

TC 97-197

CWTS

TC 97-197

DOCKET NO.

In the Matter of

IN THE MATTER OF THE
APPLICATION OF ASC TELECOM, INC.
FOR A CERTIFICATE OF AUTHORITY
TO PROVIDE TELECOMMUNICATIONS
SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE

SEE MEMORANDA

12/19/97 Filed and docketed;
12/23/97 T.C. Fax Filing
4/30/98 Amend application,
5/16/98 Opwa. Hearing C.O.A.,
5/26/98 Docket Closed



TC97-197

8140 Ward Parkway
Kansas City, MO 64114
Telephone: (913) 624-6865
Fax: (913) 624-5681

Donald Low
Senior Attorney
State Regulatory Affairs/Central Region

December 18, 1997

RECEIVED

DEC 19 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA AIRBORNE EXPRESS

William Bullard, Jr.
South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, South Dakota 57501

Re: Application of ASC Telecom, Inc.

Dear Mr. Bullard:

Enclosed please find a check in the amount of \$250.00 to covering the filing fee for the above-referenced application. The check was inadvertently omitted.

Thank you for your assistance in this matter. Please feel free to contact me if you have any questions.

Very truly yours,

Donald A. Low
Donald A. Low

DAL:sjw
Enclosures

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of ASC)
Telecom, Inc. for Authority to Provide) Dkt. No. _____
Intrastate Interexchange Telecommunications)
Services in the State of South Dakota)

APPLICATION

ASC Telecom, Inc. ("ASC"), by and through its undersigned attorney, hereby requests that the South Dakota Public Utilities Commission, pursuant to SDCL 49-31-3 and ARSD 20:10:24:02 and 20:10:24:05, issue a Certificate authorizing ASC to provide intrastate interexchange telecommunications services in the State of South Dakota. In support of this application, Applicant states as follows:

1. ASC is a wholly owned subsidiary corporation of Sprint Corporation ("Sprint"). Applicant's principal place of business is 2330 Shawnee Mission Parkway, Westwood, Kansas, 66205. For regulatory purposes, correspondence may be sent to:

Donald Low
Senior Attorney
8140 Ward Parkway - SE
Kansas City, MO 64114

2. All communications, orders and inquiries regarding this Application should be directed to the following:

Donald Low
8140 Ward Parkway - SE
Kansas City, MO 64114
(913) 624-6865
FAX (913) 624-5681

3. ASC was incorporated on August 24, 1994, under the laws of the state of Kansas. Attached as Exhibit A are copies of the Articles of Incorporation and Bylaws of

ASC. Attached as Exhibit B is a list of the names, addresses and telephone numbers of the officers of ASC, none of whom are convicted felons. Attached as Exhibit C is the South Dakota Certificate of Authority to Transact Business for ASC. ASC's registered agent in South Dakota is:

The Prentice-Hall Corporation System, Inc.
503 South Pierre
Pierre, SD 57501.

4. ASC intends to provide as its initial services "operator services" and "prepaid card" services. ASC operator services will be provided to end-users primarily through the hospitality industry and the payphone industry. ASC will market its services to call aggregators throughout the state, such as hotels, motels and payphone providers, and will not use a multi-level marketing approach. Call aggregators will be compensated based on a percentage of the revenues generated for ASC. Prepaid card services will resell intrastate long distance telecommunications services and will be provided to consumers in South Dakota for use throughout the United States, either directly or through wholesalers. ASC does not operate or offer any charity programs. ASC does not know how many customers it will ultimately serve in South Dakota.

5. Proposed tariffs for the initial services to be offered by ASC are attached as Exhibit D. (ASC understands that the Commission has classified alternative operator services as competitive and therefore does not require cost support for the tariffed rates.) Those tariffs are intended to reflect compliance with the Commission's requirements for alternative operator services set forth in ARSD 20:10:24:05. In addition, the ASC contracts with aggregators will require compliance with the Commission's rules and regulations regarding call blocking and posting of information. ASC also hereby certifies

that it is complying with all requirements established under the Telephone Operator Consumer Services Improvement Act of 1990.

6. Attached as Exhibit E is copy of the tent card placed near aggregator telephone sets which ASC uses in other jurisdictions to provide notice to customers. Since ASC has a ready supply of these cards and wishes to avoid the expense of producing cards specific to South Dakota, ASC requests Commission permission to use such cards to provide notice and, to the extent necessary, requests a waiver of the specific language required for notice under ARSD 20:10:24:05(4).

7. ASC will not own telecommunications equipment. ASC will resell the long distance services of Sprint Communications Company L.P. in order to provide both prepaid card and operator services.

8. ASC will place the highest priority on providing satisfactory customer service and will promptly and responsibly address any customer complaints. The toll-free ASC customer number is 800-654-2131. ASC will bill its customers pursuant to billing and collection arrangements with local exchange companies (LEC's) so that ASC charges are identified, and ASC's name, address and phone number are disclosed, in a separate portion of the invoices customers receive from their serving LEC.

9. ASC has the financial, technical and managerial resources and experience to provide the proposed services. As a relatively new entity, ASC does not have a substantial history of operating results but is supported by the resources of its parent company, Sprint Corporation. Exhibit F, the 1996 Sprint Annual Report, includes statements of operations and income, balance sheets and auditors report and shows that such financial resources are more than adequate. That Exhibit F also demonstrates that

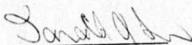
Sprint has vast experience and technical and managerial resources for the provision of telecommunications services. Those resources have been used in the formation and support of ASC, which consequently has personnel and management with the experience and abilities necessary to provide the proposed services.

10. Attached as Exhibit G is a list of states in which ASC is authorized to provide services and the dates on which such authority was received. No state has rejected an ASC request for authority and no state or other authority has ever issued a cease and desist order to ASC. ASC does not have and is not required to have an FCC license. ASC is not currently providing intrastate telephone services in South Dakota.

Wherefore, ASC prays that the Commission enter an order granting ASC authority to provide intrastate interexchange services in South Dakota.

Dated: December 18, 1997.

Respectfully submitted,
ASC Telecom, Inc.



Donald A. Low
Sprint
8140 Ward Parkway- SE
Kansas City, MO 64114
(913) 624-6865
FAX 624-5681

ASC ARTICLES OF INCORPORATION AND BYLAWS

5-100-104-1-13

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE
BILL GRAVES



To all to whom these presents shall come, Greetings:

I, Bill Graves, Secretary of State of the State of Kansas, do hereby certify that the attached is a true and correct copy of an original on file and of record in this office.

In testimony whereof:

I hereto set my hand and cause to be affixed my official seal. Done at the City of Topeka on the
date below: AUG 26 1914



Bill Graves
BILL GRAVES
SECRETARY OF STATE

ARTICLES OF INCORPORATION
OF
ASC TELECOM, INC.

FIRST
Name

The name of the Corporation is ASC Telecom, Inc.

SECOND
Registered Office

The registered office of the Corporation in the State of Kansas is located at 554 South Kansas Avenue, Suite 1108, Topeka, Kansas 66603, County of Shawnee. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD
Nature of Business

The nature of the business or purposes to be conducted by the Corporation is:

To engage in the telecommunications business; and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Code of the State of Kansas.

FOURTH
Stock

The total number of shares of stock which the Corporation shall have authority to issue is 1,000 shares of common stock, each of such shares of common stock to have a par value of One Dollar (\$1.00) per share, and may be issued by the Corporation from time to time for such consideration as fixed from time to time by the Board of Directors.

Each stockholder of the Corporation shall be entitled to one vote for each share of stock held of record on the books of the Corporation.

FIFTH
Incorporator

The name and mailing address of the incorporator is as follows:

Michael T. Hyde, 2330 Shawnee Mission Parkway, Westwood, Kansas 66205:

SIXTH
Existence

The Corporation shall have perpetual existence.

SEVENTH
Bylaws

The Board of Directors is authorized to make, alter or repeal the Bylaws of the Corporation.

EIGHTH
Meetings of Stockholders

Meetings of stockholders shall be held at such place, within or without the State of Kansas, as may be designated by or in the manner provided in the Bylaws, or, if not so designated, at the registered office of the Corporation in the State of Kansas.

NINTH
Limitation of Liability

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this ARTICLE NINTH shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under K.S.A. 17-6424 and amendments thereto or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this ARTICLE NINTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

TENTH
Insolvency

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them or between this Corporation and its stockholders or any class of them, any court of competent jurisdiction within the State of Kansas, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of K.S.A. 17-6901 and amendments thereto, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of K.S.A. 17-6808 and amendments thereto, may order a meeting of the

creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH
Amendment

The Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights of stockholders herein are subject to this reservation.

THE UNDERSIGNED, being the incorporator above named, for the purposes of forming a corporation pursuant to the General Corporation Code of the State of Kansas, has signed this instrument on the 27th day of August, 1994, and does thereby acknowledge that it is his act and deed and that the facts stated therein are true.

Michael T Hyde
Michael T. Hyde

STATE OF KANSAS)
) SS:
COUNTY OF JOHNSON)

Be it remembered that on this 27th day of Aug., 1994 personally came before me Michael T. Hyde, party to the foregoing Certificate of Incorporation, known to me personally to be such, and acknowledged the said certificate to be his act and deed and that the facts stated herein are true, and that the signature of Michael T. Hyde is his own proper handwriting. Given under my hand and seal of office the day and year aforesaid.



Linda P. Wilfong
Notary Public

ASC TELECOM, INC.

BYLAWS

ARTICLE ONE

STOCKHOLDERS

Section 1.1. Annual Meetings. An annual meeting of stockholders of the Corporation to elect directors and transact such other business as may properly be presented to the meeting shall be held at such place, within or without the State of Kansas, as the Board of Directors may from time to time fix, at 10:00 a.m., or such other time as may be designated by the Board of Directors, on the fourth Tuesday in August in each year or, if that day shall be a legal holiday in the jurisdiction in which the meeting is to be held, then on the next day not a legal holiday.

Section 1.2. Special Meetings. A special meeting of stockholders may be called at any time by the Board of Directors, the Executive Committee or the President and shall be called by any of them or by the Secretary upon receipt of a written request to do so specifying the matter or matters, appropriate for action at such a meeting, proposed to be presented at the meeting and signed by holders of record of a majority of the shares of stock that would be entitled to be voted on such matter or matters if the meeting were held on the day such request is received and the record date for such meeting were the close of business on the preceding day. Any such meeting shall be held at such time and at such place, within or without the State of Kansas, as shall be determined by the body or person calling such meeting and as shall be stated in the notice of such meeting.

Section 1.3. Notice of Meeting. For each meeting of stockholders written notice shall be given stating the place, date and hour, and in the case of a special meeting, the purpose or purposes for which the meeting is called and, if the list of stockholders required by Section 1.10 is not to be at such place at least 10 days prior to the meeting, the place where such list will be. Except as otherwise provided by Kansas law, the written notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 1.4. Nominations. Nominations of persons for election to the Board of Directors of the Corporation at a meeting of the stockholders may be made by or at the direction of the Board of Directors or may be made at a meeting of the Stockholders by

any stockholder of the Corporation entitled to vote for the election of Directors at the meeting.

Section 1.5. Quorum. Except as otherwise required by law or the Articles of Incorporation, the holders of record of a majority of the shares of stock entitled to be voted present in person or represented by proxy at a meeting shall constitute a quorum for the transaction of business at the meeting, but in the absence of a quorum the holders of record present or represented by proxy at such meeting may vote to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is obtained. At any such adjourned session of the meeting at which there shall be present or represented the holders of record of the requisite number of shares, any business may be transacted that might have been transacted at the meeting as originally called.

Section 1.6. Chairman and Secretary at Meeting. At each meeting of stockholders the President of the Corporation, or in his absence or inability to act, the person designated by the Board of Directors, shall preside as chairman of the meeting; if no person is so designated, then the stockholders present at the meeting shall choose a chairman by plurality vote. The Secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 1.7. Voting; Proxies. Except as otherwise provided by law or the Articles of Incorporation, and subject to the provision of Section 1.11:

- (a) At every meeting of the stockholders each stockholder shall be entitled to one vote for each share of capital stock held by him.
- (b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy.
- (c) Each matter, other than election of directors, properly presented to any meeting shall be decided by a majority of the votes cast on the matter.
- (d) Election of directors and the vote on any other matter presented to a meeting shall be by written ballot.

Section 1.8. Adjourned Meetings. A meeting of stockholders may be adjourned to another time or place as provided in Section 1.5. Unless the Board of Directors fixes a new record date, stockholders of record for an adjourned meeting shall be as originally determined for the meeting from which the adjournment was taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote. At the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called.

Section 1.9. Consent of Stockholders in Lieu of Meeting. Any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the holders of outstanding stock entitled to vote thereon.

Section 1.10. List of Stockholders Entitled to Vote. Before every meeting of stockholders a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared and shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.11. Fixing of Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed, and the record date for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE TWO

DIRECTORS

Section 2.1. Number; Term of Office; Qualifications; Vacancies. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The number of directors that shall constitute the whole Board shall be determined by action of the Board of Directors taken by the affirmative vote of a majority of the whole Board. Directors shall be elected at the annual meeting of stockholders to hold office, subject to Sections 2.2 and 2.3, until the next annual meeting of stockholders and until their respective successors are elected and qualified. Vacancies and newly

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ered directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office, subject to Sections 2.2 and 2.3, until the next annual meeting of stockholders and until their respective successors are elected and qualified.

Section 2.2. Resignation. Any director of the Corporation may resign at any time by giving written notice of such resignation to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above-named officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective. When one or more directors shall resign from the Board of Directors effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in these Bylaws in the filling of other vacancies.

Section 2.3. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of Directors.

Section 2.4. Regular and Annual Meetings; Notice. Regular meetings of the Board of Directors shall be held at such time and at such place, within or without the State of Kansas, as the Board of Directors may from time to time prescribe. No notice need be given of any regular meeting, and a notice, if given, need not specify the purposes thereof. A meeting of the Board of Directors may be held without notice immediately after an annual meeting of stockholders at the same place as that at which such meeting was held.

Section 2.5. Special Meetings; Notice. A special meeting of the Board of Directors may be called at any time by the Board of Directors, the Executive Committee, the President or any person acting in the place of the President and shall be called by any one of them or by the Secretary upon receipt of a written request to do so specifying the matter or matters, appropriate for action at such a meeting, proposed to be presented at the meeting and signed by at least two (2) directors. Any such meeting shall be held at such time and at such place, within or without the State of Kansas, as shall be determined by the body or person calling such meeting. Notice of such meeting stating the time and place thereof shall be given (a) by deposit of the notice in the United States mail, first-class, postage prepaid, at least two days before the day fixed for the meeting addressed to each Director at his address as it appears on the Corporation's records or at such other address as the director may have furnished the Corporation for that purpose, or (b) by delivery of the notice similarly addressed for dispatch by telegraph, cable or radio or by delivery of the notice by telephone or in person, in each case at least 24 hours before the time fixed for the meeting.

Section 2.6. Presiding Officer and Secretary at Meetings. Each meeting of the Board of Directors shall be presided over by the President or in his absence by such member of the Board of Directors as shall be chosen by the meeting. The Secretary, or in his absence an Assistant Secretary, shall act as secretary of the meeting, or if no such officer is present, a secretary of the meeting shall be designated by the person presiding over the meeting.

Section 2.7. Quorum. A majority of the whole Board of Directors shall constitute a quorum for the transaction of business, but in the absence of a quorum a majority of those present (or if only one be present, then that one) may adjourn the meeting, without notice other than announcement at the meeting, until such time as a quorum is present. Except as may otherwise be required by the Articles of Incorporation or the Bylaws, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8. Meeting by Telephone. Members of the Board of Directors or of any committee thereof may participate in meetings of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 2.9. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or of such committee.

Section 2.10. Executive and Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee and one or more other committees, each such committee to consist of one or more directors as the Board of Directors may from time to time determine. Any such committee, to the extent provided in such resolution or resolutions, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation between meetings of the Board of Directors, including the power to authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have such power or authority to amend the Articles of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, amend the Bylaws or otherwise to act (other than to make recommendations) where it is provided by law or by the Articles of Incorporation that any vote or action, in order to bind the Corporation, shall be taken by the Directors, and unless the resolution or articles of incorporation shall expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or adopt a certificate of ownership and merger pursuant to K.S.A. 17-6703. In the

absence or disqualification of a member of a committee, the number of members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Each such committee other than the Executive Committee shall have such name as may be determined from time to time by the Board of Directors.

A majority of the committee shall constitute a quorum for the transaction of business at any meeting for which written notice has been given to all members or for which notice has been waived by all members. Each such committee shall keep a record of its proceedings and may hold meetings upon one (1) day's written notice or upon waiver of notice signed by all of the members of the committee either before or after said committee meeting.

Section 2.11. Compensation. Directors shall receive compensation for their services as directors or as members of committees as may from time to time be fixed by the Board of Directors. They may also be reimbursed for their expenses in attending any meeting and in the transaction of business for the Corporation.

ARTICLE THREE

OFFICERS

Section 3.1. Election; Qualification. The officers of the Corporation shall be a President, one or more Vice Presidents, one or more of whom may be designated Executive Vice President or Senior Vice President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may elect a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers, one or more Assistant Controllers and such other officers as it may from time to time determine. Two or more offices may be held by the same person.

Section 3.2. Term of Office. Each officer shall hold office from the time of his election and qualification to the time at which his successor is elected and qualified, unless sooner he shall die or resign or shall be removed pursuant to Section 3.4.

Section 3.3. Resignation. Any officer of the Corporation may resign at any time by giving written notice of such resignation to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above-named officers, and, unless specified in the resignation, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.4. Removal. Any officer may be removed at any time, with or without cause, by the vote of a majority of the whole Board of Directors.

Section 3.5. Vacancies. Any vacancy however caused in any office of the Corporation may be filled by the Board of Directors.

Section 3.6. Compensation. The compensation of each officer shall be such as the Board of Directors may from time to time determine.

Section 3.7. President. Unless the Board of Directors otherwise provides, the President shall be the Chief Executive Officer of the Corporation with such general executive powers and duties of supervision and management as are usually vested in such office and shall perform such other duties as are authorized by the Board of Directors. The President shall sign all contracts, certificates and other instruments of the Corporation as authorized by the Board of Directors.

Section 3.8. Vice President. Each Vice President shall have such powers and duties as generally pertain to the office of Vice President and as the Board of Directors or the President may from time to time prescribe. During the absence of the President or his inability to act, the Vice President, or if there shall be more than one Vice President, then that one designated by the Board of Directors, shall exercise the powers and shall perform the duties of the President, subject to the direction of the Board of Directors.

Section 3.9. Secretary. The Secretary shall keep the minutes of all meetings of stockholders and of the Board of Directors and issue notices of such meetings as necessary. The Secretary shall be custodian of the corporate seal and shall affix it or cause it to be affixed to such instruments as require such seal and attest the same and shall exercise the powers and shall perform the duties incident to the office of Secretary, subject to the direction of the Board of Directors. Any Assistant Secretary, in the absence or inability of the Secretary, shall perform all duties of the Secretary and such other duties as may be required.

Section 3.10. Treasurer. The Treasurer shall have care and custody of all money and securities of the Corporation and shall give bond in such sum and with such sureties as the Board of Directors may specify, conditioned upon the faithful performance of the duties of his office. He shall keep regular books of account and shall submit them, together with all his vouchers, receipts, records and other papers, to the Board of Directors for their examination and approval annually, and semi-annually, or when directed by the Board of Directors, he shall submit to each director a statement of the condition of the business and accounts of the Corporation; and shall perform all such other duties as are incident to his office. An Assistant Treasurer, in the absence or inability of the Treasurer, shall perform all the duties of the Treasurer and such other duties as may be required.

Section 3.11. Other Officers. Each other officer of the Corporation shall exercise the powers and shall perform the duties incident to his office, subject to the direction of the Board of Directors.

ARTICLE FOUR

CAPITAL STOCK

Section 4.1. **Stock Certificates.** The interest of each holder of stock of the Corporation shall be evidenced by a certificate or certificates in such form as the Board of Directors may from time to time prescribe. Each certificate shall be signed by or in the name of the Corporation by the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee or (2) by a registrar other than the Corporation or its employee, any other signature on the certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 4.2. **Transfer of Stock.** Shares of stock shall be transferable on the books of the Corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe.

Section 4.3. **Holders of Record.** Prior to due presentment for registration of transfer the Corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

Section 4.4. **Lost, Stolen, Destroyed or Mutilated Certificates.** The Corporation shall issue a new certificate of stock to replace a certificate theretofore issued by it alleged to have been lost, destroyed or wrongfully taken, if the owner or his legal representative (i) requests replacement before the Corporation has notice that the stock certificate has been acquired by a bona fide purchaser, (ii) files with the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such stock certificate or the issuance of any such new stock certificate; and (iii) satisfies such other terms and conditions as the Board of Directors may from time to time prescribe.

Section 4.5. **No Preemptive Rights.** No holder of shares of any class of this Corporation, or holder of any securities or obligations convertible into shares of any class of this Corporation, shall have any preemptive right whatsoever to subscribe for, purchase or otherwise acquire shares of this Corporation of any class, whether now or hereafter authorized.

0145920

ARTICLE FIVE

INDEMNIFICATION

Section 5.1. General Indemnity. The Corporation shall indemnify, subject to the requirements of Section 5.4, any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 5.2. Derivative Suit Indemnity. The Corporation shall indemnify, subject to the requirements of Section 5.4, any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 5.3. Expense Indemnity. To the extent that a director, officer, employee or agent of the Corporation, or a person serving in any other enterprise at the request of the Corporation, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 5.1 and 5.2 or in defense of any claim, issue or

inaction therein, such director, officer, employee or agent shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 5.4. Procedure. Any indemnification under Sections 5.1 and 5.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances because such director, officer, employee or agent has met the applicable standard of conduct set forth in Sections 5.1 and 5.2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

Section 5.5. Advances of Expenses. Expenses incurred by a director or officer in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it is ultimately determined that the director or officer is not entitled to be indemnified by the Corporation as authorized in this Section. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 5.6. Nonexclusive Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office.

Section 5.7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 5.8. Continuation of Indemnities. For purposes of this Article, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent

corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

Section 5.9. Definition. For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Section.

Section 5.10. Benefits. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE 6

GENERAL PROVISIONS

Section 6.1. Waiver of Notice. Whenever notice is required by the Articles of Incorporation, the Bylaws or any provision of the General Corporation Code of the State of Kansas, a written waiver thereof, signed by the person entitled to notice, whether before or after the time required for such notice, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

Section 6.2. Fiscal Year. The fiscal year of the Corporation shall start on such date as the Board of Directors shall from time to time prescribe.

Section 6.3. Corporate Seal. The corporate seal shall be in such form as the Board of Directors may from time to time prescribe, and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE SEVEN

AMENDMENT OF BYLAWS

Section 7.1. Amendment. The Bylaws may be made, altered or repealed at any meeting of stockholders or at any meeting of the Board of Directors by a majority vote of the whole Board.

EXHIBIT B

LIST OF NAMES, ADDRESSES AND TELEPHONE NUMBERS OF ASC OFFICERS.

<u>Officer</u>	<u>Address</u>	<u>Telephone Number</u>
Eric P. Tom President	925 Dillingham Blvd. Honolulu, HI 96817-4506	(808) 847-9751
John P. Meyer, Sr. Vice- President/Controller	2330 Shawnee Mission Pkwy Westwood, KS 66205	(913) 624-3707
M. Jeannine Strandjord Vice-President - Treasurer	2330 Shawnee Mission Pkwy Westwood, KS 66205	(913) 624-3211
Glenn Yamashita Vice-President	925 Dillingham Blvd. Honolulu, HI 96817-4506	(808) 847-9796
Michael T. Hyde Secretary	2330 Shawnee Mission Pkwy Westwood, KS 66205	(913) 624-2516
Keith Barger Assistant Secretary	8320 Ward Parkway Kansas City, MO 64114	(913) 624-4554

EXHIBIT C

SOUTH DAKOTA CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

00312-00016

State of South Dakota

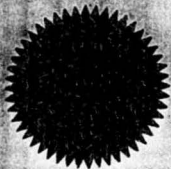


OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of ASC TELECOM, INC. (KS) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of ASC TELECOM, INC.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this March 7, 1995.

Joyce Hazeltine
JOYCE HAZELTINE
Secretary of State

SECRETARY OF STATE
STATE CAPITOL

APPLICATION FOR CERTIFICATE OF AUTHORITY

RECEIVED

MAR 07 1995

Under the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of South Dakota and for that purpose submits the following statement.

(1) The name of the corporation is ASC TELECOM, INC.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one such word, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated KANSAS Federal Taxpayer ID# 48-1155908

(4) The date of its incorporation is AUG. 28, 1994 and the period of its duration is PERPETUAL

(5) The address of its principal office in the state or country under the laws of which it is
2330 SHAWNEE MISSION PARKWAY, WESTWOOD, KS Zip Code 66205

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 403 South Perry Street, Pierre Zip 57501
and the name of its proposed registered agent in the State of South Dakota at that address is
The Prindle-Hall Corporation System, Inc.

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are:

TO ENGAGE IN THE TELECOMMUNICATIONS BUSINESS; AND TO ENGAGE IN ANY LAWFUL ACT
OR ACTIVITY ALLOWED BY LAW IN THE STATES OF KANSAS AND SOUTH DAKOTA.

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
SEE ATTACHED LIST					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	common		\$1.00

- (10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
100	common		\$1.00

- (11) The amount of its stated capital is \$ 100.00

(12) This application is accompanied by a CERTIFICATE OF FACT duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any co-partnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such price, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated Feb 22 19 95

[Signature]
(Signature)
VICE PRESIDENT
(Title)

State of HAWAII
County of HONOLULU

On this 22nd day of February, 1995, before me Notary T. H. Tanaka personally appeared ERIC P. TOM, known to me, or proved to me, to be the VICE PRESIDENT of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My Commission Expires: 4-15-98

[Signature]
(Notary Public)

Notarial Seal

The Consent of Appointment below must be signed by the registered agent listed in number six.

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, The Prentice-Hall Corporation System, Inc., hereby give my consent to serve as the
(name of registered agent)

registered agent for ABC TELECOM, INC.
(corporation name)

Dated 2/6 19 95

[Signature]
The Prentice-Hall Corporation System, Inc.
(signature of registered agent)

OFFICERS

65042690.16
3/16/95

NAME

Richard H. Kalbrener, Pres.
John P. Meyer, V.P.
M. Jeannine Strandjord, V.P.
Eric P. Tom, V.P.
Michael T. Hyde, Secretary
Michael D. Gardner, Asst. Secretary
Gleam Yamashita, Asst. Secretary
H. Jeannine Strandjord, Treasurer

ADDRESS

925 Dillingham Blvd., Honolulu, HI 96817
903 E. 104th St., Kansas City, MO 64131
2330 Shawnee Mission Pkwy., Westwood, KS
925 Dillingham Blvd., Honolulu, HI 96817
2330 Shawnee Mission Pkwy., Westwood, KS
2330 Shawnee Mission Pkwy., Westwood, KS
8140 Ward Pkwy., Kansas City, MO 64114
925 Dillingham Blvd., Honolulu, HI 96817
2330 Shawnee Mission Pkwy., Westwood, KS

DIRECTORS

NAME

Richard H. Kalbrener
Eric P. Tom

ADDRESS

925 Dillingham Blvd., Honolulu, HI 96817
925 Dillingham Blvd., Honolulu, HI 96817

SOCIAL SECURITY #'s

NAME

Richard H. Kalbrener
John P. Meyer
M. Jeannine Strandjord
Eric P. Tom
Michael T. Hyde
Michael D. Gardner
Gleam Yamashita

NUMBER

469-50-7586
483-46-3492
491-48-3304
573-90-8606
498-48-1851
491-78-3560
573-76-7359

STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE
RON THORNBURGH



RECEIVED

FEB 17 1995

S.O. SEC. OF STATE

To all to whom these presents shall come, Greetings:

I, RON THORNBURGH, Secretary of State of the state of Kansas, do hereby certify that I am the custodian of records of the State of Kansas relating to corporations and that I am the proper official to execute this certificate.

I FURTHER CERTIFY THAT

ASC TELECOM, INC.

is a regularly and properly organized corporation under the laws of the state of KANSAS, having been incorporated in Kansas on the 26th day of August, A.D. 1994 and has paid all fees and franchise taxes due this office and is in good standing according to the records now on file in the office of Secretary of State.

In testimony whereof:

I hereto set my hand and cause
to be affixed my official seal.
Done at the City of Topeka, this
3rd day of February, A.D. 1995



RON THORNBURGH
SECRETARY OF STATE

Receipt No: 448955

95032690216
3/16/95

File Number: FHO17699

CERT OF AUTHORITY

For

ASC TELECOM, INC. (KS)

File at the request of:

PRENTICE HALL
STEPHANIE LYONS
33 NORTH LASALLE ST
CHICAGO IL 60602

STATE OF SOUTH DAKOTA

SS.

OFFICE OF THE SECRETARY OF STATE

Filed in the office of Secretary of State on

Date March 7, 1995

Joyce Hazeltine
Secretary of State

Fee Received \$40 1,000 CN @ \$1.00

SOS CRP 491 10/93

EXHIBIT D

PROPOSED ASC TARIFFS

Tariff Schedule
Applicable To
Interexchange Telephone Communications
of
ASC Telecom, Inc.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

CHECK SHEET

* Asterisk indicates changes in current tariff filing. Current sheets in this tariff are as follows.

<u>Page</u>	<u>Revision</u>
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2	Original
3	Original
4	Original
5	Original
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7	Original
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9	Original
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12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

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ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

EXPLANATION OF SYMBOLS

When changes are made on any tariff page, a revised page will be issued canceling the tariff page affected; such changes will be identified through the use of the following symbols:

- (C) - To signify changed regulation or rate.
- (D) - To signify the Deletion/Discontinuance of rates, regulations, and/or text.
- (I) - To signify an Increase.
- (M) - To signify matter Moved/Relocated within the tariff with no change to the material.
- (N) - To signify New text, regulation, service, and/or rates.
- (R) - To signify a Reduction.
- (T) - To signify a Text Change in tariff, but no change in rate or regulation.

The above symbols will apply except where additional symbols are identified at the bottom of an individual page.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

1. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable for the furnishing of telecommunications services provided by ASC Telecom, Inc. between and among points within the state.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS

2.1 Definitions

Certain terms used generally throughout this tariff for services furnished by the Carrier are defined below.

Carrier - Company

The terms "Carrier and Company" refer to ASC Telecom, Inc. unless they refer specifically to the Local Exchange Company (LEC).

Day

The term "Day" denotes 8:00 a.m. to 4:59 p.m. local time at the originating terminal on Monday through Friday.

End User

Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer.

Evening

The term "Evening" denotes 5:00 p.m. to 10:59 p.m. local time at the originating terminal on Sunday through Friday.

Holidays

The term "Holidays" denotes all Carrier specified holidays as follows: New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holiday rates are equal to the Evening rates for the time period 8:00 a.m. to 10:59 p.m. and are at the Night rates from 11:00 p.m. to 7:59 a.m. on Monday through Friday. If the Holiday falls on a Saturday or Sunday, the Friday preceding the Holiday or the Monday following the Holiday is rated at ASC Telecom, Inc. Holiday rates.

Night

The term "Night" denotes 11:00 p.m. to 7:59 a.m. local time at the originating terminal on Monday through Friday, any time on Saturday, Sunday 8:00 a.m. to 4:59 p.m. and 11:00 p.m. to 7:59 a.m.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.2 Undertaking Of The Carrier

ASC Telecom, Inc. undertakes to provide 24-hour intrastate, interstate and international long distance telephone service, subject to the availability of facilities, in accordance with the terms and conditions set forth in this tariff.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)**2.3 Limitation Of Liability****1. Liability of the Carrier**

The liability of Carrier, if any, for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission during the course of furnishing service shall in no event exceed an amount equivalent to the charge to Customer for the service during which such mistakes, omissions, interruptions, delay, errors, or defects in transmission occurred. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act of customer, or which arise from facilities or equipment used by Customer, shall not result in the imposition of any liability whatsoever upon Carrier. Carrier is not liable for the quality of service provided by any local exchange carrier. Carrier is not liable for any act, omission or negligence of any local exchange carrier or other provider whose facilities are used in furnishing any portion of the service received by Customer. Under no circumstances whatever shall Carrier or its officers, agents, or employees be liable for indirect, incidental, special or consequential damages. Carrier shall not be liable for any failure of performance hereunder due to causes beyond its control, including but not limited to civil disorders, labor problems, and fire, flood, atmospheric conditions or other phenomena of nature, such as radiation. In addition, Carrier shall not be liable for any failure of performance hereunder due to necessary network reconfiguration, system modifications due to technical upgrades, or regulations established or actions taken by any court or government agency having jurisdiction over Carrier.

2. Overpayment

The Carrier shall not be obligated to refund any overpayment by a user unless a written claim for such overpayment, together with substantiating evidence which will allow Carrier to verify such claim, is submitted within two (2) years from the date of the alleged overpayment.

3. Disclaimer of Warranties

Except as expressly provided in this tariff, Carrier makes no understanding, agreements, representations or warranties, expressed or implied (including any regarding the merchantability or fitness for a particular purpose).

4. Refunds for Interruption or Impairment to Carrier Service

It shall be the obligation of the customer to immediately notify the Carrier of any service interruption.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.4 Use of Service

Neither subscribers nor their authorized users may use the services furnished by the Carrier for any unlawful purpose.

2.5 Customer Application For Service

Service requests will be honored by telephone and/or through telephone confirmation with the local exchange company.

2.6 Establishment Of Credit

Carrier reserves the right to examine the credit record and check the references of all applicants and customers.

2.7 Deposits And Advance Payments

Carrier does not collect deposits or advance payments at this time.

2.8 Rendering And Payment Of Bills

1. Billing periods are monthly.
2. The billing date is dependent on the billing cycle assigned to the customer.
3. Bills are due and payable as the Local Exchange Carrier dictates. Additional fees for late payment may be assessed as determined by the Local Exchange Carrier.
4. Bills may be paid by mail or in person at the business offices of the Local Exchange Carrier. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.
5. Carrier is not responsible for local telephone charges incurred by Customer in gaining access to Carrier's network.
6. Connection fees and usage and monthly access fees are billed in arrears.
7. The customer will be billed for and is liable for payment of all applicable federal, state and local taxes and surcharges.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.9 Discontinuance Of Service

Service continues to be provided until canceled, by Customer, in writing, or until canceled by Carrier as set forth below.

1. Cancellation by Customer - Customer may have service discontinued 30 days after giving notice to Carrier. Carrier will hold customer responsible for payment of all bills for service furnished until the cancellation date specified by the customer or until 30 days after the cancellation notice is received.
2. Cancellation by Carrier - Carrier may immediately discontinue service or cancel any application for service without incurring any liability when there is an unpaid bill for any sum due to the Carrier for service that is more than 30 days beyond the date of issue.

2.10 Continuity Of Service

In the event of a knowledge of an interruption of service for a period exceeding 24 hours, the customer will be notified in writing, by mail, at least one week in advance.

2.11 Adjustments For Municipality Payments

When any municipality, or other political subdivision or local agency of government imposes upon and collect from the Carrier a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or any such other tax, such taxes and fees shall, insofar as practicable, be billed pro rata to the Carrier's customers receiving service within the territorial limits of such municipality, other political subdivision or local agency of government.

2.12 Demonstration of Calls

From time to time the company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

2.13 Fees

No fees are collected from the end user in addition to the charges as specified in Section 4.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.14 Commissions

No commissions are collected from the end user in addition to the charges specified in Section 4.

2.15 Aggregator Surcharges

At the option of the Aggregator, a per-call Aggregator Surcharge may apply for use of the Aggregator's telecommunications facilities and equipment. Surcharge amount is listed in Section 4.3. No other charge beyond the rates listed in Section 4.3 of this tariff are billed to the end-user by ASC Telecom Inc. for calls made using the company's service

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION

.1 ASC Telecom Debit Card Service

The ASC Telecom Debit Card allows customers to pay a fixed dollar amount in advance for long distance calling over ASC Telecom's network. Customers use an "800" number for access from touch tone phones. Customers can place domestic and international direct dial calls using the service. Cards are decremented for each minute or fractional minute of use as set forth below. As calls are placed, charges for the call are deducted on a real time basis until the full amount of the card is exhausted. Customers will be notified in advance of the exhaustion of the card. An expiration date, if applicable, is printed on the card. The rates paid by the customer until the card is exhausted are the rates in effect at the time the card is purchased. Debit Card accounts may be replenished at the rates specified for replenished cards.

The following types of calls may not be completed using the ASC Debit Card:

- calls to 700, 800, and 900 numbers
- calls to directory assistance
- operator assisted calls
- conference calls
- calls requiring time and/or charges

The ASC Debit Card is available twenty-four hours a day, seven days a week. The cards will be offered to customers on a first serve basis and may be offered in conjunction with other ASC products.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION (Continued).1 ASC Telecom Debit Card Service (Continued).1 Original Purchase Debit Card Accounts

An ASC Telecom Debit Card account is established upon receipt of payment by the Company. When an original purchase account is established, the Company will assign an Account Code/Authorization Code to the account. The Company reserves the right to determine the acceptable types of payment. Original purchase accounts are available for use at the rates as set forth in section 4 of this tariff.

1 intrastate minute of use = 1 unit

.2 Replenishment of Debit Card Accounts

An ASC Telecom Debit Card account may be replenished via an "800" number. To replenish an existing Debit Card account, the customer must use a commercial credit card. The Company reserves the right to determine the acceptable types of credit cards. Replenished accounts are available for use at the rates as set forth in Section 4 of this tariff.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION (Continued)

2. Operator Services

1. Description of Service

Operator Services are available from specific locations within the state, for a charge.

Access to Operator Service can be obtained by the following dialing methods.

- "00" from a telephone subscribed to ASC in a FGD area.
- "0 + (NPA-NXX-XXXX)" from a telephone subscribed to ASC in a FGD area.
- "10252" + "0" + from an ASC or non-ASC subscribed telephone in a FGD area.

The Directory Assistance Call Completion Charge applies to both ASC and non-ASC subscribers who access a ASC operator and request the operator to obtain a telephone number from D.A. and then have the operator complete the call to the requested number.

NOTE: If a ASC operator completes a call to the requested number, the Directory Assistance Call Completion Call Placement Charge (plus ASC usage charges) is applicable in lieu of a D.A. surcharge. When the call is not completed to the called party by the ASC Operator, the Station-to-Station Call Placement Charge and D.A. surcharge will apply.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES**.1 ASC Telecom Debit Card Service****.1 Original Purchase Debit Card Accounts**

<u>Card Value</u>	<u>Usage Rate</u>
\$05.00	\$.33
\$10.00	\$.33
\$20.00	\$.32
\$50.00	\$.29

.1 Replenishment of Debit Card Accounts

<u>Card Value</u>	<u>Usage Rate</u>
\$05.00	\$.33
\$10.00	\$.33
\$20.00	\$.32
\$50.00	\$.29

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)2. Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

1. Option A1. Operator Services/Real Time Per-Minute Usage Rates*

		<u>Initial Minute</u>		<u>Additional Minute</u>		
<u>Mileage</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-10	3000	2400	1800	1800	1440	.1080
11-16	3800	3040	2280	2000	1600	.1200
17-22	3900	3120	2340	2200	1760	.1320
23-30	4300	3440	2580	2400	1920	.1440
31-40	4500	3600	2700	2600	2080	.1560
41-55	4800	3840	2880	2900	2320	.1740
56-85	5100	4080	3060	3200	2560	.1920
86-124	5300	4240	3180	3400	2720	.2040
125-244	5400	4320	3240	3600	2880	.2160
245-475	5500	4400	3300	3800	3040	.2280

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2806

EFFECTIVE:

4. USAGE RATES (Continued)2. Operator Services (continued).1 Option A2. Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.20
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)**2. Operator Services**

Operator Services are available twenty-four (24) hours a day, seven (7) days a week.
Calls that begin in one rate period and terminate in another rate period will be
prorated accordingly.

2. Option B**1. Operator Services/Real Time Per-Minute Usage Rates***

<u>Initial Minute</u>				<u>Additional Minute</u>		
<u>Mileage</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-19	3000	3000	3000	1800	1800	1800
11-16	3800	3800	3800	2000	2000	2000
17-22	3900	3900	3900	2200	2200	2200
23-30	4300	4300	4300	2400	2400	2400
31-40	4500	4500	4500	2600	2600	2600
41-55	4800	4800	4800	2900	2900	2900
56-85	5100	5100	5100	3200	3200	3200
86-124	5300	5300	5300	3400	3400	3400
125-244	5400	5400	5400	3600	3600	3600
245-475	5500	5500	5500	3800	3800	3800

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)**2. Operator Services (continued)****2. Option B****2. Operator Services/Real Time Call Placement Charges**

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$2.25
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)2. Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

3. Option C1. Operator Services/Real Time Per-Minute Usage Rates*

Mileage	<u>Initial Minute</u>			<u>Additional Minute</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-10	3600	3600	3600	3600	3600	3600
11-16	3600	3600	3600	3600	3600	3600
17-22	3600	3600	3600	3600	3600	3600
23-28	3600	3600	3600	3600	3600	3600
31-40	3600	3600	3600	3600	3600	3600
41-55	3600	3600	3600	3600	3600	3600
56-85	3600	3600	3600	3600	3600	3600
86-124	3600	3600	3600	3600	3600	3600
125-244	3600	3600	3600	3600	3600	3600
245-475	3600	3600	3600	3600	3600	3600

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)2. Operator Services (continued)3. Option C2. Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.25
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)2. Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week.
Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

4. Option D1. Operator Services/Real Time Per-Minute Usage Rates*

<u>Initial Minute</u>				<u>Additional Minute</u>		
		<u>Night/</u>				<u>Night/</u>
<u>Mileage</u>	<u>Day</u>	<u>Evening</u>	<u>Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Weekend</u>
0-10	.4000	.4000	.4000	.4000	.4000	.4000
11-16	.4000	.4000	.4000	.4000	.4000	.4000
17-22	.4000	.4000	.4000	.4000	.4000	.4000
23-30	.4000	.4000	.4000	.4000	.4000	.4000
31-40	.4000	.4000	.4000	.4000	.4000	.4000
41-55	.4000	.4000	.4000	.4000	.4000	.4000
56-85	.4000	.4000	.4000	.4000	.4000	.4000
86-124	.4000	.4000	.4000	.4000	.4000	.4000
125-244	.4000	.4000	.4000	.4000	.4000	.4000
245-475	.4000	.4000	.4000	.4000	.4000	.4000

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).2 Operator Services (continued).4 Option D.2 Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.20
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)

3. Aggregate Surcharge

A pass through charge billed on behalf of the aggregator may be assessed to each call completed by ASC Telecom, Inc.

Per-Call Charge: \$1.50

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

5. PROMOTIONAL OFFERINGS

The Carrier may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing customer's awareness of a particular tariff offering. These offerings may be limited to certain dates, times and/or locations. Requests for specific limited duration promotional offerings will be presented to the Commission in accordance with the rules and regulations established by the Commission in the form of a letter to the Commission.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

EXHIBIT E

SAMPLE OF ASC CUSTOMER NOTICE

5010 02 014 778

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND



Long distance calls may be billed to any of the following credit/travel cards:

Dial Access + 0 + Area Code + Number

Foreign Language Assistance is provided in seven major languages.

Japanese/日本語: 日本語によるサービスは
Spanish/Español: Para Ayuda en español
German/Deutsch: Für Hilfe in Deutsch
French/Français: (In Va Vous aider en français
Korean/한국어: 한국말로 도와드리겠습니다
Portuguese/Português: Para assistência em português
Italian/Italiano: Si parla Italiano

LONG DISTANCE CALLING INFORMATION

Long Distance Operator Services are provided by ASC Telecom. Calls can be completed to in-state, inter-state and international locations. You may charge your calls to your telephone company calling cards or major credit cards (see back). ASC Telecom will also complete domestic collect, third party and person-to-person calls.

You may obtain free rate quotes or information on billing methods by reaching an outside line, then dialing:

0 + Area Code + Number. An operator will assist you. You may use another long distance carrier. Follow your carrier's instructions or contact the local exchange carrier operator for assistance.

To obtain a local operator, refer to telephone dialing instructions. (Para comunicarse con la operadora local, consulte las instrucciones de discado telefónico).

For emergencies, obtain an outside line and dial:

_____ + 911, or
Police/Policia: _____
Fire/Bomberos: _____
Ambulance/Ambulancia: _____

Customer inquiries may be addressed to: ASC Telecom, P.O. Box 709, Winona, MN 55987-0709. For customer service, dial 1-800-654-2131. Address consumer comments to: FCC, Enforcement Division, Consumer Complaint Bureau, 2025 M Street, Room 6202, Washington, D.C. 20554

* Some calls may be completed and billed by Sprint.

ASCTN-5

EXHIBIT F

1996 SPRINT ANNUAL REPORT

Who will deliver?

WHEN THE BOUNDARIES ARE GONE ...



Who will serve up total communications solutions with *speed, responsiveness and simplicity* under one brand?



Sprint

deliver

WHY

IN THIS REPORT ...

From the Chairman	You must ask tough questions to get the best answers.	2
ESSENTIAL ASSETS ...		
National Brand	We have made our brand stand for speed, responsiveness and simplicity.	6
Core Competencies	We live and breathe the long distance, local and wireless businesses.	10
Strategic Alliances	We have leveraged our resources to become a global force.	12
Mobilized Organizations	We are marshaling our assets to serve an evolving marketplace.	16
1998 Year in Review	The proof is in the performance.	18
Some at a Glance	We are greater than the sum of our parts.	26
Financial and Corporate Information	We know how to build shareholder value.	28

Sprint has a company that has been named "America's Most Innovative Company" by *Fortune* magazine. | Sprint is the world's largest carrier of Internet traffic.

National
Brand



Page 6

Core
Competencies



Page 10

Strategic
Alliances



Page 12

Mobilized
Organizations



Page 16

Y?

Our
vision



Sprint
INNOVATION
COMPANY



Sprint 1996 Annual Report

You must ask ...

to get the best
answers.

It's our job to ask tough questions about the future and
to develop the best answers that work in the interests
of our customers, shareholders and employees.

Dear shareholder:

What seems remarkable about Sprint's shareholders is your willingness
to look ahead and to imagine what might be. On behalf of all Sprint
employees, I want to thank you for the vote of confidence in the future
of Sprint which your ownership represents. We consider our-
selves to be a forward-looking, growth-oriented company —
an agent of change in a rapidly changing environment. We
understand the impact and opportunities technological change
can present to individual companies as well as to society. Setting
those opportunities quickly and effectively can be a basis for
great new successes. We believe you share our vision. Together,
we have accomplished some remarkable things. But our great-
est opportunities are ahead of us.

In this annual letter, I not only want to celebrate the successes of 1996 but
also to talk about the future and the necessary costs related to our future success.

We have much to be proud of this year.

- We enjoyed record profits. When our strategic joint ventures and non-
recurring charges are excluded, income from continuing operations grew
35.5% in 1996 to \$1.4 billion. On the same basis, earnings per share
increased from \$2.95 per share in 1995 to \$3.29 per share in 1996. That

Consolidated
Net Operating
Revenues Increased
21% in 1996



What is the replacement for traditional
cellular communication? Is Sprint
PCS a joint venture in which Sprint
has a 49% interest to provide personal
communication services. Sprint and
its partners will offer PCS to a
population of nearly 200 million.

Sprint 1996 Annual Report

FINANCIAL HIGHLIGHTS

(in millions, except per share and employee data)

	1996	1995	% Change
Net operating revenues	\$ 8,302.1	\$ 7,277.4	14%
Long distance communications services	\$ 5,166.1	\$ 4,719.4	9%
Local communications services	\$ 1,225.9	\$ 1,148.0	7%
Product distribution and directory publishing	\$ 14,044.7	\$ 12,765.1	10%
Consolidated	\$ 1,225.9	\$ 1,001.5	23%
Income from continuing operations			
Earnings per common share from continuing operations	\$ 2.87	\$ 2.84	1%
Dividends per common share	\$ 2.00	\$ 1.90	5%
Weighted average number of common shares	\$ 16,343.0	\$ 14,104.0	16%
Total assets	\$ 8,024	\$ 8,204	—
Employees (year-end)			

Income from continuing operations and the weighted per share amounts include the effects of restructuring charges during 1996. Earnings per share from continuing operations and the weighted per share amounts include the effects of restructuring charges during 1996. Earnings per share from continuing operations and the weighted per share amounts include the effects of restructuring charges during 1996. Earnings per share from continuing operations and the weighted per share amounts include the effects of restructuring charges during 1996.

increase was achieved while average shares outstanding grew by 22% reflecting the purchase of 10% of Sprint by Deutsche Telekom and France Telecom.

- We are the fastest growing of the major long distance carriers in both revenues (at 14.1% for the year) and calling volume (at 20% for the year).
- We achieved growth rates among the best in the industry in local telephone revenues (at 9.5% for the year) and in local access lines (at 5.6% for the year).
- We had a 24.3% total return to shareholders in 1996, which exceeded local exchange carrier indices, long distance indices and broad market performance.
- We were rated No. 1 in customer satisfaction among long distance users by J.D. Power and Associates.

But it is more than our No. 1 rankings that has prompted analysts over the past year to comment so favorably about Sprint. They also recognize the potential of our various alliances, such as our Global One alliance with Deutsche Telekom and France Telecom, and our Sprint PCS venture, which will usher in a new era of wireless service.

Another new alliance is with RadioShack, which will create Sprint stores within 6,800 RadioShack stores. These stores-within-stores will sell Sprint-branded long distance and local telephone service, wireless personal communication services, Internet access, and paging, as well as our telephone sets and prepaid phone cards.

We have also begun to benefit from presenting the Sprint brand as a single face in the marketplace. We have put the Sprint name not only on long distance, but also on local service, on wireless, and on Internet access. We believe that a well-known brand is a distinct advantage as the range of consumer choices explodes.

After years of conceptualizing, planning and positioning, 1996 was a year in which you began to see our true potential. The year 1997 will be exciting, as we more fully execute our strategies and take advantage of our unique positioning.

Continued on next page



If business of residential customers need English or Chinese-speaking assistance, they can get help from Sprint representatives. RadioShack is in San Diego, California.

Sprint 1996 Annual Report

FROM THE CHAIRMAN

You must ask tough questions to get the best answers.

(Continued from page 1)

We must define our business differently for the future.

Historically, we have reported our operating results under the categories of long distance, local, and product distribution and directory publishing — and you will see the details of the performance of these units in the financial section of this report, beginning on page 29.

But this approach may be too limiting, too much a habit of the status quo, because our future is not necessarily going to break down that way. Sprint already can be viewed as two companies — as a company aggressively growing its core businesses and as a company aggressively pursuing emerging opportunities, such as new competitive local markets, PCS, Internet products and international markets. These new businesses will change the nature and direction of the entire company. Therefore, I expect that we will further reshape our traditional business units as our technology, our brand strategy and our customers' needs change the way we define ourselves as a company.

If we are resourceful in rethinking who we are, what we do, and how we do it, I am certain that our potential is now greater than it has ever been. We will no longer be simply a local company or a long distance company. Instead we will be your complete telecommunications company, providing a total package of communications services and products whether they be wireless or wired, voice, data or video, local, long distance or international. We are prepared to service all of the communications needs of our customers.



Industry benchmark

The regulatory commission, Sprint, RadioShack, and the other major long distance carriers are working to bring customers the best service possible.

— Sprint, RadioShack, and the other major long distance carriers



Excludes nonrecurring items



Sprint 1996 Annual Report

DELIVERING ON OUR PROMISES

We have delivered on our promise in 1996 to offer our services to a much broader marketplace.

■ We delivered on our promise to join a global venture. Global One started operations in 1996 and is generating revenues at a \$1 billion annual run rate.

■ We delivered on our promise to begin our buildout of PCS wireless service on a national scale. As year-end 1996, Sprint PCS offered service in eight markets and is on schedule to serve 64 markets by this time next year.

■ We delivered on our promise to position Sprint ahead of the competition in rapidly growing data markets. Already, Sprint has established itself as the undisputed leader in data communications and the market leader in most data categories.

Earnings Per Share from Continuing Operations
1994-1996



But what is the cost of this promising future?

Accompanying the unprecedented opportunities are significant upfront costs. We face the costs of fulfilling the potential of wireless, the costs of increasing the capacity and installing new technologies on our fiber-optic network, the challenge of seizing the newly created opportunities to compete in local markets nationwide, and the normal costs of investing for tomorrow. As expected, some of these new initiatives, including the Global One and Sprint PCS ventures, experienced losses in 1996.

I expect earnings from our core businesses to continue to grow significantly. However, in the near term, our new initiatives will likely cause overall earnings per share to be below last year's level. You may say, "Oh, that's bad." Well, no, that's good, because it shows we have created worthwhile opportunities in which to invest for our future. We know that we must incur significant upfront costs to achieve success in our emerging businesses. So while earnings per share may temporarily go down, the important thing to remember is that they are going to go down for the right reasons — we will be building large future businesses that will be of great importance to our company, and should generate considerable shareholder value.

Your own future-oriented outlook as investors has allowed those of us in Sprint management to commit the company to the exciting new opportunities we see. The extraordinary path Sprint is pursuing also says a great deal about the caliber and confidence of the people who work at this company. Their vision, teamwork and dedication is remarkable. Like you, they believe in the future, and I am proud to work alongside them.

With our employees' continued creativity and your continued vision, Sprint has great and exciting days ahead.

Bill Eury

William T. Eury
Chairman and Chief Executive Officer
March 7, 1997

Meeting the Moment

Chairman and CEO Bill Eury (far right) joins Sprint employees representing all parts of our business. They are, from left, Lon Smith, Bill Randall, Saurav Sharma, Sue Fowler, Mark Edmunds, Rita Agnew, Eugene Agui, Cynthia Lin, Rose Marsh, Rudy Mason, Susan Sarno, Cynthia Flores, Jeff Gargano and Joanne Rochet.

Sprint 1996 Annual Report 3

NATIONAL BRAND

We have made our brand stand for...

responsiveness simplicity.

We have invested more than \$1 billion to create one of the most valuable assets a company can possess — a brand that will help deliver explosive growth.

In the last 10 years, a newly opened long distance market gave us the rare opportunity to create a new, and well-known brand. This achievement serves Sprint well today as the entire U.S. communications market deregulates.

In these times of rapid change, the brand stands as a beacon to customers facing a proliferation of choice. Customers come to a familiar brand for quality and consistency. They rely on the brand to assure full service and a fair price. They look to the brand for assurance they will enjoy all the benefits of today's new technologies and products.

She's a mover

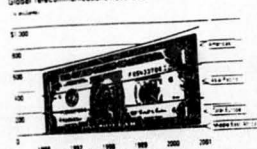
Sharon Shannon-Dwyer needs communications faster than she moves herself; she pushes the speed dial on her Sprint PCS™ phone in Portland, Oregon.



BURGESS OPPORTUNITIES

By 2001, the global market for wireless telecommunications services alone is expected to approach \$1 trillion. Sprint is positioned to be one of a handful of communications companies with the resources and partnerships necessary to capture a significant share of both wireless and wireless markets worldwide.

Global Telecommunications Revenues* 1995-2001



*Includes wireless and some internet access services only. Source: Telecommunications Industry Association (TIA)

As one of only three nationally known telecom service brands, Sprint is a natural choice for consumers and businesses. Large numbers of customers are clamoring for an alternative to their local phone company or wireless provider. Some are looking for better service. Some want more value for their dollar. Many want to consolidate their growing array of communications services.

In fact, customers want precisely what our studies tell us the Sprint brand symbolizes. They want speed. They want responsiveness. They want simplicity.

Along with our own research, there is compelling independent evidence of Sprint's strong brand message. For example, surveys by the consumer rating group J.D. Power and Associates and the telecom industry research firm Yankee Group both rank Sprint long distance No. 1 in customer satisfaction.

Continued on next page



As the same time RadioShack opened a prototype Sprint store within its own store in Oklahoma City, researchers began to ask customers what they thought. Sprint-branded products eventually will be available in RadioShack's 6,800 stores nationwide.

Sprint 1996 Annual Report

NATIONAL BRAND

We have made our brand stand for speed, responsiveness and simplicity.

Continued from page 7



Sprint SprintSense

It's a national brand with a reputation for speed, responsiveness and simplicity. Through SprintSense, Sprint is making it easier for customers to get the most out of their mobile phone. SprintSense is the new way to use your mobile phone. It's the phone that lets you do more with your phone.

Marketing success stories such as Sprint Sense® and Fridays Free offer tangible proof of our brand's marketplace power. The simplicity of our Sprint Sense flat-rate, dime-a-minute calling plan has attracted record numbers of new residential customers for the long distance division. Sprint Business Sense® and Fridays Free are generating similar results among commercial customers.

Meanwhile, our local telephone companies in 19 states have retired their traditional names and adopted the Sprint identity. As a result, the Sprint brand now reinforces marketing across all our existing market segments.

This is only the beginning. Our objective is to leverage our brand to the fullest in new geographic and product markets.

The Sprint brand is pivotal to nationwide thrusts into the market for PCS wireless service and into newly competitive local telephone markets. The Sprint reputation also drives much of our growth in fast-expanding data markets. Among the data targets: Internet, Intranet and a variety of advanced switching applications.

An influential and respected brand packs even greater punch in combination with other high-powered names.

Sprint 1996 Annual Report

TELEMEDICINE: THE NEXT GENERATION

Saint Luke's-Shawnee Mission Health System didn't look far for next-generation telemedicine and health data network services. The Kansas City-based hospital signed a \$1.4 million agreement with Sprint in 1996 to develop a comprehensive healthcare network. It gives physicians, nurses and

administrators the ability to have a full complement of patient information at their fingertips. Healthcare is one of several niche markets Sprint is targeting. Others include education, entertainment, advertising, finance and government.



In the United States, we gained a savvy consumer marketing partner during the year in RadioShack. Sprint-branded pagers, long distance, wireless, Internet service and more will be sold in RadioShack stores nationwide, just a five-minute drive from home or work for 16% of the U.S. population. Combine this with other established distribution channels, and the Sprint brand is positioned to support sales at every level of customer awareness, through national advertising and in local communities.

Worldwide, Sprint is already well known as an international force, including our pioneering position as the developer of the world's largest integrated global data network, SprintNet®. By associating our brand with those of Deutsche Telekom and France Telecom through the Global One joint venture, we gain even more leverage on a global scale.

In the final analysis, our brand is a growth engine in and of itself. It helps us enter new communications markets, which helps ratchet up brand awareness all the more, in a self-reinforcing cycle of market penetration and reputation building.

Across consumer and business markets alike, Sprint is in all the right places as customers gain the opportunity to choose. Wherever they go they'll find Sprint — a name they can trust for every communications need.

Delivering on its promise to provide a world-class customer Internet service, Sprint announced the general availability of Sprint Internet Navigator® in 1996.

Sprint 1996 Annual Report

COMMUNICATIONS

We live and breathe the ...

long distance,

&

All the pieces are in place to deliver telecom's most comprehensive package — domestic and international long distance, local service, data transfer, Internet and wireless services.



Helping your business

■ Help generate record sales in your home-grown small business with Sprint's nationwide network of sales representatives throughout the United States. In Washington, D.C., talk show host Larry King is a Sprint speaker. *Friday Free* calling delivers powerful incentives for small- and medium-sized businesses to use Sprint and become more productive and profitable.

To deliver in the 21st Century, a full-service company will need broad-based resources and knowledge. And the best kind of knowledge comes through first-hand experience. Sprint comes to the emerging market for integrated services with a solid and long-standing performance record in all major facets of telecommunications.

- We have in-depth knowledge of every major market segment, including consumer, business and government.
- We're a proven competitor in long distance.
- With local telephone companies across the United States, we know what local customers want and expect.
- We have extensive experience in providing wireless communications.
- We've been serving the international marketplace for more than a decade with what is now the world's largest global data network.
- We are an industry leader in both product distribution and directory publishing.



Sprint 1996 Annual Report

SHE'S NO. 1... AGAIN

For the second year in a row, Sprint spokesperson Candice Bergen was ranked the nation's No. 1 celebrity endorser. In an annual survey, Video Storyboard Text queries people across the country about the effectiveness and credibility of famous spokespersons in advertisements.

Ms. Bergen's humorous portrayal of the Dime Lady helped sales skyrocket for the dime-a-minute Sprint Sense® calling plan. For the first time, the Emmy Award-winning actress appeared in commercials designed to strengthen awareness of the Sprint brand in our local telephone markets.



wireless businesses.

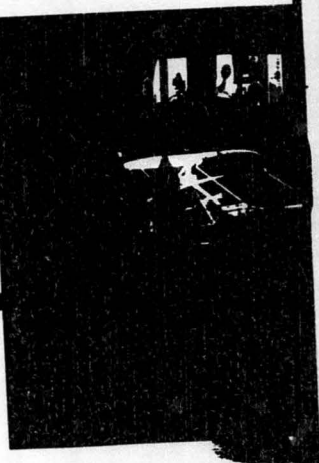
No company is better equipped to earn customer loyalty in the 21st Century.

Again and again we've led in bringing the most advanced data transmission technologies to the long distance marketplace. We lead all major local telephone companies in the percentage of customer lines served by digital switching. Through the Sprint PCS joint venture, we're joining our partners in building a nationwide wireless network based on unsurpassed digital technology.

Our approach. Blend this marketing and technological expertise to offer a complete selection of products and services, with full support — a package that makes communications simple, yet satisfies the most demanding and sophisticated of customers.

Now market opportunities.

A year ago, Colorado, California, residents had only one choice in their local service. Since the passage of the Telecommunications Act of 1996, California residents in selected communities have the opportunity to become Sprint local service customers. California is one of the first true battlegrounds for competitive local service in the United States.



STRATEGIC ALLIANCES

We have ...

leveraged our
to become
global

We've matched our experienced, diverse work force with the world's best partners. We will deliver an unparalleled level of quality and value.



Frankfurt, Germany, is home to the Network Operations Control Center for Global One's massive worldwide telecommunications network.

To qualify as a premier full-service provider of integrated communications, today's competitor must extend its reach on a scale never before imagined. The resources required are massive, but achievable, if you select the right strategic partners.

Well-structured alliances enable us to fully leverage the solid market position Sprint has established for itself both domestically and internationally.

For example, critical new opportunities abound in expanding international markets. Sprint is fully engaged globally, with multifaceted strategies aimed at rapidly growing markets worldwide.

- To most efficiently deploy our resources, Sprint looks to those countries where we already have established relationships and where we can most easily apply our technological know-how.

A GROWING MARKET IN NORTH AMERICA

More than 28% of United States international trade is with its closest neighbors, Canada and Mexico. Sprint's North American strategy is to serve this growing market with a comprehensive array of voice, video and data services designed to simplify cross-border communications.

Sprint-branded products and services are available in Canada through our equity

participation in Sprint Canada and in Mexico through a separate strategic alliance with Telefonos de Mexico (Telcel), Mexico's largest communications company. Sprint and its partners are positioned as the provider of choice for businesses operating in the area covered by the North American Free Trade Agreement (NAFTA).



force.

- To increase traffic on our domestic nationwide network, Sprint is targeting investment opportunities in countries with substantial long distance traffic to and from the United States. This approach adds profitable revenues while it also benefits our domestic customers who do business internationally.
- To ensure a balanced investment portfolio, we seek opportunities in both mature telecom markets opening to competition and in markets with lower telecom penetration but outstanding growth prospects.

More often than not, these investments involve alliances with other telecom providers.

Continued on next page



Sprint PCS engineer Dennis Hines has a bird's-eye view of New York City while installing an antenna to accommodate a wireless revolution that will become a higher quality, more secure replacement for cellular communication.

Sprint 1996 Annual Report

STRATEGIC ALLIANCES

We have leveraged our resources to become a global force.

Continued from page 12

Sprint's North American presence features strategic alliances in both Canada and Mexico. These include a 25% interest in Call-Net Enterprises, which markets under the name Sprint Canada. Sprint also has an alliance to develop and provide cross-border services with Telefonos de Mexico (Telcel), Mexico's largest telecommunications carrier.



Expanded opportunities

Sprint is investing its strong relationship with China Unicom and others to pursue wireless telecommunications opportunities throughout Asia's rapidly developing markets. A Sprint venture in Taiwan, China, involves construction of a modern local telephone network that will be capable of serving up to 500,000 customers in a city of 9 million.

Our most far-reaching alliance by far is Global One. This worldwide partnership of Deutsche Telekom, France Telecom and Sprint takes the idea of global service to a new level. Unlike most other alliances, Global One is a company unto itself, with its own network and staff, serving consumers, businesses and other telecom carriers. It has the resources and the flexibility needed to bring true single-source global communications to customers of varying size and requirements.

Global One has met the criteria Sprint sets for its alliance commitments: strong committed partners, minimal duplication of resources among the partners and maximal opportunities to penetrate new markets.

With Global One, Sprint and its partners retain control over their own domestic market agendas, along with freedom to pursue individual international initiatives outside the venture's scope. Within the venture, the partners achieve efficiencies by combining many of their international assets, tap into valuable knowledge of markets and cultures worldwide, and then associate their brands with a comprehensive international business.

The venture also brought the infusion of new capital into Sprint, as Deutsche Telekom and France Telecom invested \$3.7 billion to acquire a 20% stake in Sprint.

In the United States market, we have a 40% interest in a partnership to provide nationwide personal communication services, or PCS. Marketing under the Sprint brand, the venture is aggressively introducing the replacement for traditional cellular communications.

With an investment of more than \$3.2 billion for PCS licenses and network construction, the capital required is substantial. Our strategic alliance with three of the nation's largest cable television companies offered an opportunity to share these upfront costs.

Sprint 1996 Annual Report

ANOTHER SPRINT MILESTONE

Sprint International's Julie Di Agostino, right, is a board member of Barak I.T.C., an international consortium that is awarded one of Israel's two alternative carrier licenses in 1996. The award represents the first direct

joint equity investment made since Sprint joined Deutsche Telekom and France Telecom in the Global One partnership early last year. Barak will be a model for similar efforts by the global partners throughout the world.



With the number of U.S. wireless subscribers expected to more than triple by 2005, the investment can yield extraordinary returns.

Sprint PCS will approach this market as the only wireless operator with the ability to provide 100% nationwide, 100% digital PCS service, using a single technology throughout the United States. As a result, customers will enjoy clearer, more secure and more convenient communications. In addition to marketing wireless service and phones through Sprint PCS CentersSM, the venture will also benefit from Sprint's marketing alliance with RadioShack, which includes Sprint PCS among products to be sold through RadioShack stores nationwide.

Both domestically and internationally, our strategic partners and marketing alliances give Sprint extended power to increase profitable market share and build shareholder value.



Sprint 1996 Annual Report

MOBILIZED ORGANIZATIONS

We are ...

our assets to *serve* an

Sprint is crossing traditional boundaries by mobilizing its organizations to provide a new kind of seamless, integrated service.



The Sprint team is seizing its advantage by systematically reorganizing our organization and our thinking.

We have two priorities. One is to sustain and grow our existing businesses. The other is to capitalize on those businesses as we explore new sources of revenues and earnings.

In the past, many of our business units operated independently to satisfy the requirements of regulation. Now they're learning to function as an integrated whole. And that has positive implications for customers and for shareholders.

Sprint will gain increased efficiencies as we continue to consolidate billing systems, customer service and other internal operations where it makes business sense.

It's not that simple.

Sprint represents speed, responsiveness and simplicity under one brand. Whether it's the new era of wireless service from Sprint PCS — or local long distance, Internet or paging — you can simplify your life with Sprint.

Sprint 1996 Annual Report

CONSOLIDATING FOR EFFICIENCY

Business process improvement is a Sprint priority. Continuing to increase efficiency and value of customer support operations, Sprint is creating two consolidated mainframe computer centers in the metro Dallas and Kansas City areas to support Sprint's centralized data processing needs.

To serve the customer billing needs of its local and long distance divisions, Sprint also has created three state-of-the-art mailing services centers — in Lenexa, Kansas; in Sacramento, California; and in Apopka, Florida, shown here with operations technician Tommy Bersinger.



evolving marketplace.

Sprint will have an edge in serving customers as our business units gain greater access to one another's advanced technologies.

Sprint will be an innovator in developing integrated service packages as we draw on the specialized expertise already present in our business units and among our strategic partners.

Most of all, Sprint will gain remarkable marketing leverage. We are in position to take full advantage of our simultaneous exposure to customers on a local, national and global scale as we move quickly to cross-market under a single brand.

Across the board, this is a company that is well positioned and well prepared to create increasing value for its investors.

Photo credit: Sprint
Sprint Business Service
Representatives: Valerie
Katzman, Ted O'Brien,
Guillermo Villalobos,
Mark Gurnea, Diana
Carson, John Tien-Hsin
and Mar Hawkins



West No. 1

According to the J.D. Power Survey in 1996, Sprint led the long distance industry in overall customer satisfaction. Sprint employees in Dallas Customer Service Center rank exceptional customer satisfaction as their highest goal.

1996 YEAR IN REVIEW

Sprint

The proof is ...
in the
perform

There has been speculation about Sprint's ability to deliver 1996 put that to rest ... forever.

Extending the brand
The Sprint brand was extended to include more than 10 million local telephone customers in 1996, making it the largest number of customers in the history of the United States. Many are now using Sprint's services through Sprint's new service providers.

Expanding the market

Sprint announced its marketing strategy in 1996 to attract college students who make decisions — and make them — online.

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evolving marketplace.

Sprint will have an edge in serving customers as our business units gain greater access to one another's advanced technologies.

Sprint will be an innovator in developing integrated service packages as we draw on the specialized expertise already present in our business units and among our strategic partners.

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We're No. 1

According to the J.D. Power Survey in 1996, Sprint led the long-distance industry in overall customer satisfaction. Sprint employees in Dallas Customer Service Center rank exceptional customer satisfaction as their highest goal.

performance.

There has been speculation about Sprint's ability to deliver. 1996 put that to rest... forever.

Targeting a market

Sprint accelerated its marketing efforts in the college market, targeting students who move back and forth from home to school.



© Sprint 1996. Annual Report

ance.

Helping a business

A Sprint PCS service is available in 100 markets where the Sprint PCS service is available. This means that Sprint PCS is available in 100 markets.

Meeting the needs

Two brands that represent quality — Sprint and Sony — grace Sprint PCS. This makes the first time Sony has co-branded with a telecommunications company.

Assessing the need

The media representatives who covered the 1996 Republican and Democratic national conventions received a Personal Area Network (PAN) demonstrating the service in San Diego and Chicago.

Unprecedented Service

Sprint PCS, which will provide one wireless service, using one technology, marketed under one brand on a national scale, is an unprecedented offering. The notion of someone traveling from Los Angeles to New York with service features that work the same in each market will become a reality on a truly nationwide scale.

Sprint 1996 Annual Report

1996 YEAR IN REVIEW

Helping to define a new landscape

Despite the doubters, Sprint took a giant technological leap 10 years ago, with our investment in a nationwide network designed for advanced communications. Today, we have the resources, the know-how and the balance sheet needed to take full advantage of revolutionary competitive opportunities. Whether it's PCS, newly competitive local markets or selected international markets, Sprint is ready to deliver.

Brand steps

Sprint PCS has taken its first steps into the national wireless market. Geographic scope for Sprint-branded PCS will include all 48 contiguous states, plus Alaska and Hawaii. This includes nearly 200 million people across the United States. Puerto Rico and the U.S. Virgin Islands.



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The proof is in the performance.

Continued from page 19

New line of customers

Increased bandwidth in competitive markets was seen in major home areas, including Sprint for local service and all-around data and Internet capabilities. Many changes from 96 are being seen. Sprint's new line of customers.



Small business solutions

Many in the business world are looking for a solution. In the business world, many are looking for a solution. In the business world, many are looking for a solution. In the business world, many are looking for a solution.

ance.

Helping a nation
Sprint PCS
the nation's first
wireless service
designed for the
nation's largest
business and
government
customers.



Helping the world
Two brands that represent
Sprint — Sprint and Sprint
PCS — mark the first time
Sprint has partnered with
a telecommunications
company.

Helping the media
The media representatives
who covered the 1996
Republican and Democratic
national conventions received
a Presidential Sprint PCS/GAR
commemorating the events
in San Diego and Chicago.

Unprecedented Service

Sprint PCS, which will provide one wireless service, using one technology, marketed under one brand on a national scale, is an unprecedented offering. The notion of someone traveling from Los Angeles to New York with service features that work the same in each market will become a reality on a truly nationwide scale.

Sprint 1996 Annual Report

1996 YEAR IN REVIEW

Helping to define a new landscape

Despite the doubters, Sprint took a giant technological leap 10 years ago, with our investment in a nationwide network designed for advanced communications. Today, we have the resources, the know-how and the balance sheet needed to take full advantage of revolutionary competitive opportunities. Whether it's PCS, newly competitive local markets or selected international markets, Sprint is ready to deliver.

First steps

Sprint PCS has taken its first steps into the national wireless market. Geographic scope not being bounded, PCS will increase dramatically in the years ahead with coverage that includes nearly 200 million people across the United States, Puerto Rico and the U.S. Virgin Islands.



Sprint PCS coverage area
as of March 1997

*The proof
is in the
performance.*

Continued from page 19

New list of customers

Increased demand for competitive prices was seen in leading businesses selecting Sprint for local service and advanced data and Internet capabilities from Chicago. From left are Heagerty, Ben Hill and Martin Peterson and Sprint's Paul Ryan.



Small business solutions

Margaret Huggins — owner of the Huggins Inn Bed and Breakfast in the Poconos with husband Christopher — had a simple problem. She turned to Sprint's Business Solutions Center in Louisville for the answer. An 800 number that followed Huggins on her cell phone and a fax machine helped her business do more business.



Service.



Two brands, one service.

Two brands that represent quality — Sprint and T-Mobile — grace Sprint PCS. That's why the best time from has co-branded with a telecommunications company.

The media representatives who covered the 1996 Republican and Democratic national conventions secured a Presidential Sprint PCS CARD commemorating the events in San Diego and Chicago.

Unprecedented Service

Sprint PCS, which will provide one wireless service, using one technology, marketed under one brand on a national scale, is an unprecedented offering. The notion of someone traveling from Los Angeles to New York with service features that work the same in each market will become a reality on a truly nationwide scale.

Sprint 1996 Annual Report

The proof is in the performance.

Continued from page 19

New line of equipment

Increased bandwidth in competitive prices was seen in T-Mobile's introduction of Sprint PCS for mobile services and all-around data and Internet capabilities that Chicago, from San Francisco, San Jose and March, Dallas and Sprint's Paul Ryan.

Small business solution

Margaret Huggard — who runs the Stern-Ten-Bag and Braxton in the Phoenix with husband Christopher — had a simple problem. She turned to Sprint Business Solutions Center in Ljubljana for the answer. An 800 number that followed Margaret on her cellular phone and a fax machine helped her business do more business.

1996 YEAR IN REVIEW

The proof is in the

PCS Comes

Sprint PCS Connect will roll out nationwide and PCS phones in markets nationwide throughout 1997. Sprint PCS will be in full deployment in December 1997.



Leading the way
"Taking you over the top" was the theme of Sprint's Business Global Pro Rewards and Benefits Program in 1996.

NFL experience

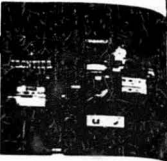
These youngsters were among thousands who attended a massive NFL Experience Exhibit co-sponsored by Sprint and Coca-Cola at the 1997 Super Bowl.

1996 YEAR IN REVIEW

The proof is in the performance.
Continued from page 21

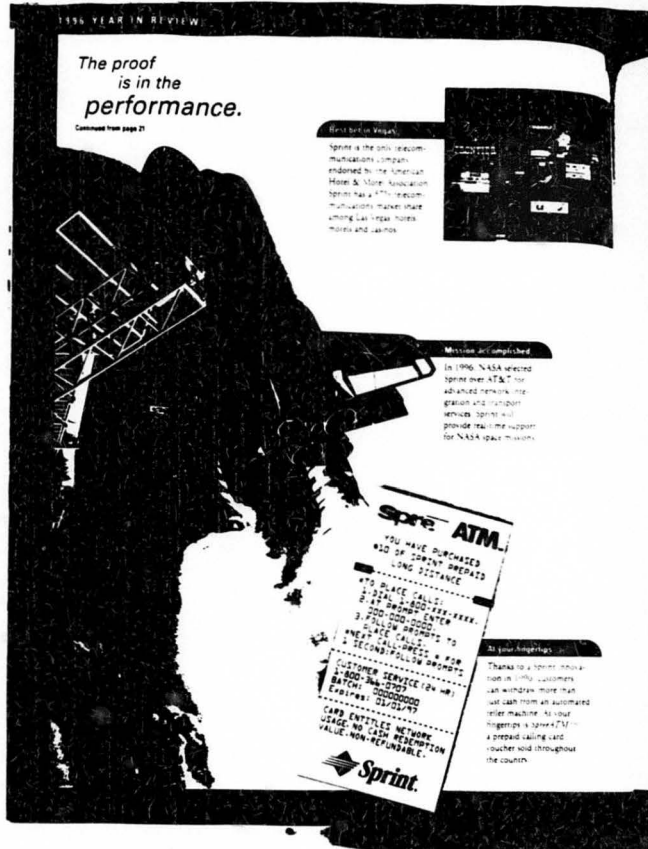
Best before Sprint

Sprint is the only national communications company endorsed by the National Hotel & Motel Association. Sprint has a 47% national communications market share among the major hotels, motels and airlines.



Mission accomplished

In 1996, NASA awarded Sprint over \$2.7 million for advanced network integration and support services. Sprint will provide real-time support for NASA space missions.



Sprint ATM

YOU HAVE PURCHASED \$10 OF CASH IN PREPAID LONG DISTANCE

ATM PLACE

1. DIAL 1-800-SPRINT
2. AT SPRINT CENTER
3. FOLLOW PROMPTS TO
4. VERIFY CALL DEDUCT A \$10.00
5. SECOND CALL DEDUCT A \$10.00
6. CUSTOMER SERVICE (EN 88)
7. CASH SERVICE (EN 88)
8. BATCH# 000000
9. CARD# 000000
10. CARD EXPIRATION NETWORK
11. USAGE NO CASH REFUNDATION
12. VALUE NON-REFUNDABLE

Sprint

At your fingertips

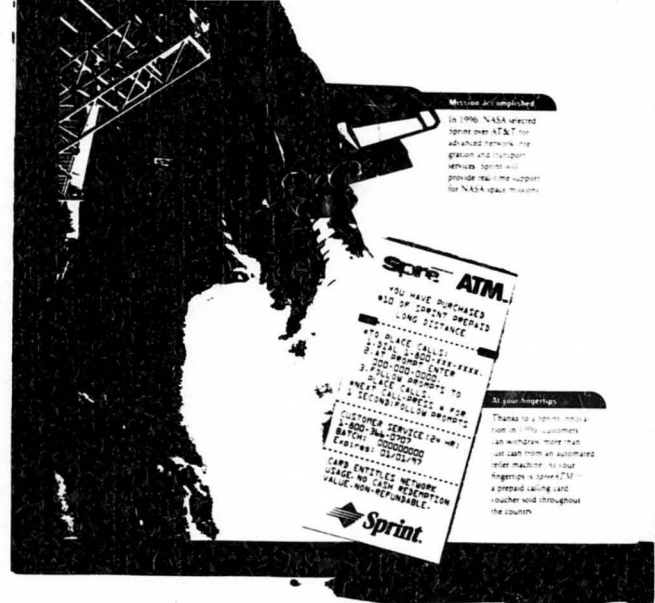
Thanks to a Sprint mobile phone in 1996, customers can withdraw more than just cash from an automated teller machine. As your fingertips touch a Sprint ATM, a prepaid calling card voucher is sold throughout the country.



"Taking you over the top" was the theme of Spring's Business Builders Plus Rewards and Benefits Program in 1996.

Self-experience

These youngsters were among thousands who attended a massive NFL Experience Exhibit co-sponsored by Sprint and Coca-Cola at the 1997 Super Bowl.



Mission accomplished
In 1996, NASA selected Sprint over AT&T for advanced network integration and transport services. Sprint will provide real-time support for NASA space missions.

At your fingertips

Thanks to a recent innovation in 1990, customers can withdraw more than just cash from an automated teller machine. As your fingertips approve ATM's, a prepaid calling card voucher sold throughout the country.

SPRINT **ATM**

YOU HAVE PURCHASED
\$10 OF SPRINT PREPAID
LONG DISTANCE

475 DUCK ST. SUITE 200
DALLAS, TX 75201-2000
1-800-4-A-SPRINT
3-210-342-1234
CITY CENTER
DALLAS, TX 75201-2000
ANESTHESIA CONSULTING
2 SECOND FLOOR
DALLAS, TX 75201-2000

CUSTOMER SERVICE (24 HRS)
1-800-4-A-SPRINT
BATCH# 0000000000000000
CARD # 0000000000000000

CALL ENTIRELY IN-TOWN
USAGE AND 24-HR. RESCUE
VALUE NOT REDEEMABLE

Sprint

At your
Thank
your in-
can now
will call
request
a copy
toucher
the you

World's foremost data provider

Sprint is the world's foremost provider of advanced data communication services, enabling companies worldwide to enhance their performance. An analysis by International Data Corporation in 1996 verified Sprint's overall market leadership. Data represents the fastest-growing segment of Sprint's business.



From engineering to installation
Sprint North Supply has the expertise and the equipment to deliver a customized package of electronic communications equipment. For more information, call 1-800-755-5004.

Smart decisions

Competition for local telephone service is rising in regions in California. Dr. Tammy Haxton and Dr. Bruce Haxton, with daughter Heidi of Fallbrook, California, selected Sprint for both local and long distance service.

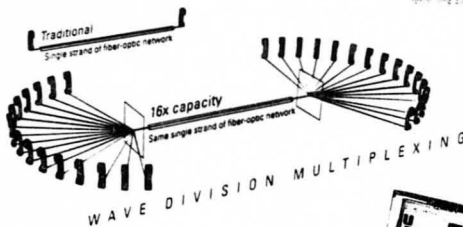
Smart data communication

Save time and automation in making Sprint Publishing & Advertising sales representatives like Carlo Carter (foreground) more productive in serving such clients as Michele Seiben, owner of the Pressing Hair Salon in North Olmsted, a Chicago suburb.

1996 YEAR IN REVIEW

The proof
is in the
performance.

Continued from page 22



Bandwidth blowout

That was the headline in a Communications Week cover story routing a major technological advancement from Ciena Corporation — wave division multiplexing, which will allow Sprint to increase the capacity on its long distance network by 16 times.

More than 100 data centers

Over the past five years, Sprint has helped Unilever build an advanced global data network. Unilever, a London and Rotterdam-based conglomerate with 108,000 employees and business operations in more than 90 countries, is a Global One customer.

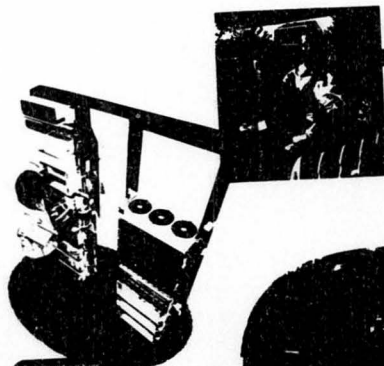


Record growth for Sprint Sense®

After a solid 1995 product launch, Sprint Sense continued to achieve record revenues in '96, becoming the most successful consumer product in Sprint's history. In two years, the simple dime-a-minute Sprint Sense rate has changed the industry, helping Sprint's long distance growth rate increase three times faster than AT&T's growth rate in 1996.

World's foremost data provider

Sprint is the world's foremost provider of advanced data communication services, enabling companies worldwide to enhance their performance. An analysis by International Data Corporation in 1996 verified Sprint's overall market leadership. Data represents the fastest-growing segment of Sprint's business.



From engineering to installation, Sprint North Supply has the expertise and the resources to deliver a customized package of electronic communications solutions. For one order and the product call 1-800-754-3004.

Support the work

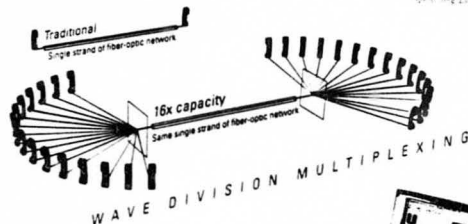
Competition for local telephone service is now a reality in California. Dr. James Haxton and Dr. Bruce Haxton with daughter, Haxton of Fullerton, California, selected Sprint for both local and long distance service.

Team force automation is making Sprint Publishing & Advertising sales representatives like Carla Carter (foreground) more productive in serving such clients as Michelle Seiden, owner of the Prestige Hair Salon in North Lincoln, a Chicago suburb.

1996 YEAR IN REVIEW

The proof
is in the
performance.

Continued from page 22



Bandwidth blowout

This was the headline in a Communications Week cover story about a major technological advancement from Ciena Corporation in wave division multiplexing, which will allow Sprint to increase the capacity on its long distance network by 16 times.

Microsoft's backbone

Over the past five years, Sprint has helped Unilever build an advanced global data network. Unilever, a London and Rotterdam-based conglomerate with 108,000 employees and business operations in more than 90 countries, is a Global One customer.



Record growth for Sprint Sense®

After a solid 1995 product launch, Sprint Sense continued to achieve record revenues in '96, becoming the most successful consumer product in Sprint's history. In two years, the simple dime-a-minute Sprint Sense rate has changed the industry, helping Sprint's long distance growth rate increase three times faster than AT&T's growth rate in 1996.

● Sprint 1996 Annual Report

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NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

This Spree
Giveaway will
blow you away!

**DANTE'S
DEAL**

In the 1990 making of
Blackburn's Dante's Deal,
Sprint helped Universal
Studio use our multimedia
network called Dnet.
The product allows him-
self to make good
and profitable rolling
decisions in real time,
even though they may be
thousands of miles apart.

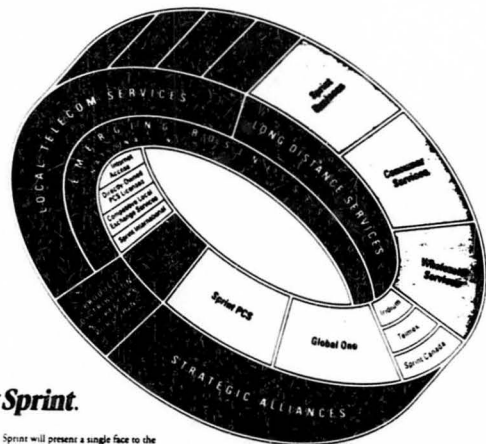
Sprint — the official telecommuni-
cations provider to the NFL and
its member teams — announced
a season-long Sprint Super Bowl
Deal in 1996. The promotion
allowed three Dallas Cowboys fans
the chance to fly to a game in
Chicago for four times the air fare
and game tickets.

SPRINT AT A GLANCE

We are...

than the **sum**
of our **parts.**

Nimble, connected businesses focused on
listening to the marketplace ... and delivering.



Sprint will present a single face to the
customer across our growing existing markets
and in burgeoning new wireline and wireless
markets, both domestically and internationally.

● Sprint 1996 Annual Report

9.

spire's long distance division provides voice, video and data services to more than 8 million residential, business and government customers. The company operates the only nationwide 100% digital, fiber-optic network in the United States.

Sprint Business products include Dial 1, toll-free services, FONCARDSM VPN, Internet networking, messaging, fax, videoconferencing, interactive services and prepaid services. Advanced data services include Asynchronous

See pages 27 -

Sprint provides local telephone service through more than 2 million customer lines in 19 states.

Local customers are served through four regional units: Sprint's **Mid-Atlantic Operations**, **North Central Operations**, **South Operations**, and **Western Operations**.

Products for residential customers include a variety of enhanced services (such as Call Waiting on Caller ID) and telephone equipment.

Sprint North Supply is one the nation's largest wholesale distributors of voice, data and teleconferencing equipment and security and alarm systems. The company serves telecommunications companies, product resellers, cable television companies, and security and alarm dealers.

Transfer Mode (ATM), Frame Relay, LAN/WAN inter-networking services, transaction services, private line and switched data services.

The Consumer Services Group offers Sprint Sense® flat-rate calling plus other plans. Other services include FONCARD, toll-free service, paging and prepaid cards.

The **Wholesale Services Group** provides products designed for facilities-based and non-facilities-based resellers. Included are toll-free and calling card services.

Local business customers turn to Sprint for a full range of telecommunications solutions, including fax, network-based services and customer premises equipment.

Advanced data services include ATM, Frame Relay, analog and digital private line, and analog and digital switched services such as Integrated Services Digital Network.

See page 20

- **Competitive local exchange carrier services offered through National Interconnected Services.** ■ **International development activities outside the scope of Global One offered through Sprint International.** ■ **Personal communication services controlled by Sprint.** ■ **Consumer Internet access services.**

100

Sprint PCS
This venture will provide the nation's first single technology, all digital state-of-the-art, wireless network to provide PCS across the United States.

Global One
The Global One worldwide partnership offers a single source for the voice and data needs of businesses, carriers and consumers around the world.

North American
Sprint will create a seamless platform of cross-border communications services through its interest in Sprint Canada and a separate strategic alliance with Telefonos de Mexico (Telcel).

Sprint is a participant in Indium, Motorola's satellite-based wireless communications network.

Spring 1996 Annual Report

FINANCIAL SECTION

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CORPORATE INFORMATION

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63. *Amphispiza bilineata*
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Jerusalem Black & Crows

Selected Financial Data

	1996	1995	1994	1993	1992
<i>(in millions; except per share data)</i>					
Results of Operations					
Net operating revenues	\$ 14,044.7	\$ 12,765.1	\$ 11,986.6	\$ 10,914.7	\$ 10,105.7
Operating income ⁽¹⁾	2,267.2	1,834.3	1,690.7	1,214.1	1,199.8
Income from continuing operations ⁽¹⁾⁽²⁾	1,190.9	946.1	899.2	517.1	550.6
Earnings per common share from continuing operations ⁽¹⁾⁽²⁾	2.79	2.69	2.57	1.50	1.62
Dividends per common share	1.00	1.00	1.00	1.00	1.00
Financial Position					
Total assets	\$ 16,953.0	\$ 15,195.9	\$ 14,547.5	\$ 13,898.1	\$ 13,431.7
Property, plant and equipment, net	10,644.1	9,715.8	10,258.8	9,883.1	9,895.6
Total debt (including short-term borrowings)	3,280.6	5,677.4	4,937.2	5,094.4	5,442.7
Redeemable preferred stock	11.8	32.5	37.1	38.6	40.2
Common stock and other shareholders' equity	8,519.9	4,642.6	4,524.8	3,918.3	3,971.6
Cash Flow Data					
Cash from operating activities - continuing operations ⁽³⁾	\$ 2,403.6	\$ 2,609.6	\$ 2,339.6	\$ 2,007.8	\$ 2,397.3
Capital expenditures	2,433.6	1,857.3	1,751.6	1,429.8	1,342.4

⁽¹⁾ During 1996, Sprint recorded a nonrecurring charge of \$60 million related to litigation within the long distance division. This charge reduced income from continuing operations by \$36 million (\$0.58 per share).

⁽²⁾ During 1995, Sprint recorded a nonrecurring charge of \$88 million related to a restructuring within the local division. This charge reduced income from continuing operations by \$55 million (\$0.16 per share).

⁽³⁾ During 1993, Sprint recorded nonrecurring charges of \$293 million related to (a) transaction costs associated with the merger with Critel Corporation and the expenses of integrating and restructuring the operations of the two companies and (b) a malpractice and restructuring within the long distance division. These charges reduced income from continuing operations by \$193 million (\$0.56 per share).

⁽⁴⁾ During 1994, Sprint sold an investment in equity securities, realizing a gain of \$35 million, which increased income from continuing operations by \$22 million (\$0.66 per share).

⁽⁵⁾ During 1993, due to the enactment of the Revenue Reconciliation Act of 1993, Sprint adjusted its deferred income tax assets and liabilities to reflect the increased tax rate. This adjustment reduced income from continuing operations by \$11 million (\$0.03 per share).

⁽⁶⁾ During 1992, Sprint recognized gains related to sale of certain local telephone properties, which increased income from continuing operations by \$64 million (\$0.13 per share).

⁽⁷⁾ The 1996 amount was reduced by \$600 million for cash required to terminate an accounts receivable sale agreement. The 1992 amount includes \$300 million of cash proceeds from the sale of accounts receivable.

Review of Consolidated Results of Operations

General

Sprint Corporation and its subsidiaries (Sprint) include certain estimates, projections and other forward-looking statements in its reports, presentations to analysts and others, and other material disseminated to the public. There can be no assurance of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements include:

- the effects of vigorous competition in the markets in which Sprint operates;
- the cost of entering new markets necessary to provide seamless services;
- the risks associated with Sprint's investments in Sprint Spectrum L.P. (Sprint PCS) and Global One, which are presently in the early stages of development;
- the impacts of any unusual items resulting from ongoing evaluations of Sprint's business strategies;
- requirements imposed on Sprint and its competitors by the Federal Communications Commission (FCC) and state regulatory commissions under the Telecommunications Act of 1996;
- unexpected results of litigation filed against Sprint; and
- the possibility of one or more of the markets in which Sprint competes being affected by variations in political, economic or other factors such as monetary policy, legal and regulatory changes or other external factors over which Sprint has no control.

Sprint's principal activities consist of the following:

Long Distance Communications Services

The long distance communications services division is the nation's third-largest long distance telephone company. It operates a nationwide, all-digital long distance communications network that uses state-of-the-art fiber-optic and electronic technology. The division primarily provides domestic and international voice, video and data communications services. The division offers its services to the public subject to different levels of state and federal regulation, but rates are not subject to rate-base regulation except nominally in some states.

Local Communications Services

The local communications services division consists of regulated local exchange carriers (LECs) that serve more than seven million access lines in 19 states. The division provides local exchange services, access by telephone, customers and other carriers to Sprint's local exchange facilities, sales of telecommunications equipment, and long distance services within specified geographical areas.

Emerging Businesses

Emerging businesses consists of consumer Internet access services, competitive local exchange carrier (CLEC) services, international development activities (outside the scope of Global One), and personal communication services (PCS) controlled by Sprint.

Product Distribution and Directory Publishing

The product distribution and directory publishing businesses include the wholesale distribution of telecommunications products and the publishing and marketing of white and yellow page telephone directories.

Strategic Alliances

Global One — Sprint is a partner in Global One, a joint venture with Deutsche Telekom AG (DT) and France Telecom (FT) to provide seamless global telecommunications services to business, residential and carrier markets worldwide. Sprint is a one-third partner in Global One's operating group serving Europe (excluding France and Germany), and is a 50% partner in Global One's operating group for the worldwide activities outside the United States and Europe.

In connection with the formation of the Global One joint venture on January 31, 1996, the long distance division contributed certain assets and related operations of its international business unit to Global One.

On January 31, 1996, DT and FT acquired shares of a new class of Sprint convertible preference stock for a total of \$3.0 billion. This resulted in DT and FT each holding 7.5% of Sprint's voting power. In April 1996, following the March 1996 spin-off of Sprint's cellular and wireless communications services division (Cellular), the preference stock was converted into Sprint Class A common stock, and DT and FT each acquired additional shares of Class A common stock. Following their

total investment of \$3.7 billion. DT and FT each own shares of CTA's A common stock with 10% of Sprint's voting power. See Note 7 of Notes to Consolidated Financial Statements for further information.

Sprint PCS — Sprint is a 40% partner in Sprint PCS, a partnership with Tele-Communications Inc., Comcast Corporation and Cox Communications, Inc. Sprint PCS is building the nation's first single technology, all-digital, state-of-the-art, wireless network to provide PCS across the United States. PCS uses digital technology, which has sound quality superior to existing cellular technology and is less susceptible to interference and eavesdropping. In addition, PCS offers additional features, such as paging, voice mail, Caller ID and data transmission.

Through 1996, the four partners had invested more than \$3.2 billion in Sprint PCS to fund the acquisition of licenses and the related network buildout.

During December 1996, Sprint PCS launched service in the first of its metropolitan markets. Sprint PCS expects to complete this first phase in 1997 and have service in markets covering nearly 100 million people by early 1998. Sprint PCS, through its affiliate, American Personal Communications (APC), launched the nation's first PCS system in the Washington, D.C., and Baltimore, Maryland, areas in November 1995.

As part of an overall strategy to increase PCS coverage, Sprint directly acquired the rights to PCS licenses in the FCC's most recent auction. The licenses cover 139 markets across the United States reaching a total population of 70 million people. Sprint expects to affiliate these licenses with Sprint PCS. With this affiliation, licensed coverage for Sprint-branded PCS will include nearly 260 million people across the United States, Puerto Rico and the U.S. Virgin Islands.

Beginning in 1996, discussions have taken place among the partners concerning the possible restructuring of their interests in Sprint PCS. Although discussions have continued, there is no certainty these discussions will result in any change to the partnership structure.

Telecommunications Law

The Telecommunications Act of 1996 (the Act), which was signed into law in February 1996, promotes

competition in all aspects of telecommunications. Of particular relevance to Sprint, the Act eliminates legal and regulatory barriers to entry into local telephone markets and requires incumbent LECs, among other things, to allow local resale at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to unbundled network elements and allow collocation of interconnection equipment by competitors. The Act also allows Bell Operating Companies (BOCs) to provide in-region long distance service once they obtain state certification of compliance with a competitive "checklist," have a facilities-based competitor, and obtain an FCC ruling that the provision of in-region long distance service is in the public interest. As part of its public interest inquiry, the FCC must solicit the views of the Department of Justice and give those views substantial weight.

The FCC adopted detailed rules in August 1996 to govern interconnection to incumbent local networks by new market entrants. Some LECs and state public service commissions appealed these rules to the U.S. Court of Appeals, which stayed some of the pricing rules pending full review by the court. A court decision is expected in mid-1997.

The FCC is also expected to issue decisions in 1997 on two related matters critical to local competition — universal service reform and access reform. Currently, local rates are subsidized through implicit subsidies, such as above-cost access charges imposed on long distance companies for connections to local customers. The purpose of universal service reform is to establish an explicit subsidy mechanism to replace the current implicit subsidies. Access reform will change the structure and level of access charges and will determine the degree of regulatory oversight for those charges.

The impact of the Act on Sprint cannot be determined because the rules for local competition are still being decided by regulators and the courts. Sprint intends to provide CLEC service and has filed for certification in most states in anticipation of the opening of local markets to competition. This CLEC activity is important to Sprint both from offensive and defensive perspectives because it will allow customers to look to Sprint for all their telecommunications needs. Because of high development costs, however, CLEC activities are unlikely to be profitable for the first few years.

In those areas where Sprint is the incumbent LEC, local competition is expected to eventually result in

Sprint 1996 Annual Report

some loss of market share. However, because Sprint's LEC operations are geographically dispersed and largely in rural markets, local competition is expected to occur more gradually. Entry is most likely to be through the resale of Sprint LEC services or through the purchase of Sprint LEC unbundled network elements. This will allow Sprint to retain revenue for customers lost to CLEC competition.

The impact of local competition is also dependent on the outcome of the universal service reform and access reform dockets at the FCC. While Sprint has presented a proposal to the FCC that fairly balances the conflicting interests of industry participants, Sprint cannot predict what the FCC will do. If regulators were to require an immediate reduction in access subsidies flowing to local service without offsetting universal service support or giving LECs an opportunity to re-balance local rates, Sprint's local division would be adversely impacted. On the other hand, a reduction in access charges would benefit Sprint's long distance division and other long distance companies because access charges are the largest single cost of providing long distance service. Long distance companies should benefit from lower access charges even if these lower rates are flowed through to customers because lower long distance prices will likely stimulate additional demand.

Several BOCs claim that they meet the competitive checklist and will seek FCC approval to offer in-region long distance service in 1997. Given the absence of local competition ground rules and the absence of any meaningful local competition, Sprint believes these applications are premature. However, even if BOCs were to get authority to offer in-region long distance services, it is likely that any loss of Sprint customers at the retail level would be offset since Sprint is the underlying network provider to at least three of the seven regional Bell operating companies.

Spin-off of Cellular Division

In March 1996, Sprint completed the tax-free spin-off of Cellular (Spin-off) to Sprint common shareholders. The Spin-off was effected by distributing all shares of Cellular common stock to all of Sprint's common shareholders at a rate of one Cellular common share for every three Sprint common shares held. In connection with the

Spin-off, Cellular repaid \$1.4 billion of intercompany debt owed to Sprint. In addition, Sprint contributed to the equity capital of Cellular \$185 million of debt owed by Cellular in excess of the amount repaid. This equity contribution, together with Sprint's previous investment in Cellular, resulted in Sprint's net investment in Cellular totaling \$260 million at the date of the Spin-off.

Results of Operations

Consolidated

Sprint's two primary divisions — long distance and local — generated record levels of net operating revenues and improved operating results in 1996. The long distance division generated a 20% growth in traffic volumes in 1996, and the number of access lines served by the local division grew 5.6%.

Total net operating revenues for 1996 were \$14.0 billion, a 10% increase from \$12.8 billion in 1995. Total net operating revenues for 1994 were \$12.0 billion. Income from continuing operations was \$1.2 billion (\$2.79 per share) for 1996 compared with \$946 million (\$2.69 per share) for 1995 and \$899 million (\$2.57 per share) for 1994. Income from continuing operations for 1996 includes a charge related to litigation in the long distance division (\$0.08 per share), while 1995 includes a charge for restructuring within the local division (\$0.16 per share). Income from continuing operations for 1994 includes a gain on the sale of an investment in equity securities (\$0.06 per share).

Nonoperating Items

Interest Expense

Interest costs consist of the following:

In millions	1996	1995	1994
Interest expense from continuing operations	\$ 196.7	\$ 260.7	\$ 300.7
Interest expense related to Cellular ⁽¹⁾	21.5	124.0	97.3
Capitalized interest costs	104.0	57.0	5.5
Total interest costs	\$ 322.2	\$ 441.7	\$ 403.5
Average debt outstanding	\$3,804.9	\$5,505.2	\$4,900.7
Effective interest rate	8.5%	8.0%	8.1%

⁽¹⁾ Interest expense related to Cellular is included in "Discontinued operations, net" in the Consolidated Statement of Operations.

Sprint's average debt outstanding decreased \$1.9 billion in 1996, generally due to repayments funded by a portion of the cash received from DT and FT for their equity investments in Sprint and from Cellular's repayment of intercompany debt in connection with the spin-off. In 1994, Sprint's average debt outstanding increased by \$604 million, mainly due to short-term borrowings incurred to fund investments in Sprint PCS.

Sprint capitalizes interest costs on borrowings related to its investment in Sprint PCS. Capitalized interest costs increased in 1996 and 1995 due to Sprint's increased investment in Sprint PCS. Sprint will continue to capitalize these interest costs until Sprint PCS is no longer in the development stage. Sprint does not expect that Sprint PCS will meet the criteria of a development stage company beyond mid-1997.

Beginning in 1997, Sprint expects to capitalize interest costs related to the investment in PCS licenses directly acquired by Sprint and the related network build-out.

Sprint's effective interest rate increased to 8.0% in 1996 from 8.0% in 1995 mainly due to the decrease in short-term borrowings as a percentage of total borrowings.

Other Expense, Net

Other income (expense) consists of the following:

	1996	1995	1994
Equity in loss of Sprint PCS	\$ (91.8)	\$ (31.4)	\$ (1.3)
Equity in loss of Global One and related entities	82.1	22.9	(6.1)
Dividend and interest income	99.7	12.6	14.4
Gain on sale of assets	15.9	—	34.7
Loss on sale of accounts receivable	(4.2)	(58.6)	(28.7)
Other, net	3.9	(12.3)	(15.1)
Total other expense, net	\$ (18.6)	\$ (56.2)	\$ (2.1)

Income Tax Provision

Sprint's income tax provisions for 1996, 1995 and 1994 resulted in effective tax rates of 37%, 36.1% and 35.2%, respectively. See Note 4 of Notes to Consolidated Financial Statements for information regarding the differences that cause the effective income tax rates to vary from the statutory federal income tax rate.

Discontinued Operations

During 1996, 1995 and 1994, Sprint recognized income (losses) of \$(3), \$15, and \$(16) million, respectively, associated with its investment in Cellular, which was spun off to Sprint common shareholders in March 1996 (see Note 12 of Notes to Consolidated Financial Statements). During 1994, Sprint also recognized income of \$7 million for the settlement of matters related to another discontinued operation.

Extraordinary Items

During 1996, Sprint redeemed, prior to maturity, \$190 million of debt with interest rates ranging from 6.0% to 9.5%. These early redemptions resulted in a \$5 million (\$0.01 per share) after-tax loss.

At year-end 1995, Sprint adopted accounting principles for a competitive marketplace and discontinued applying Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," to its local division (see Note 11 of Notes to Consolidated Financial Statements). SFAS 71 requires the accounting recognition of regulatory rate actions where appropriate. Sprint determined that the local division no longer met the criteria for applying SFAS 71 due to changes in the regulatory framework and the evolving competitive environment. As a result, Sprint recorded an after-tax, noncash, extraordinary charge of \$565 million (\$1.61 per share).

Consolidated Statements of Income

Years ended December 31,

(in millions, except per share data)

	1996	1995	1994
Net Operating Revenues	\$ 14,044.7	\$ 12,765.1	\$ 11,986.6
Operating Expenses			
Costs of services and products	7,028.7	6,504.9	6,154.5
Selling, general and administrative	3,157.8	2,871.9	2,755.4
Depreciation and amortization	1,591.0	1,466.4	1,386.0
Restructuring costs	—	87.6	—
Total operating expenses	11,777.5	10,930.8	10,295.9
Operating income	2,267.2	1,834.3	1,690.7
Interest expense	(196.7)	(260.7)	(300.7)
Other expense, net	(158.6)	(93.2)	(2.1)
Income from continuing operations before income taxes	1,911.9	1,480.4	1,387.9
Income tax provision	(721.0)	(534.3)	(488.7)
Income from Continuing Operations	1,190.9	946.1	899.2
Discontinued operations, net	(2.6)	14.5	(8.5)
Extraordinary items, net	(4.5)	(565.3)	—
Net income	1,183.8	395.3	890.7
Preferred stock dividends	(1.3)	(2.6)	—
Earnings applicable to common stock	\$ 1,182.5	\$ 392.7	\$ 890.7
Earnings per Common Share			
Continuing operations	\$ 2.79	\$ 2.69	\$ 2.57
Discontinued operations	—	0.04	(0.02)
Extraordinary items	(0.01)	(1.61)	—
Total	\$ 2.78	\$ 1.12	\$ 2.55
Weighted average number of common shares	426.0	350.1	348.7
Dividends per common share	\$ 1.00	\$ 1.00	\$ 1.00

See accompanying Notes to Consolidated Financial Statements

Review of Segmental Results of Operations

Long Distance Communications Services

	1996	1995	1994
Net operating revenues	\$8,302.1	\$7,277.4	\$6,805.1
Operating expenses			
Interconnection	\$1,722.7	\$1,027.7	2,094.5
Operations	1,041.8	1,046.6	925.4
Selling, general and administrative	1,070.3	1,839.7	1,717.0
Depreciation and amortization	883.4	581.6	450.5
Total operating expenses	4,718.2	4,595.6	5,287.4
Operating income	\$3,583.9	\$2,681.8	\$1,517.7
Operating margin	43.2%	36.8%	22.3%
Capital expenditures	\$1,133.7	\$861.7	\$774.1
Depreciable assets	\$3,940.6	\$4,312.2	\$4,140.0

Excluding the \$60 million charge related to litigation, operating income and margin for 1996 would have been \$384 million and 46.1%, respectively.

On January 31, 1996, the long distance division contributed certain international assets and related operations to Global One (the Contribution to Global One). Accordingly, the operating results of the contributed operations have been reflected in the divisions' operating results only through the date of contribution. The contribution had two significant effects on the division's operating results: First, revenue was reduced because customers of Sprint's international operations became Global One customers. Because Global One traffic carried by the division is priced on a wholesale, rather than retail, basis, the division's revenue void related to these international customers declined. Second, operating expenses were reduced to the extent they related to contributed operations. Had the Contribution to Global One occurred on January 1, 1994, year-over-year operating income growth would have been an estimated 29% in 1996 (excluding the nonrecurring charge) versus 21% in 1995. The related operating margins would have been an estimated 42.0% in 1996 (excluding the nonrecurring charge), 40.9% in 1995 and 9.5% in 1994.

Operating Margin



*Excludes the nonrecurring charge

Net operating revenues increased 14% in 1996 and 7% in 1995. Traffic volumes increased 20% and 7% in the same periods. Revenue growth was mainly driven by strong volume growth in the residential, business and wholesale markets and continued growth in the data services markets. Growth in the residential market reflects the continuing success of Sprint's Sense-A-Flat-rate calling plan. The small-to-medium business market, which experienced declining revenue during 1995,

Traffic Volume Growth



produced increased revenue in 1996. This improvement generally reflects the success of the Friday's Free calling plan, which experienced strong domestic and international volume growth. Growth in the data services market, which includes sales of capacity on Sprint's network to Internet service providers, reflects continued growth in demand and expanded service offerings. The wholesale market experienced strong growth in both the international and domestic markets. Growth in the wholesale international market was due, in part, to Global One traffic. These increases in 1996 revenues were partly offset by reduced long distance rates. Average long distance rates have declined due to increased competition both domestically and internationally, and due to Global One traffic being priced on a wholesale, rather than retail, basis. Had the Contribution to Global One occurred as of January 1, 1994, the divisions' year-over-year growth in net operating revenues would have been an estimated 17% in 1996 and 6% in 1995.

Interconnection costs consist of amounts paid to LECs, other domestic service providers, and foreign telephone companies to complete calls made by the divisions' domestic customers. Interconnection costs increased during 1996 and 1995 mainly due to strong growth in both international outbound and domestic traffic volumes. Interconnection costs were 44.8% of net operating revenues in 1996 versus 42.6% in 1995.

Review of Segmental Results of Operations continued

and 44.0% in 1994. The 1996 increase in interconnection costs as a percentage of net operating revenues reflects changes in revenue mix, particularly the growth in international traffic. These factors were partly offset by reduced rates charged by other domestic and international carriers for connecting to their networks. In addition, this percentage relationship was affected in 1996 by reduced long distance rates and reduced revenue due to the Contribution to Global One. Had the contribution occurred as of January 1, 1994, interconnection costs as a percentage of net operating revenues would have been an estimated 45.0% in 1996, 43.9% in 1995 and 45.0% in 1994.

Operations expense consists of costs related to operating and maintaining the long distance network, costs of providing various services such as operator services, public pay phones, telecommunications services for the hearing impaired, and video teleconferencing, and costs of data system sales. Operations expense increased less than 1% in 1996 and 13% in 1995. These increases were mainly due to overall revenue growth. The 1996 increase was offset by the Contribution to Global One. Had the contribution occurred as of January 1, 1994, operations expense would have increased an estimated 17% in 1996 and 6% in 1995. As a percentage of net operating revenues, operations expense would have been an estimated 12.5% in 1996, 12.4% in 1995 and 12.5% in 1994.

Selling, general and administrative (SG&A) expense increased 7% in 1996 and 6% in 1995. The 1996 increase reflects a \$60 million nonrecurring charge related to litigation (see Note 9 of Notes to Consolidated Financial Statements), partly offset by the Contribution to Global One. Excluding these items, the increases reflect the overall growth in the divisions' operating activities as well as increased advertising and marketing efforts due to the intensely competitive long distance marketplace. Had the Contribution to Global One occurred as of January 1, 1994, SG&A expense would have increased 8% in 1996 (excluding the non-recurring charge) and 6% in 1995. As a percentage of net operating revenues, SG&A expense would have been an estimated 23.0% in 1996 (excluding the non-recurring charge), 24.8% in 1995 and 24.9% in 1994.

Depreciation and amortization expense increased \$52 million in 1996 and \$31 million in 1995, generally due to an increased asset base. The increased asset base supports data services revenue growth and expanded service capabilities.

Local Communications Services

	1994	1995	1996
Net operating revenues	\$2,083.7	\$1,874.7	\$1,752.3
Local service	1,870.8	1,709.8	1,598.4
Network access	21.5	49.4	529.3
Toll service	190.1	125.5	532.8
Other	—	—	—
Total net operating revenues	1,160.1	1,710.4	4,612.8
Operating expenses	1,379.0	1,360.0	1,298.3
Plant operations	—	—	—
Depreciation and amortization	909.1	815.0	754.6
Customer operations	0.6	601.0	549.3
Other	869.8	795.8	742.4
Restructuring costs	—	8.0	—
Total operating expenses	1,820.1	1,678.0	1,576.0
Operating income	\$1,137.0	\$1,040.8	\$1,018.2
Operating margin	24.9%	22.1%	23.1%
Capital expenditures	\$1,142.0	\$ 950.8	\$ 914.2
Depreciable assets	\$ 741.2	\$ 670.4	\$ 621.3

Excluding the \$87.6 million restructuring charge, operating income and margin for 1995 would have been \$1,128.4 million and 23.9% respectively.

At year-end 1995, Sprint adopted accounting principles for a competitive marketplace and discontinued applying SFAS 71 to its local division (see Note 11 of Notes to Consolidated Financial Statements). This resulted in a 1995 after-tax, noncash, extraordinary charge of \$565 million. Beginning in 1996, the local divisions' business transactions have been recorded based on their economic substance, and regulatory assets and liabilities based on SFAS 71 have not been recognized. The primary effects of Sprint's discontinued use of SFAS 71 were that certain accumulated depreciation balances were increased; plant asset lives were shortened to reflect their economic lives; and switch software costs, which were previously expensed as incurred, are now capitalized and amortized over their estimated economic lives.

Local service revenues, derived from local exchange services, increased 11% in 1996 and 7% in 1995 reflecting increases in customer access lines of 5.6% in 1996 and 4.7% in 1995. The growth in access lines reflects strong economic growth in the division's service areas and second-line service to existing business and residential customers to meet lifestyle and data access needs. Local service revenues also increased due to extended area calling plans and increased demand for advanced intelligent network services, including Caller ID, voice dialing and return call.

Network access revenues, derived from interexchange long distance carriers' use of the local network to complete calls, increased 10% in 1996 and 7% in 1995. The increases are largely due to increased traffic volumes of 10% in 1996 and 9% in 1995, and the impact of the FCC's interim interstate price cap plan. Traffic volumes increased due to strong economic conditions in many of the division's service areas, the migration of traffic related to toll service revenues as described below, and the harsh 1996 winter season experienced on the East Coast.

The impact of the FCC's interim interstate price cap plan, which became effective in 1995, increased network access revenues for 1996 and had a nominal effect on 1995. Under the new plan, the local division adopted a rate formula based on the maximum productivity factors that effectively removes the earnings cap on the divisions' interstate access revenues. Interstate access revenues currently comprise approximately 60% of the division's network access revenues.



Toll service revenues, related to the provision of long distance services within specified geographical areas and the reselling of interexchange long distance services, decreased 13% in 1996 and 8% in 1995. The decreases primarily reflect increased competition in the intrastate long distance market since interexchange long distance carriers are now offering intralATA long distance service in certain states. In addition, toll service revenues have declined due to the expansion of extended local area calling plans. Reductions in toll service revenues were partly offset by increased local service and network access revenues.

Other revenues, including revenues from telecommunications equipment sales, directory publishing fees, and billing and collection services, increased 21% in 1996 and 22% in 1995. The increases were mainly due to business and residential equipment sales growth. A major factor in the 1996 growth was the introduction of several leading-edge telephone instruments, such as Caller ID.

Plant operations expense mainly includes network operations, and repair and maintenance costs related to property, plant and equipment. Plant operations expense increased 1% in 1996 and 5% in 1995. These increases mainly reflect increased service costs due to customer access line growth. In addition, the increases reflect repair and maintenance expenses in the divisions' Florida and Mid-Atlantic regions due to bad weather conditions, including severe storms and hurricanes. The 1996 increase was largely offset by the change in accounting for switch software costs.

Depreciation and amortization expense increased \$74 million in 1996 and \$41 million in 1995 mainly due to plant additions. The 1996 increase also reflects amortization of capitalized switch software costs, which largely offset the related decrease in plant operations expense discussed above.

Customer operations expense includes costs related to business office operations, billing services, marketing, and customer services, including operator and directory assistance. Customer operations expense increased 13% in 1996 and 9% in 1995. The increases were mainly due to increased marketing costs to promote new products and services, and increased customer service costs due to access line growth.

Other operating expenses increased \$70 million in 1996 and \$41 million in 1995 mainly due to the growth in equipment sales.

In 1995, Sprint initiated a restructuring within its local division in an effort to streamline certain processes and reduce costs in an increasingly competitive marketplace. These actions resulted in the planned elimination over several years of approximately 1,600 positions, mainly in the network and finance functions. As a result, the local division recorded an \$88 million nonrecurring charge in 1995. The accrued liability related to this charge specifically relates to the benefits that affected employees will receive upon termination. Through 1996, approximately 400 positions have been eliminated resulting in termination benefit payments of \$10 million, with an additional \$10 million to be paid in 1997. Substantially all of the remaining positions are expected to be eliminated during 1997, with the related costs expected to be paid during 1997 and 1998.

Emerging Businesses

	1996
Net operating revenues	\$ 0.5
Operating expenses	\$ (0.1)
Capital expenditures	\$ (0.1)
Identifiable assets	\$ 14.5

During 1996, Sprint established a new emerging business segment consisting of consumer Internet access services, CLEC services, international development activities (outside the scope of Global One), and PCS controlled by Sprint.

The 1996 operating results largely reflect activities related to Sprint Internet Passport™ Sprint's consumer Internet offering, which was launched in the 1996 fourth quarter. Sprint has substantially completed the buildout of its Internet access platform, which now contains more than 230 points of presence and can be reached by 85% of the nation's population through a local call.

In addition, the operating results reflect Sprint's efforts in entering newly competitive markets. Sprint has initiated efforts to enter local markets across the United States by filing for CLEC status. Through January 1997, Sprint had filed in 47 states and the District of Columbia, and gained regulatory approval to provide competitive local telephone service in 25 states and the District of Columbia. In January 1997, Sprint launched its initial competitive local service offering in Southern California.

As part of an overall strategy to achieve nationwide PCS coverage, Sprint directly acquired licenses at the FCC's recent auction for a total cost of \$544 million. The licenses cover 139 markets across the United States reaching a total population of 70 million people. Sprint expects to spend approximately \$1.5 billion over the next three years for the network buildout related to these licenses. Sprint plans to affiliate these licenses with the licenses previously acquired by Sprint PCS. With the affiliation of Sprint's licenses, licensed coverage for Sprint-branded PCS will include nearly 260 million people across the United States, Puerto Rico and the U.S. Virgin Islands.

Product Distribution and Directory Publishing

	1996	1995	1994
Net operating revenues	\$1,225.9	\$1,148.0	\$1,084.4
Operating expenses			
Costs of services and products	1,025.4	964.8	948.2
Selling, general and administrative	91.4	88.1	88.8
Depreciation and amortization	7.2	7.4	6.9
Total operating expenses	1,124.0	1,060.3	1,043.9
Operating income	\$ 101.9	\$ 83.7	\$ 40.5
Operating margin	8.3%	7.3%	3.7%
Capital expenditures	\$ 7.4	\$ 7.4	\$ 10.0
Identifiable assets	\$ 446.1	\$ 395.4	\$ 370.2

Product distribution and directory publishing's net operating revenues increased \$78 million in 1996 and \$39 million in 1995 mainly due to increased sales to customers not affiliated with Sprint. The 1995 increase also reflects overall price increases.

Consolidated Statements of Cash Flows

Year ended December 31
in millions

	1996	1995	1994
Operating Activities			
Net income	\$ 1,183.8	\$ 395.3	\$ 890.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Discontinued operations, net	2.6	(14.5)	8.5
Extraordinary items, net	4.9	464.3	—
Equity in net losses of affiliates	273.7	39.1	3.8
Depreciation and amortization	1,591.0	1,466.4	1,386.0
Deferred income taxes and investment tax credits	(10.3)	5.8	53.2
Changes in operating assets and liabilities:			
Accounts receivable, net	(988.8)	(135.8)	(220.5)
Inventories and other current assets	15.7	(38.6)	(50.1)
Accounts payable and other current liabilities	368.7	178.5	120.2
Noncurrent assets and liabilities, net	(23.7)	124.0	128.5
Other, net	(14.0)	24.1	31.3
Net cash provided by continuing operations	2,403.6	2,609.6	2,339.6
Net cash provided (used) by cellular division	(0.1)	162.5	179.0
Net cash provided by operating activities	2,403.5	2,772.1	2,518.6
Investing Activities			
Capital expenditures	(2,433.6)	(1,857.3)	(1,751.6)
Proceeds from sale of investment in equity securities	—	—	117.7
Investments in and advances to affiliates	(446.1)	(948.7)	74.1
Investment in affiliate debt securities	(100.0)	—	—
Deposit for PCS licenses	(84.0)	—	—
Other, net	(51.8)	(53.6)	(45.0)
Net cash used by continuing operations	(3,115.5)	(2,859.6)	(1,753.0)
Repayment by cellular division of intercompany advances	1,400.0	—	—
Net cash used by cellular division	(140.7)	(324.6)	(272.4)
Net cash used by investing activities	(1,856.2)	(3,184.2)	(2,025.4)
Financing Activities			
Proceeds from long-term debt	9.4	260.7	107.9
Retirements of long-term debt	(433.1)	(630.0)	(507.0)
Net increase (decrease) in short-term borrowings	(1,386.8)	1,109.5	321.5
Proceeds from common stock issued	20.5	16.9	42.7
Proceeds from Class A common stock issued	3,661.3	—	—
Proceeds from employee stock purchase installments	38.1	38.8	33.1
Dividends paid	(419.6)	(351.5)	(349.4)
Purchase of treasury stock	(407.2)	—	(9.8)
Other, net	(3.5)	(21.8)	(5.9)
Net cash provided (used) by financing activities	479.1	422.6	(456.9)
Increase in cash and equivalents	1,026.4	10.5	37.2
Cash and equivalents at beginning of year	124.2	113.7	76.5
Cash and equivalents at end of year	\$ 1,150.6	\$ 124.2	\$ 113.7

See accompanying Notes to Consolidated Financial Statements

REVIEW OF CASH FLOWS

Operating Activities - Continuing Operations

Cash flows from operating activities, which are Sprint's primary source of liquidity, were \$2.4, \$2.6 and \$2.3 billion in 1996, 1995 and 1994, respectively. Excluding the effect of terminating the \$600 million accounts receivable sales agreement, cash flows increased \$394 million in 1996. This increase generally reflects improved operating results in all divisions. The 1995 increase reflects improved operating results and reduced working capital requirements.

Investing Activities - Continuing Operations

Sprint's investing activities used cash of \$3.1, \$2.9 and \$1.8 billion in 1996, 1995 and 1994, respectively. Capital expenditures, which are Sprint's most significant investing activity, were \$2.4,

\$1.9 and \$1.8 billion in 1996, 1995 and 1994, respectively. Long distance capital expenditures were incurred each year mainly to meet increased demand for data related services, to enhance network reliability and to upgrade capabilities for providing new products and services. Capital expenditures for the local division were made to accommodate access line growth and expand the divisions capabilities for providing enhanced telecommunications services. Local division 1996 capital expenditures also include \$76 million of switch software costs. In previous years, these costs were expensed as incurred.

Investments in and advances to affiliates consists mainly of contributions to Sprint PCS. During 1996, 1995 and 1994, Sprint contributed \$298, \$911 and \$42 million, respectively. Also in 1996, Sprint loaned \$67 million to Sprint PCS. The 1996 amounts were used to fund Sprint's portion of Sprint PCS capital and operating requirements. In 1995, \$840 million of the contribution was used to fund Sprint's share of payments for PCS licenses. The remainder was used to fund Sprint's share of Sprint PCS acquisition of a limited partnership interest in APC, and for capital and operating requirements.

During 1996, Sprint purchased \$183 million (face value) of Sprint PCS Senior Discount bonds for \$100 million.

During 1996, Sprint made an \$84 million deposit to directly acquire PCS licenses. See "Review of Segmental Results of Operations - Emerging Businesses" for further discussion.

Financing Activities

Sprint's financing activities provided cash of \$479 million in 1996 and \$423 million in 1995, and used cash of \$457 million in 1994. During 1996, DT and FT acquired shares of a new class of Sprint stock for a total of \$3.7 billion. A portion of these proceeds, together with proceeds from Cellular's repayment of intercompany debt, were used to reduce outstanding debt. During 1995, Sprint issued \$261 million of long-term debt and increased short-term borrowings by \$1.1 billion to fund commitments related to Sprint PCS and repay long-term debt.

During 1996, Sprint purchased 10 million treasury shares for \$407 million. Sprint's Board of Directors has authorized, through 1998, the repurchase of shares on the open market to meet share issuance requirements of employee benefit plans and for the conversion of preferred stock. Sprint paid dividends to common, preference and preferred shareholders of \$420, \$352 and \$349 million in 1996, 1995 and 1994, respectively. Sprints indicated annual dividend rate on common stock is currently \$1.00 per share.

Discontinued Operations

In connection with the March 1996 Spin-off, Cellular repaid \$1.4 billion of intercompany debt owed to Sprint.

Prior to the Spin-off, Cellular's 1996 investing activities required net cash of \$141 million, mainly for the acquisition of additional cellular properties and capital expenditures.

During 1995 and 1994, Cellular's cash flows from operating activities were \$163 and \$180 million, respectively. Cellular's investing activities used cash of \$325 and \$272 million in 1995 and 1994, respectively, mainly for capital expenditures.

Capital Expenditures



Consolidated Balance Sheets

December 31,

(in millions, except per share data)

	1996	1995
Assets		
Current assets		
Cash and equivalents	\$ 1,150.6	\$ 1,242
Accounts receivable, net of allowance for doubtful accounts of \$117.4 and \$125.8	2,463.5	1,523.7
Receivable from cellular division	—	1,400.0
Other	78.7	671.5
Total current assets	4,352.8	3,613.2
Investments in equity securities	254.5	262.9
Property, plant and equipment		
Long distance communications services	7,390.8	6,774.7
Local communications services	13,368.7	12,603.1
Other	651.3	530.1
	21,410.8	19,910.9
Less accumulated depreciation	10,946.7	10,200.1
	10,464.1	9,710.8
Investments in and advances to affiliates	1,527.1	1,195.7
Net investment in cellular division	—	106.9
Other assets	354.4	234.2
	<u>\$ 16,953.0</u>	<u>\$ 15,195.9</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	\$ 99.1	\$ 280.4
Short-term borrowings	200.0	2,144.0
Accounts payable	1,026.7	944.9
Accrued interconnection costs	828.9	61.7
Accrued taxes	189.2	234.4
Advance billings	199.7	202.9
Other	770.0	—
Total current liabilities	3,314.2	4,142.1
Long-term debt	2,981.5	3,253.0
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	846.9	943.4
Potential retirement and other benefit obligations	919.7	889.3
Other	359.0	393.0
	2,125.6	2,125.7
Redeemable preferred stock	11.8	32.5
Common stock and other shareholders' equity		
Common stock, par value \$2.50 per share, authorized 1,000.0 shares, issued 350.3 and 349.2 shares, and outstanding 343.9 and 349.2 shares	875.7	872.9
Class A common stock, par value \$2.50 per share, authorized 500.0 shares, issued and outstanding 86.2 shares	215.6	—
Capital in excess of par or stated value	4,425.9	960.0
Retained earnings	3,211.8	2,763.0
Treasury stock, at cost, 6.4 shares	(262.2)	—
Other	53.1	46.7
	<u>8,519.9</u>	<u>6,442.6</u>
	<u>\$ 16,953.0</u>	<u>\$ 15,195.9</u>

See accompanying Notes to Consolidated Financial Statements

Capital Condition

Sprint's financial condition at year-end 1996 compared with year-end 1995, mainly reflects the completion of strategic initiatives during the first half of 1996. A portion of the cash received from DT's and FT's investments in Sprint and from Cellular's repayment of intercompany debt was used to reduce short- and long-term debt. In addition, Sprint used a portion of the cash to terminate a \$600 million accounts receivable sales agreement and to meet its commitments related to Sprint PCS. The remaining proceeds were invested on a temporary basis.

Sprint's accounts receivable increased \$940 million in 1996, reflecting the termination of the accounts receivable sales agreement as well as the 10% increase in consolidated net operating revenues. The allowance for doubtful accounts as a percentage of gross accounts receivable decreased to 6% at year-end 1996 from 8% at year-end 1995 generally because the termination of the accounts receivable sales agreement did not require a related increase in the allowance for doubtful accounts. Property, plant and equipment, net of accumulated depreciation, increased \$748 million in 1996. This increase was mainly due to increased capital expenditures to enhance and upgrade Sprint's networks, expand service capabilities and increase productivity.

At year-end 1996, Sprint's total capitalization was \$11.8 billion, consisting of short-term borrowings, long-term debt (including current maturities), redeemable preferred stock, and common stock and other shareholders' equity. Short-term borrowings and long-term debt (including current maturities) declined to 27.8% of total capitalization at year-end 1996 from 34.8% at year-end 1995.



Capital Requirements

Sprint expects its 1997 investing activities, consisting of capital expenditures and investments in affiliates, to require cash of \$4.5 to \$5.0 billion. In addition, Sprint expects to pay dividends totaling \$430 million. Sprint intends to fund these 1997 cash requirements with cash from operating activities, cash on hand, and from external sources.



Capital expenditures of \$4.1 to \$4.4 billion are anticipated in 1997. Capital expenditures for the long distance and local divisions are expected to total \$2.5 billion. In early 1997, Sprint will pay \$460 million for the balance due on the PCS licenses directly acquired in the recent FCC auction. The balance of anticipated capital expenditures will primarily be used to build out the network for these new PCS markets and the emerging CLEC markets.

Sprint expects to invest \$400 to \$600 million in its affiliates during 1997. Sprint PCS will require \$350 to \$500 million in 1997 to continue its network buildout and for operating cash requirements. Sprint also expects that Global One will require partner contributions for ongoing development activities.



In addition to these investing activities, international development opportunities apart from Global One may create further cash requirements during 1997.

Sprint expects to borrow \$1.0 to \$1.5 billion during 1997, excluding any borrowings that may be required to take advantage of any new international opportunities. A combination of long- and short-term borrowings will be used depending on capital market conditions during the year.

Liquidity

At year-end 1996, Sprint had the ability to borrow \$1.3 billion under a revolving credit agreement with a syndicate of domestic and international banks and other bank commitments.

Other available financing sources include a Medium-Term Note program, under which Sprint may offer for sale up to \$175 million of unsecured senior debt securities. In addition, as of year-end 1996, Sprint could offer for sale \$900 million of debt securities pursuant to shelf registration statements filed with the Securities and Exchange Commission.

Additional borrowings that may be incurred are ultimately limited by certain covenants contained in existing debt agreements. At year-end 1996, Sprint had borrowing capacity of \$13.2 billion under the most restrictive of its debt covenants.

The most restrictive covenant related to dividends results from Sprint's revolving credit agreement. Among other restrictions, the agreement requires Sprint to maintain specified levels of net worth. Due to this requirement, \$2.5 billion of Sprint's \$3.2 billion retained earnings were effectively restricted from the payment of dividends at the end of 1996.



*Excludes non-recurring charges

General Hedging Policies

Sprint uses certain derivative instruments in an effort to manage exposure to interest rate risk and foreign exchange risk. Sprint's use of these derivative instruments related to hedging activities is limited to interest rate swap agreements, interest rate caps and forward contracts and options in foreign currencies. As is customary for these types of derivative instruments, Sprint does not require collateral or other security from the counterparties to the agreements. However, since

Sprint controls its exposure to credit risk through credit approvals, credit limits and internal monitoring procedures, Sprint believes its credit risk exposure is limited.

Sprint will in no circumstance take speculative positions and create an exposure to benefit from market fluctuations. All hedging activity is in accordance with Board-approved policies. Any exposure from Sprint's use of derivative instruments is immaterial to its overall operations, financial condition and liquidity. See Note 10 of Notes to Consolidated Financial Statements for more information related to Sprint's portfolio of derivative instruments.

Interest Rate Risk Management

Sprint's interest rate risk management program focuses on minimizing exposure to interest rate movements, setting an optimal mixture of floating-rate and fixed-rate debt in the liability portfolio and preventing liquidity risk. Sprint primarily employs a gap methodology to measure interest rate exposure and uses simulation analysis to manage interest rate risk. Sprint takes an active stance in modifying hedge positions to benefit from the value of timing flexibility and fixed-rate floating-rate adjustments.

Foreign Exchange Risk Management

Sprint's foreign exchange risk management program focuses on optimizing consolidated cash flows and stabilizing accounting results. Sprint does not hedge translation exposure because it believes optimizing consolidated cash flows will, over time, maintain shareholder value. Sprint's primary transaction exposure in foreign currencies results from changes in foreign exchange rates between the dates Sprint incurs and settles liabilities (payable in a foreign currency). These liabilities consist of charges from overseas telephone companies for terminating international calls made by Sprint's domestic customers.

Consolidated Statements of Common Stock and Other Shareholders' Equity

Years ended December 31

(in millions)

	1996	1995	1994
Common Stock			
Balance beginning of year	\$ 872.0	\$ 871.4	\$ 858.5
Common stock issued	2.5	1.4	12.8
Other net	0.3	0.1	0.1
Balance end of year	<u>874.8</u>	<u>872.9</u>	<u>871.4</u>
Class A Common Stock			
Balance beginning of year	215.0	—	—
Class A common stock issued (80.2 shares)	215.6	—	—
Balance end of year	<u>430.6</u>	<u>—</u>	<u>—</u>
Class B Common Stock			
Balance beginning of year	960.0	942.9	827.4
Balance beginning of year	17.5	13.5	111.9
Common stock issued	3,436.3	—	—
Class A common stock issued	12.1	3.6	3.0
Other net	4,425.9	960.0	942.9
Balance end of year	<u>8,851.8</u>	<u>2,763.0</u>	<u>2,184.2</u>
Preferred Stock			
Balance beginning of year	1,183.8	395.3	490.7
Net income	(346.1)	(348.9)	(346.7)
Common stock dividends	(74.9)	—	—
Class A common stock and preference stock dividends	(1.3)	(2.6)	(2.7)
Preferred stock dividends	(260.2)	(3.5)	—
Spin-off of cellular division	(52.9)	—	—
Treasury stock issued	0.4	(8.2)	4.4
Other net	3,211.8	2,763.0	2,730.9
Balance end of year	<u>8,851.8</u>	<u>2,763.0</u>	<u>2,730.9</u>
Treasury Stock			
Balance beginning of year	(407.2)	—	(9.6)
Treasury stock purchased	145.0	9.6	(9.6)
Treasury stock issued	(262.2)	—	—
Balance end of year	<u>(524.4)</u>	<u>(9.6)</u>	<u>(9.6)</u>
Other			
Balance beginning of year	46.7	(10.8)	48.5
Change in unrealized holding gains on investments, net	2.9	54.6	(20.5)
Other net	3.5	2.9	(38.8)
Balance end of year	<u>53.1</u>	<u>46.7</u>	<u>(10.8)</u>
Total common stock and other shareholders' equity	<u>\$ 8,519.9</u>	<u>\$ 4,642.6</u>	<u>\$ 4,524.8</u>
Shares of Common Stock Outstanding			
Balance beginning of year	349.2	348.3	343.4
Common stock issued (including Class A common stock)	87.3	0.6	5.2
Treasury stock purchased	(10.1)	—	(0.3)
Treasury stock issued	3.7	0.3	—
Balance end of year	<u>430.1</u>	<u>349.2</u>	<u>348.3</u>

See accompanying Notes to Consolidated Financial Statements

Sprint 1996 Annual Report

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Sprint Corporation and its wholly-owned and majority-owned subsidiaries (Sprint). Investments in entities in which Sprint exercises significant influence but does not control are accounted for using the equity method (see Note 2).

The consolidated financial statements are prepared in conformity with generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Those estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts previously reported have been reclassified to conform to the current year presentation in the consolidated financial statements. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," revenues and related net income resulting from transactions between Sprint's nonregulated operations and its regulated local exchange carriers were not eliminated in the consolidated financial statements before 1996. Revenues related to these intercompany transactions were \$262 and \$285 million in 1995 and 1994, respectively. All other significant intercompany transactions have been eliminated.

Classification of Operations

The long distance communications services division provides domestic and international voice, video and data communications services. The division offers its services to the public subject to different levels of state and federal regulation, but rates are generally not subject to rate-base regulation.

The local communications services division consists of regulated telephone companies. These operations provide local exchange services, access by telephone customers and other carriers to local exchange facilities, sales of telecommunications equipment and long distance services within specified geographical areas.

Emerging businesses consists of activities related to consumer Internet access services, competitive local exchange carrier (CLEC) services, personal communications services (PCS) controlled by Sprint and international development activities outside the scope of the Global One joint venture.

The product distribution and directory publishing businesses include the wholesale distribution of telecommunications products and the publishing and marketing of white and yellow page telephone directories.

Revenue Recognition

Sprint recognizes operating revenues as services are rendered or as products are delivered to customers. The long distance division records operating revenues net of an estimate for uncollectible accounts.

Cash and Equivalents

Cash equivalents generally include highly liquid investments with original maturities of three months or less and are stated at cost, which approximates market value. As part of its cash management program, Sprint uses controlled disbursement banking arrangements. At year-end 1996 and 1995, outstanding checks in excess of cash balances of \$127 and \$131 million, respectively, were included in accounts payable. Sprint had sufficient funds available to fund these outstanding checks when they were presented for payment.

Investments in Debt and Equity Securities

Investments in debt and equity securities are classified as available for sale and reported at fair value (estimated based on quoted market prices). Gross unrealized holding gains and losses are reflected as adjustments to "Common stock and other shareholders' equity — Other," net of related income taxes.

Investments
Investments, consisting principally of those related to Sprint's product distribution business, are stated at the lower of cost, principally first-in, first-out method, or market.

Property, plant and equipment
Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance costs are expensed as incurred.

Depreciation
The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Prior to the discontinued use of SFAS "1 as of year-end 1995, the cost of property, plant and equipment for Sprint's local division had been generally depreciated on a straight-line basis over the lives prescribed by regulatory commissions.

Income Taxes
Deferred income taxes are provided for certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Investment tax credits related to regulated telephone property, plant and equipment have been deferred and are being amortized over the estimated useful lives of the related assets.

Capitalized interest
Sprint capitalizes interest costs related to the construction of capital assets and to its investment in Sprint Spectrum L.P. (Sprint PCS). Capitalized interest totaled \$104, \$57 and \$8 million in 1996, 1995 and 1994, respectively.

Earnings Per Share (EPS)
EPS is based on the weighted average of both outstanding and issuable shares assuming all dilutive options are exercised, as applicable.

Had the Class A common stock discussed in Note "7" been issued as of January 1, 1996, and the related proceeds been used to repay debt or invested on a temporary basis at that time, Sprint's 1996 EPS from continuing operations would have decreased from \$2.79 per share to an estimated \$2.76 per share.

2. Investments

Investment in Affiliated Debt Securities
In August 1996, Sprint purchased \$183 million (face value) of Sprint PCS Senior Discount bonds for \$100 million. The bonds mature in 2006. At year-end 1996, the accreted cost of the bonds was \$104 million and gross unrealized holding gains totaled \$18 million. This investment has been included in "Current assets — Other" on the 1996 Consolidated Balance Sheet.

Investments in Equity Securities
The cost of equity securities was \$104 and \$109 million at year-end 1996 and 1995, respectively. Gross unrealized holding gains were \$149 million in 1996 and \$154 million in 1995.

Investments in and Advances to Affiliates
Investments accounted for using the equity method mainly consist of Sprint's investments in Sprint PCS and Global One.

Sprint is a 40% partner in Sprint PCS, a partnership with Tele-Communications Inc., Comcast Corporation and Cox Communications, Inc. Sprint PCS is building a wireless network to provide PCS on a broad geographic basis within the United States.

In 1996, Sprint became a partner in Global One, a joint venture with Deutsche Telekom AG (DT) and France Telecom (FT). Global One was formed to provide seamless global telecommunications services to business, residential and carrier markets worldwide. Sprint is a one-third partner in Global One's operating group serving Europe (excluding France and Germany), and is a 50% partner in Global One's operating group for the worldwide activities outside the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

and Europe. At year-end 1996, Sprint's share of underlying equity in Global One's net assets exceeded the carrying value of Sprint's investment in Global One by \$186 million. This difference is being amortized through January 2001.

Combined, summarized financial information 100% basis of all entities accounted for using the equity method is as follows:

	1996	1995	1994
Results of operations			
Net operating revenues	\$ 1,722.6	\$ 1,779.4	\$ 1,520.4
Operating loss	\$ 1,774.0	\$ 1,481.3	\$ 1,221.3
Net loss	\$ 1,864.3	\$ 1,580.0	\$ 1,233.3
Financial position			
Current assets	\$ 1,360.7	\$ 1,384.4	
Noncurrent assets	\$ 1,779.3	\$ 2,013.4	
	\$ 3,140.0	\$ 3,397.8	
Current liabilities	\$ 1,183.4	\$ 1,223.7	
Noncurrent liabilities	\$ 2,042.1	\$ 193.4	
Debtors' equity	\$ 2,012.2	\$ 2,198.7	
	\$ 3,814.0	\$ 2,397.8	

During 1996, 1995 and 1994, Sprint recorded net income (losses) in affiliates accounted for using the equity method of \$120.4, \$123.1 and \$3 million, respectively. These amounts are included in "Other expense, net" on the Consolidated Statements of Income.

As of year-end 1996, Sprint had loaned Sprint PCS \$67 million.

3. Employee Benefit Plans

Defined Benefit Pension Plan

Substantially all Sprint employees are covered by a noncontributory defined benefit pension plan. Benefits for plan participants represented by collective bargaining units are based on negotiated schedules of defined amounts. For participants not covered by collective bargaining agreements, the plan provides pension benefits based on years of service and participants' compensation.

Sprint's policy is to make annual plan contributions equal to an actuarially determined amount consistent with applicable federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so that benefits are fully funded at retirement. At year-end 1996, the plan's assets consisted mainly of investments in corporate equity securities and U.S. government and corporate debt securities.

The net pension cost (credit) and related weighted average assumptions consist of the following:

	1996	1995	1994
Service cost — benefits earned during the period	\$ 65.4	\$ 71.8	\$ 67.6
Interest cost on projected benefit obligation	\$ 138.4	\$ 129.7	\$ 121.0
Actual return on plan assets	\$ 333.0	\$ 472.1	\$ 311.1
Net amortization and deferral	\$ 149.4	\$ 287.9	\$ 177.0
Net pension cost (credit)	\$ 108.8	\$ 127.7	\$ 44.4
Discount rate	7.25%	8.40%	7.40%
Expected long-term rate of return on plan assets	9.40%	9.40%	9.40%
Anticipated composite rate of future increases in compensation	4.25%	4.50%	4.50%

The funded status and amounts recognized in the Consolidated Balance Sheets for the plan, at year-end, are as follows:

	1996	1995
Actuarial present value of benefits obligations		
Vested benefit obligation	\$ 1,713.0	\$ 1,704.1
Accumulated benefit obligation	\$ 1,804.1	\$ 1,860.0
Projected benefit obligation	\$ 1,767.0	\$ 1,762.7
Plan assets at fair value	\$ 1,584.2	\$ 1,511.1
Plan assets in excess of the projected benefit obligations	\$ 182.8	\$ 251.6
Unrecognized net gains	\$ 81.8	\$ 109.2
Unrecognized prior service cost	\$ 100.4	\$ 101.3
Unamortized transition asset	\$ 14.1	\$ 173.0
Prepaid pension cost	\$ 68.7	\$ 107.8
Discount rate	7.25%	8.40%
Anticipated composite rate of future increases in compensation	4.25%	4.50%

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering substantially all employees. Participants may contribute portions of their compensation to the plans. Contributions of participants represented by the plans' bargaining units are matched by Sprint based on defined amounts as negotiated by the respective unit. Contributions of participants not covered by unit bargaining agreements are also matched by Sprint. For these participants, Sprint provides matching contributions in Sprint common stock equal to 50% of participants' contributions up to 6% of their compensation. In addition, Sprint may, at the discretion of the Board of Directors, provide matching contributions based on the performance of Sprint common stock compared with other telecommunications companies. Sprint's matching contributions were \$56, \$51 and \$47 million in 1996, 1995 and 1994, respectively. At year-end 1996, the plans held 22 million shares of Sprint common stock.

Postretirement Benefits

Sprint provides postretirement benefits (principally medical benefits) to substantially all employees. Employees retiring before specified dates are eligible for benefits at no cost, or a reduced cost. Employees retiring after specified dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

The net postretirement benefits cost consists of the following:

	1996	1995	1994
Service cost - benefits earned during the period	\$ 21.7	\$ 22.2	\$ 23.2
Interest on accumulated postretirement benefits obligation	49.9	58.7	53.2
Net amortization and deferral	(13.7)	(9.4)	(1.3)
Net postretirement benefits cost	\$ 57.9	\$ 71.5	\$ 75.1

For measurement purposes, a weighted average annual health care cost trend rate of 9.6% was assumed for 1996, gradually decreasing to an ultimate level of 6% by 2001. The effect of a 1% increase in the

assumed trend rates would have increased the 1996 net postretirement benefits cost by an estimated \$12 million. The discount rates for 1996, 1995 and 1994 were 7.25%, 8.50% and 7.50%, respectively.

The amounts recognized in the Consolidated Balance Sheets at year-end are as follows:

	1996	1995
Accumulated postretirement benefits obligation	\$ 277.0	\$ 312.4
Reverses:		
Active plan participants - fully eligible	12.0	118.3
Active plan participants - other	120.7	128.0
	132.7	246.3
Unrecognized prior service benefits	7.8	11.3
Unrecognized net gains	6.7	4.0
Accrued postretirement benefits cost	\$ 910.0	\$ 940.2

The year-end 1996 and 1995 accumulated benefit obligations were based on discount rates of 7.25% and 7.25%, respectively. The assumed 1997 annual health care cost trend rate was 9%, gradually decreasing to an ultimate level of 6% by 2005. The effect of a 1% annual increase in the assumed health care cost trend rates would have increased the year-end 1996 accumulated postretirement benefit obligation by an estimated \$96 million.

4. Income Taxes

The income tax provisions allocated to continuing operations consist of the following:

	1996	1995	1994
Current income tax provision	\$ 655.4	\$ 417.4	\$ 344.7
Federal state	74.0	101.1	70.9
	73.3	128.9	135.5
Deferred income tax provision			
benefits:			
Federal state	(22.2)	45.9	81.0
	22.2	(45.9)	(81.0)
Amortization of deferred investment tax credits	(11.0)	(6.7)	(22.3)
	(10.3)	5.8	53.2
Total income tax provision	\$ 721.0	\$ 434.5	\$ 488.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

The differences that cause the effective income tax rate to vary from the statutory federal income tax rate of 35% are as follows:

	1996	1995	1994
In millions:			
Income tax provision at the statutory rate	\$ 569.2	\$ 518.1	\$ 489.8
Less: Investment tax credits included in income	(11.0)	(9.9)	(22.0)
Excluded deferred income tax provision after investment tax credits	647.0	508.0	467.8
Effect of:			
State income taxes, net of federal income tax effect	(94.0)	43.9	4.7
Equity in losses of foreign subsidiaries	4.0	—	—
Other net	(9.8)	(11.2)	(22.8)
Income tax provision, including investment tax credits	\$ 721.0	\$ 434.5	\$ 488.7
Effective income tax rate	37.7%	30.1%	35.2%

The income tax provisions (benefits) allocated to other items are as follows:

	1996	1995	1994
In millions:			
Discontinued operations	\$ 7.0	\$ 31.2	\$ 0.7
Extraordinary items	(2.9)	43.7	—
Unrealized holding gains on investments	1.7	30.7	(11.0)
Stock ownership purchase and options arrangements	(4.1)	7.9	8.1

These amounts have been recorded directly to Common stock and other components equity - Other.

Deferred income taxes are provided for the temporary differences between the carrying amounts of Sprint's assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities at year-end 1996 and 1995, along with the income tax effect of each, are as follows:

	1996 Deferred income tax		1995 Deferred income tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	\$ —	\$ 1,304.9	\$ —	\$ 1,270.7
Postretirement and other benefits	350.3	—	347.0	—
Reserves and allowances	115.0	—	147.0	—
Unrealized holding gains on securities	—	47.0	—	44.0
Other net	(206.8)	—	(32.0)	—
	548.5	(1,361.9)	462.0	(1,332.7)
Less valuation allowance	(1.7)	—	(7.4)	—
Total	\$ 546.8	\$ 1,361.9	\$ 454.6	\$ 1,332.7

During 1996, 1995 and 1994, the valuation allowance related to deferred income tax assets decreased \$4, \$4 and \$1 million, respectively.

Sprint's management believes it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions, and future operating income levels may, however, affect the ultimate realization of all or some portion of these deferred income tax assets.

At year-end 1996, Sprint had available, for income tax purposes, \$3 million of state alternative minimum tax credit carryforwards to offset state income tax payable in future years, and tax benefits of \$18 million related to state operating loss carryforwards. The loss carryforwards expire in varying amounts per year from 1997 through 2011.

5. Borrowings

Long-term debt at year-end is as follows:

		1996	1995
Corporate			
Senior notes			
10 4/8%	1996	\$ —	\$ 100.0
12 1/2% to 13 1/8%	1997 to 2001	\$ 25.3	\$ 25.9
8 1/2% to 9 1/4%	2002 to 2006	\$ 50.0	\$ 50.0
Debentures			
12 1/2%	2002	200.0	200.0
Other			
8 2 1/4%	2000	140.4	138.4
Long Distance Division			
Vendor financing agreements			
7 4/8% to 10 2 1/4%	1997 to 1999	0.9	1.7
Local Division			
Fixed mortgage bonds			
5 3/4% to 6 3/4%	1996	—	\$ 31.6
2 0/8% to 7 4/8%	1997 to 2001	291.7	\$ 311.3
4 0/8% to 5 4/8%	2002 to 2006	507.1	\$ 510.9
4 0/8% to 5 4/8%	2007 to 2011	151.7	\$ 151.7
6 0/8% to 6 3/4%	2012 to 2016	90.0	\$ 90.0
6 0/8% to 6 3/4%	2017 to 2021	\$ 25.9	\$ 29.7
7 1/4% to 8 4/8%	2022 to 2026	145.0	\$ 173.8
Debentures and notes			
5 0/8% to 9 0/8%	1997 to 2016	275.3	\$ 415.0
Notes payable and commercial paper			
Other			
2 0/8% to 10 5/8%	1997 to 2009	6.2	9.8
Other			
Debentures			
10 0/8%	2019	150.0	150.0
Other			
5 4/8% to 12 5/8%	1997 to 2003	48.5	50.9
		3,080.6	3,533.4
		99.1	280.4
Long current maturities		\$ 2,981.5	\$ 3,253.0

Notes may be exchanged as maturity for shares of Southern New England Telecommunications Corporation (SNET) common stock owned by Sprint, or cash. Based on SNET closing market price, notes may be exchanged for 3.8 million shares of SNET stock. At year-end 1996 and 1995, Sprint held 4.2 and 4.6 million shares, respectively, of SNET stock, which have been included on "Securities in equity accounts" on the Consolidated Balance Sheet.

Long-term debt matures during each of the next five years as follows:

	1997	1998	1999	2000	2001
(in millions)	\$ 99.1	\$ 128.3	\$ 50.9	\$ 68.4	\$ 7.8

Property, plant and equipment with a total cost of \$12.4 billion is either pledged as security for five mortgage bonds and certain notes or is restricted for use as mortgaged property.

During 1996, Sprint redeemed, prior to scheduled maturities, \$190 million of debt with interest rates ranging from 6.0% to 9.5%. These early redemptions resulted in a \$5 million after-tax extraordinary loss.

Short-term Borrowings

Notes payable and commercial paper outstanding and related weighted average interest rates at year-end are as follows:

	1996	1995
(in millions)		
Bank notes, 5.9%	\$ 200.0	\$ 141.8
Commercial paper, 6.3%	—	134.0
Total notes payable and commercial paper	\$ 200.0	\$ 275.8

At year-end 1995, \$43 million of notes payable and commercial paper were classified as long-term debt based on Sprint's ability and intent to refinance the borrowings on a long-term basis.

The bank notes are renewable at various dates throughout the year. Sprint pays a fee to certain commercial banks to support current and future credit requirements based on loan commitments. Lines of credit could be withdrawn by the banks if there were a material adverse change in Sprint's financial condition. At year-end 1996, Sprint's unused bank lines of credit totaled \$1.3 billion.

Other

Sprint is in compliance with all restrictive or financial covenants relating to its debt arrangements at year-end 1996.

6. Redeemable Preferred Stock

Sprint has approximately 25 million authorized shares of preferred stock, including nonredeemable preferred stock. The redeemable preferred stock outstanding at year-end is as follows:

	1996	1995
(in millions, subject to adjustment for stock splits)		
Third series - stated value \$100 per share, shares = 184,000, nonparticipating, nonvoting, cumulative 7 1/4% annual dividend rate	\$ —	\$ 18.4
Fifth series - stated value \$100,000 per share, shares = 184,000, cumulative 6 1/4% annual dividend rate	9.5	9.5
Other - stated values ranging from \$25 to \$100 per share, shares = 22,800 and 110,675, annual dividend rates ranging from 4 7/8% to 9 0/8%	2.3	4.0
Total redeemable preferred stock	\$ 11.8	\$ 31.9

In 1996, 24,000 shares of Sprint's third series preferred stock were redeemed at \$100.00 per share and 160,000 shares were redeemed at \$101.77 per share.

Sprint's fifth series preferred stock must be redeemed in full in 2003. If less than full dividends have been paid for four consecutive dividend periods, or if the total amount of dividends in arrears exceeds the dividend payment for six dividend periods, the holders of the fifth series preferred stock may elect a majority of directors standing for election until all arrears in dividend payments have been paid.

7. Common Stock

Common Stock

At year-end 1996, common stock reserved for future grants under stock option plans or for future issuances under various arrangements was as follows:

	Number of Shares
Employees Stock Purchase Plan - ESPP	1.2
Employee savings plans	8.4
Automatic Dividend Reinvestment Plan	1.2
Officer and key employees' Restricted Stock Plans	1.8
Conversion of preferred stock and other	1.4
Total	20.0

Under a Shareholder Rights plan, one-half of a Preferred Stock Purchase Right is attached to each share of Sprint common stock and Class A common stock. Each Right is exercisable and detachable only if certain takeover events occur. The Rights entitle shareholders to buy units consisting of one one-hundredth of a newly issued Preferred Stock-Fourth Series, Junior Participating share at \$235.00 per unit or, in certain circumstances, common stock. Under certain circumstances, Rights beneficially owned by an acquiring person become null and void. Sprint's Preferred Stock-Fourth Series is without par value. It is voting, cumulative and accrues dividends generally equal to the greater of \$10.00 per share or 200 times the aggregate per share amount of all common stock dividends. No shares of Preferred Stock-Fourth Series were issued or outstanding at year-end 1996. The Rights may be redeemed by Sprint at \$0.01 per Right and will expire in September 1999.

During 1996, 1995 and 1994, Sprint declared and paid annual common stock dividends of \$1.00 per share. The most restrictive covenants related to common stock dividends result from Sprint's \$1.5 billion revolving credit agreement. Among other restrictions, this agreement requires Sprint to maintain specified levels of consolidated net worth, as defined. Due to this requirement, \$2.5 billion of Sprint's \$3.2 billion consolidated retained earnings were effectively

restricted from the payment of dividends at year-end 1996. The indentures and financing agreements of certain of Sprint's subsidiaries contain various provisions restricting the payment of cash dividends on subsidiaries common stock held by Sprint. In connection with these restrictions, \$145 million of the related subsidiaries \$1.2 billion total retained earnings were restricted at year-end 1996. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

During 1990, the Savings Plan Trust, an employee savings plan, acquired common stock from Sprint in exchange for a \$74 million promissory note payable to Sprint. The note bears interest at 9% and is to be repaid from the common stock dividends received by the plan and the contributions made to the plan by Sprint according to plan provisions. The remaining \$51.2 million note receivable balance at year-end 1996 is reflected as a reduction to Common stock and other shareholders' equity — Other.

Class A Common Stock

On January 31, 1996, DT and FT acquired shares of a new class of convertible preference stock for a total of \$3.0 billion. This resulted in DT and FT each holding 7.4% of Sprint's voting power. In April 1996, following the spin-off of Sprint's cellular and wireless communications services division (Cellular) (see "Note 12," the preference stock was converted into Class A common stock, and DT and FT each acquired additional shares of Class A common stock. Following their total investment of \$3.7 billion, DT and FT each own shares of Class A common stock with 10% of Sprint's voting power. During 1996, Sprint declared and paid dividends of \$0.16 per share for the preference stock and \$0.75 per share for the Class A common stock.

DT and FT, as the holders of the Class A common stock, have the right in most circumstances to proportionate representation on Sprint's Board of Directors and to purchase additional shares of Class A common stock from Sprint to maintain their total ownership level at 20%. In addition, the holders of Class A

common stock have disapproval rights with respect to Sprint's undertaking certain types of transactions. DT and FT have entered into a standstill agreement with Sprint that contains restrictions on their ability to acquire voting securities of Sprint other than as contemplated by their investment agreements with Sprint and related agreements. The standstill agreement also contains customary provisions restricting DT and FT from initiating or participating in any proposal with respect to the control of Sprint.

8. Stock-based Compensation

Sprint's Management Incentive Stock Option Plan (MISOP) provides for the granting of stock options to employees who are eligible to receive annual incentive compensation. Eligible employees are entitled to receive stock options in lieu of a portion of the target incentive under Sprint's management incentive plans. The options generally become exercisable on December 31 of the year granted and have a maximum term of 10 years. MISOP options are granted with exercise prices equal to the market price of Sprint's common stock on the grant date. At year-end 1996, authorized shares under this plan approximated eight million. This amount increased by approximately three million shares on January 1, 1997.

The Sprint Corporation Stock Option Plans (SOP) provide for the granting of stock options to officers and key employees. The options generally become exercisable at the rate of 25% per year, beginning one year from the grant date, and have a maximum term of 10 years. SOP options are granted with exercise prices equal to the market price of Sprint's common stock on the grant date. At year-end 1996, authorized shares under these plans approximated 18 million. This amount increased by approximately two million shares on January 1, 1997.

Every two years, the ESPP offers all employees the election to purchase Sprint common stock at a price equal to 85% of the market value on the grant or exercise date, whichever is less. At year-end 1996, authorized shares under this plan approximated 18 million.

In 1996, Sprint adopted the pro forma disclosure requirements under SFAS No. 123, "Accounting for Stock-based Compensation," and continued to apply Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock option and employee stock purchase plans. Under APB 25, Sprint has recognized no compensation expense related to these plans.

Pro forma net income and EPS have been determined as if Sprint had used the fair value method of accounting for its stock option grants and ESPP share elections after 1994. Under this method, these pro forma amounts have been reduced for compensation expense. Compensation expense is recognized over the applicable vesting periods and is based on the number of shares under option and their related fair values on the grant date.

The following pro forma information will not likely represent the information reported in future years because options granted and ESPP shares elected after 1994 will continue to vest over the next several years. In addition, compensation expense resulting from the spin-off of Cellular will decline over the next several years.

Sprint's pro forma net income and EPS for 1996 and 1995 are as follows:

	1996	1995
In millions, except per share data		
Pro forma net income	\$ 1,118	\$ 148
Pro forma EPS	\$ 2.72	\$ 1.10

The pro forma net income was reduced by \$6 million, \$0.01 per share, in 1996 due to additional compensation resulting from modifications to terms of options and ESPP share elections made in connection with the spin-off of Cellular.

During 1996, Sprint employees elected to purchase 2.8 million ESPP shares with a weighted average fair value (using the Black-Scholes pricing model) of \$10.06 per share. No ESPP shares were offered in 1995.

The following tables reflect the weighted average fair value per option granted during the year, as well as the significant weighted average assumptions used in determining those fair values using the Black-Scholes pricing model:

	MISOP	SOP
1996		
Fair value on grant date	\$ 9.17	\$ 10.06
Risk-free interest rate	6.2%	6.2%
Expected volatility	28.5%	28.5%
Expected dividend yield	2.5%	2.5%
Expected life (years)	4	6

	MISOP	SOP
1995		
Fair value on grant date	\$ 9.07	\$ 8.73
Risk-free interest rate	6.0%	6.2%
Expected volatility	28.5%	28.5%
Expected dividend yield	2.5%	2.5%
Expected life (years)	4	6

A summary of stock option plan activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding January 1, 1994	7.6	\$ 21.14
Granted	3.3	30.02
Exercised	1.2	17.25
Forfeited/Expired	0.9	20.46
Outstanding December 31, 1994	9.3	24.07
Granted	4.3	24.69
Exercised	0.8	19.81
Forfeited/Expired	0.5	27.50
Outstanding December 31, 1995	12.3	24.88
Granted	4.9	30.74
Exercised	2.0	22.28
Forfeited/Expired	1.0	29.22
Outstanding December 31, 1996	13.0	\$ 29.42

Due to the spillover of Cellular, the number of shares and the weighted average price have been adjusted to maintain both the total fair value of common stock underlying the options and the relationship between the market value of Sprint's common stock and the options exercisable.

Outstanding options held by Cellular employees were converted into options and grants to purchase Cellular common stock and are not included in the above table.

After adjustment for the spin-off of Cellular, options exercisable at year-end 1995 and 1994 were 6.4 and 4.5 million, respectively. The following table summarizes outstanding and exercisable options at year-end 1996:

	Options Outstanding		Options Exercisable		
	Weighted Average Remaining Contractual Life in months	Weighted Average Exercise Price in dollars	Weighted Average Remaining Contractual Life in months	Weighted Average Exercise Price in dollars	
Range of Exercise Prices	Number Outstanding in millions		Number Exercisable in millions		
\$11.50-\$14.96	0.3	2.3	\$13.14	0.3	\$13.14
\$15.18-\$19.24	0.3	4.3	\$17.69	0.3	\$17.69
\$20.08-\$24.50	3.9	6.8	\$23.48	2.2	\$22.70
\$25.07-\$29.96	2.6	5.4	\$27.32	2.0	\$26.62
\$30.12-\$34.80	2.0	7.2	\$30.60	1.8	\$30.27
\$35.32-\$39.88	4.4	9.1	\$36.84	1.8	\$36.82
\$40.19-\$46.00	0.1	5.9	42.12	—	—

The fair value of all other assets is estimated based on the present value of estimated future cash flows using a discount rate based on the risks involved. The fair value of interest rate swap agreements is estimated as the amount Sprint would receive (pay) to terminate the swap agreements at year-end 1996 and 1995, taking into account the then-current interest rates. The fair value of foreign currency contracts is estimated as the replacement cost of the contracts at year-end 1996 and 1995, taking into account the then-current foreign currency exchange rates.

Concentration of Credit Risk

Sprint's accounts receivable are not subject to any concentration of credit risk. Interest rate swap agreements and foreign currency contracts involve the risk of dealing with counterparties and their ability to meet the contract terms. Notional principal amounts are often used to express the volume of these transactions, but the amounts subject to credit risk are significantly smaller. In the event of nonperformance by the counterparties, Sprint's accounting loss would be limited to the net amount it would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, Sprint does not anticipate nonperformance by any of the counterparties associated with these agreements. Sprint controls credit risk and the concentration of credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits and internal monitoring procedures.

Interest Rate Swap Agreements

Sprint uses interest rate swap agreements as part of its interest rate risk management program. Net interest paid or received related to these agreements is recorded using the accrual method and is recorded as an adjustment to interest expense. Sprint had interest rate swap agreements with notional amounts of \$350 and \$275 million outstanding at year-end 1996 and 1995,

respectively. Net interest expense (income) related to interest rate swap agreements was \$2 million, \$1400,000 and \$1 million for 1996, 1995 and 1994, respectively. There were no deferred gains or losses related to any terminated interest rate swap agreements at year-end 1996, 1995 or 1994.

Foreign Currency Contracts

As part of its foreign currency exchange risk management program, Sprint purchases and sells over-the-counter forward contracts and options in various foreign currencies. Sprint had outstanding \$40 and \$13 million of open forward contracts to buy various foreign currencies at year-end 1996 and 1995, respectively.

Sprint had \$3 and \$24 million of outstanding open purchase option contracts to call various foreign currencies at year-end 1996 and 1995, respectively. The premium paid for an option is expensed as incurred and the fair value of an option is recorded as an asset at the end of each period. The forward contracts open at year-end 1996 and 1995 all had original maturities of six months or less. The net gain or loss recorded to reflect the fair value of these contracts is recorded in the period incurred. Total net losses of \$400,000, \$1 million and \$2 million were recorded related to foreign currency transactions and contracts for 1996, 1995 and 1994, respectively.

11. Adoption of Accounting Principles for a Competitive Marketplace

As of year-end 1995, Sprint determined that its local division no longer met the criteria necessary for the continued use of SFAS 71. As a result, 1995 results include a noncash, extraordinary charge of \$565 million, net of income tax benefits of \$437 million.

The decision to discontinue the use of SFAS 71 was based on changes in the regulatory framework and the convergence of competition in the telecommunications industry.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

The 1995 extraordinary charge recognized upon the discontinued use of SFAS 71 consisted of the following:

	Pre-Tax	After-Tax
Increase in accumulated depreciation	\$ 179.1	\$ 167.9
Recognition of net intangible asset	(9.6)	(9.1)
Elimination of other net regulatory assets	(28.1)	(26.3)
Total	\$ 141.4	\$ 132.5
Tax related net regulatory liabilities		(4.1)
Nonrecurring amortization of investments		(1.1)
Net result		\$ 127.3
Extraordinary charge		\$ 127.3

The adjustment to accumulated depreciation was based on depreciation reserve and impairment studies. The depreciation reserve study analyzed, by individual plant asset category, the impact of regulator-prescribed depreciable asset lives compared with Sprint's estimated economic lives. The results identified the cumulative under-depreciation of certain asset categories. The impairment study, which validated the depreciation study results, estimated the impact on future revenues of price changes and developing industry competition, and their effects on cash flows.

The discontinued use of SFAS 71 also required Sprint to eliminate from the Consolidated Balance Sheets the effects of any actions of regulators that had been recognized as assets and liabilities under SFAS 71, but would not have been recognized as assets and liabilities by enterprises in general. The elimination of other net regulatory assets mainly related to deferred postretirement benefit obligations and deferred debt financing costs.

The tax-related adjustments were required to adjust deferred income taxes to the currently enacted statutory rates and to eliminate tax-related regulatory assets and liabilities. Sprint's local division uses the deferral method of accounting for investment tax credits and amortizes the credits as a reduction to tax expense over the life of the asset that gave rise to the tax credit. Since plant asset lives were shortened, the related investment tax credits were adjusted to reduce the unamortized balance by a corresponding amount.

12. Spin-off of Cellular Division

In March 1996, Sprint completed the tax-free spin-off of Cellular to the holders of Sprint common stock. The Spin-off was effected by distributing to all holders of Sprint common stock all shares of Cellular common stock at a rate of one share of Cellular common stock for every three shares of Sprint common stock held. In connection with the Spin-off, Cellular repaid \$1.4 billion of intercompany debt owed by Cellular to Sprint. In addition, Sprint contributed to the equity capital of Cellular \$185 million of debt owed by Cellular in excess of the amount repaid. This equity contribution, together with Sprint's previous investment in Cellular, resulted in Sprint's net investment in Cellular totaling \$260 million at the date of the Spin-off.

Cellular's net operating results, as summarized below, have been separately classified as discontinued operations in the Consolidated Statements of Income. Interest expense was allocated to Cellular based on the assumed repayment of intercompany debt to Sprint by Cellular. The operating expenses as presented below do not include Cellular's share of Sprint's general corporate overhead expenses. These expenses, totaling \$2, \$13 and \$12 million for 1996, 1995 and 1994, respectively, were reallocated to Sprint's other operating segments.

	1996 ⁽¹⁾	1995	1994
Net operating revenue	\$ 190.2	\$ 834.4	\$ 126.5
Operating expenses	(156.0)	(875.0)	(122.4)
Operating income	34.2	(140.6)	4.1
Interest expense	(21.4)	(124.0)	(87.3)
Other income expense, net	(8.3)	(10.9)	(5.0)
Income (Loss) before income taxes	4.5	(375.5)	(88.2)
Income tax provision	(7.0)	(31.2)	(17.7)
Income (Loss) from cellular division	\$ (2.5)	\$ (406.7)	\$ (105.9)

(1) 1996 reflects Cellular's operating results only through the date of the Spin-off.

In 1995, Cellular's net assets and liabilities, as summarized below, were separately classified as "Net investment - cellular division" on the Consolidated Balance Sheets.

	1995
Assets:	
Current assets	\$ 153.9
Noncurrent assets	1,790.0
Liabilities:	
Current liabilities	(1,433.0)
Other current liabilities	(166.0)
Noncurrent liabilities	(240.4)
Net investment in cellular division	\$ 106.5

13. Additional Financial Information

Segment information
Information related to Sprint's operating business segments is included in "Review of Segmental Results of Operations." The net operating revenues and operating expenses shown in those tables include revenues and expenses eliminated in consolidation. The amounts eliminated are as follows:

	1996	1995	1994
(in millions)			
Long distance division	\$ 38.9	\$ 38.9	\$ 41.6
Local division	203.1	266.4	233.1
Product distribution and directory publishing	325.9	336.8	350.8
Intercompany revenues not eliminated under SFAS 71	—	(262.4)	(284.5)
Net operating revenues	647.9	879.7	740.0
Operating expenses	(618.3)	(876.7)	(740.0)
Operating income	\$ 31.6	\$ 3.0	\$ —

Capital expenditures and identifiable assets not related to operating segments are as follows:

	1996	1995	1994
(in millions)			
Capital expenditures	\$ 98.0	\$ 37.0	\$ 16.6
Identifiable assets ⁽¹⁾	\$2,815.2	\$2,917.0	\$1,804.0

1995 and 1994 amounts include the net assets of the discontinued cellular division.

Realignment and Restructuring Charge

In 1995, Sprint initiated a restructuring within its local division in an effort to streamline certain processes and reduce costs in an increasingly competitive marketplace. These actions resulted in the planned elimination over several years of approximately 1,600 positions, mainly in the network and finance functions. As a result, the local division recorded an \$88 million nonrecurring charge in 1995, which reduced income from continuing operations by \$55 million (\$0.16 per share). The accrued liability related to this charge specifically relates to the benefits that affected employees will receive upon termination.

Through 1996, approximately 400 positions have been eliminated resulting in termination benefit payments of \$10 million, with an additional \$10 million to be paid in 1997. Substantially all of the remaining positions are expected to be eliminated during 1997 with the related costs expected to be paid during 1997 and 1998.

Accounts Receivable Sold with Recourse

Under an agreement available through year-end 1996, Sprint could sell on a continuous basis, with recourse, up to \$600 million of undivided interests in a designated pool of its accounts receivable. Sprint elected to terminate this agreement in early 1996 and repaid the \$600 million in receivables that were uncollected at year-end 1995.

Supplemental Cash Flows Information

	1996	1995	1994
(in millions)			
Cash paid for:			
Interest (net of amounts capitalized)	\$ 212.1	\$ 263.5	\$ 320.4
Continuing operations	\$ 21.5	\$ 124.0	\$ 17.1
Cellular division	\$ 695.5	\$ 132.4	\$ 414.1
Income taxes			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On January 31, 1996, in connection with the formation of the Global One joint venture, Sprint contributed cash, property, plant and equipment, and other assets and liabilities of certain of its international operations to Global One. The net book value of the noncash assets and liabilities contributed to Global One totaled \$73 million.

During 1996 and 1994, in connection with the ESPP, Sprint issued common stock totaling \$65 and \$53 million, respectively.

During 1996, as discussed in Note 12, Sprint completed the Spin-off which had no immediate effect on cash flows other than Cellular's repayment of \$1.4 billion in intercompany debt owed to Sprint.

During 1994, Sprint contributed previously unissued common stock to the employee savings plans. The stock had a market value of \$31 million.

Related Party Transactions

During 1996, Sprint provided various voice, data and administrative services to Global One totaling \$361 million. In addition, Global One provided data and administrative services to Sprint totaling \$130 million. At year-end 1996, Sprint's receivable due from Global One was \$163 million and Sprint's payable to Global One was \$49 million.

14. Quarterly Financial Data (Unaudited)

	Quarter			
1996	1st	2nd	3rd	4th
(in millions, except per share data)				
Net operating revenues	\$3,171.0	\$3,506.4	\$3,544.4	\$3,622.0
Operating income	474.0	580.0	618.0	612.5
Income before extraordinary items	329.4	510.8	610.2	240.0
Net income	309.3	510.8	612.4	245.3
EPS from income before extraordinary items	\$ 0.77	\$ 0.78	\$ 0.78	\$ 0.61

	Quarter			
1995	1st	2nd	3rd	4th
(in millions, except per share data)				
Net operating revenues	\$3,070.1	\$3,142.1	\$3,204.3	\$3,338.0
Operating income	442.8	401.8	497.1	432.0
Income before extraordinary items	224.3	245.7	208.5	222.1
Net income (loss)	224.3	245.7	208.5	143.2
EPS from income before extraordinary items	\$ 0.64	\$ 0.70	\$ 0.70	\$ 0.63

During the 1996 fourth quarter, Sprint recorded a nonrecurring charge of \$60 million related to litigation within the long distance division. This charge reduced income from continuing operations by \$36 million (\$0.08 per share) (see Note 9).

During the 1995 fourth quarter, Sprint recorded a nonrecurring charge of \$88 million related to a restructuring within the local division. This charge reduced income from continuing operations by \$55 million (\$0.16 per share) (see Note 13).

During the 1995 fourth quarter, Sprint adopted accounting principles for a competitive marketplace for its local division and discontinued the use of SFAS 71. As a result, Sprint recorded a noncash after-tax extraordinary charge of \$565 million (\$1.01 per share) (see Note 11).

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

Management Report

The management of Sprint Corporation has the responsibility for the integrity and objectivity of the information contained in this Annual Report. Management is responsible for the consistency of reporting such information and for ensuring that generally accepted accounting principles are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits. Management has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and codes of conduct are understood and practiced by its employees.

The consolidated financial statements included in this Annual Report have been audited by Ernst & Young LLP, independent auditors. Their audit was conducted in accordance with generally accepted auditing standards and their report is included herein.

Report of Independent Auditors

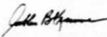
The Board of Directors and Shareholders, Sprint Corporation: We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 1996 and 1995, and the related consolidated statements of income, cash flows, and common stock and other shareholders' equity for each of the three years in the period ended December 31, 1996, appearing on pages 34, 40, 42 and 45 through 60. These financial statements are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The responsibility of the Board of Directors for these financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.



William T. Esrey
Chairman and Chief Executive Officer

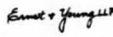


Arthur B. Krause
Executive Vice President and Chief Financial Officer

well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Sprint at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, Sprint discontinued accounting for the operations of its local telecommunications division in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1995.



Ernst & Young LLP
Kansas City, Missouri
February 4, 1997

Board of Directors

DuBose Auley is chairman of Auley & McMullen, a law firm in Tallahassee, Florida. He is also chairman of the Capital City Bank Group, Inc. He has been a Sprint director since 1993.

Warren L. Batts is chairman and chief executive officer of Tupperware Corporation in Orlando, Florida. He is also chairman of Premark International, Inc. He has been a Sprint director since 1982. Batts is chairman of the audit committee and a member of the executive committee.

Michel Bon is chairman of France Telecom. From 1993 to September 1995, he was head of France's national job placement agency. Prior to that he was chairman and chief executive officer of Carrefour, the largest retailer in France. He became a Sprint director in January 1996.

Ruth M. Davis is president and chief executive officer of The Pyramiding Group, Inc., in Alexandria, Virginia. She has been a Sprint director since 1981. Davis is a member of the audit committee.

William T. Esrey is chairman and chief executive officer of Sprint. He joined Sprint in 1980 as executive vice president-corporate planning, was named president and chief executive officer in 1985 and became chairman and chief executive officer in 1990. He has been a Sprint director since 1985. Esrey is chairman of the Board's executive committee.

Donald J. Hall is chairman of Hallmark Cards, Inc., in Kansas City, Missouri. He has been a Sprint director since 1986. Hall is a member of the audit committee.

Warren S. Hook is chairman of American General Corporation, in Houston, Texas. He has been a Sprint director since 1982. Hook is a member of the organization, compensation and nominating committee.

Ronald T. LeMay is president and chief operating officer of Sprint. Prior to that, he was vice chairman of Sprint, and chief executive officer of Sprint Spectrum LP (Sprint PCS). From 1989 to 1995, he was president and chief operating officer of the long distance division of Sprint. LeMay has been a Sprint director since 1993.

Linda Koch Lomax is vice president and secretary of Yale University, in New Haven, Connecticut. She has been a director of Sprint since 1993. She is a member of the organization, compensation and nominating committee.

Charles E. Rice is chairman and chief executive officer of Burnett Banks, Inc., in Jacksonville, Florida. He has been a Sprint director since 1975. Rice is a member of the executive and the organization, compensation and nominating committees.

Ron Sommer is chairman of the board of management of Deutsche Telekom A.G. From 1989 until May 1995, he worked for the German subsidiary of the Sony Group, where he was last responsible for the 22 European subsidiaries as the head of Sony Europe. He became a Sprint director in January 1996. Sommer is a member of the organization, compensation and nominating committee.

Stewart Turley is chairman of Eckerd Corporation, in Clearwater, Florida. He has been a Sprint director since 1980. Turley is chairman of the organization, compensation and nominating committee, and a member of the executive committee.

Principal Corporate Officers and Principal Operating Company Officers

Principal Corporate Officers

William T. Enley Chairman and Chief Executive Officer	Michael B. Fuller President and Chief Operating Officer	John R. Hoffman Senior Vice President External Affairs	M. Jeannine Strands Senior Vice President Treasurer
Ronald T. LeMay President and Chief Operating Officer	Local Telecommunications Division	John P. Meyer Senior Vice President Controller	Benjamin Watson Senior Vice President Human Resources
J. Richard Devlin Executive Vice President Law and External Affairs	Amur B. Krause Executive Vice President Chief Financial Officer	Theodore H. Schell Senior Vice President Strategic Planning and Corporate Development	Don A. Jensen Vice President Secretary
Gary D. Forsee President and Chief Operating Officer Long Distance Division	D. Wayne Peterson President National Integrated Services	Richard C. Smith Jr. Senior Vice President Quality Development and Public Relations	
	Gene M. Betts Senior Vice President Corporate Finance		

Principal Operating Company Officers

Long Distance Division	Local Telecommunications Division	National Integrated Services	Product Distribution/ Directory Publishing Division
Robb L. Benjamin Senior Vice President Staff Operations	J. Daniel Kelley President Southern Operations	Bruce H. Brannan Senior Vice President Marketing, Sales and Service	William G. Obermayer President Sprint North Supply
Kevin E. Brauer President Sprint Business	William E. McDonald President Mid-Atlantic Operations		Robert J. Walsh President Sprint Publishing & Advertising
R. Michael Franz President Wholesale Services Group	Randy W. Oster President North Central Operations		
George N. Fuchs President Technology Services	Robert E. Thompson III President Western Operations		
William J. Gunter Senior Vice President Finance	William C. Probst Senior Vice President Network		
Thomas E. Wagman President Consumer Services Group			

Shareholder Information and Common Stock Data

Annual Meeting The Annual Meeting of Shareholders will be held Tuesday, April 15, 1997 at the world headquarters.

Common Stock Dividends Dividends on Sprint common stock, declared by the Board of Directors, are usually paid quarterly at the end of March, June, September and December. The exact record dates and payment dates are set by the Board of Directors. The last quarterly dividend payment in the fourth quarter 1996 was 24 cents per share, or an indicated annual dividend of \$1.00 per common share.

Investor Information Line Requests for the information shown below may be made in writing or by calling the Sprint Investor Information Line at 1-800-259-3755. **Automatic Dividend Reinvestment Plan** Sprint offers a dividend reinvestment and stock purchase plan to registered shareholders at no commission or handling charge for purchases made with reinvested dividends and/or optional cash payments. Shareholders may obtain information about the plan by writing to Shareholder Relations at the corporate headquarters or by calling the above 800 number.

Form 10-K Copies of Sprint's Annual Report on Form 10-K to the Securities and Exchange Commission may be obtained by shareholders without charge by writing to Investor Relations at the corporate headquarters or by calling the above 800 number.

Investor Inquiries Security analysts, shareholders and investment professionals should direct inquiries regarding Sprint and its business in writing to Investor Relations at the corporate headquarters or by calling the above 800 number. Copies of the investor supplement to the Annual Report are available upon request. **Shareholder Inquiries** Inquiries regarding stock transfer, lost certificates, direct deposit of dividends or address change should be directed to the stock transfer agent.

Common Stock Data

	1996			1995		
	High	Low	Period	High	Low	Period
First quarter	38 1/4	31 1/4	38	20 1/4	21 1/4	24 1/4
Second quarter	44 1/4	37 1/4	42	29 1/4	25 1/4	27 1/4
Third quarter	42 1/4	34 1/4	38 1/4	30 1/4	26 1/4	28 1/4
Fourth quarter	44	37 1/4	39 1/4	33 1/4	27 1/4	32 1/4

*Adjusted to reflect spin-off of cellular division.

UMB Bank, n.a. in writing at their address (see below) or by calling the above 800 number and connecting with the transfer agent.

Quarterly Financial Information Shareholders can receive a free or mailed copy of the quarterly financial results upon request through Sprint's toll-free Shareholder Information Line. Shareholders can dial 1-800-284-6977 to hear a recorded report on Sprint's financial performance and request a copy of printed quarterly results.

Sprint on the Internet Sprint's "World Wide Web" site (www.sprint.com) is continuously updated and includes an electronic version of this annual report. Shareholders are also invited to visit Sprint's home page at this Internet address for quarterly financial data, important news releases and current information about products and services.

Corporate Headquarters Mailing Address

Sprint
Post Office Box 11315
Kansas City, Missouri 64112

Shareholder Relations

Sprint
(913) 624-2541

Agents

Ernst & Young LLP, Kansas City, Missouri

Stock Transfer Agent, Registrar and Dividend Paying Agent

UMB Bank, n.a.

Post Office Box 410064

Kansas City, Missouri 64141-0064

(816) 860-7786

Co-Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C.

New York, New York

Dividend Reinvestment Agent

UMB Bank, n.a.

Kansas City, Missouri

Stock Exchange Listings

Common Stock

New York Stock Exchange

Chicago Stock Exchange

Pacific Stock Exchange

Convertible Preferred Stock

New York Stock Exchange

Stock Symbol: FON

HOW TO REACH US

One call does it all

To switch to your long distance service to Sprint and enjoy other communications benefits, call 1-800-558-0952. Simply, your life with Sprint is a better, more fun long distance, pager, Internet, PCS, calling cards or telephone equipment.

Sprint World Headquarters
2330 Shawnee Mission Parkway
Overland Park, KS 66205
(913) 624-5000

Sprint's Long Distance Division

Headquarters
4140 Ward Parkway
Kansas City, MO 64114
(913) 624-1900

Sprint Business
Business lines and services
residential and law office service
Business Marketing
4420 LBJ Freeway
Dallas, TX 75240
(214) 405-3000

Consumer Services Group
Residential customers
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Government Services Division
Federal government
13221 Woodland Park Road
Herndon, VA 22071
(703) 904-2000

Wholesale Services Group
Wholesale services
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000



Free Internet Package

Sprint and non-Sprint customers can call 1-800-559-5900 to receive a free Internet package that includes everything needed to take full advantage of Sprint's world-class Internet Passport consumer product.

Sprint's Local

Telecommunications Division
Headquarters
2330 Shawnee Mission Parkway
Overland Park, KS 66205
(913) 624-3000

Mid-Atlantic Operations
14111 Capital Boulevard
Wake Forest, NC 27587
(919) 554-7900

North Central Operations
665 Lexington Avenue
Post Office Box 3555
Mansfield, OH 44907
(419) 755-8011

Southern Operations
555 Lake Border Drive
Apopka, FL 32703
(407) 889-6000

Western Operations
5454 West 110th Street
Overland Park, KS 66211
(913) 345-7000

Sprint's Product Distribution

Directory Publishing Division
Sprint North Supply
600 Industrial Parkway
Industrial Airport, KS 66031
(913) 791-7000

Sprint Publishing & Advertising
7015 College Boulevard
Suite 400
Overland Park, KS 66211
(913) 491-7000

Strategic Alliances

Globe One
Corporate and European Headquarters
Park Avenue
Rue des Colonnes 11
B-1000 Brussels, Belgium
(312) 52-5445-2000

Home
12490 Sunrise Valley Drive
Reston, VA 22096
(703) 689-6000

Sprint PCS
4717 Grand Avenue
Kansas City, MO 64112
(816) 559-1000

Sprint *will*
deliver

BECAUSE

we know
how to
listen
to the
market.



Sprint 1996 Annual Report

EXHIBIT G

LIST OF JURISDICTIONS WHERE ASC PROVIDES SERVICE
AND DATES AUTHORITY WAS RECEIVED.

California	2/3/96
Florida	3/29/96
Georgia	2 Q /97
Hawaii	8/1/96
Idaho	3/28/97
Iowa	NA *
Illinois	3/29/96
Kansas	1/9/97
Kentucky	NA *
Louisiana	3/25/96
Maryland	2/14/96
Massachusetts	10/18/96
Michigan	1/1/96
Minnesota	1/23/97
Missouri	4/8/96
Mississippi	4/1/97
Montana	NA *
Nebraska	9/30/97
New Hampshire	NA *
New Jersey	NA *
New York	4/22/96
North Dakota	3/7/96
New Jersey	1/1/96
New York	4/22/96
Pennsylvania	3/21/96
South Carolina	9/9/96
Texas	11/6/95
Utah	NA *
Virginia	NA *
Washington	7/97
Wisconsin	NA *
Wyoming	6/1/97

*Not Applicable. Certification not required.



Sprint Corporation
901 E. 10th
Kansas City, MO 64131
816-854-5224

Paying Agents for itself and Affiliates
Sprint Services
Sprint/United Management Company

872551

MO-283
412

THE FACE OF THIS CHECK HAS A COLORED BACKGROUND, NOT A WHITE BACKGROUND

PAY

DATE
12/15/97

CHECK NO.
00872551

NET AMOUNT
*****250.00

TWO HUNDRED FIFTY AND 00/100 DOLLARS

TO THE
ORDER OF

PUBLIC UTILITIES COMMISSION
STATE CAPITOL
PIERRE, SD 57501-5070

VOID AFTER 180 DAYS

Harwood Bank Van Wert, S. A.
Van Wert, OH 44891
1-800-827-9535

M. Jeannine Standford
Authorized Signature

⑈872551⑈ ⑆041203824⑆ 9600002223⑈

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (605) 773-3705
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

12/19/97 through 12/23/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC97-196	Application by Eclipse Communication Corp for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/KC) "Eclipse seeks authority to provide a full range of interexchange services, including MTS, toll free 800/888, calling card, debit card and operator-assisted services. Applicant also seeks authority to provide resold and facilities-based local exchange services to consumers on a statewide basis. ...Eclipse may also offer local services by utilizing the switching and transport capacity of other existing telecommunications providers pursuant to negotiated or tariffed arrangements. Eclipse proposes to provide service to all exchanges currently served by U S WEST."	12/19/97	01/09/98
TC97-197	Application by ASC Telecom, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) "ASC intends to provide as its initial services "operator services" and "prepaid card" services. ASC also hereby certifies that it is complying with all requirements established under the Telephone Operator Consumer Services Improvement Act of 1990."	12/19/97	01/09/98
TC97-198	Application by TeleHub Network Services Corporation for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/KC) "Applicant seeks statewide authority to offer inbound, outbound, conference, directory assistance, calling card, prepaid calling card, and private line services to presubscribed business customers and residential customers in the State of South Dakota. Applicant does not and will not offer alternative operator services."	12/22/97	01/09/98
REQUEST FOR ELIGIBLE TELECOMMUNICATIONS COMPANY STATUS			
TC97-199	RT Communications, Inc. pursuant to 47 U.S.C. 214(e) and 47 C.F.R. 54.201 hereby seeks designation as an eligible telecommunications carrier within the local exchange areas that constitute its service area in South Dakota. (Staff: HB/CH)	12/23/97	12/29/97

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry Norum at: terry@puc.state.sd.us Faxing the address to the Commission at 605-773-3809



Donald Low
Senior Attorney

State Regulatory Office/Mountain Region
8140 Ward Parkway, 9L
Kansas City, MO 64114
Voice 816-624-6865
Fax 816-624-5681
d.low@igate.sprint.com

April 28, 1998

RECEIVED

APR 30 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

William Bullard
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

BY OVERNIGHT MAIL.

Re: ASC Application - Dkt. No. 97-197

Dear Mr. Bullard:

Enclosed for filing in the above referenced matter are the original and eleven copies of an amended application which reflect a change in ASC's business plans. Please return a "filed" stamped copy in the enclosed envelope. Thank you for your assistance.

Very truly yours,

Donald Low

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of ASC)
Telecom, Inc. for Authority to Provide) Dkt. No. 97-197
Intrastate Interexchange Telecommunications)
Services in the State of South Dakota)

AMENDED APPLICATION

ASC Telecom, Inc. ("ASC"), by and through its undersigned attorney, hereby amends its original application in this matter as follows:

1. ASC no longer intends to provide "prepaid card" services and therefore does not seek authority for such services. Since ASC will only provide operator services, it has revised the proposed tariffs for its initial services to delete references to prepaid card service. Attached as Exhibit A are such revised tariffs which are proposed in lieu of Exhibit D of the original application.

2. ASC also states that it will not collect advance payments or deposits from customers. With this clarification and the deletion of prepaid card services from its proposed service offerings, there should be no need for ASC to post a bond.

Wherefore, ASC prays that the Commission enter an order granting ASC authority to provide intrastate interexchange operator services in South Dakota.

Dated: April 29, 1998

Respectfully submitted,
ASC Telecom, Inc.


Donald A. Low
8140 Ward Parkway- 5E
Kansas City, MO 64114
(913) 624-6865
FAX 624-5681

EXHIBIT A

**REVISED
PROPOSED ASC TARIFFS**

ASC TELECOM, INC.

South Dakota Tariff No. 1

Original Title Page

Tariff Schedule
Applicable To
Interexchange Telephone Communications
of
ASC Telecom, Inc.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

CHECK SHEET

* Asterisk indicates changes in current tariff filing. Current sheets in this tariff are as follows.

<u>Page</u>	<u>Revision</u>
Title	Original
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

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ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

EXPLANATION OF SYMBOLS

When changes are made on any tariff page, a revised page will be issued canceling the tariff page affected; such changes will be identified through the use of the following symbols:

- (C) - To signify changed regulation or rate.
- (D) - To signify the Deletion/Discontinuance of rates, regulations, and/or text.
- (I) - To signify an Increase.
- (M) - To signify matter Moved/Relocated within the tariff with no change to the material.
- (N) - To signify New text, regulation, service, and/or rates.
- (R) - To signify a Reduction.
- (T) - To signify a Text Change in tariff, but no change in rate or regulation.

The above symbols will apply except where additional symbols are identified at the bottom of an individual page.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

I. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable for the furnishing of telecommunications services provided by ASC Telecom, Inc. between and among points within the state.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS

2.1 Definitions

Certain terms used generally throughout this tariff for services furnished by the Carrier are defined below.

Carrier - Company

The terms "Carrier and Company" refer to ASC Telecom, Inc. unless they refer specifically to the Local Exchange Company (LEC).

Day

The term "Day" denotes 8:00 a.m. to 4:59 p.m. local time at the originating terminal on Monday through Friday.

End User

Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer.

Evening

The term "Evening" denotes 5:00 p.m. to 10:59 p.m. local time at the originating terminal on Sunday through Friday.

Holidays

The term "Holidays" denotes all Carrier specified holidays as follows: New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holiday rates are equal to the Evening rates for the time period 8:00 a.m. to 10:59 p.m. and are at the Night rates from 11:00 p.m. to 7:59 a.m. on Monday through Friday. If the Holiday falls on a Saturday or Sunday, the Friday preceding the Holiday or the Monday following the Holiday is rated at ASC Telecom, Inc. Holiday rates.

Night

The term "Night" denotes 11:00 p.m. to 7:59 a.m. local time at the originating terminal on Monday through Friday, any time on Saturday, Sunday 8:00 a.m. to 4:59 p.m. and 11:00 p.m. to 7:59 a.m.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.2 Undertaking Of The Carrier

ASC Telecom, Inc. undertakes to provide 24-hour intrastate, interstate and international long distance telephone service, subject to the availability of facilities, in accordance with the terms and conditions set forth in this tariff.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)**2.3 Limitation Of Liability****.1 Liability of the Carrier**

The liability of Carrier, if any, for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission during the course of furnishing service shall in no event exceed an amount equivalent to the charge to Customer for the service during which such mistakes, omissions, interruptions, delay, errors, or defects in transmission occurred. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act of customer, or which arise from facilities or equipment used by Customer, shall not result in the imposition of any liability whatsoever upon Carrier. Carrier is not liable for the quality of service provided by any local exchange carrier. Carrier is not liable for any act, omission or negligence of any local exchange carrier or other provider whose facilities are used in furnishing any portion of the service received by Customer. Under no circumstances whatever shall Carrier or its officers, agents, or employees be liable for indirect, incidental, special or consequential damages. Carrier shall not be liable for any failure of performance hereunder due to causes beyond its control, including but not limited to civil disorders, labor problems, and fire, flood, atmospheric conditions or other phenomena of nature, such as radiation. In addition, Carrier shall not be liable for any failure of performance hereunder due to necessary network reconfiguration, system modifications due to technical upgrades, or regulations established or actions taken by any court or government agency having jurisdiction over Carrier.

.2 Overpayment

The Carrier shall not be obligated to refund any overpayment by a user unless a written claim for such overpayment, together with substantiating evidence which will allow Carrier to verify such claim, is submitted within two (2) years from the date of the alleged overpayment.

.3 Disclaimer of Warranties

Except as expressly provided in this tariff, Carrier makes no understanding, agreements, representations or warranties, expressed or implied (including any regarding the merchantability or fitness for a particular purpose).

.4 Refunds for Interruption or Impairment to Carrier Service

It shall be the obligation of the customer to immediately notify the Carrier of any service interruption.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.4 Use of Service

Neither subscribers nor their authorized users may use the services furnished by the Carrier for any unlawful purpose.

2.5 Customer Application For Service

Service requests will be honored by telephone and/or through telephone confirmation with the local exchange company.

2.6 Establishment Of Credit

Carrier reserves the right to examine the credit record and check the references of all applicants and customers.

2.7 Deposits And Advance Payments

Carrier does not collect deposits or advance payments at this time.

2.8 Rendering And Payment Of Bills

- .1 Billing periods are monthly.
- .2 The billing date is dependent on the billing cycle assigned to the customer.
- .3 Bills are due and payable as the Local Exchange Carrier dictates. Additional fees for late payment may be assessed as determined by the Local Exchange Carrier.
- .4 Bills may be paid by mail or in person at the business offices of the Local Exchange Carrier. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.
- .5 Carrier is not responsible for local telephone charges incurred by Customer in gaining access to Carrier's network.
- .6 Connection fees and usage and monthly access fees are billed in arrears.
- .7 The customer will be billed for and is liable for payment of all applicable federal, state and local taxes and surcharges.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)**2.9 Discontinuance Of Service**

Service continues to be provided until canceled, by Customer, in writing, or until canceled by Carrier as set forth below.

1. Cancellation by Customer - Customer may have service discontinued 30 days after giving notice to Carrier. Carrier will hold customer responsible for payment of all bills for service furnished until the cancellation date specified by the customer or until 30 days after the cancellation notice is received.
2. Cancellation by Carrier - Carrier may immediately discontinue service or cancel any application for service without incurring any liability when there is an unpaid bill for any sum due to the Carrier for service that is more than 30 days beyond the date of issue.

2.10 Continuity Of Service

In the event of foreknowledge of an interruption of service for a period exceeding 24 hours, the customer will be notified in writing, by mail, at least one week in advance.

2.11 Adjustments For Municipality Payments

When any municipality, or other political subdivision or local agency of government imposes upon and collect from the Carrier a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or any such other tax, such taxes and fees shall, insofar as practicable, be billed pro rata to the Carrier's customers receiving service within the territorial limits of such municipality, other political subdivision or local agency of government.

2.12 Demonstration of Calls

From time to time the company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

2.13 Fees

No fees are collected from the end user in addition to the charges as specified in Section 4.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2.14 Commissions

No commissions are collected from the end user in addition to the charges specified in Section 4.

2.15 Aggregator Surcharges

At the option of the Aggregator, a per-call Aggregator Surcharge may apply for use of the Aggregator's telecommunications facilities and equipment. Surcharge amount is listed in Section 4.3. No other charge beyond the rates listed in Section 4.3 of this tariff are billed to the end-user by ASC Telecom Inc. for calls made using the company's service

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION (Continued).1 Operator Services.1 Description of Service

Operator Services are available from specific locations within the state, for a charge.

Access to Operator Service can be obtained by the following dialing methods.

- "00" from a telephone subscribed to ASC in a FGD area.
- "0 + (NPA-NXX-XXXX)" from a telephone subscribed to ASC in a FGD area.
- "10252" + "0" + from an ASC or non-ASC subscribed telephone in a FGD area.

The Directory Assistance Call Completion Charge applies to both ASC and non-ASC subscribers who access a ASC operator and request the operator to obtain a telephone number from D.A. and then have the operator complete the call to the requested number.

NOTE: If a ASC operator completes a call to the requested number, the Directory Assistance Call Completion Call Placement Charge (plus ASC usage charges) is applicable in lieu of a D.A. surcharge. When the call is not completed to the called party by the ASC Operator, the Station-to-Station Call Placement Charge and D.A. surcharge will apply.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

.1 Option A.1 Operator Services/Real Time Per-Minute Usage Rates*

Mileage	<u>Initial Minute</u>		<u>Night/ Weekend</u>	<u>Additional Minute</u>		
	<u>Day</u>	<u>Evening</u>		<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-10	.3000	.2400	.1800	.1800	.1440	.1080
11-16	.3800	.3040	.2280	.2000	.1600	.1200
17-22	.3900	.3120	.2340	.2200	.1760	.1320
23-30	.4300	.3440	.2580	.2400	.1920	.1440
31-40	.4500	.3600	.2700	.2600	.2080	.1560
41-55	.4800	.3840	.2880	.2900	.2320	.1740
56-85	.5100	.4080	.3060	.3200	.2560	.1920
86-124	.5300	.4240	.3180	.3400	.2720	.2040
125-244	.5400	.4320	.3240	.3600	.2880	.2160
245-475	.5500	.4400	.3300	.3800	.3040	.2280

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services (continued).1 Option A.2 Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.20
.3 Operator Dialed Person-to-Person	\$4.90
6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
8 Operator-Dialed Surcharge**	\$1.15
9 Busy Line Verification***	\$6.50
10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

.2 Option B.1 Operator Services/Real Time Per-Minute Usage Rates*

<u>Initial Minute</u>			<u>Additional Minute</u>			
<u>Mileage</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-10	.3000	.3000	.3000	.1800	.1800	.1800
11-16	.3800	.3800	.3800	.2000	.2000	.2000
17-22	.3900	.3900	.3900	.2200	.2200	.2200
23-30	.4300	.4300	.4300	.2400	.2400	.2400
31-40	.4500	.4500	.4500	.2600	.2600	.2600
41-55	.4800	.4800	.4800	.2900	.2900	.2900
56-85	.5100	.5100	.5100	.3200	.3200	.3200
86-124	.5300	.5300	.5300	.3400	.3400	.3400
125-244	.5400	.5400	.5400	.3600	.3600	.3600
245-475	.5500	.5500	.5500	.3800	.3800	.3800

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services (continued).2 Option B.2 Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$2.25
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

.3 Option C.1 Operator Services/Real Time Per-Minute Usage Rates*

<u>Mileage</u>	<u>Initial Minute</u>			<u>Additional Minute</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0-10	.3600	.3600	.3600	.3600	.3600	.3600
11-16	.3600	.3600	.3600	.3600	.3600	.3600
17-22	.3600	.3600	.3600	.3600	.3600	.3600
23-30	.3600	.3600	.3600	.3600	.3600	.3600
31-40	.3600	.3600	.3600	.3600	.3600	.3600
41-55	.3600	.3600	.3600	.3600	.3600	.3600
56-85	.3600	.3600	.3600	.3600	.3600	.3600
86-124	.3600	.3600	.3600	.3600	.3600	.3600
125-244	.3600	.3600	.3600	.3600	.3600	.3600
245-475	.3600	.3600	.3600	.3600	.3600	.3600

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services (continued).3 Option C.2 Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.25
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

.4 Option D.1 Operator Services/Real Time Per-Minute Usage Rates*

		<u>Initial Minute</u>		<u>Additional Minute</u>		
				<u>Night/</u>		
<u>Mileage</u>	<u>Day</u>	<u>Evening</u>	<u>Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Weekend</u>
0-10	.4000	.4000	.4000	.4000	.4000	.4000
11-16	.4000	.4000	.4000	.4000	.4000	.4000
17-22	.4000	.4000	.4000	.4000	.4000	.4000
23-30	.4000	.4000	.4000	.4000	.4000	.4000
31-.0	.4000	.4000	.4000	.4000	.4000	.4000
41-55	.4000	.4000	.4000	.4000	.4000	.4000
56-85	.4000	.4000	.4000	.4000	.4000	.4000
86-124	.4000	.4000	.4000	.4000	.4000	.4000
125-244	.4000	.4000	.4000	.4000	.4000	.4000
245-475	.4000	.4000	.4000	.4000	.4000	.4000

*Each fractional call is rounded up to the next minute.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued).1 Operator Services (continued).4 Option D.2 Operator Services/Real Time Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	<u>Per-Call Charge</u>
.1 Station-to-Station	\$2.45
.2 Person-to-Person	\$4.90
.3 Collect Station-to-Station	\$2.25
.4 Collect Person-to-Person	\$4.90
.5 LEC Calling Card*	
.1 Operator Dialed Station-to-Station	\$2.25
.2 Customer Dialed Station-to-Station	\$1.20
.3 Operator Dialed Person-to-Person	\$4.90
.6 Directory Assistance	
.1 Direct Dialed	\$1.10
.2 Call Completion	\$2.45
.7 Third Party Billing	
.1 Station-to-Station	\$2.35
.2 Person-to-Person	\$4.90
.8 Operator-Dialed Surcharge**	\$1.15
.9 Busy Line Verification***	\$6.50
.10 Emergency Interruption***	\$13.00

* ASC Telecom, Inc. accepts only cards which it can identify as valid. Usage and Call Placement Charges for LEC Calling Card calls appear on the LEC bill for both ASC Telecom, Inc. and non-ASC Telecom, Inc. subscribers.

** This surcharge applies in addition to all Station-to-Station, Person-to-Person, Operator Services charges when the customer has the ability to dial all the digits necessary for call completion but dials instead "0", "00-", or 10252 + "0" to reach the ASC Telecom, Inc. operator to have the operator complete the call. The surcharge will be applied to all Operator Service calls completed by an operator except for 1) calls which cannot be completed by the customer due to equipment failure or trouble on the ASC Telecom, Inc. network; or 2) when a LEC Calling Card is used from a payphone.

***The Busy Line Verification charge applies when ASC Telecom, Inc. provides operator assistance to determine if there is an ongoing conversation at a called station. The emergency Interruption surcharge applies in addition to the Busy Line Verification charge when ASC Telecom, Inc. provides operator assistance to interrupt an ongoing conversation, regardless of whether the interruption is successful.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

4. USAGE RATES (Continued)

2. Aggregate Surcharge

A pass through charge billed on behalf of the aggregator may be assessed to each call completed by ASC Telecom, Inc.

Per-Call Charge: \$1.50

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

5. PROMOTIONAL OFFERINGS

The Carrier may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing customer's awareness of a particular tariff offering. These offerings may be limited to certain dates, times and/or locations. Requests for specific limited duration promotional offerings will be presented to the Commission in accordance with the rules and regulations established by the Commission in the form of a letter to the Commission.

ISSUED:

ASC TELECOM, INC.
8140 Ward Parkway
Kansas City, Missouri 64114-2006

EFFECTIVE:

Mehrer, Kathryn M.

From: Low, Donald A.
Sent: Wednesday, April 29, 1998 10:15 AM
To: Kowalewski, Rich
Cc: Mehre'r, Kathryn M.
Subject: FW: Mezzanine Luncheon

FYI, I'm going to the Devlin lunch on June 4th.

-----Original Message-----

From: Stumon, Mary
Sent: Tuesday, April 28, 1998 11:54 AM
To: Davin, Tom J.; Doherty, Daniel E.; Faucher, Carol I.; Fouse, Ron; Fucik, Patrick R.; Hull, Mary A.; Johnston, Tonya; Jones, Megs S.; Juilliano, Rita M.; Low, Donald A.; Martinsen, Sheila; McGrooy, Mark W.; Thompson, Ann N.; Werner, Kathy M.; Witt, Michael H.
Subject: Mezzanine Luncheon

Please plan to attend the Mezzanine luncheon with Rich Devlin on Thursday, June 4. Thanks for your help in getting the luncheon scheduled so quickly.

Mary L. Stumon
Executive Administrative Assistant
Office of Executive Vice President - General Counsel & External Affairs
Phone: 624-8435
Fax: 624-8426
Mailstop: KSWESA0211

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
ASC TELECOM, INC. FOR A CERTIFICATE OF)	CERTIFICATE OF
AUTHORITY TO PROVIDE)	AUTHORITY
TELECOMMUNICATIONS SERVICES IN)	
SOUTH DAKOTA)	TC97-197

On December 19, 1997, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from ASC Telecom, Inc. (ASC). On April 30, 1998, the Commission received an amended application from ASC.

ASC proposes to become a reseller of interexchange telecommunications services. ASC intends to provide operator services to end-users primarily through the hospital industry and the payphone industry. A proposed tariff was filed by ASC. The Commission has classified long distance service as fully competitive.

On December 23, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of January 9, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled May 12, 1998, meeting, the Commission considered ASC's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that ASC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that ASC has met the legal requirements established for the granting of a certificate of authority. ASC has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves ASC's application for a certificate of authority, subject to the condition that ASC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

ORDERED, that ASC's application for a certificate of authority is hereby granted, subject to the condition that ASC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

FURTHER ORDERED, that ASC shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 26th day of May, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail in properly addressed envelopes, with charges prepaid thereon.

By Helaine Kachko

Date: 5/26/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted May 12, 1998
Docket No. TC97-197

This is to certify that

ASC TELECOM, INC.

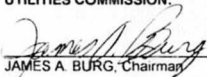
is authorized to provide telecommunications services in South Dakota.

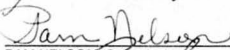
This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10.24.02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services

Dated at Pierre, South Dakota, this 26th day of May, 1998.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**




JAMES A. BURG, Chairman


PAM NELSON, Commissioner


LASKA SCHOENFELDER, Commissioner