONNECTION:/POINT OF TERMINATION*** | | | | | | |
| A. | | Physical Point of termination will be at a designated DSX or MDF | | | | | |
| B. | | POT will be provided at a DS1 rate for special services (or circuit level for VG Private Line and POTS) and at higher rates (DS3, ST1, etc.) for interswitch trunks and other services at AT&T's request | | | | | |
| C. | | AT&T will be provided with access to the POT on a 24X7 basis for necessary provisioning and testing functions. | | | | | |
| **7.** | ***POLES, DUCTS, and RIGHT OF WAY (ROW)*** | | | | | | |
| A. | | General: GTE must make owned/controlled conduits, pole lines, ROW and other pathways available to AT&T on an equal basis. | | | | | |
| B. | | General: AT&T will be provided with copies of existing conduit prints | | | | | |
| C. | | General: AT&T will be provided with a Single-Point-of-Contact (SPOC) for Structure lease agreements | | | | | |
| D. | | General: GTE will not block private assignment of ROW; and will provide access if they hold the rights to assign | | | | | |
| E. | | General: GTE will provide to AT&T a customized diagram of the conduit system (including manholes) or pole | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS** | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***7. POLES, DUCTS, and RIGHT OF WAY (ROW)*** | | | | | | | |
| | | line based on negotiation. | | | | | |
| F. | | General: GTE will allow AT&T personnel to examine conduit system or pole line engineering prints at their offices. | | | | | |
| G. | | General: GTE will provide information regarding the availability of conduit within 5 business days of receiving a written request from AT&T, 10 business days for a field based survey of availability. | | | | | |
| H. | | General: GTE will provide conduit/pole space to AT&T within 20 business days after they receive written confirmation from AT&T that the space, previously deemed available by GTE , is wanted. | | | | | |
| I. | | General: GTE will allow AT&T to audit the physical manholes/conduit systems to confirm usability. | | | | | |
| J. | | General: GTE will complete "make ready" work at a reasonable cost within a reasonable time frame. | | | | | |
| K. | | General: AT&T must have equal access to customers. This includes equal and non-discriminatory access to entrance facilities(cable vaults), ducts, equipment room, telephone closets and other apparatus that are necessary for local competition. | | | | | |
| L. | | General: GTE charges for | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|

| 7. POLES, DUCTS, and RIGHT OF WAY (ROW) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | access to public or private rights of way controlled by GTE should be limited to the actual costs incurred. | | | | | |
| M. | | General: GTE will tariff conduit space and pole attachment rates Priced distinctly from other elements at TSLRIC | | | | | |
| N. | | Aerial Plant: AT&T has the right to attach pole-mounted cross-connects, terminals and apparatus on GTE controlled poles. | | | | | |
| O. | | Aerial Plant: AT&T has the right to attach brackets and hardware to GTE controlled poles using AT&T personnel or AT&T subcontracted vendors. | | | | | |
| P. | | Aerial Plant: GTE must provide AT&T with copies of existing pole prints. | | | | | |
| Q. | | Underground Plant: GTE should not hinder/restrict or unreasonably withhold or delay any modifications to conduit systems that allow access to and or egress from the conduit systems. | | | | | |
| R. | | Underground Plant: GTE should include the cost of conduit space as part of the cost of loop resale. | | | | | |
| S. | | Underground Plant: Where at least two inner ducts remain available (including one spare for GTE use) AT&T should be allowed access to and use of one of | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| **7. POLES, DUCTS, and RIGHT OF WAY (ROW)** | | | | | | | |
| | | the inner ducts. | | | | | |
| T. | | Underground Plant: GTE will allow AT&T to maintain conduit space leased to AT&T | | | | | |
| U. | | Underground Plant: GTE will permit manhole interconnections, breaking out of GTE manholes, and breaking out of GTE conduit by AT&T. GTE should not unilaterally limit new duct entrances to pre-cast knockouts. | | | | | |
| V. | | Underground Plant: GTE will establish a non discriminatory priority method to access GTE manholes/conduits in case of an emergency | | | | | |
| **8. COLLOCATION** | | | | | | | |
| A. | | Adequate contiguous space will be provided to handle initial service request and projected growth:<br>• Cooperative Planning:<br>• Forecasts (CY+2), yearly review<br>• Space Planning, AT&T involved in future infrastructure or exhaust planning<br>• Negotiate process to transition from physical to virtual as needed | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| **8.** | ***COLLOCATION*** | | | | | | |
| | | • Emergency Restoration Plan | | | | | |
| B. | | Intraoffice facilities will be available to accommodate projected volumes (Terminations, riser cables, tie cables, etc.) | | | | | |
| C. | | GTE will not restrict AT&T's right to assignment control of AT&T facilities/equip. | | | | | |
| D. | | There will be no restrictions for AT&T personnel or designated agents to obtain access to AT&T's area: 24 hours a day, 7 days a week<br>• AT&T may make unannounced inspections of equip in virtual space | | | | | |
| E. | | There will be no restriction on the type of equipment allowed in collocated space. | | | | | |
| F. | | GTE will not restrict or limit the use of collocated space used for the provisioning of telecom services. | | | | | |
| G. | | GTE will not limit the efficient interconnection between AT&T and other CLECs within the CO. | | | | | |
| H. | | GTE will not restrict AT&T's choice of vendors to EFI equipment in its collocated space. | | | | | |
| I. | | GTE will provide access, as needed, to cable racks between POI and cage. | | | | | |
| J. | | GTE will not restrict remote | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| **8.** | ***COLLOCATION*** | | | | | | |
| | | environmental alarming to AT&T's work center. GTE will provide, within 10 days of acceptance of application, detailed environmental connection information. | | | | | |
| K. | | GTE will provide remote monitoring of AT&T equipment to AT&T's work centers. | | | | | |
| L. | | AT&T may order POTS into the cage coincident with completion of the physical space. | | | | | |
| M. | | GTE will provide adequate lighting, ventilation, power, heat, air conditioning, etc., per NEBS standards. | | | | | |
| N. | | GTE will provide access to eyewash stations, showers, and bathrooms, on a 24x7 basis for AT&T personal. | | | | | |
| O. | | GTE will comply with AT&T's diversity standards for ingress/egress fiber and power cables as identified on the collocation application. | | | | | |
| P. | | GTE will protect all AT&T proprietary information. | | | | | |
| Q. | | GTE agrees to adhere to any negotiated service guarantees, DMOQ's and ISO reviews. | | | | | |
| R. | | GTE agrees to complete and return AT&T's Environmental Health&Safety questionnaire within 10 days of the application. | | | | | |
| S. | | GTE will give advance | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| ***8. COLLOCATION*** | | | | | | | |
| | | written notice of work activity in the general collocation space or AC/DC power plants which support AT&T's space. | | | | | |
| T. | | GTE will provide architectural quality drawings depicting the exact :<br>• location<br>• dimensions<br>• physical obstructions<br>within 5 days of AT&T's application. | | | | | |
| U. | | GTE will construct the space to meet AT&T's order for:<br>• cable holes<br>• ground bars<br>• doors<br>• convenience outlets, etc.,<br>Deviations noted on walk through will be corrected within 5 days at GTE expense. | | | | | |
| V. | | GTE will provide detailed telephone equipment drawings depicting the:<br>• exact location<br>• type<br>• cable termination requirements (i.e., connector type/number, type of pairs, naming conventions<br>for GTE's POT bays within 5 | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **8. COLLOCATION** | | | | | | |
| | | days of AT&T's application. | | | | |
| W. | | GTE will provide detailed drawings depicting the exact path, with dimensions for AT&T's fiber ingress/egress into the cage within 5 days of the application | | | | |
| X. | | GTE will provide detailed power cabling drawings including sizes and number of feeders within 10 days of application. | | | | |
| Y. | | GTE will give AT&T positive notification when construction is 50% complete along with scheduled complete and turnover dates. | | | | |
| Z. | | GTE will compensate AT&T for any construction or turnover delays which create delays or added expenditures to AT&T's project. | | | | |
| AA. | | GTE will provide within 5 days of a written request:<br>• installer access restrictions<br>• work restriction guidelines<br>• GTE/industry tech pubs guidelines which impact GTE equipment.<br>• Vendor/supplier certification requirements<br>• installation intervals from app to complete dates<br>• contact names and numbers | | | | |

| | | AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| **8. COLLOCATION** | | | | | | | |
| | | • escalation process, names and numbers | | | | | |
| BB. | | GTE will control access to AT&T's space and equipment. Procedures will match or exceed AT&T's. Specifically:<br>• AT&T may specify method, keys, cards other features, if GTE doesn't meet AT&T standard<br>• AT&T has the right to building, space arrangements and hardware to control space<br>• Enclosures designed, constructed to prevent unauthorized access<br>• Access controlled to collo floor cages including, passenger and freight elevators using surveillance or physical means<br>• Fire/life safety meet codes<br>• Doors with removable hinges or inadequate strength should be alarmed to manned site | | | | | |
| CC. | | *GTE (cont.)*<br>• Janitorial access under strict control<br>• set procedures for non-employee access (fire | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| **8. COLLOCATION** | | | | | | | |
| | | marshal)<br>• No security guard access unless documented procedure and emergency requires entry<br>• Security alarms should always extend to an attended site<br>• AT&T will have the option to extend intrusion alarms to its work centers<br>• Keys accessible to GTE employees only during emergency, yearly review of procedures, right to change keys if evidence of lost key control | | | | | |
| DD. | | *GTE (cont.)*<br>• space without positive key control should be equipped with intrusion alarms.<br>• Identification badges will be worn at all times by all persons<br>• AT&T may periodically have its security personnel audit the site. Identified deficiencies will be negotiated with GTE. | | | | | |
| EE. | 2<br>7 | Cost of space and maintenance Priced distinctly from other elements at TSLRIC | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|---|
| **9.** | ***INTERCONNECTION TRANSPORT-DEDICATED*** | | | | | | |
| A. | | ***Dedicated Transport:*** GTE will provide interoffice transmission paths | | | | | |
| B. | | ***Dedicated Transport*:** GTE will include functionality | | | | | |
| C. | | ***Dedicated Transport:*** AT&T will be allowed to utilize existing transport facilities between GTE and a second carrier (IXC to CLC) to carry traffic destined for the other carrier | | | | | |
| D. | | ***Dedicated Transport:*** Ability to interface on copper, coax, fiber mediums | | | | | |
| E. | | ***Dedicated Transport:*** GTE will provide the following transport technology options:<br>• currently provided services (T1/T3)<br>• SONET line switched rings (OC-48)<br>• SONET path switched rings (OC-3 , OC-12 and OC48)<br>• SONET point to point transport systems | | | | | |
| F. | | ***Dedicated Transport:*** SONET rings will include:<br>• diverse fiber routing and building entrances<br>• No single point of failure<br>• Protection lock-out and support of extra traffic (Line switched rings only) | | | | | |
| G. | | ***Dedicated Transport:*** Priced | | | | | |

| | | AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| ***9. INTERCONNECTION TRANSPORT-DEDICATED*** | | | | | | | |
| | | distinctly from other elements at TSLRIC | | | | | |
| ***10. INTERCONNECTION TRANSPORT-COMMON*** | | | | | | | |
| A. | 2 | ***Common Transport:*** GTE will provide interoffice transmission paths. | | | | | |
| B. | | ***Common Transport*** T: Facilities will meet Bellcore and industry standards. | | | | | |
| C. | | ***Common Transport***: GTE will include Functionality | | | | | |
| D. | | ***Common Transport:*** Ability to interface at copper, coax, microwave or fiber at Voice Grade through OC-48 rates, including DS1, DS3, and SONET at various levels (OC-X) | | | | | |
| E. | | ***Common Transport:*** Priced distinctly from other elements at TSLRIC | | | | | |
| ***11. INTERCONNECTION TRANSPORT - CO-CARRIER*** | | | | | | | |
| A. | | Provisioning arrangements that are a joint responsibility between AT&T and GTE. | | | | | |
| B. | | CCL, RIC and Universal Service elements will not be applied to traffic carried over interconnection trunks. | | | | | |
| C. | | Provide distinct costing from other elements at TSLRIC. | | | | | |
| D. | | GTE to recognize AT&T as a Co-Carrier for traffic delivered from AT&T's Access/Local tandems | | | | | |

## AT&T/GTE Interconnection/Unbundled Arrangements

| | | AT&T Requirements | GTE Position | Status | Commitments, Milestones, Operational Timelines | Action Items | |
|---|---|---|---|---|---|---|---|
| | | | | | | AT&T | GTE |
| ***11. INTERCONNECTION TRANSPORT - CO-CARRIER*** | | | | | | | |
| E. | | GTE to negotiate POI and mutual compensation agreements for traffic to and from AT&T's tandems at parity with GTE's tandems | | | | | |
| ***12. INTERCONNECTION TRANSPORT-TRUNKING*** | | | | | | | |
| A. | | AT&T will be given the option of having one set of two way trunks for intraLATA traffic | | | | | |
| B. | | AT&T will be permitted to determine whether to build trunks through an access tandem or directly to an end office, based on demand, cost and service need. | | | | | |
| C. | | AT&T will be given the option of having one set of two way trunks for traffic transiting via the GTE network to other InterLATA carriers | | | | | |
| D. | | AT&T will be given the option of having traffic to/from our network to/from other competitive LECs transit via GTE's network | | | | | |
| E. | | Separate one way MF/CAMA trunks will be installed for interconnecting 911 traffic to E911 tandems in the LATA. | | | 1. | | |
| ***13. INTERCONNECTION SWITCHING LOCAL SWITCHING*** | | | | | | | |
| A. | | *Local Switching:* GTE will provide the functionality required to connect appropriate originating lines or trunks terminated on the MDF or DSX panel to a desired terminating line or trunk. Functions include: | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | |
| ***13. INTERCONNECTION SWITCHING LOCAL SWITCHING*** | | | | | | |
| | • routing to end points or platforms on per customer or per class basis,<br>• dialed number translation,<br>• testing (loop, trunk, switch),<br>• public service (911),<br>• signaling,<br>• AMA recording,<br>• CLASS/LASS features,<br>• digit collection,<br>• dial tone,<br>• call processing,<br>• announcements,<br>• conferencing,<br>• operations,<br>• administration, | | | | | |
| B. | ***Local Switching***<br>• maintenance, and provisioning interfaces,<br>• collecting measurements,<br>• connecting end-users circuit to loop or trunk,<br>• CIC code determination,<br>• ANI/CPN,<br>• Carrier pre-subscription,<br>• database queries<br>• intercept,<br>• manual and customer originated trace, | | | | | |
| C. | ***Local Switching*** | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| **13. INTERCONNECTION SWITCHING LOCAL SWITCHING** | | | | | | | |
| | | • essential service lines,<br>• Service Prioritization,<br>• Relay services for the handicapped,<br>• soft dial tone,<br>• Centrex functions<br>• and parity offerings (services and features including:<br>• Residential features, | | | | | |
| D. | | ***Local Switching***<br>• Basic and Primary rate ISDN, etc.)<br>• including future telecommunications features to be introduced by the GTE. | | | | | |
| E. | | ***Local Switching:*** GTE will activate a new customer or network interconnection on any of the interfaces described below:<br>**Lines**<br>• Standard Tip/Ring<br>• Coin<br>• On-hook signaling<br>• BRI ISDN<br>• TR08<br>• TR303<br>• Direct in Dial to customer GTEXs | | | | | |
| F. | | **Trunks**<br>• SS7 where available, MF | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| ***13. INTERCONNECTION SWITCHING LOCAL SWITCHING*** | | | | | | |
| | where appropriate<br>• 64Kbs Clear Channel (ss7)<br>• CAMA ANI - E911<br>• FGC to IEC Operator<br>• T1 to GTEX<br>• PRI to GTEX<br>• DS3<br>• FGB (950 access)<br>• and 64 Kb/s switched digital<br>• Future rates and interfaces as available (eg optical OC1, OC3) | | | | | |
| G. | ***Local Switching:*** Priced distinctly from other elements at TSLRIC | | | | | |
| ***14. INTERCONNECTION SWITCHING TANDEM SWITCHING*** | | | | | | |
| A. | ***Tandem Switching:*** GTE will provide switching between two switching offices through its tandem switch. Typically the tandem will connect end offices, other tandems, or connect to IXCs, ICO, and CLEC switches within a LATA,. | | | | | |
| B. | ***Tandem Switching:*** GTE will provide:<br>• signaling<br>• screening and routing<br>• recording<br>• access to AIN functionality<br>• access to OS and DA | | | | | |

| | | AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***14. INTERCONNECTION SWITCHING TANDEM SWITCHING*** | | | | | | | |
| | | • access to Toll Free number portability database as appropriate<br>• Support all trunk interconnections<br>• Access to PSAPs<br>• Transit traffic to/from other carriers | | | | | |
| C. | | ***Tandem Switching:*** Priced distinctly from other elements at TSLRIC | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***15. INTERCONNECTION SWITCHING: DATA SWITCHING ELEMENT*** | | | | | | | |
| A. | | ***Data Switching Element:*** GTE will provide that element performing data services (eg Packet transport, frame relay, or ATM) switching functionality that is required to connect the facilities from the User to Network Interface (UNI) to either another UNI or to a communications path at the Network to Network Interface (NNI). | | | | | |
| B. | | ***Data Switching Element:*** Switch features and functionality will be at parity with GTE capabilities (e.g. signaling and connection control, broadcast capabilities, traffic shaping/congestion control, etc.) | | | | | |
| C. | | ***Data Switching Element:*** GTE will make standard interfaces available: DS0, DS*1, fractional T1, DS-3, STS-1, OC-3, OC-12, etc. | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***15. INTERCONNECTION SWITCHING: DATA SWITCHING ELEMENT*** | | | | | | | |
| D. | | ***Data Switching Element:*** AT&T services will be given equal priority during overflow/congestion conditions | | | | | |
| E. | | ***Data Switching Element:*** GTE will provide:<br>• the capability for real time access to integrated test equipment and other integrated functionality<br>• Equipment/Interface protection<br>• Redundant power supply and/or battery back-up<br>• Spare facilities and equipment necessary to support provisioning/repair DMOQs<br>• Performance at parity with GTE and or industry standards<br>• Capability for real-time access to performance monitoring and alarm data<br>• Continued administration and maintenance | | | | | |
| F. | | ***Data Switching Element:***<br>• Priced distinctly from other elements at TSLRIC. | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***16. INTERCONNECTION SWITCHING DIGITAL CROSS CONNECT SYSTEM (DCS)*** | | | | | | | |
| A. | | ***Digital Cross Connect System:*** GTE will provide that element which provides:<br>• automated cross-connection, | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **16. INTERCONNECTION SWITCHING DIGITAL CROSS CONNECT SYSTEM (DCS)** | | | | | | |
| | • facility grooming,<br>• bridging,<br>• point to multipoint connections,<br>• broadcast<br>• automated facility test capabilities. | | | | | |
| B. | The DCS may include:<br>• multiplexing,<br>• format conversion,<br>• signaling conversion, etc.,<br>• as well as cross office wiring to a DSX or LGX where facilities from a switch, another cross-connect, or other service platform are terminated. | | | | | |
| C. | Where no automated DCS capability exists, DCS is defined as the combination of DSX patch panels and D4 banks or DS0 and above multiplexing equipment used to provision the function of a manual cross connection. | | | | | |
| D. | ***Digital Cross Connect System:*** AT&T will be allowed access to all Digital cross connect systems:<br>• DS0 with DS1 interface<br>• DS1/VT1.5 with DS1, DS3 and SONET interfaces | | | | | |
| E. | ***Digital Cross Connect System:*** GTE will provide the capability for: | | | | | |

| AT&T/GTE Interconnection/Unbundled Arrangements | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T Requirements | GTE Position | Status | Commitments, Milestones, Operational Timelines | Action Items AT&T | Action Items GTE |
| 16. INTERCONNECTION SWITCHING DIGITAL CROSS CONNECT SYSTEM (DCS) | | | | | | | |
| | | • Real time reconfiguration capabilities<br>• real time access to integrated test equipment and integrated functionality<br>• SONET to asynchronous gateway functionality<br>• Compliance with Bellcore and industry standards | | | | | |
| F. | | ***Digital Cross Connect System***<br>• equipment/interface protection<br>• Redundant power supply and/or battery back-up<br>• spare equipment and facilities to support provisioning and repair DMOQs<br>• Performance/availability parity | | | | | |
| G. | | ***Digital Cross Connect System***<br>• GTE provisioning and maintenance<br>• Real Time access to performance monitoring and alarm data affecting AT&T's traffic (upon request)<br>• continued GTE administration and maintenance of the cross connect including updates to the control software to current available release. | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS** | | | | | | |
| ***16. INTERCONNECTION SWITCHING DIGITAL CROSS CONNECT SYSTEM (DCS)*** | | | | | | |
| H. | ***Digital Cross Connect System***<br>• Priced distinctly from other elements at TSLRIC. | | | | | |
| ***17. INTERCONNECTION SWITCH: AIN*** | | | | | | |
| A. | ***AIN-EO TRIGGERS:***<br>GTE will provide all available end office AIN triggers in a manner which is at least at parity with GTEs own capabilities in terms of performance and provisioning intervals, initiated via a service order from AT&T. | | | | | |
| ***18. INTERCONNECTION DATABASES: AIN*** | | | | | | |
| A. | ***AIN-SSP:*** GTE agrees to interconnecting the AT&T and GTE SS7 networks for the purpose of exchanging AIN TCAP messages between GTE end offices and AT&T service control points (SPS) | | | | | |
| B. | ***AIN-SMS: Access*** | | | | | |
| C. | ***AIN-SCE: Access*** | | | | | |
| ***19. INTERCONNECTION SIGNALING: STP*** | | | | | | |
| A. | ***STP:*** GTE will route signaling messages among SSPs, SCPs and STPs to set up calls and query databases, including all functions of the:<br>• Message Transfer Part (MTP)<br>• Signaling Connection Control Part (SCCP)<br>• Operations, Maintenance, | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **19. INTERCONNECTION SIGNALING: STP** | | | | | | |
| | and Administration Part (OMAP).<br>• ISDN User Part<br>• Transaction Capabilities Application Part | | | | | |
| B. | *STP:* This element shall provide access to all other elements connected to GTE's SS7 network:<br>• GTE Switching Systems<br>• GTE Databases<br>• Other Local Service Provider switching systems<br>• Other LSP STPs<br>• Other 3rd party provided STPs | | | | | |
| C. | *STP:* This element will provide options to connect AT&T local switching systems or STPs to GTE's SS7 network. Options include:<br>• "A" link access from AT&T local switching systems<br>• "D" link access from local STPs<br>• AT&T ability to define the Signaling Point of Interconnection (SPOI).<br>• Interoffice and intraoffice diversity, such that no single failure of facilities or equipment causes the failure of both links in an A | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| ***19. INTERCONNECTION SIGNALING: STP*** | | | | | | | |
| | | link layer, and no 2 concurrent failures of facilities or equipment causes the failure of all four links in a D link layer | | | | | |
| D. | | *STP:* This element provides all functions of the MTP:<br>Signaling data link functions | | | | | |
| E. | | *STP:* This element provides all functions of the SCCP necessary for Class 0 (basic connectionless) service,. Including global title translation and SCCP Management procedures. | | | | | |
| F. | | *STP:* This element provides all functions of the OMAP including:<br>• MTP Routing Verification Test (MRVT)<br>• SCCP Routing Verification Test (SRVT)<br>• Link Equipment Failure<br>• Link Fault Sectionalization | | | | | |
| G. | | *STP:* Priced distinctly from other elements at TSLRIC | | | | | |
| ***20. INTERCONNECTION SIGNALING LINK*** | | | | | | | |
| A. | | ***Signaling Link Transport:*** GTE will provide that element which is a set of 1, 2, or 4 dedicated 56 kbps transmission paths among AT&T designated SPOI's. | | | | | |

| | AT&T Requirements | GTE Position | Status | Commitments, Milestones, Operational Timelines | Action Items AT&T | Action Items GTE |
|---|---|---|---|---|---|---|
| **AT&T/GTE Interconnection/Unbundled Arrangements** | | | | | | |
| **20. *INTERCONNECTION SIGNALING LINK*** | | | | | | |
| B. | ***Signaling Link Transport:*** A link layers will consist of 2 links,D, link layers will consist of 4 links | | | | | |
| C. | ***Signaling Link Transport:*** Diversity will be provided such that:<br>• No single failure of facilities or equipment causes the failure of both links in an A link layer<br>• No two concurrent failures of facilities or equipment causes the failure of all 4 links in a B, D or E link layer.<br>Want option to lease A links, STPs, and SCPs. | | | | | |
| D. | ***Signaling Link:*** GTE will provide capability for CLC switch to support call set up and new services through connectivity to a LEC STP and or use of combinations of GTE and AT&T STPs and SCPS. | | | | | |
| **21. *INTERCONNECTION DATABASES: SCP*** | | | | | | |
| A. | ***SCP:*** GTE will accommodate information requests to their SCPs via queries from the AT&T Network for the purposes of service handling, such as routing. Requests are directed and processed in real time. | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| **21. *INTERCONNECTION DATABASES: SCP*** | | | | | | |
| B. | *SCP:* GTE will agree to:<br>• provide access to databases containing service handling/routing information<br>• give AT&T database queries equal priority, reliability, availability, and performance as those of GTE<br>• Support database access using TCAP & ISUP messages and routed via STPs<br>• Provide detailed tracking of usage and call termination point<br>• Not charge AT&T for database dips resulting in call termination with GTE<br>• allow AT&T the ability to update appropriate databases with end user information<br>• procedures for validating information provided by AT&T is accurately provisioned in GTE databases<br>Audit capability for 800 DB dips. | | | | | |

| AT&T/GTE Interconnection/Unbundled Arrangements | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T Requirements | GTE Position | Status | Commitments, Milestones, Operational Timelines | Action Items AT&T | Action Items GTE |
| **21. *Interconnection Databases; SCP*** | | | | | | | |
| C. | | ***Network Evolution:*** GTE agrees that advances in technology and service offerings will be accomodated as necessary(adding, deleting, or changing element definitions and requirements) through a negotiations process. | | | | | |
| **22. *Ancillary:- E911*** | | | | | | | |
| A. | | GTE will support AT&T's ability to route 911 traffic to the appropriate PSAP with at least a parity level of performance GTE provides to their end users. | | | | | |
| B. | | GTE will support AT&T's process to establish and update an ALI data base with end user information. | | | | | |
| C. | | GTE will provide documentation showing the correlation of their LSOs/rate centers to their E911 tandems. | | | | | |
| D. | | GTE will provide a process to update their ALI data base with AT&T's end user's 911 information. | | | | | |
| **23. *Ancillary; Number Assignment*** | | | | | | | |
| A. | | AT&T must be assured of fair allocation of Central Office Codes, a.k.a. NXXs, during the transition period to a neutral numbering administration and beyond. | | | | | |
| B. | | GTE should not charge, or | | | | | |

| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
|---|---|---|---|---|---|---|
| | | | | | AT&T | GTE |

**23. ANCILLARY; NUMBER ASSIGNMENT**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | propose to charge, new entrants for programming switches to add new NXX codes assigned to competitive ALECs for the costs it incurs as number administrator. | | | | | |
| C. | | GTE must administer the numbering resources in a competitively neutral manner. | | | | | |
| D. | | GTE must process NXX requests in a timely manner and per the Code Assignment Guidelines. | | | | | |
| E. | | AT&T requires numbers in any NPA/NXX within the existing geographic boundaries of an LSO. | | | | | |
| F. | | GTE will notify AT&T of anticipated NPA code relief planning and notification of meetings for the purpose of reaching industry consensus on relief plans | | | | | |
| G. | | GTE will utilize an independent data service for the purpose of consolidating all competitors' forecasts prior to submitting them to the committee for NPA Code relief studies. | | | | | |
| H. | | GTE will provide access to the system file linking the address to the Central Office (to determine exchange rates) for rates and billing purposes. | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| 24 | **24. ANCILLARY: NUMBER PORTABILITY** | | | | | | |
| A. | | AT&T must have geographic number portability within an LSO. | | | | | |
| B. | | Until the Local Number Portability (LPN) database is implemented, local number portability must be done in the local switch. GTE shall support the following types of interim number portability:<br>• Remote Call Forwarding (RCF)<br>• Flex-Direct Inward Dialing (DID)<br>• Directory Number-Route Index (DN_RI)<br>• Local Exchange Routing Guide (LERG) Reassignment | | | | | |
| | **25. POWER** | | | | | | |
| A. | | Power distribution arrangements for unbundled elements must be at parity with what GTE provides for its own equipment (e.g., equivalent levels of redundancy and battery back-up). This includes: commercial power feeds, cables, busses, batteries, generators, power conditioning equipment, over-voltage protection devices, and over-current protection devices. | | | | | |

| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
|---|---|---|---|---|---|---|---|
| | | | | | | AT&T | GTE |
| **26. NETWORK VALIDATION TESTING** | | | | | | | |
| A. | | GTE and AT&T will develop a process to resolve technical issues that cannot be solved at the working level | | | | | |
| B. | | Twisted pair metallic loop access originating with GTE tested test sites (homes) will be accessible to AT&T at the GTE/AT&T POI in the LSO | | | | | |
| C. | | GTE will provide engineering and circuit data for the loops under test | | | | | |
| D. | | GTE will provide test results documenting that these loops meet contractually binding performance requirements to AT&T | | | | | |
| E. | | AT&T and GTE technical staff will meet 30 days prior to the start of the NVT to schedule and coordinate test activities. | | | | | |
| F. | | NVT: AT&T has access to cage 24X7 | | | | | |
| G. | | NVT: AT&T test equipment will be allowed to be transported to the cage on a 24X7 basis without unusual delays (more than 5 minutes) due to property removal procedures | | | | | |
| H. | | NVT: NVT transport facilities between AT&T and GTE may experience alarm conditions due to in-progress tests. GTE will not remove these without AT&T | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |

| 26. NETWORK VALIDATION TESTING | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | approval. | | | | | |
| I. | | NVT: GTE intrusive tests on facilities and circuits between GTE and AT&T will be conducted on a mutually acceptable schedule | | | | | |
| J. | | NVT: GTE maintenance on test facilities will be conducted on a mutually acceptable schedule | | | | | |
| K. | | NVT: GTE will provide a SPOC available 24X7 for trouble status, sectionalization, resolution, escalation, and closure. | | | | | |
| L. | | NVT: GTE tested feature testing (911, emergency interrupt, OS, and others) will require GTE involvement. Tests will be conducted on a mutually agreeable schedule. | | | | | |
| M. | | NVT: GTE will not block access to 105 responders, 100-type test lines, or 102-type test lines associated with any NPAs under test. | | | | | |

| 27. SECURITY | | | | | | | |
|---|---|---|---|---|---|---|---|
| A. | | *Security:* Assure logical and physical integrity of network elements and their interconnecting data networks and subtending OSSs. | | | | | |
| B. | | *Security:* Assure the capability of meeting public safety and legal process demands (wire taps, trap installation, traces, subpoenas, etc) | | | | | |

| AT&T/GTE INTERCONNECTION/UNBUNDLED ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS | |
| | | | | | | AT&T | GTE |
| ***27. SECURITY*** | | | | | | | |
| C | | *Security:* Provide the ability to utilize, under AT&T direction, any current or future fraud prevention, detection, or control functionality embedded within the network element. | | | | | |

| AT&T/GTE LOCAL RESALE ARRANGEMENTS - BILLING | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| | ***Carrier Billing / Invoicing*** | | | | | |
| 1 | Charges for Local Resale to be rendered using existing CABS billing systems | | | | | |
| 2 | SABR for Local/Resale document to manage Local Resale billing data and financial transactions | | | | | |
| 3 | Standard guidelines are CABS | | | | | |
| 4 | GTE will participate in a Local/Resale Bill Certification Process as defined by the SABR document (Section 5) to ensure quality and financial assurance controls throughout AT&T and GTE's processes. Billing accuracy is the sole responsibility of GTE | | | | | |
| 5 | GTE will work with AT&T to facilitate accurate and timely billing as defined by the SABR document (Section 3) | | | | | |
| 6 | GTE will provide a mechanized bill as defined by the SABR document (Section 4, 5 & 6) and utilize the electronic data transmission Connect: Direct | | | | | |
| 7 | GTE will agree to an annual Supplier Quality Certification Review | | | | | |
| 8 | BOS documents provide guidelines for how to render a bill. Additional information that is required to be uniquely identified when rendering Local/Resale charges per the SABR document (Sec. 7) | | | | | |
| 9 | GTE will bill charges/credits for PIC change charges separately from the Local/Resale bill | | | | | |
| 10 | GTE will use the same structure as documented in CABS for a Switched Access Bill | | | | | |
| 11 | Specific Account Level, Jurisdiction and Service/Feature c ode are delineated | | | | | |
| | | | | | | |
| | ***End User Data Transfer*** | | | | | |
| 1 | Usage to be transferred to AT&T in | | | | | |

| AT&T/GTE LOCAL RESALE ARRANGEMENTS - BILLING | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | BellCore EMR Standard Format. | | | | | |
| 2 | IntraLATA Toll usage | | | | | |
| 3 | Local usage | | | | | |
| 4 | Rated incollects sent rated | | | | | |
| 5 | Appropriate detailed edits to be performed | | | | | |
| 6 | Data Control Report functionality and layouts to be provided | | | | | |
| 7 | AT&T will return unbillable messages | | | | | |
| 8 | Message packed by Send to: /Bill to: RAO | | | | | |
| 9 | Transport facility which conforms to IDIS | | | | | |
| 10 | Transmission via CONNECT: Direct | | | | | |
| 11 | Information via courier, if required, for back-up | | | | | |
| 12 | Tape data will conform to Attachment "A" of the LRDTR | | | | | |
| 13 | Data to be delivered Monday through Friday except negotiated agreed to Holidays | | | | | |
| 14 | Contacts for sending/receiving usage files, IDS, volumes by sending location | | | | | |
| 15 | Any rejected packs will be corrected and resent | | | | | |
| 16 | Packs tracked by invoice sequencing criteria | | | | | |
| 17 | Data compaction will be done per Attachment "B" of LRDTR | | | | | |
| 18 | Pack size is 1 to 99,999 plus the header and trailer | | | | | |
| 19 | Daily transmission of up to 99 packs, maximum | | | | | |
| 20 | Data set minimum of 1 pack | | | | | |
| 21 | Only one data set per Sending Location | | | | | |
| 22 | Pack Header Record per LRDTR (page 8) | | | | | |

| AT&T/GTE LOCAL RESALE ARRANGEMENTS - BILLING | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | STATUS | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| 23 | Pack Trailer Record per LRDTR (page 9) | | | | | |
| 24 | Data set name per LRDTR (page 10) | | | | | |
| 25 | Appropriate detail edits to be performed | | | | | |
| 26 | Perform error correction as required | | | | | |
| 27 | AT&T will return unguided messages | | | | | |
| 28 | Interface testing between GTE and AT&T | | | | | |
| 29 | Test files via CONNECT: Direct | | | | | |
| 30 | Periodic review of control procedures | | | | | |
| 31 | Data back up retained for 45 days | | | | | |
| 32 | Provide mutual written change notification | | | | | |
| 33 | Provide billing capability for Automatic Call Completion on DA service. | | | | | |
| | | | | | | |
| | ***Local Account Maintenance*** *(This is a new requirement as of 3/96. Has NOT been presented to GTE)* | | | | | |
| 1 | OUTPLOC Transaction Data - Notification from switch provider whenever customer leaves AT&T Local through contact with another LSP. | | | | | |
| 2 | OUTPLOC Transaction Data - Notification to AT&T Local whenever customer switches LD carrier during OUTPLOC. | | | | | |
| 3 | OUTPIC Transaction Data - Notification from switch provider whenever AT&T Local customer changes LD PIC information through another IXC. | | | | | |
| 4 | Local Service Disconnect Transaction Data - Notification from the switch provider whenever the customer leaves AT&T local through contact with another LSP and changes their telephone number at the same time. | | | | | |
| | | | | | | |
| | | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | **Basic Service Requirements** | | | | | |
| 1 | No loss of feature or functionality for all call types at parity with GTE services: same dial tone and ringing | | | | | |
| 2 | No loss of feature or functionality for all call types at parity with GTE services: same capability for either dial pulse or touch tone | | | | | |
| 3 | No loss of feature or functionality for all call types at parity with GTE services: flat and measured services | | | | | |
| 4 | No loss of features or functionality for all call types at parity with GTE services: provide speech recognition as available | | | | | |
| 5 | No loss of feature or functionality for all call types at parity with GTE services: same extended local free calling area | | | | | |
| 6 | No loss of feature or functionality for all call types at parity with GTE services: 1 + IntraLATA toll calling | | | | | |
| 7 | No loss of feature or functionality for all call types at parity with GTE services. InterLATA Toll calling | | | | | |
| 8 | No loss of feature or functionality for all call types at parity with GTE services: International calling. | | | | | |
| 9 | No loss of feature or functionality for all call types at parity with GTE services: lines as well as Trunks (DID, DOD) | | | | | |
| 10 | No loss of features or functionality for all call types at parity with GTE services: Analog and Digital Private Line-all speeds | | | | | |
| 11 | No loss of features or functionality for all call types at parity with GTE services: off-premise extensions | | | | | |
| 12 | No loss of features or functionality for all call types at parity with GTE services: Centrex | | | | | |
| 13 | No loss of features or functionality for all call types at parity with GTE services: | | | | | |

## AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | ISDN | | | | | |
| 14 | GTE will provide access to all call types, 500, 700, 800, 900, 976, and Dial Around Services (10XXX) at parity with their own services. | | | | | |
| 15 | GTE will provide for pre-subscription for InterLATA Toll Services | | | | | |
| 16 | GTE will provide for pre-subscription for IntraLATA Toll Services | | | | | |
| | | | | | | |
| | | | | | | |
| 1 | End Office Feature: Distinctive Ringing provided at wholesale rates and volume discount. | | | | | |
| 2 | End Office Feature: Repeat Dial provided at wholesale rates and volume discount. | | | | | |
| 3 | End Office Feature: Multi-line Hunting at wholesale rates and volume discount. | | | | | |
| 4 | End Office Feature: Call Waiting at wholesale rates and volume discount. | | | | | |
| 5 | End Office Feature: All others at parity with GTE service offering, at wholesale rates and volume discount. | | | | | |
| 6 | CLASS Feature: Caller Identification at wholesale rates and volume discount. | | | | | |
| 7 | CLASS Feature: Call Screening at wholesale rates and volume discount. | | | | | |
| 8 | CLASS Feature: Call Tracing at wholesale rates and volume discount. | | | | | |
| 9 | CLASS Feature: Automatic Call back / On busy (*69) at wholesale rates and volume discount. | | | | | |
| 10 | CLASS Feature: All others at parity with GTE service offering, at wholesale rates | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | and volume discount. | | | | | |
| 11 | Call Blocking: 900, 700 | | | | | |
| 12 | Call Blocking: NPA, NXX, and NPA NXX | | | | | |
| 13 | Call Blocking: collect calls | | | | | |
| 14 | Call Blocking: 3rd party Bill | | | | | |
| 15 | Call Blocking: anonymous call rejection | | | | | |
| 16 | Custom Calling: Call Forward at wholesale rates and volume discount. | | | | | |
| 17 | Custom Calling: Call Forward / Busy at wholesale rates and volume discount. | | | | | |
| 18 | Custom Calling: Call Forward / No Answer at wholesale rates and volume discount. | | | | | |
| 19 | Custom Calling: Call Forward Combination Busy / No Answer at wholesale rates and volume discount. | | | | | |
| 20 | Custom Calling: Remote Access to Call Forward at wholesale rates and volume discount. | | | | | |
| 21 | Custom Calling: Call Forward Select at wholesale rates and volume discount. | | | | | |
| 22 | Custom Calling: Three Way Calling at wholesale rates and volume discount. | | | | | |
| 23 | Custom Calling: Speed Dial 8 and 30 at wholesale rates and volume discount. | | | | | |
| 24 | Custom Calling: Call Waiting at wholesale rates and volume discount. | | | | | |
| 25 | Custom Calling: Call Hold at wholesale rates and volume discount. | | | | | |
| 26 | Custom Calling: all others at parity with GTE service offering at wholesale rates and volume discount. | | | | | |
| | | | | | | |
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | | |
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 1 | GTE will provide the capability to obtain NXX's at the same speed as GTE | | | | | |
| 2 | GTE agrees to equal participation and agreement with N11 assignments Line class codes may be viable option to facilitate implementation | | | | | |
| 3 | GTE agrees to equal access to identification of MINS (cellular) | | | | | |
| 4 | GTE agrees that PB manages NPA/NXX splits as Number Administrator in California. Any splits and overlays will be discussed in the industry and approved by the CPUC | | | | | |
| 5 | GTE will provide LERG reassignment in blocks of 100 numbers (avoid 10 digit routing in AT&T switch) | | | | | |
| 6 | GTE agrees to number assignment arbitration by a neutral party, not Bellcore | | | | | |
| 7 | GTE agrees to assign a minimum of one (1) NXX per rate center, or one (1) per Central Office exclusively, subject to industry capabilities | | | | | |
| 8 | GTE agrees for long term NPA/NXX Assignment and Administration to establish a neutral third party for the furnishing and administration of numbers | | | | | |
| 9 | GTE agrees for long term NPA/NXX assignment and Administration in maintaining sufficient numbers to meet the needs of all Local Service providers | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

# AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | | | | | | |
| | **Number Portability** | | | | | |
| 1 | GTE will work out a means for interim number portability within a geographic area until true number portability is available, LRN solution preferred | | | | | |
| 2 | GTE will support a database solution with one (1) LNP dip per call | | | | | |
| 3 | GTE agree to the establishment of an Industry wide SMS managed by an independent third party | | | | | |
| 4 | GTE agrees to "Service Provider" portability with limited location portability | | | | | |
| | | | | | | |
| | | | | | | |
| | **Directory Assistance - AT&T Provided** | | | | | |
| 1 | GTE will provide access to Directory Assistance data so that AT&T can self provision it's own Directory Assistance service | | | | | |
| 2 | GTE will accept AT&T Listings into their database | | | | | |
| 3 | Provide the capability to route AT&T customers 411 calls to AT&T | | | | | |
| | | | | | | |
| | [redacted] | | | | | |
| 1 | GTE will provide 2 customers or numbers and or addresses per call, at parity on a going forward basis | | | | | |
| 2 | GTE will provide flexibility in the number of look-ups provided per call, this to be set by AT&T | | | | | |
| 3 | GTE will provide name and address upon request except for unlisted numbers, at | | | | | |

## AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | parity on going forward basis | | | | | |
| 4 | GTE will provide call completion to the requested number when requested, at parity on a going basis | | | | | |
| 5 | GTE will provide a service that carries the AT&T brand or no brand if branding is not technically possible, at parity on a going forward basis | | | | | |
| 6 | GTE will route the caller to AT&T, at parity on a going forward basis | | | | | |
| 7 | GTE will route to the LEC with branding when requested by caller, at parity on a going forward basis | | | | | |
| 8 | GTE will agree that charges associated with AT&T Directory Assistance are set by AT&T, at parity on a going forward basis | | | | | |
| 9 | GTE will provide data (listing data base) that is timely and at parity with GTE, at parity on a going forward basis | | | | | |
| 10 | GTE will provide that any information provided by ARU is repeated twice, at parity on a going forward basis | | | | | |
| 11 | GTE will provide automatic call completion provided at TSLRIC | | | | | |
| 12 | GTE will provide service at same levels as GTE and subject to same DMOQ's, number of rings to answer, at parity on a going forward basis | | | | | |
| 13 | GTE will provide service at same levels as GTE and subject to same DMOQ's, average work time, at parity on a going forward basis | | | | | |
| 14 | GTE will provide service at same levels as GTE and subject to same DMOQ's, disaster recovery options, at parity on a going forward basis | | | | | |
| 15 | GTE will provide service at same level as GTE and subject to same emergency listings (911, fire, police, etc.) | | | | | |

# AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
|---|---|---|---|---|---|---|
| 16 | GTE will provide a service for customers removing service, refer to new 10 digit number, at parity on a going forward basis | | | | | |
| 17 | GTE will provide a service for customers removing service, repeat new number twice on referral, at parity on a going forward basis | | | | | |
| 18 | GTE will provide a service for customers removing service, refer to new DA, at parity on a going forward basis | | | | | |
| 19 | GTE will provide a service for customers removing service, repeat recording twice, at parity on a going forward basis | | | | | |
| 20 | Ability to waive charges for AT&T handicapped customers | | | | | |
| 21 | Provide a process to verify & document a customer's exempt status | | | | | |
| 22 | GTE to provide 5 free calls at cost for DA. | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | [illegible] | | | | | |
| 1 | Listings(white pages), lists at no cost to AT&T (1st number free for Business and Residence) | | | | | |
| 2 | Listings (white pages), distribution of directory to AT&T customers at no charge | | | | | |
| 3 | Listings (white pages), list of AT&T services and information (price, features, availability)at parity with CLCs | | | | | |
| 4 | AT&T requests 4 pages be made | | | | | |

# AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
|---|---|---|---|---|---|---|
| | available:alphabetical order, equal space, equal parameters | | | | | |
| 5 | Listings (white pages), brand appearance on cover, at no parity with all other included CLCs | | | | | |
| 6 | Listing (white pages), obtain concurrence from AT&T prior to 3rd party sales | | | | | |
| 7 | Listings (white pages), participate in revenues from sales of listings to 3rd parties | | | | | |
| 8 | Listings (white pages), unlisted/unpublished at list price | | | | | |
| 9 | Listings (white pages), provide a discount for multiple listings | | | | | |
| | | | | | | |
| | **Listing-Yellow Pages** | | | | | |
| 1 | Listings (yellow pages), first listing free per AT&T customers | | | | | |
| 2 | Listings (yellow pages), provide a "real time" knowledge of deadlines | | | | | |
| | | | | | | |
| 3 | Listings (yellow pages), provide a commission on advertisements from AT&T | | | | | |
| 4 | Listings (yellow pages), provide AT&T with the ability to bill the end user | | | | | |
| | | | | | | |
| | | | | | | |
| | [illegible] | | | | | |
| 1 | Provide the capability to route Operator calls to AT&T by: Line Class Codes, Separate Trunk Groups (0+, 0-, 00+ 00-) (00 incurs access) | | | | | |
| 2 | Provide access to LIDB for number | | | | | |

## AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | validations | | | | | |
| 3 | Provide access to GTE Emergency Number Database or Listings | | | | | |
| | | | | | | |
| | | | | | | |
| 1 | GTE will provide a full range of Operator Service functions, including but not limited to TLN Calling Card entry and verification | | | | | |
| 2 | Provide the option to use GTE Local Opr. Svc. | | | | | |
| 3 | GTE will provide a full range of Operator Service functions, including but not limited to TLN Calling Card Intercept | | | | | |
| 4 | GTE will provide the Operator Services "branded" as AT&T complete with the "AT&T sparkle tone bong" | | | | | |
| 5 | GTE will provide Operator Services accessible by "O +" and O -" dialing | | | | | |
| 6 | GTE will provide a full range of Operator Service functions, including but not limited to Collect Person to Person/Station to Station calls | | | | | |
| 7 | GTE will provide a wholesale pricing option for operator handled calls | | | | | |
| 8 | GTE will provide the ability to quote AT&T rates | | | | | |
| 9 | GTE will provide a full range of Operator Service functions, including but not limited to Third party billing | | | | | |
| 10 | GTE will provide a full range of Operator Service functions, including but not limited to Busy line verification and interrupt | | | | | |
| 11 | GTE will provide a full range of Operator Service functions, including but not limited to Rate verification | | | | | |
| 12 | GTE will provide a full range of Operator Service functions, including but not limited to Handicapped caller assistance | | | | | |

| AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| 13 | GTE will provide a full range of Operator Service functions, including but not limited to Emergency call assist | | | | | |
| 14 | GTE will negotiate DMOQ's for the provision of this service which will include number of rings to answer | | | | | |
| 15 | GTE will negotiate DMOQ's for the provision of this service which will include average work time | | | | | |
| 16 | GTE will negotiate DMOQ's for the provision of this service which will include disaster recovery (work stoppage, technical failure, natural disaster, weather) | | | | | |
| 17 | GTE will provide TLN Calling Card Services per guidelines | | | | | |
| 18 | GTE will provide instant credit on calls per guidelines | | | | | |
| 19 | GTE will provide time and charges when requested per guidelines | | | | | |
| 20 | GTE will route InterLATA Operator calls to AT&T when requested per guidelines | | | | | |
| 21 | GTE will provide Emergency calls per guidelines | | | | | |
| 22 | GTE will provide notification of the length of call per guidelines | | | | | |
| 23 | GTE will provide real time rating of calls per guidelines | | | | | |
| 24 | GTE will provide for automation as it becomes available | | | | | |
| | | | | | | |
| | | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | **AT&T REQUIREMENTS** | **GTE POSITION** | **Status** | **COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES** | **ACTION ITEMS AT&T** | **GTE** |
| [redacted] | | | | | | |
| 1 | GTE will continue to provide the ability for AT&T to procure T1.5 lines for Dedicated Card/Operator Service traffic, at a wholesale and commercially viable basis. | | | | | |
| 2 | GTE will provide the ability to procure all blocking, screening, and all other functions for switched Hospitality lines. These features should be unbundled from the line charges. | | | | | |
| | | | | | | |
| | | | | | | |
| | [redacted] | | | | | |
| [redacted] | Provide the capabilities required for Lifeline services at parity on a going forward basis, this includes a billing plan, access to the subsidy pool, etc. | | | | | |
| | | | | | | |
| | | | | | | |
| | **Voice Mail** | | | | | |
| [illegible] | GTE will make available the SMDI - Station Message Desk Interface feature capability allowing for Voice Mail services | | | | | |
| 2. | GTE will make available the MWI - Message Waiting Indicator feature capability allowing for Voice Mail services | | | | | |
| 3. | GTE will make available the CF-B/DA - Call Forward on Busy/Don't Answer feature capability allowing for Voice Mail services | | | | | |
| 4. | GTE will make available the tariff SMDI-E | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | interface | | | | | |
| 5 | GTE will provide Voice Mail Platform. | | | | | |
| | | | | | | |
| | ***Pricing and Compensation*** | | | | | |
| 1 | GTE will provide all services and features at wholesale pricing including volume discounts. Interim rates will be negotiated for Services and Features under contract where pricing flexibility is allowed under Cat. 2 (to be filed if, required, by CPUC). | | | | | |
| | | | | | | |
| 2.. | GTE will give at least 30 days notice of anticipated changes to prices, terms and exchange boundaries in sufficient time to allow customer notification and make the necessary changes in retail prices | | | | | |
| 3 | | | | | | |
| | | | | | | |
| | ***Security and Law*** | | | | | |
| | Maintain and Safeguard all customer information, assure privacy | | | | | |
| 1 | GTE will accept blanket LOAs | | | | | |
| 2 | GTE will work jointly in security matters as they relate to AT&T Customers in a resale environment to provide access to or work in concert with the call annoyance bureau | | | | | |
| 3 | GTE and AT&T will work jointly in security matter to support law enforcement agency requirements (taps, traces, court orders etc.) | | | | | |
| 4 | GTE will work jointly in security matters as they relate to AT&T Customers in a resale | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
| | environment to provide for protection of company assets | | | | | |
| 5 | GTE and AT&T will work jointly to provide access to or work in concert with the Call Annoyance Bureau | | | | | |
| 6 | GTE and AT&T will work jointly to maintain the ability to access lines in hostage situation-designated contact (PUC) | | | | | |
| 7 | | | | | | |
| | ***911*** | | | | | |
| 1. | Provide access to 911/E-911 in a transparent manner to the end user | | | | | |
| 2. | Provide the ability to populate the 911 databases in a timely manner at parity with GTE | | | | | |
| 3. | 911 availability within 1 month of market entry | | | | | |
| | | | | | | |
| | ***Inside Wire*** | | | | | |
| 1. | Provide Inside Wire service maintained by GTE and branded as AT&T:includes time and charges and Fixed Term Maintenance Plan | | | | | |
| 2 | Establish a mutually beneficial arrangement to resell Inside Wire provisioning and maintenance | | | | | |
| | | | | | | |

| | AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services | | | | | |
|---|---|---|---|---|---|---|
| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | GTE |
| | | | | | | |
| | ***Disaster Recovery*** | | | | | |
| | Agree to mutual participation in Disaster Recovery plans | | | | | |
| 1 | Provide timely notification of any outage which has an effect on AT&T Customers, Central Office outages | | | | | |
| 2 | Provide timely notification of any outage which has an effect on AT&T Customers, Facility outages such as cable cuts, repeater failures, etc. | | | | | |
| 3 | Provide timely notification of any outage which has an effect on AT&T Customers, Commercial power outages | | | | | |
| 4 | Provide timely notification of any outage which has an effect on AT&T Customers, Loan sharing situations | | | | | |
| 5 | Provide timely notification of any outage which has an effect on AT&T Customers, Subscriber Loop problems | | | | | |
| 6 | Provide timely notification of any outage which has an effect on AT&T Customers, Signaling network problems | | | | | |
| 7 | Provide timely notification of any outage which has an effect on AT&T Customers, General network congestion | | | | | |
| 8 | Provide timely notification of any outage which has an effect on AT&T Customers, Any other issue which has or could have a negative effect on AT&T Customer service | | | | | |
| | | | | | | |
| | | | | | | |

## AT&T/GTE LOCAL RESALE ARRANGEMENTS - Features/Services

| | AT&T REQUIREMENTS | GTE POSITION | Status | COMMITMENTS, MILESTONES, OPERATIONAL TIMELINES | ACTION ITEMS AT&T | ACTION ITEMS GTE |
|---|---|---|---|---|---|---|
| | | | | | | |
| | ***Payphone Services*** | | | | | |
| 1 | GTE will provide the ability to procure Payphone lines (same as business) at a wholesale price that is commercially viable. | | | | | |
| 2 | GTE will provide competitively similar capabilities:<br>Coin rating<br>Answer supervision (coin drop)<br>Access to maintenance/ diagnostic platform | | | | | |
| | | | | | | |