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EARLY, LENNON, PETERS & CROCKER, P.C.

ATTORNEYS AT LAW
900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (616) 381-8844
FAX (616) 349-8525

September 2, 1999

Mr. Walter D'Haeseleer
Director Division of Communications
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee FL 32399-0688

DEPOSIT
D1 93
DATE
SEP 03 1999
991323-TX

Re: Williams Local Network, Inc.

Dear Mr. D'Haeseleer:

Enclosed herewith for filing with the Commission, please find an original and 6 (six) copies of the above captioned corporation's APPLICATION FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA, along with a check in the amount of $250.00 to cover filing fees relating to same.

Also enclosed is an exact duplicate of this letter. Please stamp the duplicate received and return same in the self-addressed stamped envelope attached thereto.

Please contact me if you have additional questions or concerns.

Very truly yours,

EARLY, LENNON, PETERS & CROCKER, P.C.

Patrick D. Crocker
PDC/pas

DOCUMENT NUMBER-DATE
10643 SEP-3 99
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

ORIGINAL

APPLICATION FORM
for
AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer on an existing certificate. In case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allocated space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Boulevard
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have any questions about completing the form, contact:

  Florida Public Service Commission
  Division of Communications
  Bureau of Certification and Evaluation
  2540 Shumard Oak Boulevard
  Tallahassee, Florida 32399-0850
  (850) 413-6600

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

(✓) **Original certificate** (new company)

( ) **Approval of transfer of existing certificate:**
Example, a non-certificated company purchases an existing company and desires to retain the original certificate authority.

( ) **Approval of assignment of existing certificate:**
Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

( ) **Approval for transfer of control:**
Example, a company purchases 51% of a certificated company. The commission must approve the new controlling entity.

2. Name of company:

Williams Local Network, Inc. ("Williams Local")

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

Williams Local Network, Inc.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172

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

None at this time.

6. Structure of organization:

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other, ____________________
(✓) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. <u>**If individual**</u>, provide:

Name: *Not applicable*

Title: ____________________

Address: ____________________

City/State/Zip: ____________________

Telephone No.: ____________________ **Fax No.:** ____________________

Internet E-mail Address: ____________________

Internet Website Address: ____________________

8. <u>**If incorporated in Florida**</u>, please provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

Not applicable

9. <u>**If foreign corporation**</u>, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

F 99000054295

10. <u>**If using fictitious name-d/b/a**</u>, provide proof of compliance with fictitious name statute (Chapter 865.09,FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**

Not applicable

11. **<u>If a limited liability partnership</u>**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:**

Not applicable

12. **<u>If a partnership</u>**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: ***Not applicable***

Title: ______

Address: ______

City/State/Zip: ______

Telephone No: ______ **Fax No.:** ______

Internet E-mail Address: ______

Internet Website Address: ______

13. **<u>If a foreign limited partnership</u>**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169,FS), if applicable.

(a) **The Florida registration number:**

Not applicable

14. Provide **<u>F.E.I. Number</u>** (if applicable): ***73-1569718***

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged, bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. <u>Provide explanation</u>.

None of the officers, directors, or the ten largest stockholders of Williams Local have been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, and no such actions may result from pending proceedings.

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

The officers and directors of Williams Local are also officers and directors of Williams Communications, Inc., d/b/a Vyvx, Inc. ("WCI"), which owns 100% of Williams Local. WCI is certificated in Florida as an interexchange telecommunications service provider. See Docket No. 980697-TI, Order No. PSC-98-1141-FOF-TI (issued Aug. 24, 1998). Exhibit A lists the officers and directors of Williams Local that are also officers and directors of WCI.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Patrick D. Crocker, Esq.
Early, Lennon, Peters & Crocker
900 Comerica Building
Kalamazoo, Michigan 49007-4752
(616) 381-8844 (telephone)
(616) 349-8526 (fax)
telecomatty@aol.com (e-mail)

William H. Gault
Attorney
The Williams Companies, Inc.
4100 One Williams Center
Tulsa, Oklahoma 74172
(918) 573-4865 (telephone)
(918) 573-3005 (fax)
wgault@lgl.twc.com (e-mail)

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172
(918) 573-8771 (telephone)
(918) 573-0669 (fax)
mickey.moon@wilcom.com (e-mail)

(b) Official point of contact for the ongoing operations of the company:

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172
(918) 573-8771 (telephone)
(918) 573-0669 (fax)
mickey.moon@wilcom.com (e-mail)

(c) Complaints/Inquiries from customers:

Kathy Case
Vice President, Customer Care
Williams Local Network, Inc.
Williams Resource Center
Mail Drop RC3-N
Tulsa, Oklahoma 74172
(918) 573-5625 (telephone)
(918) 573- 8933(fax)
kathy.case@wilcom.com (e-mail)

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company:

None at this time.

(b) has applications pending to be certificated as an alternative local exchange company.

None at this time. Applicant anticipates filing such applications in Arizona, Maryland, Massachusetts, New York, Virginia, West Virginia and Washington soon. Applicant is currently analyzing other markets.

(c) is certificated to operate as an alternative local exchange company.

None at this time.

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None

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

None

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

None

18. Submit the following:

A. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

Williams Local, an indirect wholly-owned subsidiary of Williams Communications Group, Inc. ("WCG"), was formed in 1999 and does not prepare audited financial statements. Williams Local, to the extent necessary, will rely on the resources of WCG to financially support its operations in Florida. Williams Local's financial results will be reported on a combined basis with the financial statements of WCG. A copy of WCG's combined audited financial statements for the most recent three calendar years is attached as Exhibit B.[1]

The unaudited financial statements should be signed by the applicant's chief executed officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet;
2. the income statement; and
3. statement of retained earnings.

[1] ***On April 9, 1999, WCG filed for an initial public offering that is currently under review by the Securities and Exchange Commission ("SEC"). The financial statements are part of that review, and therefore, may be revised to reflect the opinion of the SEC as to accounting treatment.***

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

   WCG's combined financial statements show on a consolidated basis, as of December 31, 1998, assets of $2.3 billion and gross revenues of $1.7 billion. See Exhibit B. The negative net income is due primarily to the infrastructure investments that WCG is undertaking. See also Exhibit C.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

   WCG's combined financial statements show on a consolidated basis, as of December 31, 1998, assets of $2.3 billion and gross revenues of $1.7 billion. See Exhibit B. The negative net income is due primarily to the infrastructure investments that WCG is undertaking. See also Exhibit C.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

   WCG's combined financial statements show on a consolidated basis, as of December 31, 1998, assets of $2.3 billion and gross revenues of $1.7 billion. See Exhibit B. The negative net income is due primarily to the infrastructure investments that WCG is undertaking. See also Exhibit C.

B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Exhibit D.

C. Technical capability: give resumes of employees/officers of the company that would indicated sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See Exhibit E.

APPLICANT ACKNOWLEDGMENT STATEMENT

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

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

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

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Mickey S. Moon
Signature

8/30/99
Date

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172

(918) 573-8771 (telephone)
(918) 573-0669 (fax)

ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B - INTRASTATE NETWORK
C - AFFIDAVIT

FORM PSC/CMU 8 (ALEC) (6/98)
Required by Commission Rule Nos. 25-24.805,
25-24.810, and 25-24.815

APPENDIX A

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) ___________ ***Not applicable*** ___________________________________,

(Title) _______________________________ of (Name of company)

____

and current holder of Florida Public Service Commission Certificate Number #________

____________, have reviewed this application and join in the petitioner's request for a:

( ) sale

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

_______________________________ _______________

Signature Date

_______________________________ _______________

Title Telephone No.

Address: _______________________________ _______________

Fax No.

____

____

FORM PSC/CMU 8 (ALEC) (6/98)
Required by Commission Rule Nos. 25-24.805,
25-24.810, and 25-24.815

APPENDIX B

INTRASTATE NETWORK (if available)

Williams Local intends to be a facilities-based telecommunications provider starting in Miami and then progressing into other areas of the state. Detailed planing currently is underway for the initial network deployment strategy. Since these plans have not been finalized, Williams Local cannot currently provide a description of the facilities to be constructed or leased. For more information, see Exhibit E, Statement of Technical Capability.

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

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

   1) 2)

   3) 4)

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

   1) 2)

   3) 4)

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

	POP-to-POP	OWNERSHIP
1)		
2)		
3)		
4)		

FORM PSC/CMU 8 (ALEC) (6/98)
Required by Commission Rule Nos. 25-24.805,
25-24.810, and 25-24.815

APPENDIX C

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in section 775.082 and section 775.083".

UTILITY OFFICIAL:

Mickey S. Moon

Signature

8/30/99

Date

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172

(918) 573-8771 (telephone)
(918) 573-0669 (fax)

FORM PSC/CMU 8 (ALEC) (6/98)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

EXHIBIT A

Officers and Directors of Williams Local Network, Inc. that Are also Officers and Directors of Williams Communications, Inc.

WILLIAMS LOCAL NETWORK, INC.

List of Directors and Officers

Name	Title	Address	Phone Number	Fax Number
Howard E. Janzen	Director -- Elected 12/01/94	The Williams Companies, Inc. 2600 One Williams Center, Tulsa, OK 74172		
Delwin L. Bothof	Director -- Elected 10/24/90	The Williams Companies, Inc. 2600 One Williams Center, Tulsa, OK 74172		
Laura A. Kenny	Director -- Elected 10/15/96	The Williams Companies, Inc. 111 East 1st Street, Tulsa, OK 74103		
Frank M. Semple	Director -- Elected 04/01/98	The Williams Companies, Inc. 2600 One Williams Center, Tulsa, OK 74172		
Joseph C. Turcotte	Director -- Elected 04/01/95	The Williams Companies, Inc. 2800 One Williams Center, Tulsa, OK 74172		
S. Miller Williams	Director -- Elected 12/01/94	The Williams Companies, Inc. 2600 One Williams Center, Tulsa, OK 74172		
Howard E. Janzen	President & Chief Executive Officer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-3800	(918) 573-6024
John C. Bumgarner, Jr.	Senior Vice President, Assistant Secretary, and Assistant Treasurer	4900 One Williams Center, Tulsa, OK 74172	(918) 573-2390	(918) 573-2167
Lawrence C. Littlefield, Jr.	Senior Vice President, Assistant Secretary, & Assistant Treasurer	2800 One Williams Center, Tulsa, OK 74172	(918) 573-3915	(918) 573-6024

WILLIAMS LOCAL NETWORK, INC.

List of Directors and Officers

Name	Title	Address	Phone Number	Fax Number
S. Miller Williams	Senior Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-3699	(918) 573-6024
Frank M. Semple	Senior Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-3858	(918) 573-6024
Delwin L. Bothof	Senior Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-5299	(918) 573-6024
Gerald L. Carson	Senior Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-2222	(918) 573-1352
Joseph C. Turcotte	Senior Vice President, Assistant Secretary, and Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-3098	(918) 573-5761
Scott E. Schubert	Vice President, Treasurer, and Assistant Secretary	2600 One Williams Center, Tulsa, OK 74172	(918) 573-9001	(918) 573-6024
Laura A. Kenny	Vice President, Assistant Secretary, & Assistant Treasurer	111 East 1st Street, Tulsa, OK 74103	(918) 573-2671	(918) 573-6805
G. L. Best	Vice President, Assistant Secretary, & Assistant Treasurer	2000 One Williams Center, Tulsa, OK 74172	(918) 573-2173	(918) 573-6024

WILLIAMS LOCAL NETWORK, INC.

List of Directors and Officers

Name	Title	Address	Phone Number	Fax Number
Gordon C. Martin	Vice President, Assistant Secretary, & Assistant Treasurer	2800 One Williams Center, Tulsa, OK 74172	(918) 573-5515	(918) 573-6024
James W. Dutton	Vice President, Assistant Secretary, & Assistant Treasurer	2000 One Williams Center, Tulsa, OK 74172	(918) 573-4275	(918) 573-6216
Mark A. Bender	Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-5457	(918) 573-6024
Matthew W. Bross	Vice President, Assistant Secretary, & Assistant Treasurer	3180 Rider Trail South, St. Louis, MO 63044	(314) 595-6202	(314) 595-6210
Kenneth R. Epps	Vice President, Assistant Secretary, & Assistant Treasurer	2600 One Williams Center, Tulsa, OK 74172	(918) 573-0684	(918) 573-6024
Greg S. Floerke	Vice President and Assistant Secretary	Williams Resource Center, Tulsa, OK 74172	(918) 573-4913	(918) 573-6389
Mark W. Husband	Assistant Treasurer	4800 One Williams Center, Tulsa, OK 74172	(918) 573-0563	(918) 573-1538
James G. Ivey	Assistant Treasurer	4800 One Williams Center, Tulsa, OK 74172	(918) 573-5551	(918) 573-2065

WILLIAMS LOCAL NETWORK, INC.

List of Directors and Officers

Name	Title	Address	Phone Number	Fax Number
George N. Otey	Assistant Secretary	One Williams Center, Tulsa, OK 74172	(918) 573-0379	(918) 573-3884
Shawna L. Gehres	Secretary	4100 One Williams Center, Tulsa, OK 74172	(918) 573-2298	(918) 573-4190
Loretta E. Roberts	Assistant Secretary	4100 One Williams Center, Tulsa, OK 74172	(918) 573-4920	(918) 573-4190
David P. Batow	Assistant Secretary	4100 One Williams Center, Tulsa, OK 74172	(918) 573-4205	(918) 573-3005
Tony L. Gehres	Assistant Secretary	4100 One Williams Center, Tulsa, OK 74172	(918) 573-2603	(918) 573-3005
William G. von Glahn	Assistant Secretary	4900 One Williams Center, Tulsa, OK 74172	(918) 573-2480	(918) 573-5942
Joseph W. Miller	Assistant Secretary	4100 One Williams Center, Tulsa, OK 74172	(918) 573-2108	(918) 573-3005

EXHIBIT B

Audited Financial Statements

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Williams Communications Group, Inc.

We have audited the accompanying consolidated balance sheets of Williams Communications Group, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of ATL — Algar Telecom Leste S.A. (an entity in which the Company has a 30% interest at December 31, 1998) have been audited by other auditors whose report has been furnished to us; insofar as our opinion on the consolidated financial statements relates to data included for ATL — Algar Telecom Leste S.A., it is based solely on their report. In the consolidated statement of operations for the year ended December 31, 1998, the Company's equity in the net loss of ATL — Algar Telecom Leste S.A. is $4,228,000.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Williams Communications Group, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Tulsa, Oklahoma
April 7, 1999,
except for the matters described in the third paragraph of Note 10 and Note 17, as to which the date is July 27, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management and Shareholders of
ATL — Algar Telecom Leste S.A.:

We have audited the balance sheet of ATL — ALGAR TELECOM LESTE S.A. (a Brazilian corporation in the pre-operating stage) as of December 31, 1998, and the related statements of income, changes in shareholders' investment and cash flows for the period from inception (March 26, 1998) to December 31, 1998 (not presented separately herein), all expressed in US dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ATL — ALGAR TELECOM LESTE S.A. (a pre-operating Company) as of December 31, 1998, and the results of its operations and its cash flows for the period from inception (March 26, 1998) to December 31, 1998, in conformity with generally accepted accounting principles in the United States of America.

ARTHUR ANDERSEN S/C

Belo Horizonte, Brazil, January 29, 1999.
(except with respect to the matter discussed in Note 8, as to which the date is February 5, 1999)

WILLIAMS COMMUNICATIONS GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended June 30, (Unaudited)		Year Ended December 31,		
	1999	1998	1998	1997	1996
	(Dollars in thousands, except per-share amounts)				
Revenues (Note 3)	$ 1,001,139	$ 801,726	$ 1,733,469	$ 1,428,513	$ 705,187
Operating expenses:					
Cost of sales	765,742	587,238	1,294,583	1,043,932	517,222
Selling, general and administrative	265,352	205,296	487,073	329,513	152,484
Provision for doubtful accounts	11,810	2,696	21,591	7,837	2,694
Depreciation and amortization	57,912	39,409	84,381	70,663	32,378
Other (Note 4)	26,913	1,033	34,245	39,269	500
Total operating expenses	1,127,729	835,672	1,921,873	1,491,214	705,278
Loss from operations (Note 3)	(126,590)	(33,946)	(188,404)	(62,701)	(91)
Interest accrued	(29,033)	(6,250)	(18,650)	(8,714)	(17,367)
Interest capitalized	8,798	4,556	11,182	7,781	—
Equity losses (Note 3)	(18,682)	(2,739)	(7,908)	(2,383)	(1,601)
Investing income	4,762	1,267	1,931	670	296
Minority interest in (income) loss of subsidiaries	11,272	(4,904)	15,645	(13,506)	—
Gain on sale of interest in subsidiary (Note 2)	—	—	—	44,540	—
Gain on sale of assets (Note 4)	—	—	—	—	15,725
Other income (loss), net	(758)	(44)	178	508	(108)
Loss before income taxes	(150,231)	(42,060)	(186,026)	(33,805)	(3,146)
(Provision) benefit for income taxes (Note 5)	(45,834)	1,183	5,097	(2,038)	(368)
Net loss	$ (196,065)	$ (40,877)	$ (180,929)	$ (35,843)	$ (3,514)
Basic loss per share:					
Net loss	$ (196,065)	$ (40,877)	$ (180,929)	$ (35,843)	$ (3,514)
Weighted average shares outstanding	1,000	1,000	1,000	1,000	1,000
Pro-forma loss per share (unaudited):					
Net loss	$ (.44)	$ (.09)	$ (.40)	$ (.08)	$ (.01)
Weighted average shares outstanding	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000

See accompanying notes.

WILLIAMS COMMUNICATIONS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	As of June 30, 1999 (Unaudited)	As of December 31, 1998	As of December 31, 1997
		(In thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 73,706	$ 42,004	$ 11,290
Receivables less allowance of $34,098,000 (unaudited) ($23,576,000 in 1998 and $12,787,000 in 1997)	513,330	491,871	291,100
Due from affiliates (Note 14)	—	3,881	—
Costs and estimated earnings in excess of billings	188,405	185,922	144,575
Inventories	81,493	67,699	63,484
Deferred income taxes (Note 5)	27,918	23,829	20,090
Other (Note 4)	72,988	26,198	29,640
Total current assets	957,840	841,404	560,179
Investments (Note 7)	657,631	265,217	28,170
Property, plant and equipment — net (Note 8)	1,063,335	711,404	407,652
Goodwill and other intangibles, net of accumulated amortization of $87,304,000 (unaudited) ($81,882,000 in 1998 and $55,136,000 in 1997)	365,902	430,557	403,319
Due from affiliate (Note 14)	—	—	97,097
Other assets and deferred charges (Note 15)	129,430	88,964	9,617
Total assets	$3,174,138	$2,337,546	$1,506,034
Liabilities and stockholder's equity			
Current liabilities:			
Accounts payable (Note 9)	$ 142,931	$ 269,736	$ 59,402
Due to affiliates (Note 14)	55,722	38,510	123,584
Accrued liabilities (Note 9)	270,761	198,676	176,979
Billings in excess of costs and estimated earnings	63,876	49,434	48,054
Long-term debt due within one year (Note 10)	372	690	1,195
Total current liabilities	533,662	557,046	409,214
Long-term debt:			
Affiliates (Note 14)	800,956	620,710	—
Other (Note 10)	613,275	3,020	125,746
Deferred income taxes (Note 5)	127,135	29,417	20,090
Other liabilities	23,040	10,595	5,126
Minority interest in subsidiaries	121,504	110,076	83,156
Stockholder's equity:			
Common stock, $1 per share par value, 1,000 shares issued and authorized	1	1	1
Capital in excess of par value	1,391,160	1,299,871	1,000,348
Accumulated deficit	(514,224)	(317,896)	(134,168)
Accumulated other comprehensive income (loss) (Note 11)	77,629	24,706	(3,479)
Total stockholder's equity	954,566	1,006,682	862,702
Total liabilities and stockholder's equity	$3,174,138	$2,337,546	$1,506,034

See accompanying notes.

WILLIAMS COMMUNICATIONS GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income(Loss)	Total
			(In thousands)		
Balance, December 31, 1995	$1	$ 179,712	$ (85,492)	$ —	$ 94,221
Net loss	—	—	(3,514)	—	(3,514)
Capital contributions from parent	—	439,000	—	—	439,000
Dividends to parent	—	—	(2,760)	—	(2,760)
Other	—	306	—	—	306
Balance, December 31, 1996	1	619,018	(91,766)	—	527,253
Net loss	—	—	(35,843)	—	(35,843)
Other comprehensive loss (Note 11):					
Unrealized depreciation on marketable equity securities	—	—	—	(2,348)	(2,348)
Foreign currency translation adjustments	—	—	—	(1,131)	(1,131)
Comprehensive loss					(39,322)
Capital contributions from parent	—	366,130	—	—	366,130
Acquisition of subsidiary with parent stock	—	15,200	—	—	15,200
Dividends to parent	—	—	(6,559)	—	(6,559)
Balance, December 31, 1997	1	1,000,348	(134,168)	(3,479)	862,702
Net loss	—	—	(180,929)	—	(180,929)
Other comprehensive income (loss) (Note 11):					
Unrealized appreciation on marketable equity securities	—	—	—	29,977	29,977
Foreign currency translation adjustments	—	—	—	(1,792)	(1,792)
Comprehensive loss					(152,744)
Capital contributions from parent	—	299,493	—	—	299,493
Noncash dividends to parent	—	—	(2,799)	—	(2,799)
Other	—	30	—	—	30
Balance, December 31, 1998	1	1,299,871	(317,896)	24,706	1,006,682
Net loss*	—	—	(196,065)	—	(196,065)
Other comprehensive income (loss) (Note 11):					
Unrealized appreciation on marketable equity securities*	—	—	—	74,491	74,491
Foreign currency translation adjustments*	—	—	—	(21,568)	(21,568)
Comprehensive loss*					(143,142)
Capital contributions from parent*	—	91,289	—	—	91,289
Other*	—	—	(263)	—	(263)
Balance, June 30, 1999*	$1	$1,391,160	$(514,224)	$ 77,629	$ 954,566

* Amounts for the six months ended June 30, 1999 are unaudited.

See accompanying notes.

WILLIAMS COMMUNICATIONS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, (Unaudited)		Year Ended December 31,		
	1999	1998	1998	1997	1996
			(In thousands)		
Operating activities					
Net loss	$(196,065)	$ (40,877)	$(180,929)	$ (35,843)	$ (3,514)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	41,394	25,931	56,224	47,066	22,453
Amortization of goodwill and other intangibles	16,519	13,479	28,157	23,597	9,925
Provision (benefit) for deferred income taxes	43,033	(1,808)	(7,781)	(1,777)	(1,600)
Provision for loss on property	26,654	—	—	36,043	—
Provision for loss on investment	—	—	23,150	2,500	—
Provision for doubtful accounts	11,810	2,696	21,591	7,837	2,694
Equity losses	18,682	2,739	7,908	2,383	1,601
Gain on disposition of interest in subsidiary	—	—	—	(44,540)	—
Gain on sale of assets	—	—	—	—	(15,725)
Minority interest in income (loss) of subsidiaries	(11,272)	4,904	(15,645)	13,506	—
Cash provided (used) by changes in:					
Receivables sold	(33,767)	345	8,103	25,664	—
Receivables	(11,009)	(61,340)	(213,148)	(34,127)	(15,420)
Costs and estimated earnings in excess of billings	(2,483)	12,979	(41,298)	(66,454)	(8,753)
Inventories	(13,056)	4,637	(2,347)	(6,613)	(1,896)
Other current assets	1,234	(10,279)	(10,640)	210	(17,484)
Accounts payable	(41,513)	49,622	108,770	(24,349)	13,851
Accrued liabilities	60,688	(17,643)	18,226	42,480	11,715
Billings in excess of costs and estimated earnings	14,442	(41,038)	1,380	38,239	5,214
Due to/from affiliates	21,093	(12,738)	(89,870)	127,378	7,320
Other	16,184	(6,371)	(10,561)	(5,342)	(12,156)
Net cash provided by (used in) operating activities	(37,432)	(74,762)	(298,710)	147,858	(1,775)
Financing activities					
Proceeds from long-term debt	940,963	—	—	150,890	126
Payments on long-term debt	(330,933)	(125,809)	(126,677)	(187,534)	(1,353)
Capital contributions from parent	91,289	123,627	299,493	366,130	439,000
Contribution to subsidiary from minority interest shareholders	17,361	—	—	—	—
Changes due to/from affiliates	180,246	326,304	717,807	(96,974)	(209,004)
Dividends to parent	—	—	—	(6,559)	(2,760)
Net cash provided by financing activities	898,926	324,122	890,623	225,953	226,009
Investing activities					
Property, plant and equipment:					
Capital expenditures	(571,887)	(255,671)	(403,104)	(276,249)	(66,900)
Proceeds from sales and dark fiber transactions	48,894	628	40,012	15,292	23,010
Purchase of investments	(306,799)	(7,002)	(226,489)	(25,345)	(15,415)
Acquisition of businesses, net of cash acquired	—	—	9,067	(81,192)	(164,881)
Proceeds from sale of business	—	—	10,000	—	—
Other	—	8,920	9,315	4,000	—
Net cash used in investing activities	(829,792)	(253,125)	(561,199)	(363,494)	(224,186)
Increase (decrease) in cash and cash equivalents	31,702	(3,765)	30,714	10,317	48
Cash and cash equivalents at beginning of period	42,004	11,290	11,290	973	925
Cash and cash equivalents at end of period	$ 73,706	$ 7,525	$ 42,004	$ 11,290	$ 973

See accompanying notes.

1. Nature of the Business — History and Formation of the Company — Basis of Presentation — Summary of Significant Accounting Policies

Nature of the Business

Williams Communications Group, Inc. ("WCG" as described below) owns, operates and is extending a nationwide fiber optic network focused on providing voice, data, Internet and video services to communications service providers. WCG also sells, installs and maintains equipment and network services that address the comprehensive voice and data needs of organizations of all sizes. WCG's primary business units are Williams network ("Network") and Williams Communications Solutions ("Solutions"). WCG also owns and operates businesses that create demand for capacity on the Williams network, create demand for our solutions unit services or develop expertise in advanced transmission applications. In addition, WCG has a number of investments in domestic and foreign businesses that drive bandwidth usage on the Williams network, increase service capabilities, strengthen customer relationships or extend WCG's reach. These businesses and investments are referred to as "Strategic Investments."

History and Formation of the Company

WCG is owned by The Williams Companies, Inc. ("Williams"). In 1985, Williams entered the communications business by pioneering the placement of fiber optic cables in decommissioned pipelines. By 1989, through a combination of construction projects and acquisitions, Williams had completed the fourth nationwide digital fiber optic network. The network consisted of approximately 9,700 route miles. By 1994, Williams, through its WilTel subsidiary, was one of the top providers of broadband data services and long distance voice services as well as the first provider to offer nationwide frame relay transmission capacity.

In January 1995, Williams completed the sale of the WilTel network business to LDDS Communications, Inc. (now MCI WorldCom, Inc.) for approximately $2.5 billion. The sale included the nationwide fiber optic network and the associated consumer, business and carrier customers. Williams excluded from the sale an approximate 9,700 route mile single-fiber network, comprised of a single fiber strand and associated equipment on the nationwide network, WilTel's communications equipment distribution business, and Vyvx, Inc. ("Vyvx"), a leading provider of integrated fiber optic, satellite and teleport video transmission services. The single-fiber network, along with Vyvx, our solutions unit and a number of acquired companies formed the initial basis for what is today WCG. See Note 2 for a description of acquisitions in 1996 through 1998.

Under agreements with MCI WorldCom, Inc., the single-fiber network can only be used to transmit video and multimedia services, including Internet services, until July 1, 2001. After July 1, 2001, the single-fiber network can be used for any purpose, including voice and data tariffed services. In addition, as part of the sale to MCI WorldCom, Inc., Williams agreed not to reenter the communications network business until January 1998.

In October 1997, management and ownership of the single-fiber network was transferred from Strategic Investments to Network and intercompany transfer pricing was established prospectively. In addition, consulting, outsourcing and the management of Williams' internal telephone operations, activities previously performed within Strategic Investments, were transferred to Network. For comparative purposes, the 1996 and 1997 consulting, outsourcing and internal telephone management activities previously performed in Strategic Investments that were transferred to Network have been reflected in Network's segment results. See Note 3 for segment disclosures.

In January 1998, Williams reentered the communications network business, announcing its plans to develop a fiber optic network consisting of 32,000 route miles.

In November 1998, Williams announced its intention to sell a minority interest in WCG through an initial public offering. Prior to the initial public offering, Williams contributed certain international communications investments held in Williams International Company to WCG for inclusion in the initial public offering (see Note 17).

Basis of Presentation

The accompanying consolidated financial statements have been retroactively restated to reflect the historical consolidated financial position as of June 30, 1999 (unaudited) and December 31, 1998 and 1997 and the consolidated results of operations and cash flows for the six months ended June 30, 1999 and 1998 (unaudited) and each of the three years in the period ended December 31, 1998 as if the contribution of the international investments held in Williams International Company to WCG described above had occurred and operated as a stand alone business throughout the periods presented. The June 30, 1999 and 1998 financial statements have not been audited by independent auditors, but include all normal recurring adjustments which, in the opinion of WCG's management, are necessary to present fairly its financial position as of June 30, 1999 and results of operations and cash flows for the six months ended June 30, 1999 and 1998. Williams Communications Group, Inc. and Williams International Company are both wholly owned subsidiaries of Williams Holdings of Delaware, Inc. ("Holdings"), which is a wholly owned subsidiary of Williams. When the consolidated financial statements refer to WCG, references include both Williams Communications Group, Inc. together with its subsidiaries and the international assets contributed to the company from Williams. In addition, when the consolidated financial statements refer to Williams, Holdings or parent, the reference includes Williams, either alone or together with its consolidated subsidiaries as the context requires, except for WCG. Prior to the completion of the equity offering, the existing outstanding common stock of WCG, all of which is owned by Williams, will be reclassified into shares of Class B common stock.

The consolidated financial statements include the accounts of WCG and its majority owned subsidiaries and a subsidiary that WCG controls but owns less than 50% of the voting common stock. Companies in which WCG owns 20% to 50% of the voting common stock, or otherwise has the ability to exercise significant influence over the operating and financial policies of the company, are accounted for under the equity method of accounting.

The specific international investments referred to above include the interests in ATL-Algar Telecom Leste S.A. ("ATL") located in Brazil, accounted for under the equity method (see Note 7), and a 36% interest at June 30, 1999 (22% at December 31, 1998) in PowerTel Limited ("PowerTel") located in Australia, accounted for under the principles of consolidation inasmuch as WCG has control over the operations despite its less than 50% ownership.

WCG is organized into three operating segments as follows: (1) Network, which includes fiber optic construction, transmission and management services, (2) Solutions, which includes distribution and integration of communications equipment for voice and data networks, and (3) Strategic Investments, which includes Vyvx services (video, advertising distribution and other multimedia transmission services via terrestrial and satellite links for the broadcast industry), closed circuit video broadcasting services for businesses and audio and video conferencing services, investments in domestic communications companies and investments in foreign communications companies located in Australia, Brazil and Chile.

WCG's operations do not currently provide positive cash flow. Accordingly, Williams has historically funded WCG's capital expenditures and acquisitions through a combination of advances and capital contributions. Williams will continue to provide cash to WCG or assist in the attainment of bridge financing up to the effective date of the public offering. Subsequent to that date, WCG intends to finance future cash outlays through internally generated and external funds without relying on cash advances or contributions from Williams.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Transmission and management services revenues are recognized monthly as the services are provided. Amounts billed in advance of the service month are recorded as deferred revenue.

Grants of indefeasible rights of use, or IRUs, of constructed but unlit fiber, or dark fiber, in exchange for cash, are accounted for as leases. IRUs are evaluated for sales-type lease accounting which resulted in certain lease transactions being accounted for as sales at the time of acceptance of the fiber by the customer. IRUs that do not meet the criteria for a sales-type lease are accounted for as an operating lease, and the cash received is recognized as revenue over the term of the IRU. IRUs exchanged for cash entered into after June 30, 1999 are accounted for as operating leases. See "Recent Accounting Standards" below.

New systems sales and upgrades revenues are recognized under the percentage of completion method. Revenues on these contracts are initially recognized upon delivery of equipment with the remaining revenues under the contracts being recognized over the installation period based on the relationship of incurred labor to total estimated labor. Estimated losses on all contracts in progress are accrued when the loss becomes known. Costs incurred and estimated earnings on contracts in excess of billings are recorded and reflected as current assets in the balance sheet. The billings associated with these contracts occur incrementally over the term of the contract or upon completion of the contract, as provided in the applicable contract. Billings to customers in excess of costs incurred and estimated earnings are recorded and reflected as current liabilities.

Customer service order revenues are recognized under the completed contract method. Customer service orders represent moves, adds or changes to existing customer systems.

Revenues on contracts for maintenance of installed systems are deferred and amortized on a straight-line basis over the lives of the related contracts.

Cash and Cash Equivalents

Cash and cash equivalents include demand and time deposits, certificates of deposit and other marketable securities with maturities of three months or less when acquired.

Inventories

Inventories consist primarily of purchased new and refurbished data, voice and video equipment, and are stated at the lower of average cost or market.

Property, Plant and Equipment

Property and equipment is recorded at cost. Depreciation is computed primarily on the straight-line method over estimated useful lives.

Goodwill and Other Intangibles

Goodwill is amortized on a straight-line basis over the estimated period of benefit ranging from ten to twenty-five years. Other intangibles are amortized on a straight-line basis over the estimated period of benefit ranging from five to twenty years.

Impairment of Long-Lived Assets

WCG evaluates its long-lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Income Taxes

WCG's operations are included in the Williams' consolidated federal income tax return. A tax sharing agreement exists between WCG and Williams to allocate and settle among themselves the consolidated federal income tax liability (see Note 5). Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and tax basis of WCG's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to an amount that will more likely than not be realized.

Earnings Per Share

Basic earnings per share are based on the 1,000 shares outstanding for all periods presented. Diluted earnings per share are not presented as there are no dilutive securities related to the WCG stock for the periods presented. The pro-forma earnings per share was based on an assumed average shares outstanding of 450,000,000. Stock options and awards have not been considered in calculating the pro-forma net loss per share as their effect would be anti-dilutive.

Foreign Currency Translation

The functional currency of WCG is the U.S. dollar. The functional currency of WCG's foreign operations is the applicable local currency for each foreign subsidiary and equity method investee, including the Australian dollar, Brazilian real and Canadian dollar. Assets and liabilities of foreign subsidiaries and equity investees are translated at the spot rate in effect at the applicable reporting date, and the combined statements of operations and WCG's share of the results of operations of its equity affiliates are translated at the average exchange rates in effect during the applicable period. The resulting cumulative translation adjustment is recorded as a separate component of other comprehensive income.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transactions gains and losses which are reflected in the statement of operations.

Recent Accounting Standards

WCG adopted the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities," on January 1, 1999. The SOP requires that all start-up costs be expensed as incurred and the expense related to the initial application of this SOP was immaterial.

In June 1999, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66." The interpretation is effective for sales of real estate with property improvements or integral equipment entered into after June 30, 1999. Under this interpretation, dark fiber is considered integral equipment and accordingly title must transfer to a lessee in order for a lease transaction to be accounted for as a sales-type lease. After June 30, 1999, the effective date of FASB Interpretation No. 43, sales-type lease accounting will no longer be appropriate for dark fiber leases and, therefore, these transactions will be accounted for as operating leases unless title to the fibers under lease transfers to the lessee or the agreement was entered into prior to June 30, 1999.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 1999 presentation. Effective January 1, 1999, the segments previously known as Applications and Strategic Investments were combined as they are now collectively managed and reported under the name of Strategic Investments.

2. Acquisitions

Nortel

On April 30, 1997, WCG purchased Northern Telecom Limited's ("Nortel") North American customer-premise equipment distribution business which was then combined with WCG's equipment distribution business to create Williams Communications Solutions, LLC. ("Solutions LLC"). WCG owns 70% of Solutions LLC and Nortel owns the remaining 30%. WCG paid approximately $68 million to Nortel. WCG has accounted for its 70% interest in the operations as a purchase business combination, and beginning May 1, 1997, has included the results of operations of the acquired company in WCG's consolidated statement of operations. Accordingly, the acquired assets and liabilities, including $168 million in accounts receivable, $68 million in accounts payable and accrued liabilities and $161 million in debt obligations, were recorded based on an allocation of the purchase price, with the cost in excess of historical carrying values, which approximated fair value, allocated to identifiable intangible assets and goodwill.

WCG recorded the 30% ownership reduction in its operations contributed to Solutions LLC as a sale to Nortel. WCG recognized a gain of $44.5 million based on the excess of the fair value over the net book value (approximately $71 million) of its operations conveyed to Nortel's minority interest. Income taxes were not provided on the gain, because the transaction did not affect the difference between the financial and tax bases of identifiable assets and liabilities.

Other

During the three years ended December 31, 1998, WCG acquired 11 companies in addition to the business combination involving Nortel. Each acquisition was accounted for as a purchase business combination. The acquired assets and liabilities have been recorded based on an allocation of the purchase price, including identifiable intangibles with any remaining cost in excess of fair value allocated to goodwill. WCG has included the results of operations of the acquired entities in WCG's consolidated results of operations generally from the date of acquisition. A summary of the acquisitions by segment is as follows:

Network

On March 7, 1997, WCG acquired Critical Technologies, Inc., a company which designs and manages outsourced communications networks, by utilizing a $15,200,000 contribution of Williams common stock.

Solutions

In January 1996, WCG acquired Comlink, Inc., a voice and network systems integration company, for approximately $13 million in cash.

On August 30, 1996, WCG acquired SoftIRON Systems, Inc., a network systems integration company, for approximately $9 million in cash.

On October 13, 1998, WCG acquired Computer Networking Group, Inc., a Canadian company which provides customers with comprehensive multimedia network consulting and remote network management services, for approximately $13 million to be paid over four years. Approximately $11 million of the acquisition price was recorded at the acquisition date as the remaining $2 million is contingent upon certain performance measures. Approximately $3 million of the acquisition price was paid at the acquisition date with the remaining $7,700,000 payable on the October 13 anniversary date as follows: 1999 — $1,323,000, 2000 — $1,667,000, 2001 — $2,296,000 and 2002 — $2,404,000.

Strategic Investments

On May 1, 1996, WCG acquired Global Access Telecommunications Services, Inc., a reseller of worldwide satellite video transmission services, for approximately $22 million in cash.

On August 1, 1996, WCG acquired ITC Media Conferencing, a provider of audio and video conferencing services, for approximately $48 million in cash.

On November 19, 1996, WCG acquired Cycle-Sat, Inc., a distributor of television and radio commercials using satellite, fiber-optic and digital technologies, for approximately $57 million in cash.

On December 31, 1996, WCG acquired Viacom MGS, an advertising distribution services company, for approximately $15 million in cash.

On March 3, 1997, WCG acquired Satellite Management International, Inc., a full service provider of closed-circuit video broadcasting services for businesses, for approximately $6 million in cash.

On August 14, 1998, Williams International Company acquired 22% (based on 25% of the common shares and no preferred shares) of PowerTel, a publicly owned telecommunications company in Australia, for approximately $25 million in cash and subscribed to purchase additional common and preferred shares for approximately $67 million to increase its combined ownership to approximately 45% by February 2000. WCG also received 44,680,851 options to purchase additional common shares of PowerTel at 0.47 Australian dollars per share. The options, which expire in 2003, are not publicly traded and do not have a readily determinable fair value. On February 9, 1999, in accordance with the subscription agreement, additional preferred and common shares were purchased at a total cost of $31,845,000, increasing WCG's ownership to 35% of the common shares. WCG consolidates its interest in PowerTel as WCG currently holds a majority of PowerTel's board seats and exercises control over PowerTel's operations. After WCG's initial investment, PowerTel had approximately $38 million in cash, which resulted in net cash acquired of approximately $13 million when consolidated by WCG.

On October 23, 1998, WCG acquired Intersys, a data systems integration, ATM frame relay and professional development company based in Mexico, for approximately $1 million in cash and conversion of the investment WCG had in Intersys' parent.

Costs of acquisitions, net of cash acquired, for all acquisitions discussed above are as follows for the years ended December 31:

	1998	1997	1996
		(In thousands)	
Working capital	$ (3,048)	$ 121,830	$ 16,862
Property and equipment	4,567	21,211	17,790
Goodwill and other intangibles	52,506	215,821	142,287
Long-term debt	(3,446)	(160,873)	(1,234)
Minority interest	(49,137)	(69,650)	—
Other	(10,509)	(31,947)	(10,824)
Cost of acquisitions, net of cash acquired	$ (9,067)	$ 96,392	$164,881

The following summarized unaudited pro forma financial information for the years ended December 31 assumes each acquisition had occurred on January 1 of the year immediately preceding the year of the acquisition:

	1998	1997	1996
		(In thousands)	
Revenues	$1,776,349	$1,756,253	$1,533,140
Net loss	$ (189,707)	$ (37,615)	$ (11,162)

The pro forma results include operating results prior to the acquisitions and adjustments to interest expense, goodwill amortization and income taxes. The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisitions been in effect for the period presented, nor do they purport to be indicative of the results that will be obtained in the future.

3. Segment Disclosures

WCG adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," during the fourth quarter of 1998. SFAS No. 131 establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

WCG evaluates performance based upon segment profit or loss from operations which includes revenues from external and internal customers, equity earnings or losses, operating costs and expenses, and depreciation and amortization and excludes allocated charges from parent. The accounting policies of the segments are the same as those described in Note 1. Intercompany sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices.

The following table presents certain financial information concerning WCG's reportable segments.

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
June 30, 1999 (unaudited)					
Revenues:					
External customers:					
Dark fiber	$ 71,927	$ —	$ —	$ —	$ 71,927
Capacity and other	96,855	—	133,205	—	230,060
New systems sales and upgrades	—	403,818	—	—	403,818
Maintenance and customer service orders	—	271,431	—	—	271,431
Other	—	15,148	—	—	15,148
Total external customers	168,782	690,397	133,205	—	992,384
Affiliates	6,660	2,095	—	—	8,755
Intercompany	21,947	—	264	(22,211)	—
Total segment revenues	$ 197,389	$ 692,492	$ 133,469	$ (22,211)	$1,001,139
Costs of sales:					
Dark fiber	$ 54,189	$ —	$ —	$ —	$ 54,189
Capacity and other	131,669	—	83,543	—	215,212
New systems sales and upgrades	—	294,239	—	—	294,239
Maintenance and customer service orders	—	143,505	—	—	143,505
Indirect operating and maintenance	—	58,597	—		58,597
Intercompany	—	5,356	16,855	(22,211)	—
Total cost of sales	$ 185,858	$ 501,697	$ 100,398	$ (22,211)	$ 765,742
Segment loss:					
Loss from operations	$ (45,376)	$ (20,947)	$ (60,267)	$ —	$ (126,590)
Equity losses	—	—	(18,682)	—	(18,682)
Add back — allocated charges from parent	1,863	4,137	624	—	6,624
Total segment loss	$ (43,513)	$ (16,810)	$ (78,325)	$ —	$ (138,648)
Total assets	$1,082,071	$ 974,423	$ 1,117,644	$ —	$3,174,138
Depreciation and amortization	$ 13,481	$ 22,686	$ 21,745	$ —	$ 57,912

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
June 30, 1998 (unaudited)					
Revenues:					
External customers:					
Capacity and other	$ 23,282	$ —	$ 100,218	$ —	$ 123,500
New systems sales and upgrades	—	376,339	—	—	376,339
Maintenance and customer service orders	—	289,378	—	—	289,378
Other	—	4,739	—	—	4,739
Total external customers	23,282	670,456	100,218	—	793,956
Affiliates	4,010	1,640	2,120	—	7,770
Intercompany	24,750	—	274	(25,024)	—
Total segment revenues	$ 52,042	$ 672,096	$ 102,612	$ (25,024)	$ 801,726
Costs of sales:					
Capacity and other	$ 40,829	$ —	$ 63,824	$ —	$ 104,653
New systems sales and upgrades	—	266,735	—	—	266,735
Maintenance and customer service orders	—	161,993	—	—	161,993
Indirect operating and maintenance	—	53,857	—	—	53,857
Intercompany	139	4,450	20,435	(25,024)	—
Total cost of sales	$ 40,968	$ 487,035	$ 84,259	$ (25,024)	$ 587,238
Segment income (loss):					
Income (loss) from operations	$(15,147)	$ 12,647	$ (31,446)	$ —	$ (33,946)
Equity losses	—	—	(2,739)	—	(2,739)
Add back — allocated charges from parent	786	5,166	895	—	6,847
Total segment loss	$(14,361)	$ 17,813	$ (33,290)	$ —	$ (29,838)
Depreciation and amortization	$ 5,135	$ 18,702	$ 15,572	$ —	$ 39,409

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
December 31, 1998					
Revenues:					
External customers:					
Dark fiber	$ 64,100	$ —	$ —	$ —	$ 64,100
Capacity and other	73,367	—	216,634	—	290,001
New systems sales and upgrades	—	791,518	—	—	791,518
Maintenance and customer service orders	—	556,392	—	—	556,392
Other	—	16,029	—	—	16,029
Total external customers	137,467	1,363,939	216,634	—	1,718,040
Affiliates	7,710	3,465	4,254	—	15,429
Intercompany	49,759	—	522	(50,281)	—
Total segment revenues	$194,936	$1,367,404	$ 221,410	$ (50,281)	$1,733,469
Costs of sales:					
Dark fiber	$ 38,500	$ —	$ —	$ —	$ 38,500
Capacity and other	118,627	—	137,255	—	255,882
New systems sales and upgrades	—	554,726	—	—	554,726
Maintenance and customer service orders	—	311,258	—	—	311,258
Indirect operating and maintenance	—	134,217	—	—	134,217
Intercompany	252	9,274	40,755	(50,281)	—
Total cost of sales	$157,379	$1,009,475	$ 178,010	$ (50,281)	$1,294,583
Segment loss:					
Loss from operations	$(27,716)	$ (58,966)	$ (101,722)	$ —	$ (188,404)
Equity losses	—	—	(7,908)	—	(7,908)
Add back — allocated charges from parent	1,409	8,435	1,810	—	11,654
Total segment loss	$(26,307)	$ (50,531)	$ (107,820)	$ —	$ (184,658)
Total assets	$727,119	$ 967,948	$ 642,479	$ —	$2,337,546
Equity method investments	$ —	$ —	$ 52,722	$ —	$ 52,722
Additions to long-lived assets	$350,249	$ 57,504	$ 97,824	$ —	$ 505,577
Depreciation and amortization	$ 13,230	$ 36,637	$ 34,514	$ —	$ 84,381

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
December 31, 1997					
Revenues:					
External customers:					
Capacity and other	$ 16,637	$ —	$ 213,098	$ —	$ 229,735
New systems sales and upgrades	—	674,604	—	—	674,604
Maintenance and customer service orders	—	508,319	—	—	508,319
Other	—	5,363	—	—	5,363
Total external customers	16,637	1,188,286	213,098	—	1,418,021
Affiliates	5,217	1,512	3,763	—	10,492
Intercompany	21,159	—	1,105	(22,264)	—
Total segment revenues	$ 43,013	$1,189,798	$ 217,966	$ (22,264)	$1,428,513
Cost of sales:					
Capacity and other	$ 28,657	$ —	$ 139,609	$ —	$ 168,266
New systems sales and upgrades	—	505,284	—	—	505,284
Maintenance and customer service orders	—	267,775	—	—	267,775
Indirect operating and maintenance	—	102,607	—	—	102,607
Intercompany	554	5,446	16,264	(22,264)	—
Total cost of sales	$ 29,211	$ 881,112	$ 155,873	$ (22,264)	$1,043,932
Segment profit (loss):					
Income (loss) from operations	$ 3,278	$ 37,052	$ (103,031)	$ —	$ (62,701)
Equity earnings (losses)	—	—	(2,383)	—	(2,383)
Add back — allocated charges from parent	—	6,690	2,540	—	9,230
Total segment profit (loss)	$ 3,278	$ 43,742	$ (102,874)	$ —	$ (55,854)
Total assets	$246,317	$ 922,823	$ 336,894	$ —	$1,506,034
Equity method investments	$ 2,317	$ —	$ 3,815	$ —	$ 6,132
Additions to long-lived assets	$175,861	$ 236,000	$ 101,487	$ —	$ 513,348
Depreciation and amortization	$ 4,012	$ 30,142	$ 36,509	$ —	$ 70,663

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
December 31, 1996					
Revenues:					
External customers:					
Capacity and other	$ —	$ —	$ 130,816	$ —	$ 130,816
New systems sales and upgrades	—	306,110	—	—	306,110
Maintenance and customer service orders	—	251,221	—	—	251,221
Other	—	9,379	—	—	9,379
Total external customers	—	566,710	130,816	—	697,526
Affiliates	4,918	1,362	1,381	—	7,661
Intercompany	6,145	—	280	(6,425)	—
Total segment revenues	$11,063	$ 568,072	$ 132,477	$ (6,425)	$ 705,187
Cost of sales:					
Capacity and other	$ 4,681	$ —	$ 81,535	$ —	$ 86,216
New systems sales and upgrades	—	223,519	—	—	223,519
Maintenance and customer service orders	—	155,130	—	—	155,130
Indirect operating and maintenance	—	52,357	—	—	52,357
Intercompany	—	4,484	1,941	(6,425)	—
Total cost of sales	$ 4,681	$ 435,490	$ 83,476	$ (6,425)	$ 517,222
Segment profit (loss):					
Income (loss) from operations	$ 5,750	$ 8,887	$ (14,728)	$ —	$ (91)
Equity losses	—	—	(1,601)	—	(1,601)
Add back — allocated charges from parent	—	5,439	$ 1,204	—	6,643
Total segment profit (loss)	$ 5,750	$ 14,326	$ (15,125)	$ —	$ 4,951
Total assets	$ —	$ 344,606	$ 377,081	$ —	$ 721,687
Equity method investments	$ —	$ —	$ 6,550	$ —	$ 6,550
Additions to long-lived assets	$ —	$ 34,906	$ 192,071	$ —	$ 226,977
Depreciation and amortization	$ —	$ 16,023	$ 16,355	$ —	$ 32,378

The following geographic area data includes revenues from external customers based on product shipment origin for the years ended December 31 and long-lived assets based upon physical location as of December 31.

	1998	1997	1996
		(In thousands)	
Revenues from external customers:			
United States	$1,591,779	$1,336,743	$693,943
Other	126,261	81,278	3,583
Total	$1,718,040	$1,418,021	$697,526
Long-lived assets:			
United States	$1,070,772	$ 805,830	$374,439
Other	55,510	5,141	1,244
Total	$1,126,282	$ 810,971	$375,683

Long-lived assets are comprised of property, plant and equipment and goodwill and other intangible assets.

4. Asset Sales and Write-Offs

During the second quarter of 1999, management determined that the businesses that provide audio and video conferencing services and closed-circuit video broadcasting services for businesses were held for sale. On June 30, 1999, WCG signed an agreement, which closed effective July 31, 1999, with Genesys, S.A. to sell its business which provides audio and video conferencing services. In addition, on July 31, 1999, WCG signed and closed an agreement with Cyberstar L.P. to sell its business which provides closed-circuit video broadcasting services for businesses. The proceeds from these transactions total approximately $50 million. WCG recognized a pre-tax loss of $26.7 million consisting of a $22.8 million impairment of the assets to fair value based on the expected net sales proceeds and exit costs of $3.9 million consisting of $2.8 million of contractual obligations and $1.1 million of employee-related costs related to the sales of these businesses. These transactions resulted in an income tax provision of approximately $7.9 million, which reflects the impact of certain differences between the book and tax basis in the assets. Loss from operations related to these assets for the six months ended June 30, 1999 and 1998 were $9.3 million and $9.9 million, respectively. At June 30, 1999, the asset basis of $50.0 million was classified as held for sale in other current assets and, accordingly, depreciation and amortization were suspended on these assets at June 30, 1999.

Included in 1998 other operating expenses and Strategic Investments' segment loss is a $23,150,000 loss related to abandoning an investment in a venture involved in the technology and transmission of business information for news and educational purposes. The loss occurred as a result of WCG's re-evaluation and decision to exit the venture as WCG decided against making further investments in the venture. WCG abandoned its entire ownership interest in the venture in 1998. The loss primarily consists of $17 million from writing off the entire carrying amount of the investment and $5 million from recognition of contractual obligations that will continue after the abandonment. During 1998, $2 million of the contractual obligations were paid. WCG's share of losses from the venture accounted for under the equity method were $3,670,000, $2,269,000 and none in 1998, 1997 and 1996, respectively.

Included in 1997 other operating expenses and Strategic Investments' segment loss are impairments and other charges totaling $36,043,000. In the fourth quarter of 1997, WCG made the decision and committed to a plan to sell the learning content business, which resulted in a loss of $22.7 million in 1997. The loss consisted of a $21 million impairment of the assets to fair value less cost to sell and recognition of $1.7 million in costs associated with the decision to sell the business. Fair value was based on management's estimate of the expected net proceeds to be received. During 1998, a significant portion of the learning content business was sold with a resulting $2 million reduction in 1998 expenses. The carrying amount of the learning content business at December 31, 1998 and 1997 is not significant to WCG's consolidated balance sheet. The results of operations and effect of suspending amortization for the learning content business included in the consolidated net loss are not significant for any of the periods presented. Costs of $1.7 million recorded in 1997 primarily consist of contractual obligations and employee termination costs. Additional employee termination costs of $1 million were incurred in 1998. WCG also impaired a continuing Strategic Investments project related to touch screen display units to be installed in sports stadiums due to shortfalls in anticipated revenues from the installed units. The impairment indicator was uncertainties related to future cash flow projections. Fair value for this project was initially determined based on management's estimate as to the recovery of the project. Ultimately cash flow projections on the basis of held for use demonstrated inability to recover WCG's basis and accordingly using discounted cash flow projections demonstrated a need for an impairment charge of $7 million, which was recorded in December 1997. Additionally, WCG made the decision and committed to a plan to sell the enhanced fax business, resulting in an impairment loss of $4 million in 1997. Fair value was based on management's estimate of the expected proceeds to be received. The fax business was sold in 1998 resulting in a $.5 million reduction in 1998 expenses. In 1997, WCG also recorded $2 million of expenses from cancellation payments for leases that are no longer being utilized in WCG's operations.

In 1996, WCG recognized a pre-tax gain of $15,725,000 from the sale of certain communication rights (obtained from affiliates in 1995) for approximately $38 million.

5. Provision (Benefit) for Income Taxes

WCG's operations are included in Williams' consolidated federal income tax return. WCG has a tax sharing agreement with Williams under which the amount of federal income taxes allocated to WCG is generally determined as though WCG were filing a separate federal consolidated income tax return. Under the terms of the tax sharing agreement, any loss or other similar tax attribute realized for periods prior to the initial public offering will be allocated solely to Williams. WCG will be responsible for any taxes resulting to Williams if the loss or similar tax attribute is reduced by audit or otherwise. For any loss or other similar tax attribute realized after the initial public offering, WCG will receive the benefit of the loss or other similar tax attribute only if WCG is able to carry forward the loss or other similar tax attribute against its hypothetical separate return tax calculation for a period in which WCG remains a member of Williams' consolidated federal income tax group. If WCG ceases to be a member of Williams' consolidated federal income tax return, WCG will retain only its allocable share under applicable law of any consolidated loss or other similar tax attribute realized after the initial public offering to the extent that it has not been treated as utilizing such loss or attribute on a hypothetical separate tax return basis under the tax sharing agreement. Similar concepts apply to allocate the state unitary, combined or consolidated, income tax liability.

The provision (benefit) for income taxes for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31, 1998, 1997 and 1996 includes:

	Six Months Ended June 30, (Unaudited)		Years Ended December 31,		
	1999	1998	1998	1997	1996
	(In thousands)				
Current:					
Federal	$ —	$ —	$ —	$ —	$ 1,810
State	10	38	162	2,081	158
Foreign	2,791	586	2,522	1,734	—
	2,801	624	2,684	3,815	1,968
Deferred:					
Federal	32,318	(1,313)	(5,652)	(2,761)	(1,761)
State	10,715	(495)	(2,129)	984	161
	43,033	(1,808)	(7,781)	(1,777)	(1,600)
Total provision (benefit)	$45,834	$(1,184)	$(5,097)	$ 2,038	$ 368

The following table presents the U.S. and foreign components of loss before income taxes for the years ended December 31, 1998, 1997 and 1996:

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
United States	$(183,074)	$(33,930)	$(2,184)
Foreign	(2,952)	125	(962)
Total loss before taxes	$(186,026)	$(33,805)	$(3,146)

Reconciliations from the benefit for income taxes at the federal statutory rate to the provision (benefit) for income taxes for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31, 1998, 1997 and 1996 are as follows:

	Six Months Ended June 30, (unaudited)		Years Ended December 31,		
	1999	1998	1998	1997	1996
			(In thousands)		
Benefit at statutory rate	$(52,581)	$(14,721)	$(65,109)	$(11,832)	$(1,101)
Increases (reductions) in taxes resulting from:					
State income taxes	6,804	(297)	(1,279)	1,992	207
Goodwill amortization	3,566	1,195	5,286	2,675	1,469
Asset sales	16,765	—	—	—	—
Non-taxable gain from the sale of interest in subsidiary	—	—	—	(15,605)	—
Change in valuation allowance	—	(1,727)	(7,639)	10,827	—
Tax benefits allocated to Williams	69,910	13,625	60,261	12,761	—
Other — net	1,370	741	3,383	1,220	(207)
Provision (benefit) for income taxes	$ 45,834	$ (1,184)	$ (5,097)	$ 2,038	$ 368

Significant components of deferred tax assets and liabilities as of December 31 are as follows:

	1998	1997
	(In thousands)	
Deferred tax assets:		
Deferred revenues	$14,321	$ 15,424
Impairment and other charges	3,880	17,441
Other	12,789	3,392
	30,990	36,257
Valuation allowance	(3,188)	(10,827)
Total deferred tax assets	27,802	25,430
Deferred tax liabilities:		
Property, plant and equipment	14,783	21,759
Securities available for sale	13,763	(1,565)
Other	4,844	5,236
Total deferred tax liabilities	33,390	25,430
Net deferred tax liability	$ 5,588	$ —

Valuation allowances have been established that reduce deferred tax assets to an amount that will more likely than not be realized. Uncertainties that may affect the realization of these assets include application of the tax sharing agreement with Williams, tax law changes and expiration of carryforward periods. The valuation allowance decreased during 1998 and increased during 1997, primarily due to application of the tax sharing agreement with Williams.

If WCG had filed a separate federal income tax return for all periods presented, the provision (benefit) for income taxes for 1998 and 1997 would reflect additional benefit from the carryback or carryforward of federal net operating losses that would have been recognized by WCG on a separate return basis. The deferred federal income tax benefit for 1998 would have increased by $5,588,000, to reflect the benefit of a deferred tax asset for the federal net operating loss carryforward generated in 1998, to the extent of the existing net deferred tax liability. A current federal income tax benefit for 1997 of $12,761,000 would have been recognized to reflect the refund of tax from carryback of the federal net operating loss generated in 1997. The provision (benefit) for income taxes for 1996 would not change since a federal net operating loss was not generated in 1996.

Cash payments for income taxes (net of refunds) were $2,067,000, $1,148,000 and $2,444,000 in 1998, 1997 and 1996, respectively.

6. Employee Benefit Plans

Substantially all of WCG's employees are covered by noncontributory defined benefit pension plans. Effective August 1, 1997, separate plans were established for the Solutions LLC union employees and Solutions LLC salaried employees. Substantially all of the remaining WCG employees are covered by Williams' noncontributory defined benefit pension plans in which WCG is included. WCG is also included in Williams' health care plan that provides postretirement medical benefits to certain retired employees.

Contributions for pension and postretirement medical benefits related to WCG's participation in the Williams plans were $1,742,000, $357,000 and $12,463,000 in 1998, 1997 and 1996, respectively. The change in contributions from year to year is due to a change in the rate of pension contributions during the periods. Contributions in excess of the minimum funding requirements were made in 1996 and the resulting credit balances from 1996 were used to reduce the required pension contributions in 1997.

The following table presents the changes in benefit obligations and plan assets for pension benefits for the Solutions LLC plans for the years indicated. It also presents a reconciliation of the funded status of these benefits to the amount recognized in the accompanying consolidated balance sheet as of December 31 of each year indicated.

	Pension Benefits	
	1998	1997
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$41,987	$ —
Service cost	4,604	1,770
Interest cost	2,972	1,130
Actuarial loss	2,566	497
Acquisition	—	38,663
Benefits paid	(234)	(73)
Benefit obligation at end of year	51,895	41,987

	Pension Benefits	
	1998	1997
	(In thousands)	
Change in plan assets:		
Fair value of plan assets at beginning of year	42,971	—
Actual return on plan assets	5,247	(956)
Acquisition	73	44,000
Employer contributions	502	—
Benefits paid	(234)	(73)
Fair value of plan assets at end of year	48,559	42,971
Funded status	(3,336)	984
Unrecognized net actuarial loss	4,550	2,855
Unrecognized prior service credit	(1,230)	(1,510)
Net prepaid (accrued) benefit cost	$ (16)	$ 2,329
Included in the accompanying consolidated balance sheet as follows:		
Prepaid benefit cost	$ 2,196	$ 3,791
Accrued benefit cost	(2,212)	(1,462)
Net prepaid (accrued) benefit cost	$ (16)	$ 2,329
Net pension expense for the Solutions LLC plans consisted of the following for the years ended December 31:		
Components of net periodic pension expense:		
Service cost	$ 4,604	$ 1,770
Interest cost	2,972	1,130
Expected return on plan assets	(4,293)	(1,551)
Amortization of prior service credit	(280)	(117)
Recognized net actuarial gain	(83)	(18)
Net periodic pension expense	$ 2,920	$ 1,214
The following are the weighted-average assumptions utilized as of December 31 of the year indicated:		
Discount rate	7.0%	7.1%
Expected return on plan assets	10.0	10.0
Rate of compensation increase	5.0	5.0

Williams maintains various defined contribution plans in which WCG is included. WCG's costs related to these plans were $16,415,000, $9,564,000 and $5,934,000 in 1998, 1997 and 1996, respectively. These costs increased over the period from 1996 to 1998 primarily due to acquisitions (see Note 2).

Included in selling, general and administrative expenses for 1998 is an accrual of $11,500,000 related to the modification of WCG's employee benefit program associated with vesting of paid time off. In December 1998, WCG increased the number of days in the new paid time off policy and changed the benefits with regard to sick pay.

7. Investments

Investments as of June 30, 1999 (unaudited) and December 31, 1998 and 1997 are as follows:

	June 30, 1999 (Unaudited)	December 31, 1998	December 31, 1997
	(In thousands)		
Equity method:			
ATL — common stock	$ 55,603	$ 48,256	$ —
Others	—	454	6,132
	55,603	48,710	6,132
Cost method:			
ATL — preferred stock	317,621	100,573	—
Others	68,100	28,001	3,332
	385,721	128,574	3,332
Advances to investees	4,997	4,997	7,619
Marketable equity securities	211,310	82,936	11,087
	$657,631	$265,217	$28,170

No dividends were received from investments in companies carried on the equity basis for 1998, 1997 or 1996.

Included in the investments table above are noncurrent marketable equity securities which are classified as available for sale under the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The carrying amount of this investment is reported at fair value with net unrealized appreciation or depreciation reported as a component of stockholder's equity. A comparison of the carrying amount of this investment to cost as of June 30, 1999 (unaudited) and December 31, 1998 and 1997 is as follows:

	June 30, 1999 (unaudited)		December 31, 1998		December 31, 1997	
	Cost	Fair value (Carrying Amount)	Cost	Fair value (Carrying Amount)	Cost	Fair value (Carrying Amount)
	(In thousands)					
Concentric Network Corporation	$41,543	$208,598	$41,543	$82,936	$15,000	$11,087
Other	2,700	2,712	—	—	—	—
	$44,243	$211,310	$41,543	$82,936	$15,000	$11,087

WCG acquired 710,036 warrants to purchase common stock of Concentric Network Corporation in connection with WCG's acquisition of Concentric Network Corporation common stock in 1997. No basis was allocated to the warrants as the fair value of the warrants was considered to be nominal at the date the warrants were acquired. Each warrant entitles the holder thereof to purchase one share of Concentric Network Corporation common stock for $3. The warrants expire in 2002.

As of August 12, 1999, the Concentric Network Corporation investment has depreciated since June 30, 1999, to a fair value of $101.4 million based upon the August 12, 1999 stock price of $19⅜.

On January 13, 1999, the Brazilian Central Bank removed the limits of variations of the Brazilian Real compared to the U.S. dollar, allowing free market fluctuation of the exchange rate. As a result, the value of the Real in U.S. dollars has declined 33% from December 31, 1998 to June 30, 1999.

Williams has granted WCG an option to acquire Williams' entire equity and debt interest in Algar Telecom S/A, a Brazilian telecommunications company, at net book value. The option is exercisable at any time from January 1, 2000 to January 1, 2001 and is payable entirely in WCG's Class B common stock. The net book value of Williams investment in Algar Telecom as of December 31, 1998 was approximately $170 million including advances of $100 million. WCG has not assigned any value to the option as of December 31, 1998.

At December 31, 1998, Williams, WCG's predecessor in interest, owned 30% of the preferred shares in ATL and through participation in a limited liability company owned 30% of the common stock. In March 1999, Williams, WCG's predecessor in interest, purchased from Algar Telecom for $265 million an additional 35% economic interest, representing a 19% voting interest, in ATL.

In March 1999, Williams, WCG's predecessor in interest, pledged 49% and 100% of its investment in ATL's common and preferred stock, respectively, as collateral for a U.S. dollar denominated $521 million loan from Ericsson Project Finance AB to ATL. In addition, Algar Telecom pledged 49% of its 51% investment in ATL common stock and 100% of its 27% investment in ATL preferred stock as collateral for the loan.

Summarized financial position as of December 31, 1998 and results of operations for the period from inception (March 26, 1998) to December 31, 1998 for ATL are as follows (in thousands):

Current assets	$ 55,641
Noncurrent assets	1,572,276
Current liabilities	(522,385)
Long-term debt	(26,427)
Other noncurrent liabilities	(649,743)
Stockholders' equity	$ 429,362
Revenues	$ 29,953
Gross profit	$ 281
Net loss	$ (42,277)

On March 30, 1999, WCG acquired 19.9% of the common stock of Metrocom S.A., a start-up telecommunications company in Chile, for $15 million. WCG also paid $9.5 million for warrants to purchase up to an additional 30.1% of Metrocom S.A. If exercised, the warrants must be exercised in total and have an aggregate exercise price of approximately $10 million. The warrants effectively expire March 30, 2003. The investment in Metrocom S.A. is accounted for under the cost method.

8. Property, Plant and Equipment

Property, plant and equipment as of June 30, 1999 (unaudited) and December 31 is summarized as follows:

	Depreciable Lives	June 30, 1999	December 31,	
			1998	1997
	(In years)	(Unaudited)		
		(In thousands)		
Fiber	25-30	$ 116,589	$ 116,439	$ 23,712
Optronics	7-10	209,830	167,997	144,191
Right-of-way	20-40	135,165	135,113	5,291
Computer equipment	3	63,874	65,126	29,835
Customer premise equipment	3	32,805	30,616	30,736
General office furniture and fixtures	3-5	40,514	61,300	32,935
Buildings and leasehold improvements	30 or life of lease	47,917	41,154	10,961
Construction in progress	Not applicable	530,010	195,186	218,752
Other	Various	89,260	78,442	37,642
		1,265,964	891,373	534,055
Less accumulated depreciation and amortization		(202,629)	(179,969)	(126,403)
		$1,063,335	$ 711,404	$ 407,652

In connection with its fiber build projects, WCG periodically enters into various agreements to obtain the use of property rights from Williams' pipeline companies in exchange for telecommunications services. Under these agreements, WCG commits to provide various levels and types of services as consideration for the right-of-way obtained. As of December 31, 1998, such commitments were not material.

Commitments for construction and acquisition of property, plant and equipment are approximately $808,183,000 as of December 31, 1998. Included in this amount is $470,440,000 for the purchase of optronics equipment from Nortel to be used in building the network pursuant to an agreement with Nortel to purchase $600 million of optronics equipment. In addition, included in the commitments is $315,556,000 for the purchase of wireless capacity.

9. Accounts Payable and Accrued Liabilities

Under Williams' centralized cash management system, WCG's cash accounts reflect credit balances to the extent checks written have not been presented for payment. The amount of these credit balances included in accounts payable is $51,831,000 and $23,255,000 as of December 31, 1998 and 1997, respectively.

Accrued liabilities as of June 30, 1999 (unaudited) and December 31 consist of the following:

	June 30, 1999 (Unaudited)	December 31, 1998	December 31, 1997
	(In thousands)		
Employee costs	$ 66,181	$ 68,025	$ 49,276
Deferred revenue	124,280	67,228	45,601
Job costs and customer deposits	16,421	19,161	19,258
Warranty	10,586	10,967	13,232
Other	53,293	33,295	49,612
	$270,761	$198,676	$176,979

10. Long-Term Debt

Long-term debt (excluding amounts due affiliates as disclosed in Note 14) as of June 30, 1999 (unaudited) and December 31 consists of the following:

	June 30, 1999 (Unaudited)	December 31, 1998	December 31, 1997
	(In thousands)		
Credit agreements	$610,000	$ —	$125,000
Other	3,647	3,710	1,941
	613,647	3,710	126,941
Current maturities	372	690	1,195
Long-term debt	$613,275	$3,020	$125,746

In July 1997, Solutions LLC and Williams entered into an unsecured credit agreement with a bank. Under the terms of the credit agreement, Solutions LLC has access to $300,000,000. Interest is payable monthly and accrues at rates which vary with current market conditions. At December 31, 1997, the interest rate was 6.2%. On January 26, 1999, WCG was added to the unsecured credit agreement and agreed that the aggregate borrowings would not exceed $400,000,000, including Solutions LLC's availability. Williams is the guarantor for WCG under the credit agreement. WCG and Solutions LLC's availability under the credit agreement is subject to borrowings by other Williams affiliates. In March, 1999, WCG borrowed $265 million under the credit agreement for the additional investment in ATL described in Note 7.

On April 16, 1999, WCG entered into a $1.4 billion unsecured revolving credit facility which is guaranteed by Williams. The facility will expire on September 30, 1999. As of June 30, 1999, WCG has borrowed $610 million on this facility, of which the proceeds were used to pay off the outstanding amount of $315 million under the July 1997 unsecured credit agreement. Interest is payable monthly and accrues at rates which vary with current market conditions. At June 30, 1999, the weighted average interest rate was 6.0%.

Cash payments for interest were $2,427,000, $5,467,000 and $205,000 in 1998, 1997 and 1996, respectively.

11. Accumulated Other Comprehensive Income (Loss)

The table below presents changes in the components of accumulated other comprehensive income (loss).

	Unrealized Appreciation (Depreciation) On Securities	Foreign Currency Translation Adjustments	Total
		(In thousands)	
Balance as of December 31, 1996	$ —	$ —	$ —
Current period change:			
Pre-income tax amount	(3,913)	(1,131)	(5,044)
Income tax benefit	1,565	—	1,565
Balance as of December 31, 1997	(2,348)	(1,131)	(3,479)
Current period change:			
Pre-income tax amount	45,305	(1,792)	43,513
Income tax expense	(15,328)	—	(15,328)
	29,977	(1,792)	28,185
Balance as of December 31, 1998	27,629	(2,923)	24,706
Current period change:			
Pre-income tax amount (unaudited)	125,674	(21,569)	104,105
Income tax expense (unaudited)	(51,182)	—	(51,182)
	74,491	(21,568)	52,923
Balance as of June 30, 1999 (unaudited)	$102,120	$(24,491)	$ 77,629

12. Stock-Based Compensation

Williams and WCG have several plans providing for Williams common-stock-based awards to its employees and employees of its subsidiaries. The plans permit the granting of various types of awards including, but not limited to, stock options, stock-appreciation rights, restricted stock and deferred stock. Awards may be granted for no consideration other than prior and future services or based on certain financial performance targets being achieved. The purchase price per share for stock options and the grant price for stock-appreciation rights may not be less than the market price of the underlying stock on the date of grant. Depending upon terms of the respective plans, stock options become exercisable after three to five years, subject to accelerated vesting if certain future stock prices or specific financial performance targets are achieved. Stock options expire ten years after grant.

Williams' employee stock-based awards are accounted for under provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Williams' fixed plan common stock options do not result in compensation expense, because the exercise price of the stock options equals the market price of the underlying stock on the date of grant.

Pro forma net income and earnings per share, assuming WCG had applied the fair-value method of SFAS No. 123, "Accounting for Stock-Based Compensation," in measuring compensation cost beginning with 1996 employee stock-based awards, are as follows:

	1998		1997		1996	
	Pro Forma	Reported	Pro Forma	Reported	Pro Forma	Reported
Net loss (thousands)	(190,329)	(180,929)	(40,543)	(35,843)	(4,014)	(3,514)
Loss per share	(190,329)	(180,929)	(40,543)	(35,843)	(4,014)	(3,514)

Pro forma amounts for 1998 include the remaining total compensation expense from the awards made in 1997, as these awards fully vested in 1998 as a result of the accelerated vesting provision. Pro forma amounts for 1997 include the remaining total expense from the awards made in 1996, as these awards fully vested in 1997 as a result of the accelerated vesting provisions. Since compensation expense from stock options is recognized over the future years' vesting period for pro forma disclosure purposes, and additional awards generally are made each year, pro forma amounts may not be representative of future years' amounts.

The fair value of the stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: expected life of the stock options of approximately 5 years; volatility of the expected market price of Williams common stock of 25 percent (26 percent in 1997 and 22 percent in 1996); risk-free interest rate of 5.3 percent (6.1 percent in 1997 and 6.0 percent in 1996); and a dividend yield of 2.0 percent (1.7 percent in 1997 and 2.0 percent in 1996).

The following summary provides information on stock options in Williams common stock granted to WCG employees:

	1998				1997		1996	
	WCG Plan		Williams Plans		Williams Plans		Williams Plans	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
				(Options in thousands)				
Outstanding — Beginning of year	—	—	4,911	$19.39	3,230	$14.19	1,657	$10.21
Granted	490	$30.55	1,729	31.87	2,303	25.57	2,113	16.66
Exercised	—	—	(1,093)	15.58	(450)	13.90	(430)	10.46
Canceled	(20)	31.94	(169)	29.13	(172)	18.81	(110)	16.45
Outstanding — end of year	470	$30.50	5,378	$23.87	4,911	$19.39	3,230	$14.19
Exercisable at end of year	—		3,754	$20.41	2,663	$14.13	1,161	$10.18
Weighted-average grant date fair value of options granted during the year		$ 8.19		$ 8.19		$ 5.98		$ 3.92

The following summary provides information on stock options in Williams common stock issued to WCG employees outstanding and exercisable at December 31, 1998:

Range of Exercise Prices:	Stock Options Outstanding: Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Stock Options Exercisable: Options (in thousands)	Weighted Average Exercise Price
WCG Plan:					
$23.00 to $31.94	470	$30.50	9.5 years	—	—
Williams Plans:					
$4.62 to $27.37	3,753	$20.41	8.0 years	3,753	$20.41
$28.75 to $41.02	1,625	$31.85	9.6 years	1	$40.99
Total	5,378	$23.87	8.5 years	3,754	$20.41

The following summary provides information on deferred shares of Williams common stock granted to WCG employees:

	1998		1997	1996
	WCG Plan	Williams Plans	Williams Plans	Williams Plans
Deferred shares granted	165,000	109,565	14,232	209,410
Weighted-average grant date fair value of shares granted	$ 31.59	$ 31.59	$ 19.94	$ 16.24

Approximately, $1,197,000, $727,000, and $352,000 were recognized as expense for deferred shares in 1998, 1997 and 1996, respectively.

Deferred shares are valued at the date of the award. The remaining value of the deferred shares not expensed in the year granted is amortized over the vesting period.

13. Leases

Lessee:

Future minimum annual rentals under noncancellable operating leases as of December 31, 1998 are payable as follows:

	Office Rental	Off-Network Capacity and Equipment	Other	Total
	(In thousands)			
1999	$ 24,756	$ 79,730	$ 5,019	$109,505
2000	21,173	134,851	5,030	161,054
2001	17,935	104,117	1,689	123,741
2002	13,118	91,622	691	105,431
2003	11,169	69,396	691	81,256
Thereafter	38,825	6,650	9,788	55,263
Total minimum annual rentals	$126,976	$486,366	$22,908	$636,250

During 1998, WCG entered into an operating lease agreement covering a portion of its fiber optic network. The total estimated cost of the network assets to be covered by the lease agreement is $750 million. The lease term will include an interim term, during which the covered network assets will be constructed, that is anticipated to end no later than December 31, 1999, and a base term. The interim and base terms are expected to total five years, and if renewed, could total seven years. Under the terms of the lease agreement, WCG cannot sublease the assets without the prior written consent of the lessor. Through June 30, 1999, WCG has not requested nor has the lessor granted such consent.

WCG has an option to purchase the covered network assets during the lease term at an amount approximating the lessor's cost. Williams provides a residual value guarantee equal to a maximum of 89.9% of the transaction. The residual value guarantee is reduced by the present value of the actual lease payments. In the event that WCG does not exercise its purchase option, WCG expects the fair market value of the covered network assets to substantially reduce Williams payment under the residual value guarantee. WCG's disclosures for future minimum annual rentals under noncancellable operating leases do not include amounts for the residual value guarantee. As of June 30, 1999 (unaudited) and December 31, 1998, approximately $495 million and $287 million, respectively, of costs have been incurred by the lessor.

Total capacity expense incurred from leasing from a third party's network (off-network capacity expense) was $110,804,000, $68,824,000 and $45,033,000 in 1998, 1997 and 1996, respectively. All other rent expense was $37,826,000, $24,912,000 and $17,588,000 in 1998, 1997 and 1996, respectively. Included in other rent expense is office space charged from affiliates of $3,664,000, $2,475,000 and $2,247,000 in 1998, 1997 and 1996, respectively.

Lessor:

WCG has granted IRUs for dark fiber to third parties that are accounted for as sales-type leases. The lease term is typically for 20 to 25 years and the lessee can renew the leases at no cost for an additional period of 10 to 20 years. At December 31, 1998, all cash from sales-type leases has been received, except for $27 million, which will be collected in 1999. Due to the initial term of the IRUs and lessee renewal options, WCG has not recorded any residual value for these leases.

14. Related Party Transactions

Williams charges its subsidiaries, including WCG, for certain corporate administrative expenses, which are directly identifiable or allocable to the subsidiaries. Nortel also charges Solutions LLC for certain corporate administrative expenses which are directly identifiable or allocable to Solutions LLC. Details of such charges for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31 are as follows:

	Six Months Ended June 30, (unaudited)		Year Ended December 31,		
	1999	1998	1998	1997	1996
			(In thousands)		
Direct costs, charged from:					
Williams	$11,125	$ 5,825	$13,364	$ 8,418	$ 6,370
Nortel	1,173	6,278	10,727	15,260	—
Allocated charges from Williams	6,624	6,828	11,654	9,230	6,643
	$18,922	$18,931	$35,745	$32,908	$13,013

The above costs are reflected in selling, general and administrative expenses in the accompanying consolidated statements of operations. Direct costs charged from Williams or Nortel represent the direct costs of goods or services provided by Williams or Nortel at our request as well as the cost of centralized administrative services. Williams allocates its cost of centralized administrative services based on a logical representation of the benefits received, such as allocating Williams' human resources department based on employee headcount. Allocated charges from Williams represent an allocation of general corporate charges based on a three factor formula which considers operating results, property, plant and equipment and payroll. In management's estimation, the allocation methodologies used are reasonable and the direct and allocated charges approximate amounts that would have been incurred on a stand-alone basis.

Included in WCG's revenues are charges to Williams and its subsidiaries and affiliates for managing their internal telephone operations of $4,526,000, $4,010,000, $7,710,000, $5,217,000 and $4,918,000 for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31, 1998, 1997 and 1996, respectively. In addition, WCG's revenues include charges to Williams' gas pipelines for managing microwave frequencies of $2,134,000, $2,120,000, $4,254,000, $3,754,000 and $1,381,000 for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31, 1998, 1997 and 1996, respectively.

As of June 30, 1999 (unaudited) and December 31, 1998 and 1997, WCG's net amount due to or due from affiliates consists of an unsecured promissory note agreement with Williams for both advances to and from Williams depending on the respective cash positions of the companies. The agreement does not require periodic principal payments or commitment fees and accordingly is normally classified as noncurrent as periodic principal payments are not required. Interest on noncurrent receivables and payables is accrued monthly and rates vary with market conditions. The interest rate for noncurrent receivables and payables with Williams at the end of the period was 5.9%, 5.8% and 6.2% for June 30, 1999 (unaudited) and December 31, 1998 and 1997, respectively. In addition, the net amount due to or from affiliates consists of normal course receivables and payables resulting from the use of each others services. A summary of these payables and receivables as of June 30, 1999 (unaudited) and December 31 follows:

	June 30, 1999 (Unaudited)	December 31, 1998	December 31, 1997
		(In thousands)	
Current:			
Due from Williams	$ —	$ 3,881	$ —
Due to affiliates:			
Williams	$ 30,357	$ —	$ 24,636
Nortel	23,465	37,187	98,948
Other	1,900	1,323	—
Total due to affiliates	$ 55,722	$ 38,510	$123,584
Noncurrent:			
Due from Williams	$ —	$ —	$ 97,097
Due to affiliates:			
Williams	$794,175	$614,343	$ —
Other	6,781	6,367	—
Total due to affiliates	$800,956	$620,710	$ —

Interest expense to Williams was $16,902,000, $4,157,000, $16,933,000, $2,657,000 and $16,776,000 for the six months ended June 30, 1999 and 1998 (unaudited) and the years ended December 31, 1998, 1997 and 1996, respectively. No amounts, net of interest capitalized, were paid to Williams for interest in the six months ended June 30, 1999 (unaudited) or the years ended December 31, 1998, 1997 and 1996.

Interest income from Williams was $2,932,000 in 1997. There was no interest income from Williams for the six months ended June 30, 1999 (unaudited) or the years ended December 31, 1998 and 1996.

In connection with the formation of Solutions LLC, a $160,873,000 note payable to Nortel was established which was paid by Solutions LLC in August 1997. Total interest expensed and paid on the note during 1997 was $2,491,000.

Solutions LLC purchased inventory from Nortel for use in equipment installations for $467,476,000 in 1998 and $310,599,000 for the period from April 30, 1997 (date on which Nortel became a related party) to December 31, 1997. Solutions LLC has a distribution agreement with Nortel that extends through December 2002. If for two consecutive years the percentage of Nortel products purchased by Solutions LLC falls below approximately 78% and the rate of growth of the purchase of Nortel products by Solutions LLC during the two-year period is below that of other Nortel distributors, Nortel may require WCG to buy, or WCG may require Nortel to sell, Nortel's entire interest in Solutions LLC at market value.

In addition, Network purchased from Nortel optronics for use on its network for $99,311,000 in 1998 and $30,241,000 for the period from April 30, 1997 to December 31, 1997.

15. Commitments and Contingencies

During 1998, Solutions LLC and one of its equipment suppliers amended an existing take-or-pay contract for equipment purchases. The amended purchase commitment terms require Solutions LLC equipment purchases from the supplier totaling $10,000,000, $19,000,000 and $25,000,000 during the twelve-month periods ended March 31, 1999, 2000 and 2001, respectively. Solutions LLC met its March 31, 1999 commitment.

On December 17, 1998, WCG entered into two agreements with WinStar Communications, Inc. ("WinStar"). WCG has a 25 year indefeasible right to use approximately 2% of WinStar's wireless local capacity in exchange for payments equal to $400 million. WinStar has a 25 year indefeasible right to use four strands of WCG's fiber over 15,000 route miles on the network, a transmission capacity agreement with a minimum commitment for approximately $120 million in specified circuits over a twenty-year term and colocation space rental and maintenance services in exchange for monthly payments equal to an aggregate of approximately $644 million over the next seven years. The $644 million will be allocated between dark fiber, services related to co-location, maintenance and capacity according to the relative fair value of each component. As of June 30, 1999, WinStar has paid WCG approximately $44.1 million. WinStar has constructed approximately 60 hubs, or antenna sites, which are currently available to WCG. WinStar intends to construct 270 hubs by the end of 2001, and WCG will have the ability to use all of these hubs for a period of 25 years. WCG will pay WinStar the $400 million over the next four years as WinStar completes construction of the hubs. WCG will amortize the $400 million to be capitalized on a straight-line basis over the 25-year usage term. As of June 30, 1999, WCG has paid WinStar approximately $120 million.

Shrier v. Williams was filed on August 4, 1999, in the U.S. District Court for the Northern District of Oklahoma. The plaintiff seeks to bring a nationwide class action on behalf of all landowners on whose property we have installed fiber optic cable without the permission of the landowner. The plaintiff is seeking a declaratory ruling that we are trespassing, damages resulting from the alleged trespass, damages based on our profits from use of the property and damages from alleged fraud. Relief requested by the plaintiff includes injunction against further trespass, actual and punitive damages and attorneys' fees.

The plaintiff is an owner of property on which a pipeline right of way used for the single-fiber network is located. We believe that we have all requisite permission for our right of way over the plaintiff's land. We also do not believe that the plaintiff has sufficient basis for certification of a class action.

Other communications carriers have been successfully challenged with respect to their rights over railroad rights of way, which are also challenged by the plaintiff. Approximately 15% of the Williams network is installed on railroad rights of way. In many areas, the railroad granting us the license holds full ownership of the land, in which case its license should be sufficient to give us valid rights to cross the property. In some states where the railroad is not the property owner but has an easement over the property the law is unsettled as to whether a landowner's approval is required. We did not generally obtain landowner approval where our right of way was located on railroad easements. In most states, we have eminent domain rights which we believe would limit our liability for any trespass damages. It is likely that we will be subject to other purported class action suits challenging our railroad or pipeline rights of way but we cannot quantify the impact of such claims at this time. Thus, we cannot be certain that the plaintiff's purported class action or other purported class actions, if successful, will not have a material adverse effect on us.

WCG is a party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, the ultimate resolution of all claims, legal actions and complaints after consideration of amounts accrued, insurance coverage, or other indemnification arrangements will not have a materially adverse effect upon WCG's future financial position, results of operations or cash flows.

16. Financial Instruments

Fair Value Methods

The following methods and assumptions were used by WCG in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet approximate fair value due to the short-term maturity of these instruments.

Investments — cost method and advances to investees: Fair value of other cost method investments and advances to investees are estimated to approximate historically recorded amounts as the operations underlying these investments are in their initial phases.

Long-term debt: WCG's long-term debt consists primarily of variable rate borrowings, including amounts from affiliates, for which the carrying value approximates the fair value.

Off-Balance-Sheet Credit and Market Risk

In 1997, WCG entered into an agreement with Williams whereby WCG would sell to Williams, on an ongoing basis, certain of WCG's accounts receivable. At December 31, 1998 and 1997, $33,767,000 and $25,664,000 of WCG's accounts receivable have been sold, respectively, to Williams. On January 31, 1999, WCG's agreement with Williams expired and was not renewed.

Concentration of Credit Risk

WCG's customers include numerous corporations. Approximately 68% and 86% of receivables at December 31, 1998 and 1997, respectively, are for Solutions related services. Approximately 25% and 3% of receivables at December 31, 1998 and 1997, respectively, are for network related services. WCG serves a wide range of customers, none of which is individually significant to its business. While sales to these various customers are generally unsecured, the financial condition and creditworthiness of customers are routinely evaluated.

17. Subsequent Events

On February 8, 1999 WCG and SBC announced a series of alliance agreements in addition to SBC's plans to acquire up to 10% of the common stock of WCG. The private investment is expected to occur simultaneously with the initial public offering. SBC's initial investment will be limited to $500 million, which will be reinvested by WCG in its business. If SBC's investment equals less than 10% of the common stock, SBC has the ability to purchase the remainder of the 10% in subsequent public offerings, if they occur. SBC's purchase of WCG stock is contingent upon due diligence, WCG completing its initial public offering and the continuing existence of the agreement under which WCG provides network transport services. The initial public offering price, less the underwriters' discount will determine the price of the SBC shares.

Once SBC receives regulatory approval to enter the long-distance business within one state in its local service territory, it will have one seat on the WCG board of directors. WCG will serve as SBC's preferred provider for all domestic U.S. transport services. SBC will be WCG's preferred provider for platform products and certain international transport services, so long as such preferred services are provided at mutually acceptable prices and regulations do not prohibit such an arrangement. WCG will work with SBC to connect SBC's international cables to WCG's domestic network. The agreement also will allow both parties to cross-market certain of each others services, and specifically enable Solutions to offer SBC-branded products and services as an addition to its array of voice and data communication equipment products and network services.

Williams has a call option to purchase not less than all of the shares of stock acquired by SBC, in the event of the termination, other than due to a breach by WCG, of certain agreements with SBC, provided that Williams has at least a 50% interest in WCG. The purchase price is equal to the market price at the time of exercise less the underwriting discounts and commissions applicable to the shares at the time of the initial offering.

On May 21, 1999, WCG entered into two memoranda of understanding with Metromedia Fiber Network, Inc. under which both parties agree to enter into 20-year agreements with the other, providing for the following:

- Metromedia will lease to WCG dark fiber on up to 3,200 route miles on its local networks, 6 to 96 fibers per segment and will provide WCG with maintenance services and dark fiber connectivity to approximately 250 points of presence and data centers, in exchange for approximately $317 million payable by WCG over the duration of the agreement

- Metromedia will lease from WCG six dark fibers over substantially all of the Williams network and WCG will provide colocation and maintenance services in exchange for approximately $317 million payable by Metromedia over the duration of the agreement

On May 24, 1999, WCG and Intel Corporation, on behalf of Intel Internet Data Services, entered into a long-term master alliance agreement. The alliance agreement provides that WCG and Intel Internet Data Services will purchase services from one another pursuant to a service agreement and create a co-marketing arrangement, each of which will have shorter terms than that of the master alliance agreement. The services WCG will provide include domestic transport services and may also include Internet connectivity. Intel will provide web hosting services pursuant to the co-marketing arrangement.

Intel also entered into a securities purchase agreement with WCG and Williams to purchase at the closing of this offering the number of shares of common stock equal to $200 million divided by the initial public offering price less the underwriting discount. The parties' obligations under the securities purchase agreement are subject to closing conditions, including that the alliance agreement is in full effect and that at least $500 million is raised in this offering and that necessary governmental approvals have been obtained.

In connection with its purchase of common stock, Intel has agreed not to transfer any of its shares of common stock to anyone except affiliates for a period of eighteen months, but this transfer restriction provision will be terminated if we have a change of control. In addition, the transfer restriction does not prohibit Intel from participating in future registered offerings initiated by us or from engaging in hedging transactions commencing six months from the date of the equity offering. Intel also has registration rights in connection with its holdings.

On May 25, 1999, WCG entered into a non-exclusive alliance agreement with Teléfonos de México. Under the terms of the agreement, both WCG and Teléfonos de México must first seek to obtain select international wholesale services between Mexico and the United States and various other services from each other. WCG and Teléfonos de México will also sell each other's products to their respective customers and negotiate the terms under which both parties will provide installation and maintenance of communications equipment and other services for the other. In addition, WCG and Teléfonos de México will interconnect their long distance fiber-optic networks to jointly develop seamless voice, data and video transport services to serve their respective markets.

In addition, on May 25, 1999, Teléfonos de México entered into a securities purchase agreement with WCG and Williams to purchase at the closing of the equity offering up to the number of shares of common stock equal to $100 million divided by the initial public offering price less the underwriting discount.

Teléfonos de México's obligation and ability to make the investment is subject to conditions at closing, including that the alliance agreement with Teléfonos de México be in full effect and that SBC approves the portion of Teléfonos de México's investment that exceeds $25 million, which would require SBC's investment to be limited to $425 million.

In connection with its purchase of WCG common stock Teléfonos de México has agreed to certain restrictions and will receive certain privileges, including the following:

- Teléfonos de México has agreed not to acquire more than 10% of WCG's common stock for a period of 10 years
- Teléfonos de México has agreed not to transfer to anyone, except affiliates, any of its shares of WCG's common stock for a period of 3½ years, but this transfer restriction provision will be terminated if WCG has a change of control
- Teléfonos de México has agreed that WCG has the right, for a period of 3½ years, to repurchase WCG stock at market value less the underwriter's discount if the alliance agreement is terminated for any reason other than a breach by WCG

Teléfonos de México also has registration rights in connection with its holdings.

On May 27, 1999, Williams contributed its investments in the holding companies, which owned the investments in ATL, PowerTel and MetroCom, to WCG at their historical book values. The assets were transferred at their historical book values, similar to a pooling of interests, as Williams had common control over WCG and the holding companies contributed.

EXHIBIT C

Statement of Financial Capability

Williams Local Network, Inc. ("Williams Local"), as an indirect wholly owned subsidiary of Williams Communications Group, Inc. ("WCG"), has sufficient financial capability to provide the requested service in the geographic areas to be served, to maintain the requested service, and to meet its lease or ownership obligations. Recently, The Williams Companies, Inc. announced its intention to file an initial public offering for a minority interest in WCG, which will expand access to capital to support growth in the communications-side of the business. On April 9, 1999, WCG filed for an initial public offering which is currently under review by the Securities and Exchange Commission. Williams Local will primarily fund its services through revenues generated by its operations as well as funds received through WCG. Throughout 1998, WCG has made substantial investments in its telecommunications infrastructure, which should be completed by the end of 2000.

EXHIBIT D

Managerial Capability of Williams Local Network, Inc.

(Resumes of employees/officers of the Company indicating sufficient managerial experience)

HOWARD E. JANZEN

President & Chief Executive Officer
***Williams Communications*, Inc.**

Howard E. Janzen is chief executive officer of Williams Communications, Inc., a subsidiary of The Williams Companies, Inc. ("Williams") (NYSE: WMB). He has 18 years of experience in the telecommunications and energy industries, holding a variety of management positions within Williams.

Janzen began his career at Williams as project engineer for Williams Pipe Line Company in 1979, where he served in numerous management positions culminating as Vice President of Operations in 1987. In 1991, he became Vice President of Operations at Williams Natural Gas Company and became its Senior Vice President and General Manager in 1993. He assumed the presidency of the WilTech Group in 1995 and was named Chairman of Vyvx, Inc., now known as Williams Communications, Inc., an international provider of video transmission services via fiber optics, teleport uplinks and satellites. He became President and Chief Operating Officer of Williams Communications, Inc., in January 1997, and Chief Executive Officer in April 1997. Janzen also assumed the role of WilTel Chairman when it merged with Nortel Communications Systems' customer premise sales and service organization in April 1997. WilTel is now known as Williams Communications Solutions, LLC.

Janzen earned Bachelor of Science and Master of Science degrees in Metallurgical Engineering from The Colorado School of Mines. He has also completed the Harvard Business School Program for Management Development.

Janzen lives in Tulsa, Oklahoma, with his wife, Cherine, and three children. He is Vice Chair of the Children's Medical Center Board of Trustees and serves on the Board of Trustees for the Hillcrest Healthcare System, where he is Vice Chair of the Physician Relations and Service Company. He serves on the Gilcrease Museum Board of Directors and is Chairman for the National Annual Fund and President's Council for The Colorado School of Mines. He is also active in church related activities.

Williams, through its subsidiaries, is the nation's largest-volume transporter of natural gas and provides a full range of traditional and leading-edge energy and communications services. Its communications enterprises include nationwide single-source business communications systems integration; international video satellite, and fiber-optic transmission; multipoint video- and audio-conferencing; satellite business applications; enhanced fax services; interactive technical training, on-demand distance learning, and Internet, and telemarketing services. Company information is available on the World Wide Web at http://www.twc.com and http://wilcom.com.

FRANK M. SEMPLE

President of Williams Network, a Division of Williams Communications, Inc.

Frank Semple is President of Williams Network, a Division of Williams Communications, Inc., a subsidiary of The Williams Companies, Inc. ("Williams"). He has nearly two decades of experience with Williams and brings to his office a track record of proven leadership skills within several Williams business units.

Prior to his current position, Semple served as Senior Vice President and Chief Information Officer for Williams Communications, Inc.. While serving in numerous management positions with Williams Pipe Line Company, Semple implemented innovative technology at Williams Pipe Line Company that positioned that company as the industry leader in customer service and systems. He also held operations and marketing roles at Northwest Pipeline before joining Williams Natural Gas Company as Senior Vice President and General Manager.

Semple received a Bachelor's Degree in Mechanical Engineering from the U.S. Naval Academy and has also completed the Harvard University program for management development.

He resides in Tulsa, Oklahoma, with his wife and two children. Semple serves as a board member for the Campfire Boys & Girls organization in Tulsa.

Williams (NYSE:WMB), through its subsidiaries, is the nation's largest-volume transporter of natural gas and provides a full range of traditional and leading-edge energy and communications services.

JOSEPH C. TURCOTTE

Senior Vice President and Chief Operating Officer
Williams Communications Network Services, a Division of
Williams Communications, Inc.

Joseph C. Turcotte is Senior Vice President and Chief Operating Officer of Williams Communications Network Services, a Division of Williams Communications, Inc., a subsidiary of The Williams Companies, Inc. (□Williams□), and has 13 years of operations and engineering experience in the telecommunications and energy industries.

Turcotte was formerly Vice President of Operations and Engineering for Vyvx, Inc., now known as Williams Communications, Inc. In 1995, prior to joining Vyvx, Inc., he worked for Williams Pipe Line Company in supervisory and managerial engineering positions, including Director of Information Services.

Turcotte earned a Bachelor of Science Degree in Mechanical Engineering from the University of Minnesota. He also completed the Harvard Professional Management Development Program.

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DELWIN L. BOTHOF

President of Williams Network Applications, a Division of Williams Communications, Inc.

Delwin L. Bothof leads multimedia applications across Williams Communications, Inc.'s extensive fiber and satellite communications networks. This includes Williams Vyvx Services to broadcasters, advertisers, and production studios; Williams Global Access business television and audio- and video-conferencing; ChoiceSeat, Inc. in-stadium sports entertainment network; Williams Learning Network interactive training and distance learning; and Williams Telemetry wireless telephony communications for the energy and utility industries.

From 1989-1997, he served as the first President of Vyvx, Inc., now known as Williams Communications, Inc., a leading international provider of integrated fiber-optic, satellite, and teleport video transmission services.

With more than 25 years of experience, Bothof is well known in the telecommunications industry. Bothof joined The Williams Companies, Inc. ("Williams"), after holding a number of engineering, marketing and executive management positions for in the industry. He had served as partner and President of Atlanta-based Tritek Communications, Inc., a provider of integrated communication networks. Before that, he was Director of Corporate Planning and Development for BellSouth Corporation and later founded and served as President of BellSouth Ventures Company.

Bothof also served as President of Deka Corporation, a provider of advanced telecommunication systems, and Vice President of Marketing for Scientific-Atlanta, where he was responsible for the management of all worldwide sales and marketing, corporate strategies, joint ventures, and acquisitions. He held numerous positions at the Delcon Division of Hewlett-Packard. Initially, he was Engineering Project Manager responsible for the management and development of a product line which included software and hardware for data communication test instrumentation. He was later promoted to Marketing Manager and then to General Manager.

Bothof holds a Bachelor of Science Degree in Electrical Engineering from the University of Minnesota and a Master of Science Degree in Electrical Engineering from Stanford University. He and his wife, Sally, reside in Tulsa, Oklahoma.

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S. MILLER WILLIAMS

Senior Vice President, Corporate Development and Planning
Williams Communications, Inc.

S. Miller Williams is Senior Vice President of Corporate Development and Planning for Williams Communications, Inc., a subsidiary of The Williams Companies, Inc. ("Williams") (NYSE: WMB).

He has more than 20 years of diversified business experience. Prior to joining Williams, he spent 10 years in real estate development and oil and gas syndications as President of Harbour Group. In 1998, he joined Williams Telecommunications Systems, Inc., as Vice President of Corporate Development. While there, he was responsible for exploring potential strategic partnerships, acquisitions, investments, and projects for enhancing growth. He has also served as Assistant Treasurer for Williams, Manager of Special Projects for Williams Pipe Line Company, and Director of International Marketing for Agrico Chemical Company.

Williams earned a Master of Business Administration degree from The University of Tulsa and a Bachelor of Science degree in Business Administration from the University of North Carolina.

LAURA A. KENNY

Senior Vice President & General Manager
Williams Vyvx Services, a Division of
Williams Communications, Inc.

Laura Kenny is Senior Vice President and General Manager for Williams Vyvx Services, a Division of Williams Communications, Inc., a subsidiary of The Williams Companies, Inc. ("Williams"). Williams Vyvx Services is a leading international provider of integrated video, fiber-optic, satellite and teleport transmission services. Her responsibilities include strategic planning, marketing, sales, operations, and administration for its worldwide presence with nearly 500 employees in 30 offices in the United States, the United Kingdom, Singapore, and Australia.

In 1997, Kenny joined Vyvx, Inc., now known as Williams Communications, Inc., as Vice President of Marketing and received sales responsibility in 1997. In December 1997, Kenny assumed all management responsibility for Williams Vyvx Services. In addition, she chairs Williams Communications, Inc.'s, Customer Intimacy Initiative and co-chairs Williams Communications, Inc.'s, corporate-wide Chairman's Council on Workplace Diversity.

In more than 17 years as a leader in the telecommunications industry, Kenny has been involved in the development and implementation of strategic sales, marketing, and management programs for domestic and international markets. Before joining Williams, Ms. Kenny served as an executive with AT&T, where she held numerous marketing and operations positions. She developed national marketing plans for AT&T Communication Services and established a software development training institute in Singapore in collaboration with Bell Labs and the Singapore government.

Kenny earned a Bachelor of Arts Degree from Lycoming College in 1978, and subsequently received paralegal certification at Adelphi University. She has attended the Master of Business Administration program at Seton Hall and completed executive development programs at the University of Michigan and Columbia University. She serves on the advisory board of The University of Tulsa College of Engineering.

Kenny resides in Tulsa, Oklahoma, with her husband, Larry Gordon, and two children.

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Mickey S. Moon

Director of Regulatory Affairs
Williams Communications, Inc.

Mickey S. Moon is the senior regulatory affairs analyst for Williams Communications, Inc. and Williams Local Network, Inc ("Williams"). He has over five years of experience in regulated industries, primarily telecommunications and energy.

Prior to joining Williams in April, 1998, he was an Assistant Attorney General for the State of Oklahoma since January, 1995. He worked as an attorney in the Attorney General's Public Utility Section, representing the state's consumers of natural gas, electric and telecommunications services before state and federal agencies and courts. He served as Director of the Attorney General's Public Utility Section from March, 1997, until joining Williams Communications, Inc. in 1998.

He received a Juris Doctorate Degree from the University of Tulsa College of Law in May, 1994, where he served as the Managing Editor of Energy Law Journal, which published his student note: *Assigning Gas Balancing Rights in the Absence of a Gas Balancing Agreement*, 14 Energy L. J. 407 (1993).

EXHIBIT E

Statement of Technical Capability of Williams Local Network, Inc.

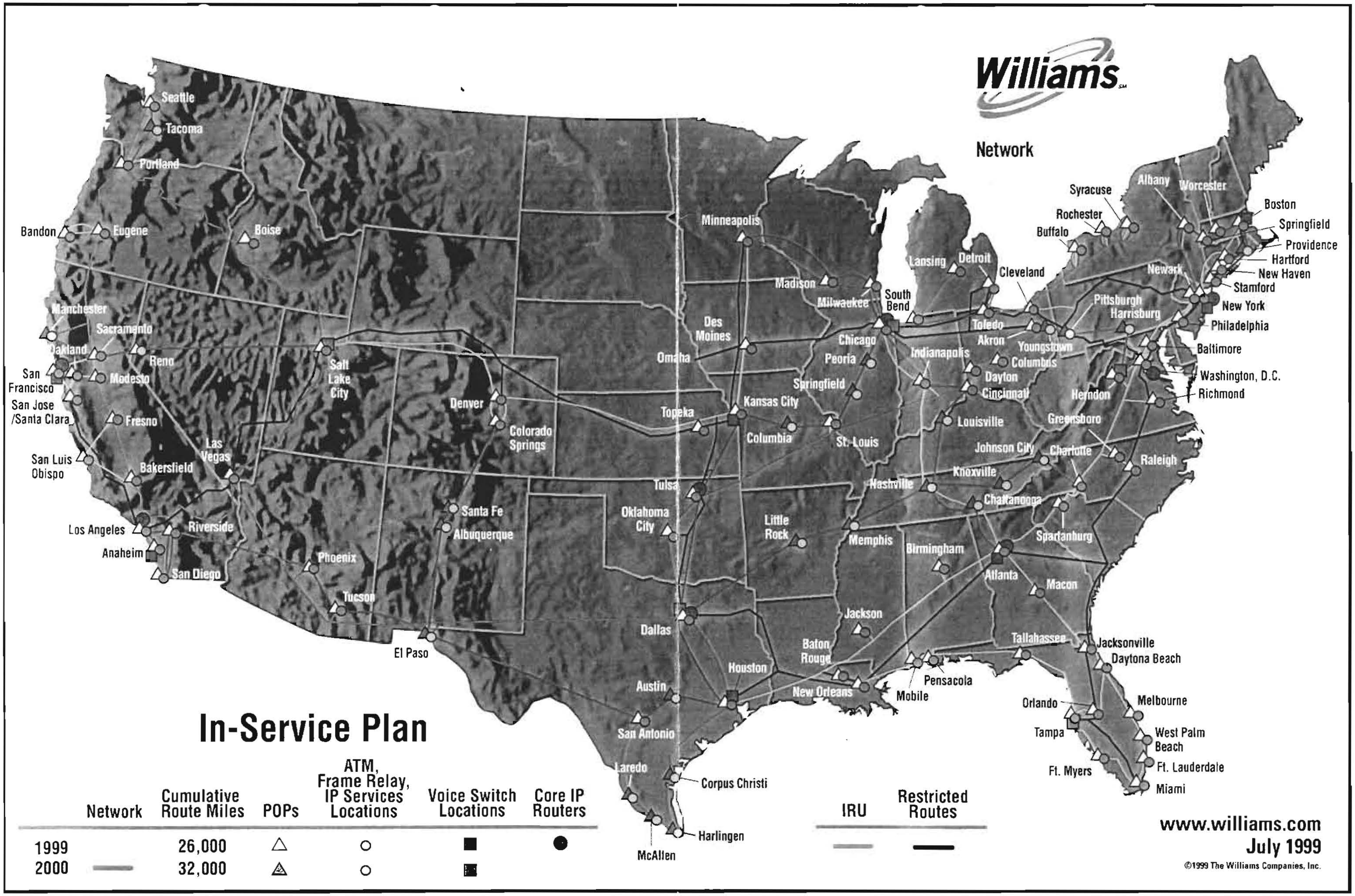
Williams Local possesses the technical capability to provide facilities-based alternative local exchange services in Florida. Its senior management has extensive experience operating companies in the telecommunications and other regulated utility industries. Moreover, the Company's parent, Williams Communications, Inc., currently has approximately 17,600 fiber optic route miles in service, 20,000 route miles of fiber in the ground, and plans to complete a 32,000 fiber optic network connecting 125 cities by the end of 2000. Attached to Exhibit E is a map that graphically displays the Company's network that provides advanced services capability.

Williams Local has a twenty-four hour network monitoring center and lab in Tulsa, Oklahoma, that provides around the clock network monitoring and training to maintain its employees' abilities to respond to the demands of a changing, technologically driven market. Exhibit C contains biographical information for the Company's senior management team, showing extensive management and technical experience in the telecommunications, utilities and other industries.

Detailed planning currently is underway for the initial local network deployment strategy. The key elements of this infrastructure and design will be fashioned in a manner that will best serve the customers.

Exhibit E (continued)

Network Map


Williams
Network
In-Service Plan
Seattle
Tacoma
Portland
Bandon
Eugene
Boise
Manchester
Sacramento
Oakland
San Francisco
San Jose /Santa Clara
Reno
Modesto
Fresno
San Luis Obispo
Bakersfield
Las Vegas
Los Angeles
Anaheim
Riverside
San Diego
Salt Lake City
Denver
Colorado Springs
Santa Fe
Albuquerque
Phoenix
Tucson
El Paso
Minneapolis
Des Moines
Omaha
Topeka
Kansas City
Columbia
Tulsa
Oklahoma City
Dallas
Austin
San Antonio
Laredo
McAllen
Harlingen
Corpus Christi
Houston
Little Rock
Madison
Milwaukee
Chicago
Peoria
Springfield
St. Louis
South Bend
Lansing
Detroit
Toledo
Cleveland
Akron
Youngstown
Columbus
Indianapolis
Dayton
Cincinnati
Louisville
Nashville
Memphis
Jackson
Baton Rouge
New Orleans
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Pensacola
Birmingham
Knoxville
Johnson City
Chattanooga
Atlanta
Macon
Tallahassee
Jacksonville
Daytona Beach
Orlando
Tampa
Ft. Myers
Melbourne
West Palm Beach
Ft. Lauderdale
Miami
Spartanburg
Charlotte
Greensboro
Raleigh
Herndon
Richmond
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Philadelphia
Pittsburgh
Harrisburg
New York
Newark
Stamford
New Haven
Hartford
Providence
Springfield
Boston
Worcester
Albany
Syracuse
Rochester
Buffalo
Network
Cumulative Route Miles
POPs
ATM, Frame Relay, IP Services Locations
Voice Switch Locations
Core IP Routers
1999
26,000
2000
32,000
IRU
Restricted Routes
www.williams.com
July 1999
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EXHIBIT F

Price List

Williams Local Network, Inc. will file a price list prior to the commencement of operations.

FLORIDA PUBLIC SERVICE COMMISSION

99 SEP -3 AM 10:03

MAIL ROOM

EARL . LENNON, PETERS & CROCKER,

ATTORNEYS AT LAW

900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (616) 381-8844
FAX (616) 349-8525

GEORGE H. LENNON
JOHN T. PETERS, JR.
DAVID G. CROCKER
HAROLD E. FISCHER, JR.
LAWRENCE M. BRENTON
GORDON C. MILLER

BLAKE D. CROCKER
ROBERT M. TAYLOR
PATRICK D. CROCKER
ANDREW J. VORBRICH*
NICOLETTE G. HAHN**
ROBERT G. LENNON***

OF COUNSEL
VINCENT T. EARLY
HON. C.H. MULLEN
THOMPSON BENNETT

JOSEPH J. BURGIE
(1926 - 1992)

*Also admitted in Iowa.
**Also admitted in California and North Carolina.
*** Also admitted in New York, Illinois, and Washington, D.C.

September 2, 1999

Mr. Walter D'Haeseleer
Director Division of Communications
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee FL 32399-0688

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

Initials of person who forwarded check:

Re: Williams Local Network, Inc.

Dear Mr. D'Haeseleer:

Enclosed herewith for filing with the Commission, please find an original and 6 (six) copies of the above captioned corporation's APPLICATION FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA, along with a check in the amount of $250.00 to cover filing fees relating to same.

Also enclosed is an exact duplicate of this letter. Please stamp the duplicate received and return same in the self-addressed stamped envelope attached thereto.

Please contact me if you have additional questions or concerns.

Very truly yours,

DOCUMENT NUMBER-DATE
10643 SEP-3 99
FPSC-RECORDS/REPORTING

EARLY, LENNON, PETERS
& CROCKER, P.C.
ATTORNEYS AT LAW
900 COMERICA BLDG.
KALAMAZOO, MI 49007-4752

27287

DATE Sept 2, 1999

9-9/720
522

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

Two hundred fifty and no/100 DOLLARS

Comerica
Comerica Bank
Kalamazoo, Michigan

FOR Williams Local Network, Inc

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION

99 SEP -3 AM 10:03

MAIL ROOM

EARLY, LENNON, PETERS & CROCKER, P.C.

ATTORNEYS AT LAW

900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (616) 381-8844
FAX (616) 349-8525

GEORGE H. LENNON
JOHN T. PETERS, JR.
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*Also admitted in Iowa.
**Also admitted in California and North Carolina.
*** Also admitted in New York, Illinois, and Washington, D.C.

September 2, 1999

Mr. Walter D'Haeseleer
Director Division of Communications
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee FL 32399-0688

DEPOSIT
D193

DATE
SEP 03 1999

DOCUMENT NUMBER-DATE
10643 SEP-3 99
FPSC-RECORDS/REPORTING

Re: Williams Local Network, Inc.

991323-TX

Dear Mr. D'Haeseleer:

Enclosed herewith for filing with the Commission, please find an original and 6 (six) copies of the above captioned corporation's APPLICATION FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA, along with a check in the amount of $250.00 to cover filing fees relating to same.

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Please contact me if you have additional questions or concerns.

Very truly yours,

Security enhanced document. See back for details.

EARLY, LENNON, PETERS
& CROCKER, P.C.
ATTORNEYS AT LAW
900 COMERICA BLDG.
KALAMAZOO, MI 49007-4752

27287

DATE Sept 2, 1999

9-9/720
522

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

Two hundred fifty and no/100 DOLLARS

Comerica
Comerica Bank
Kalamazoo, Michigan

FOR Williams Local Network, Inc