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

ATTORNEYS AT LAW

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

RECEIVED

MAR 21 2000

PUBLIC SERVICE COMMISSION

GEORGE H. LENNON
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†
ROBERT G. LENNON††

† Also admitted in Iowa
††Also admitted in New York, Illinois and Washington, D.C.

OF COUNSEL

VINCENT T. EARLY
THOMPSON BENNETT
JOHN T. PETERS, JR.

JOSEPH J. BURGIE
(1926 - 1992)

March 20, 2000

Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40601

0505 1960 - 0505

RE: Williams Local Network, Inc.

Dear Sir:

Enclosed herewith for filing with the Commission, please find an original and ten (10) copies of the above captioned corporation's APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO AUTHORIZE IT TO OFFER AND PROVIDE FACILITIES BASED AND NON-FACILITIES BASED LOCAL TELECOMMUNICATIONS SERVICES THROUGHOUT KENTUCKY.

Also enclosed are two exact duplicates of this filing. Please stamp the duplicates received and return same in the self-addressed, stamped envelope attached thereto.

Should you have any questions, please contact me.

Very truly yours,

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

Patrick D. Crocker
PDC/pas

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

APPLICATION OF	)	
WILLIAMS LOCAL NETWORK, INC.	)	
FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY	)	
TO AUTHORIZE IT TO OFFER	)	**DOCKET NO:**
AND PROVIDE FACILITIES BASED	)	
AND NON-FACILITIES BASED LOCAL	)	
TELECOMMUNICATION SERVICES	)	
THROUGHOUT KENTUCKY	)	

APPLICATION

Williams Local Network, Inc. ("Williams Local"or"Applicant") pursuant to section 253 of the Telecommunications Act of 1996 and KRS Chapter 278, files this Application for a Certificate of Public Convenience and Necessity authorizing Applicant to offer and provide facilities based and non-facilities based local telecommunication services throughout Kentucky. In support of this Application, Applicant shows the following:

I. The Applicant

1. Applicant's legal name is Williams Local Network, Inc. Applicant maintains its principal place of business at:

Williams Local Network, Inc.
2800 One Williams Center
Tulsa , Oklahoma 74172
Telephone: (918) 573-6000
Facsimile: (918) 573-6449

2. Applicant is a corporation organized under the laws of the State of Delaware and is qualified to do business as a foreign corporation in the State of Kentucky. Applicant is a wholly owned, indirect subsidiary of Williams Communications Group, Inc. ("WCG"). Exhibit "A" contains a chart reflecting corporate affiliate relationships. A copy of Applicant's Articles of Incorporation is attached hereto as Exhibit "B". Applicant's Certificate of Authority to Transact Business in Kentucky is attached hereto as Exhibit "C".

3. Applicant attaches hereto a notarized statement regarding monies collected for intrastate local exchange service as Exhibit "D".

II. Designated Contacts

4. Correspondence or communication pertaining to this Application should be directed to:

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma, 74172
Telephone: (918) 573-8771
Facsimile: (918) 573-0669
E-mail: mickey.moon@williams.com

and Attorneys representing Williams Local in this matter:

Patrick D. Crocker
Early, Lennon, Peters & Crocker, P.C.
900 Comerica Building
Kalamazoo, Michigan 49007
Telephone: (616) 381-8844
Facsimile: (616) 349-8525
E-mail: dgcrocker@voyager.net

Amy E. Callard
The Williams Companies
4100 One Williams Center
Tulsa, Oklahoma, 74172
Telephone: (918) 573-1888
Facsimile: (918) 573-3005
E-mail: amy.callard@williams.com

5. Questions concerning the ongoing operations of Applicant shall be directed to the following:

Mickey S. Moon
Director of Regulatory Affairs
Williams Communications, Inc.
2800 One Williams Center
Tulsa, Oklahoma 74172
Telephone: (918) 573-8771
Facsimile: (918) 573-0669
E-mail: mickey.moon@williams.com

6. Applicant provides a Customer Care Department with toll free number for Customer inquiries and complaints as follows:

Kathy Case
Vice President, Customer Care
Williams Local Network, Inc.
Williams Resource Center
Mail Drop RC3-N
Tulsa, Oklahoma 74172
Telephone: (918) 573-5625
Facsimile: (918) 573-8933
Toll Free: (888) 465-9516
E-mail: kathy.case@williams.com

III. Request for Authority

7. Applicant seeks authority to provide facilities-based and non-facilities based local exchange and exchange access services and intrastate dedicated data services. Initially, Williams Local plans to offer only dedicated, broadband transmission services transmitting digitized voice and data between points within an exchange. Applicant plans to offer such services in bandwidth increments ranging from DS-1 (1.54 Mbps) to OC-48 (2.49 Gbps). Larger bandwidth transmission speed may also be offered, utilizing, at the customer's option, varying routing technologies/protocols, such as ATM (asynchronous transfer mode), frame relay, or IP (Internet protocol).

Applicant has no plans to offer local exchange dial-tone service. Local dial tone is not applicable to the dedicated transmission services that Williams Local plans to offer. In addition, Williams local plans to restrict its service offerings to other telecommunications carriers, both competitive and incumbent local exchange carriers, and to Internet service providers, who may resale the Company's services as a stand-alone service pursuant to their tariffs or bundled with their own enhanced and/or basic services. Applicant does not plan to offer this service to residential customers.

8. Applicant is familiar with applicable Commission policies, rules and orders, and adheres to all such rules in conducting business operations in Kentucky.

9. This Application contains provisions to collect deposits and advance payments from customer. Williams Local will post bond or enter into an appropriate escrow arrangement, or demonstrate that it meets the standard for a waiver of the bond/trust requirement prior to offering service.

10. Applicant will comply with the monitoring requirements of Adm. 355.

V. Description and Fitness of the Applicant

11. The management personnel of Applicant have the managerial ability to provide the services contemplated herein. Applicant's officers and directors have extensive management and business experience in telecommunications, utilities and other industries to provide the services requested. The names and addresses of Applicant's officers and directors along with descriptions of Applicant's key personnel are attached hereto as Exhibit "E".

12. Applicant is financially qualified to provide facilities based and non-facilities based telecommunications services in the State. Williams Local was formed on July 27, 1999, as a wholly-owned, indirect subsidiary of Williams Communications Group, Inc. ("WCG"). Williams Local does not have audited financial statements. Williams Local, to the extent necessary, will rely on the resources of WCG to financially support its operations in Kentucky. Williams Local's financial results will be reported on a consolidated basis with the financial statements of WCG. A copy of WCG's most recent quarterly report filed with the SEC is attached hereto as Exhibit "F".

VI. Network Description and Services

13. To deliver services, Applicant operates one of the largest fiber optic networks in the United States. Currently, those facilities extend approximately 26,000 miles, connecting 125 cities. Applicant primarily provides service by means of fiber optic facilities, but, where necessary, it also uses digital microwave and satellite facilities. Applicant is rapidly increasing the capacity and geographic presence of its nationwide fiber optic network through a combination of fiber optic construction projects and agreements with other telecommunications carriers. In connection with this expansion, Applicant plans to construct additional facilities and expand its service offering to include facilities based local service. Exhibit "G" is a map depicting Williams existing and planned fiber-optic facilities in the United States. While constructing facilities, Applicant will provide all service as a non-facilities based reseller. As a wholesale service provider, Applicant will provide Services only to other telecommunications carriers, and not to end users. Applicant will provide non-switched dedicated and private line, high capacity fiber optic transmission capacity. Applicant will offer dedicated and private line access services thus allowing its customers to obtain, on a fixed-rate basis, fiber optic transmission capacity needed to develop their own networks. Applicant plans to offer its fiber optic transmission services to carriers, such as incumbent local exchange carriers, competitive local exchange carriers, long distance interexchange carriers, paging and cellular companies, cable companies, and Internet service providers.

VII. Proposed Tariffs

14. Applicant attaches an Illustrative Tariff as Exhibit "H". The tariff attached is illustrative of the types of local exchange services that Applicant expects to initially offer. The proposed tariff includes rates. However, Applicant anticipates that the actual rates charged for service, as well as the terms and conditions of service offered by Williams will be established through a competitive bidding process, in which the Customer invites bids from a number of

competing service providers. This practice is becoming more typical in the wholesale carrier service marketplace, which is the marketplace that Williams Local will focus its marketing activities.

15. Applicant will comply with the Commission's tariff requirements prior to providing telecommunications services.

VIII. Public Interest

16. A decision by the Commission granting Applicant authority to provide the local telecommunications services described herein will serve the public interest. The provision of local exchange services by Williams Local, and, initially, the provision of local exchange dedicated transmission services will enhance competition to the benefit of consumers in Kentucky. With its advanced services capabilities, Williams Local's entry into the local exchange market in Kentucky will lead to greater availability of high-speed transmission services for consumers in the critical "last mile" that is currently characterized as a "bottleneck" to broadband data networks.

Moreover, Applicant's entry into the market will neither prejudice nor disadvantage any class of telephone customers or providers. To the contrary, the presence of another authorized carrier will provide additional consumer choice, promote competition, lower prices, and stimulate development of additional telecommunications services.

XI. CONCLUSION

WHEREFORE, based on the foregoing Application, Applicant respectfully requests that the Commission enter an Order granting Applicant's Certificate of Public Convenience and Necessity to provide facilities based and non-facilities based local telecommunication services throughout Kentucky.

Respectfully Submitted,

Dated: 3/15/00

By: Mickey S. Moon

Mickey S. Moon
Director of Regulatory Affairs
Williams Local Network, Inc.
2800 One Williams Center
Tulsa, Oklahoma, 74172
Telephone: (918) 573-8771
Facsimile: (918) 573-0669
E-mail: mickey.moon@williams.com

VERIFICATION

Mickey S, Moon, Director of Regulatory Affairs of Williams Communications, Inc., first being duly sworn on oath, deposes and says that he has read the foregoing Application and verifies that the statements made therein are true and correct to the best of his knowledge, information, and belief.

By: Mickey S. Moon

Mickey S. Moon
Director of Regulatory Affairs

The foregoing instrument was acknowledged before me this 15 day of March, 2000 by Mickey S. Moon.

Leigh A Roderick

Notary Public
For the County Tulsa
My Commission Expires Nov 1, 2003

Seal

NOTARY SEAL PUBLIC
LEIGH A. RODERICK
Tulsa County
Notary Public in and for
State of Oklahoma
My commission expires Nov. 1, 2003.

EXHIBITS

Exhibit A	Chart reflecting Corporate Affiliate Relationships
Exhibit B	Articles of Incorporation
Exhibit C	Certificate of Authority to Transact Business and Good Standing Certificate
Exhibit D	Notarized Statement regarding monies collected
Exhibit E	List of Officers and Directors along with Description of Key Personnel
Exhibit F	Financial Statements for Williams Communications Group, Inc.
Exhibit G	Map of Existing and Planned Facilities
Exhibit H	Illustrative Tariff

EXHIBIT A

Williams Local Network, Inc.
Corporate Affiliate Relationships

Subsidiary Chart for Entities
Effective Date: 01/28/2000
Created Date: 01/28/2000

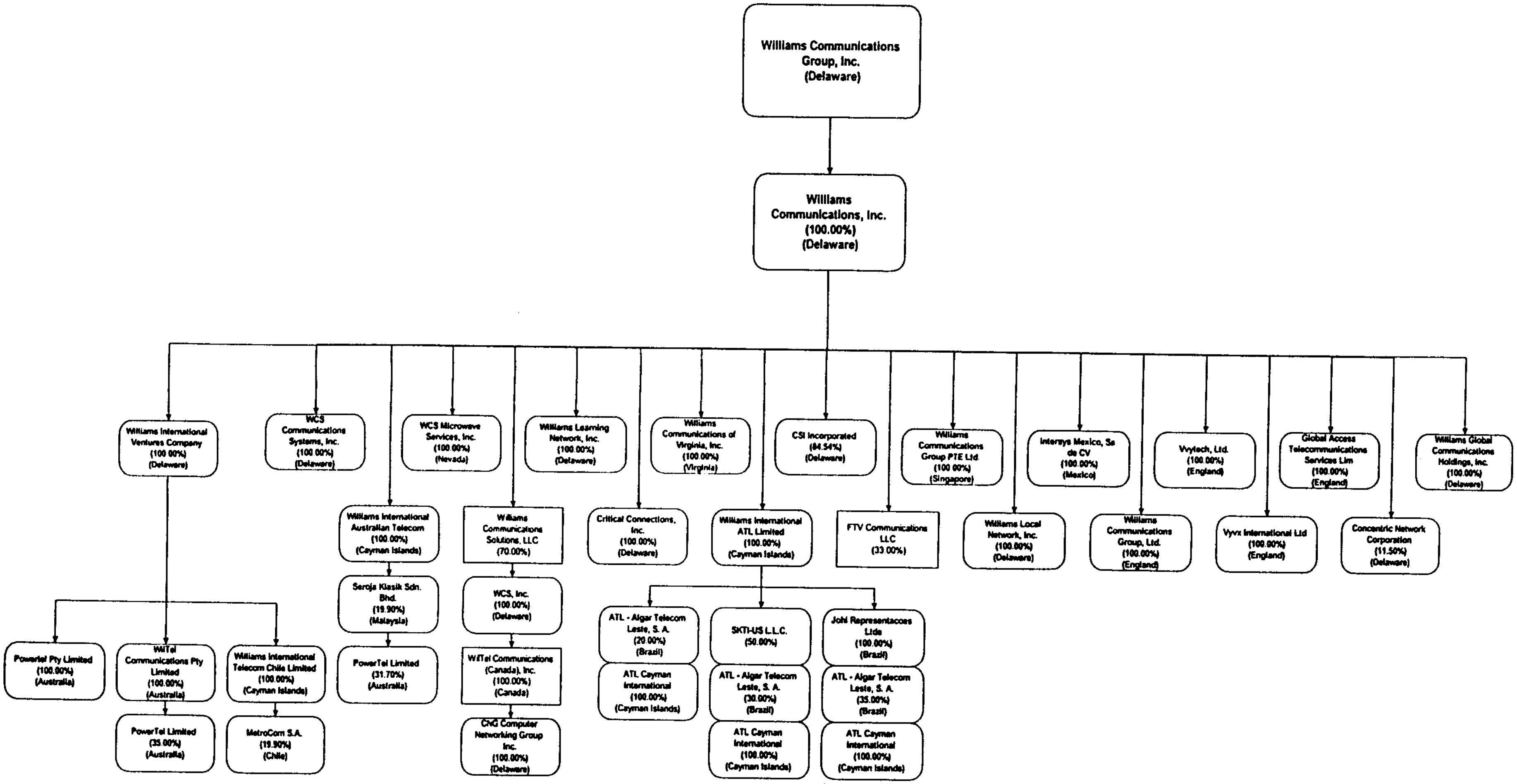

EXHIBIT B

Articles of Incorporation

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "WILLIAMS LOCAL NETWORK, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FIFTH DAY OF OCTOBER, A.D. 1999.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

Edward J. Freel, Secretary of State

3076576 8300

991450941

AUTHENTICATION: 0043887

DATE: 10-25-99

CERTIFICATE OF INCORPORATION

OF

WILLIAMS LOCAL NETWORK, INC.

FIRST: The name of the Company is:

WILLIAMS LOCAL NETWORK, INC.

SECOND: Its registered office in the State of Delaware is to be located at 1209 Orange Street, City of Wilmington, State of Delaware, County of New Castle, and the name and address of its registered agent is The Corporation Trust Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business and the objects and purposes proposed to be transacted, promoted, and carried on are to provide telecommunications services on a common carrier/public utility basis and to engage in any lawful acts or activities for which corporations may be organized under the Delaware General Corporation Law.

FOURTH: The total number of shares of Common Stock which the Company shall have authority to issue is one thousand (1,000) shares, all of which shall be with a par value of one dollar ($1.00) per share.

FIFTH: The name and mailing address of the incorporator is:

NAME	MAILING ADDRESS
Cher S. Lawrence	One Williams Center Tulsa, OK 74172

SIXTH: Upon the filing of the Certificate of Incorporation, the authority of the incorporator shall terminate and the following named individuals, whose mailing addresses are set out beside their names, shall serve as directors until the first Annual Meeting of Stockholders or until their successors are elected and qualified:

NAME	MAILING ADDRESS
Howard E. Janzen	One Williams Center Tulsa, Oklahoma 74172

Delwin L. Bothof	One Williams Center Tulsa, Oklahoma 74172
Laura A. Kenny	One Williams Center Tulsa, Oklahoma 74172
Frank M. Semple	One Williams Center Tulsa, Oklahoma 74172
Joseph C. Turcotte	One Williams Center Tulsa, Oklahoma 74172
S. Miller Williams	One Williams Center Tulsa, Oklahoma 74172

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Company and for defining and regulating the powers of the Company and its directors and stockholders:

1. The private property of the stockholders of the Company shall not be subject to the payment of corporate debts to any extent whatsoever.

2. The first meeting of the stockholders for the election of directors shall be held in Tulsa, Oklahoma, at the office of the Company, on August 15, 2000, or at such other time and place as may be designated by the Board of Directors, and thereafter the directors shall be elected at the time and place named in the By-laws of the Company.

3. Written ballots shall not be required for the election of directors of the Company.

4. The Board of Directors shall have the power to make, alter or repeal By-laws of the Company.

5. The By-laws of the Company may fix or provide the manner of fixing and altering the number of directors constituting the Board of Directors, provided that such number shall not be less than three.

6. To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended, a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of such director's fiduciary duty as a director.

IN WITNESS WHEREOF, I, the undersigned, being the incorporator of the Company hereinbefore named, do certify that the facts herein stated are true, that the execution of this instrument is my act and deed, and that I accordingly have hereunto set my hand this 29th day of July, 1999.

Cher S. Lawrence

Cher S. Lawrence

OFFICE OF THE SECRETARY OF STATE

STATE OF OKLAHOMA

CERTIFICATE OF AUTHORITY

WHEREAS, **WILLIAMS LOCAL NETWORK, INC.**

incorporated under the laws of the State of **Delaware** *has filed in the office of the Secretary of State duly authenticated evidence of its incorporation and an application for Certificate of Authority to transact business in this State, as provided by the Laws of the State of Oklahoma.*

NOW, THEREFORE, I, the undersigned, Secretary of State of the State of Oklahoma by virtue of the powers and duties vested in me by law, do hereby issue this Certificate of Authority authorizing said Corporation to transact business in this state.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Oklahoma.

Filed in the City of Oklahoma City this **7th** *day of*

September, 19**99**.

Mike Hunter

Secretary of State

By:

FEE based on EITHER authorized capital
OR capital invested in Oklahoma
PLEASE CONSULT INSTRUCTIONS

MINIMUM FEE: $300.00

FILED
SEP - 7 1999
OKLAHOMA SECRETARY OF STATE
FOR OFFICE USE ONLY

Certificate of Qualification

FILE IN DUPLICATE

PRINT CLEARLY

PLEASE NOTE: This form **must** be filed with a certificate evidencing the corporate existence of the corporation issued by an authorized officer of the jurisdiction of its incorporation.

TO: THE OKLAHOMA SECRETARY OF STATE, 101 State Capitol, Oklahoma City, OK 73105

The undersigned corporation, for the purpose of transacting business in the State of Oklahoma pursuant to Section 1130 of the Oklahoma General Corporation Act, hereby states:

1. The name of the corporation is: Williams Local Network, Inc.

2. The corporation was duly incorporated under the laws of the State/Country of: Delaware

3. The mailing address of the corporation's principal place of business, wherever located, is:

One Williams Center, Tulsa, Oklahoma 74172

NUMBER STREET CITY STATE ZIP CODE COUNTRY

4. The name of the registered agent in Oklahoma is the SECRETARY OF STATE.

5. The name and address of its additional registered agent in Oklahoma, if any, is:

The Corporation Company, 735 First National Building, 120 North Robinson, Oklahoma City, County of Oklahoma 73102

NAME STREET CITY COUNTY ZIP CODE

(P.O. BOXES ARE **NOT** ACCEPTABLE)

6. The business it proposes to do in Oklahoma is:

To provide a broad array of telecommunications services on a public utility and common carrier basis, including the provision of facilities-based interstate and intrastate local services and to engage in any lawful activities for which corporations may be organized

7. The business which the corporation proposes to do in the State of Oklahoma is a business the corporation is authorized to do in the jurisdiction of its incorporation.

EXHIBIT C

Certificate of Authority to Transact Business

COMMONWEALTH OF KENTUCKY
JOHN Y. BROWN III
SECRETARY OF STATE

RECEIVED & FILED
90-30
Nov 16 1 48 PM '99
JOHN Y. BROWN III
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of KRS Chapter 271B, 273 or 274, the undersigned hereby applies for authority to transact business in Kentucky on behalf of the corporation named below and for that purpose submits the following statements:

1. The corporation is [X] a business corporation (KRS 271B). [ ] a nonprofit corporation (KRS 273). [ ] a professional service corporation (KRS 274).

2. The name of the corporation is
   Williams Local Network, Inc.

3. The name of the corporation to be used in Kentucky is
   Williams Local Network, Inc.
   (If "real name" is unavailable for use)

4. Delaware is the state or country under whose law the corporation is incorporated.

5. July 29, 1999 is the date of incorporation and the period of duration is Perpetual.

6. The street address of the corporation's principal office is
   One Williams Center, Tulsa, Oklahoma 74172

7. The street address of the corporation's registered office in Kentucky is
   c/o C T Corporation System, Kentucky Home Life Building, Louisville, Kentucky 40202
   and the name of the registered agent at that office is
   C T Corporation System

8. The names and usual business addresses of the corporation's current officers and directors are as follows:

   President See attached list of
   Vice President
   Secretary
   Treasurer

   Directors See attached list of

   (Attach a continuation sheet, if necessary)

9. If a professional service corporation, all the individual shareholders, not less than one half of the directors, and all of the officers other than the secretary and treasurer are licensed in one or more states or territories of the United States or District of Columbia to render a professional service described in the statement of purposes of the corporation.

10. A certificate of existence duly authenticated by the Secretary of State accompanies this application.

11. This application will be effective upon filing, unless a delayed effective date and/or time is specified: N/A
    (Delayed effective date and/or time)

Shawna L. Gehres
Signature

Shawna L. Gehres, Secretary
Type or Print Name & Title

Date: November 12, 1999

I, C T CORPORATION SYSTEM consent to serve as the registered agent on behalf of the corporation
Type or print name of registered agent

[signature]
Signature of Registered Agent

Jonathan L Miles, Asst. Sec.
Type or Print Name & Title

SSC-101 (7/98)

(KY019 - 7/15/98) CT System (See attached sheet for instructions)

Appendix to Kentucky
Application for Certificate of Authority

Directors of
Williams Local Network, Inc.

---

1. Howard E. Janzen
   One Williams Center
   Tulsa, Oklahoma 74172

2. Delwin L. Bothof
   One Williams Center
   Tulsa, Oklahoma 74172

3. Laura A. Kenny
   One Williams Center
   Tulsa, Oklahoma 74172

4. Frank M. Semple
   One Williams Center
   Tulsa, Oklahoma 74172

5. S. Miller Williams
   One Williams Center
   Tulsa, Oklahoma 74172

6. Joseph C. Turcotte
   One Williams Center
   Tulsa, Oklahoma 74172

Appendix to Kentucky
Application for Certificate of Authority

Officers of
Williams Local Network, Inc.

1. Howard E. Janzen, Chief Executive Officer & President
   One Williams Center
   Tulsa, Oklahoma 74172

2. Delwin L. Bothof, Sr. Vice President, Asst. Secretary, Asst. Treasur
   One Williams Center
   Tulsa, Oklahoma 74172

3. Laura A. Kenny, Sr. Vice President, Asst. Secretary, Asst. Treasur
   One Williams Center
   Tulsa, Oklahoma 74172

4. Scott E. Schubert, Senior Vice President, CFO, Asst. Secretary, Asst.
   One Williams Center
   Tulsa, Oklahoma 74172

5. Patti L. Schmigle, Sr. Vice President, CIO, Asst. Secretary, Asst. Tr
   One Williams Center
   Tulsa, Oklahoma 74172

6. Frank M. Semple, Sr. Vice President, Asst. Secretary, Asst. Treasur
   One Williams Center
   Tulsa, Oklahoma 74172

7. S. Miller Williams, Sr. Vice President, Asst. Secretary, Asst. Treasur
   One Williams Center
   Tulsa, Oklahoma 74172

8. G. L. Best, Vice President, Treasurer, Asst. Secretary
   One Williams Center
   Tulsa, Oklahoma 74172

9. Gerald L. Carson, Vice presdient, ASst. Secretary, Asst. Treasurer
   One Williams Center
   Tulsa, Oklahoma 74172

10. Gordon C. Martin, Vice Presdient, Asst. Secretary, Asst. Treasurer
    One Williams Center
    Tulsa, Oklahoma 74172

11. Joseph C. Turcotte, Vice Presdient, Asst. Secretary, Asst. Treasurer
    One Williams Center
    Tulsa, Oklahoma 74172

and Director
One Williams Center
Tulsa, Oklahoma 74172

12. James W. Dutton, Vice President
One Williams Center
Tulsa, Oklahoma 74172

13. Greg S. Floerke, Vice President
One Williams Center
Tulsa, Oklahoma 74172

14. Ronald J. Harden, Vice President
One Williams Center
Tulsa, Oklahoma 74172

15. David P. Batow, Assistant Secretary/General Counsel
One Williams Center
Tulsa, Oklahoma 74172

16. Shawna L. Gehres, Secretary
One Williams Center
Tulsa, Oklahoma 74172

17. Tony L. Gehres, Assistant Secretary
One Williams Center
Tulsa, Oklahoma 74172

18. Joseph W. Miller, Assistant Secretary
One Williams Center
Tulsa, Oklahoma 74172

19. John T. Miller, Assistant Secretary
One Williams Center
Tulsa, Oklahoma 74172

20. William G. von Glahn, Secretary Secretary
One Williams Center
Tulsa, Oklahoma 74172

21. William G. von Glahn, Assistant Secretary
One Williams Center
Tulsa, Oklahoma 74172

EXHIBIT D

Affidavit Regarding Monies Collected

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

AFFIDAVIT

The undersigned attests that Williams Local Network, Inc. has not provided local exchange service in the Commonwealth of Kentucky prior to the filing of this Notice of Intent to Provide Service.

Mickey S. Moon

Mickey S. Moon
Director of Regulatory Affairs

This document was signed in my presence on the 15 day of March, 2000

Leigh A. Roderick
Notary Public
For the County Tulsa
My Commission Expires Nov. 1, 2003

Seal

NOTARY SEAL PUBLIC
LEIGH A. RODERICK
Tulsa County
Notary Public in and for
State of Oklahoma
My commission expires Nov. 1, 2003.

EXHIBIT E

Officers and Directors
and
Resumes of Key Personnel

Directors, Officers Report

Williams Local Network, Inc.

Wednesday, March 15, 2000

DIRECTORS

Howard E. Janzen **Director**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

Delwin L. Bothof **Director**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

Laura A. Kenny **Director**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

Frank M. Semple **Director**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Gordon C. Martin **Director**
Effective: Monday, November 01, 1999
Primary Address: 2800 Post Oak Blvd.
Houston, TX 77056

Joseph C. Turcotte **Director**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

S. Miller Williams **Director**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

OFFICERS

Howard E. Janzen **Chief Operating Officer**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

President
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

John C. Bumgarner, Jr. **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Frank M. Semple — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Delwin L. Bothof — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

S. Miller Williams — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

Scott E. Schubert — **Senior Vice President & Chief Financial Officer**
Effective: Wednesday, September 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Chief Accounting Officer
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Assistant Secretary
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Gerald L. Carson — **Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103

Gordon C. Martin — **Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Thursday, July 29, 1999
Primary Address: 2800 Post Oak Blvd.
Houston, TX 77056

Laura A. Kenny — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Thursday, July 29, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

Joseph C. Turcotte — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: 111 East 1st Street
Tulsa, OK 74103-2808

Mark A Bender — **Senior Vice President, Assistant Secretary and Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

Kenneth R. Epps — **Senior Vice President, Assistant Secretary & Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

Matthew W. Bross — **Senior Vice President, Assistant Secretary and Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: 944 Anglum Road
Hazelwood, MO. 63042

Greg S. Floerke — **Senior Vice President**
Effective: Tuesday, February 01, 2000
Primary Address: One Williams Center
Tulsa, OK 74172

Assistant Secretary
Effective: Tuesday, February 01, 2000
Primary Address: One Williams Center
Tulsa, OK 74172

Howard S. Kalika — **Vice President, Treasurer & Assistant Secretary**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172 USA

James W. Dutton — **Vice President**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Suite 2600
Tulsa, OK 74172

William G. von Glahn — **Senior Vice President**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Bob F. McCoy — **General Counsel & Assistant Secretary**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Mark W. Husband — **Assistant Treasurer**
Effective: Wednesday, September 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Timothy J. Gallagher — **Assistant Treasurer**
Effective: Monday, November 15, 1999
Primary Address: None given

James G. Ivey — **Assistant Treasurer**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Shawna L. Gehres — **Secretary**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Loretta K. Roberts — **Assistant Secretary**
Effective: Wednesday, September 01, 1999
Primary Address: One WIlliams Center
Tulsa, OK 74172 USA

Joseph W. Miller **Assistant Secretary**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

John T. Miller **Assistant Secretary**
Effective: Thursday, July 29, 1999
Primary Address: One Williams Center
Tulsa, OK 74172

Candice L. Cheeseman **Assistant Secretary**
Effective: Monday, November 01, 1999
Primary Address: One Williams Center, MD 41-3
Tulsa, OK 74172

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.

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.

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.

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.

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.

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.

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.

EXHIBIT F

Financial Statements of
Williams Communications Group, Inc.

Form 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1999

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 1-15343

Williams Communications Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	73-1462856 (IRS Employer Identification Number)
One Williams Center Tulsa, Oklahoma (Address of principal executive officer)	74172 (Zip Code)

Registrant's Telephone Number: (918) 573-2000

No Change
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes☐ No☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at October 29, 1999
Class A Common Stock, $0.01 par value	68,164,496 Shares
Class B Common Stock, $0.01 par value	395,434,965 Shares

WILLIAMS COMMUNICATIONS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
	(In thousands, except per-share amounts)			
Revenues (Note 3)	$498,340	$423,120	$1,499,479	$1,224,846
Operating expenses:				
Cost of sales	391,338	308,552	1,157,080	895,790
Selling, general and administrative	137,732	120,717	402,584	327,713
Provision for doubtful accounts	5,318	2,756	17,128	5,452
Depreciation and amortization	34,226	21,359	96,338	62,118
Other (Note 4)	444	29,628	27,357	30,661
Total operating expenses	569,058	483,012	1,700,487	1,321,734
Loss from operations (Note 3)	(70,718)	(59,892)	(201,008)	(96,888)
Interest accrued	(29,601)	(4,966)	(58,634)	(11,216)
Interest capitalized	6,953	4,948	15,751	9,504
Equity losses (Note 3)	(9,465)	(5,290)	(28,147)	(8,029)
Investing income (loss)	(33)	266	4,729	1,533
Minority interest in (income) loss of subsidiaries	7,936	1,142	19,208	(3,762)
Other income (loss), net	165	83	(593)	39
Loss before income taxes	(94,763)	(63,709)	(248,694)	(108,819)
(Provision) benefit for income taxes (Note 5)	8,850	1,792	(36,984)	2,975
Net loss	$(85,913)	$(61,917)	$ (285,678)	$ (105,844)
Basic and diluted loss per share (Note 6):				
Net loss	$ (.22)	$ (.16)	$ (.72)	$ (.27)
Weighted average shares outstanding	395,435	395,435	395,435	395,435

See accompanying notes.

WILLIAMS COMMUNICATIONS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 1999	1998
	(In thousands)	
Operating activities		
Net loss	$ (285,678)	$(105,844)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	72,934	41,857
Amortization of goodwill and other intangibles	23,404	20,261
Provision (benefit) for deferred income taxes	35,805	(4,468)
Provision for loss on property	26,792	—
Provision for loss on investment	—	23,150
Provision for doubtful accounts	17,128	5,452
Equity losses	28,147	8,029
Minority interest in income (loss) of subsidiaries	(19,208)	3,762
Cash provided (used) by changes in:		
Receivables sold	(33,767)	3,648
Receivables	(160,269)	(97,486)
Costs and estimated earnings in excess of billings	20,738	(11,832)
Inventories	(47,056)	4,890
Other current assets	(860)	(8,257)
Accounts payable	47,081	39,337
Deferred revenue	68,676	24,971
Accrued liabilities	1,094	(5,994)
Billings in excess of costs and estimated earnings	(865)	(39,717)
Due to/from affiliates	7,970	129,105
Other	26,713	(17,558)
Net cash provided by (used) in operating activities	(171,221)	13,306
Financing activities		
Proceeds from long-term debt	2,377,901	—
Payments on long-term debt	(1,246,049)	(126,158)
Debt issuance costs	(21,963)	—
Capital contributions from parent	91,290	148,633
Contribution to subsidiary from minority interest shareholders	35,523	—
Changes due to/from affiliates	169,490	517,533
Net cash provided by financing activities	1,406,192	540,008
Investing activities		
Property, plant and equipment:		
Capital expenditures	(952,477)	(358,269)
Proceeds from sales and dark fiber transactions	52,048	1,374
Purchase of investments	(307,049)	(184,773)
Acquisitions of businesses, net of cash acquired	—	12,604
Proceeds from sale of business	49,452	—
Other	—	8,920
Net cash used in investing activities	(1,158,026)	(520,144)
Increase in cash and cash equivalents	76,945	33,170
Cash and cash equivalents at beginning of period	42,004	11,290
Cash and cash equivalents at end of period	$ 118,949	$ 44,460

See accompanying notes.

WILLIAMS COMMUNICATIONS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
Three Months Ended September 30, 1999					
Revenues:					
External customers:					
Dark fiber	$ 9,354	$ —	$ —	$ —	$ 9,354
Capacity and other	62,510	—	63,930	—	126,440
New systems sales and upgrades	—	214,688	—	—	214,688
Maintenance and customer service orders	—	138,505	—	—	138,505
Other	—	4,624	—	—	4,624
Total external customers	71,864	357,817	63,930	—	493,611
Affiliates	3,542	1,187	—	—	4,729
Intercompany	10,628	—	47	(10,675)	—
Total segment revenues	$ 86,034	$359,004	$ 63,977	$ (10,675)	$498,340
Cost of sales:					
Dark fiber	$ 2,464	$ —	$ —	$ —	$ 2,464
Capacity and other	85,371	—	42,123	—	127,494
New systems sales and upgrades	—	160,442	—	—	160,442
Maintenance and customer service orders	—	70,114	—	—	70,114
Indirect operating and maintenance	—	30,824	—	—	30,824
Intercompany	—	2,478	8,197	(10,675)	—
Total cost of sales	$ 87,835	$263,858	$ 50,320	$ (10,675)	$391,338
Segment loss:					
Loss from operations	$(43,834)	$(13,091)	$ (13,793)	$ —	$(70,718)
Equity earnings (losses)	127	—	(9,592)	—	(9,465)
Add back-allocated charges from Williams	964	2,141	241	—	3,346
Total segment loss	$(42,743)	$(10,950)	$ (23,144)	$ —	$(76,837)
Depreciation and amortization	$ 13,933	$ 12,051	$ 8,242	$ —	$ 34,226

	Network	Solutions	Strategic Investments	Eliminations	Total
			(In thousands)		
Nine Months Ended September 30, 1999					
Revenues:					
External customers:					
Dark fiber	$ 81,281	$ —	$ —	$ —	$ 81,281
Capacity and other	159,365	—	197,135	—	356,500
New systems sales and upgrades	—	618,506	—	—	618,506
Maintenance and customer service orders	—	409,936	—	—	409,936
Other	—	19,772	—	—	19,772
Total external customers	240,646	1,048,214	197,135	—	1,485,995
Affiliates	10,202	3,282	—	—	13,484
Intercompany	32,575	—	311	(32,886)	—
Total segment revenues	$283,423	$1,051,496	$ 197,446	$(32,886)	$1,499,479
Costs of sales:					
Dark fiber	$ 56,653	$ —	$ —	$ —	$ 56,653
Capacity and other	217,040	—	125,666	—	342,706
New systems sales and upgrades	—	454,681	—	—	454,681
Maintenance and customer service orders	—	213,619	—	—	213,619
Indirect operating and maintenance	—	89,421	—	—	89,421
Intercompany	—	7,834	25,052	(32,886)	—
Total cost of sales	$273,693	$ 765,555	$ 150,718	$(32,886)	$1,157,080
Segment loss:					
Loss from operations	$(89,210)	$ (34,038)	$ (77,760)	$ —	$ (201,008)
Equity earnings (losses)	127	—	(28,274)	—	(28,147)
Add back-allocated charges from Williams	2,828	6,278	865	—	9,971
Total segment loss	$(86,255)	$ (27,760)	$(105,169)	$ —	$ (219,184)
Depreciation and amortization	$ 27,414	$ 34,737	$ 34,187	$ —	$ 96,338

total approximately $50 million. In the second quarter of 1999, 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 the businesses. These transactions resulted in an income tax provision of approximately $7.9 million, which reflects the impact of goodwill not deductible for tax purposes. Loss from operations related to the assets for the three months ended September 30, 1999 and 1998 were $.9 million and $4.9 million, respectively and loss from operations for the nine months ended September 30, 1999 and 1998 were $10.2 million and $14.8 million, respectively.

Included in the third quarter of 1998 in other operating expenses as part of Strategic Investments' segment loss is a $23.2 million 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 $17.0 million from writing off the entire carrying amount of the investment and $5.0 million from the recognition of contractual obligations that will continue after the abandonment. WCG's share of losses from the venture accounted for under the equity method were $1.0 million and $3.7 million for the three and nine months ended September 30, 1998, respectively.

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.

The provision (benefit) for income taxes for the three and nine months ended September 30, 1999 and 1998 includes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands)			
Current:				
Federal	$ —	$ —	$ —	$ —
State	175	50	185	89
Foreign	(1,797)	818	994	1,404
	(1,622)	868	1,179	1,493
Deferred:				
Federal	(2,685)	(1,970)	29,633	(3,283)
State	(4,543)	(690)	6,172	(1,185)
	(7,228)	(2,660)	35,805	(4,468)
Total provision (benefit)	$(8,850)	$(1,792)	$36,984	$(2,975)

The tax benefit for the three and nine months ended September 30, 1998 is significantly less than applying the federal statutory rate to the pre-tax loss primarily due to tax losses allocated solely to Williams under the tax sharing agreement.

Williams note

WCG has historically received capital contributions and interest-bearing advances from Williams in order to fund operations. On September 8, 1999, previous non-capital borrowings from Williams were converted into a seven-year note payable bearing interest at an annual rate based upon WCG's credit rating. At September 30, 1999, the outstanding borrowings from Williams were $788 million and the interest rate was LIBOR plus 2.25%, or 7.63%. Of the total borrowings from Williams, $6.25 million has been classified as current at September 30, 1999 as quarterly principal payments begin July 1, 2000, with no less than $25 million payable in any fiscal year. After the completion of the offerings in October 1999, WCG subsequently re-characterized $200 million of Williams capital contributions to the Williams note resulting in approximately $1 billion in borrowings from Williams.

Third parties

Long-term debt (excluding amounts due to affiliates) as of September 30, 1999 and December 31, 1998 consists of the following:

	September 30, 1999	December 31, 1998
	(In thousands)	
Short-term loan facility	$ 625,000	$ —
Long-term credit facility, variable rate payable through 2006	500,000	—
Other	1,579	3,710
	1,126,579	3,710
Current maturities	289	690
Long-term debt	$1,126,290	$3,020

Short-term loan facility

In September 1999, WCG entered into a $750 million short-term loan facility with its underwriters. As of September 30, 1999, WCG had borrowed $625 million all of which was repaid in October 1999 upon the completion of WCG's debt and equity offerings. The interest rate on this facility was the same as the long-term credit facility described below.

Long-term credit facility

In September 1999, Williams Communications, Inc. ("WCI"), the wholly owned operating subsidiary of WCG, entered into a $1.05 billion credit facility with various banks. The credit facility consists of a $525 million seven-year senior multi-draw amortizing term loan facility and a $525 million six-year senior reducing revolving credit facility. WCG (through WCI) may borrow under the term loan facility during a one-year period beginning on the commencement date of the credit facility and may borrow under the revolving credit facility throughout its six-year term. The loans bear interest based on WCG's credit ratings. The current rate of interest is LIBOR plus 2.25%, or 7.63%. As of September 30, 1999, WCG had borrowed $500 million all of which was repaid in October 1999 upon completion of the debt and equity offerings.

Term loans must be repaid beginning in the fourth year of the term loan facility: 15% of the term loans must be repaid during the fourth year, 25% during the fifth year, 30% during the sixth year and 30% during the seventh year. The commitments under the revolving credit facility will be permanently reduced by 20% in the fourth year, by 30% in the fifth year, and by 50% in the sixth year. WCG must repay amounts borrowed under the revolving credit facility to the extent these amounts are in excess of the remaining commitments. In addition, WCG is required to ratably prepay the term loans or reduce its revolving loans commitments in trespass, damages based on WCG's 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.

WCG believes that installation of the cable containing the single fiber network that crosses over or near the named plaintiffs' land does not infringe on the plaintiffs' property rights. WCG also does not believe that the plaintiff has sufficient basis for certification of a class action. The proposed composition of the class in the *Oxford* lawsuit appears to include only landowners who would also be included in the class proposed in the *Shrier* suit.

Other communications carriers have been successfully challenged with respect to their rights to use railroad rights of way, which are also challenged by the plaintiffs, in *Shrier* and *Oxford*. Approximately 15% of the WCG network is installed on railroad rights of way. In many areas, the railroad granting WCG the license holds full ownership of the land, in which case its license should be sufficient to give WCG 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. WCG generally did not obtain landowner approval where the rights of way are located on railroad easements. In most states, WCG has eminent domain rights which WCG believes would limit the liability for any trespass damages. It is likely that WCG will be subject to other purported class action suits challenging the use of railroad or pipeline rights of way, but WCG cannot quantify the impact of such claims at this time. Thus, WCG cannot be certain that the plaintiffs' purported class action or other purported class actions, if successful, will not have a material adverse effect.

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.

of $4.2 million, an increase in net interest expense of $22.6 million and a $.3 million increase in investing losses, somewhat offset by a change in minority interest results of $6.8 million. Net loss was decreased by a $7.1 million increase in the tax benefit recorded pursuant to a tax sharing agreement with Williams (see Note 5 — Notes to Condensed Consolidated Financial Statements).

WCG's network unit accounted for $32.4 million of the increase in losses from operations and WCG's solutions unit accounted for $9.7 million of the increase in losses from operations, partially offset by WCG's strategic investments unit which accounted for a $31.3 million decrease in losses from operations. The decrease in losses at the strategic investment unit is primarily due to the third quarter 1998 write-down of $23.2 million related to the abandonment of a venture involved in the technology and transmission of business information.

WCG's network unit

The table below summarizes WCG's network unit's results for the three months and nine months ended September 30, 1999 and 1998.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands)			
Revenues:				
Dark fiber	$ 9,354	$ —	$ 81,281	$ —
Leased capacity and other	62,510	19,339	159,365	42,621
Intercompany	10,628	12,510	32,575	37,260
Affiliates	3,542	1,637	10,202	5,647
Total revenues	86,034	33,486	283,423	85,528
Operating costs:				
Cost of sales	87,835	30,662	273,693	71,630
Selling, general and administrative	27,550	10,955	70,934	31,796
Provision for doubtful accounts	558	1	598	43
Depreciation and amortization	13,933	3,257	27,414	8,392
Other	(8)	—	(6)	203
Total operating expenses	129,868	44,875	372,633	112,064
Loss from operations	$(43,834)	$(11,389)	$(89,210)	$(26,536)

WCG's network unit's revenues increased $52.5 million, or 157%, to $86.0 million for the quarter ended September 30, 1999 from $33.5 million for the same period in 1998. The increase was primarily due to a $35.8 million increase in revenues from services provided to network customers, $9.4 million of revenues from dark fiber leases for transactions entered into prior to June 30, 1999 and accordingly accounted for as sales-type leases and a $6.6 million increase in revenues from consulting and outsourcing services.

WCG's network unit's gross margin decreased to a $1.8 million loss for the quarter ended September 30, 1999 from a $2.8 million profit for the same period in 1998 while gross margin decreased to a 2% loss for the quarter ended September 30, 1999 from a 8% profit for the same period in 1998. Cost of sales increased $57.1 million, or 186%, to $87.8 million for the quarter ended September 30, 1999 from $30.7 million for the same period in 1998 due primarily to $23.0 million of higher off-net capacity costs incurred prior to the completion of the network currently under construction, $16.0 million of higher operating and maintenance expenses, $6.5 million higher local access connection costs, $6.0 million higher costs associated with consulting and outsourcing services and $2.5 million related to construction cost associated with dark fiber leases.

WCG's network unit's selling, general and administrative expenses increased $16.6 million, or 151%, to $27.6 million for the quarter ended September 30, 1999 from $11.0 million for the same period in 1998 due

WCG's solutions unit's provisions for doubtful accounts increased $2.3 million, or 102%, to $4.6 million for the quarter ended September 30, 1999 from $2.3 million for the same period in 1998. The increase in provisions reflects adjustments to reserves based on unresolved billing and collection issues.

WCG's solutions unit's depreciation and amortization increased $2.6 million, or 26%, to $12.1 million for the quarter ended September 30, 1999 from $9.5 million for the same period in 1998. The increase is attributable to $1.4 million of depreciation on systems implemented in 1999 and $.7 million of amortization relating to the acquisition of Computer Network Group, Inc in October 1998.

WCG's solutions unit's other operating expense decreased $5.3 million, or 95%, to $.3 million for the quarter ended September 30, 1999 from $5.6 million for the same period in 1998, primarily due to a third quarter 1998 non-cash charge of $5.6 million related to the abandonment of capitalized software costs in favor of new systems.

WCG's strategic investments unit

The table below summarizes WCG's strategic investments unit's results for the three months and nine months ended September 30, 1999 and 1998.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands)			
Revenues:				
Vyvx Services	$ 39,458	$ 41,123	$119,426	$120,812
PowerTel	13,361	4,590	32,684	4,590
Other	11,111	11,538	45,025	34,187
Intercompany	47	130	311	404
Total revenues	63,977	57,381	197,446	159,993
Operating costs:				
Cost of sales	50,320	45,022	150,718	129,281
Selling, general and administrative	18,895	24,357	62,546	58,194
Provision for doubtful accounts	165	475	820	1,593
Depreciation and amortization	8,242	8,562	34,187	25,484
Other	148	24,044	26,935	25,016
Total operating expenses	77,770	102,460	275,206	239,568
Income (loss) from operations	$(13,793)	$(45,079)	$(77,760)	$(79,575)
ATL and other equity losses	$ (9,592)	$ (5,290)	$(28,274)	$ (8,029)

WCG's strategic investments unit's revenues increased $6.6 million, or 11%, to $64.0 million for the quarter ended September 30, 1999 from $57.4 million for the same period in 1998 primarily due to the August 14, 1998 acquisition of PowerTel which had $8.8 million of increased revenues and the October 23, 1998 acquisition of Intersys which had $6.1 million of increased revenues and a $7.4 million decrease of revenues related to the July 31, 1999 sale of audio and video conferencing services and closed-circuit video broadcasting services businesses.

WCG's strategic investments unit's gross profit increased to $13.7 million for the quarter ended September 30, 1999 from $12.4 million for the same period in 1998 while gross margin decreased to 21% for the quarter ended September 30, 1999 from 22% for the same period in 1998. Cost of sales increased $5.3 million, or 12%, to $50.3 million for the quarter ended September 30, 1999 from $45.0 million for the same period in 1998 primarily due to a $6.4 million increase related to the PowerTel acquisition, a $5.1 million increase related to the Intersys acquisition and a $2.2 million increase in other various investment companies offset by decreases of $5.2 million related to the July 31, 1999 sale of audio and video conferencing services ended September 30, 1999 from 16% for the same period in 1998. Cost of sales increased $202.1 million, or 282%, to $273.7 million for the nine months ended September 30, 1999 from $71.6 million for the same period in 1998 due primarily to $70.1 million of higher off-net capacity costs incurred prior to the completion of the network currently under construction, $56.7 million related to construction cost associated with dark fiber leases, $32.0 million of higher operating and maintenance expenses, $15.4 million higher local access connection costs and $12.3 million higher costs associated with consulting and outsourcing services.

WCG's network unit's selling, general and administrative expenses increased $39.1 million, or 123%, to $70.9 million for the nine months ended September 30, 1999 from $31.8 million for the same period in 1998 due primarily to an increase in the number of employees, the expansion of the infrastructure to support the network currently under construction including $12.5 million of start-up costs associated with the development of voice services in 1999.

WCG's network unit's depreciation and amortization increased $19.0 million, or 227%, to $27.4 million for the nine months ended September 30, 1999 from $8.4 million for the same period in 1998 due primarily to completion of various segments of its network.

WCG's solutions unit

WCG's solutions unit's revenues increased $34.5 million, or 3%, to $1,051.5 million for the nine months ended September 30, 1999 from $1,017.0 million for the same period in 1998. The increased revenues were attributable to increases of $28.8 million in new systems and upgrades due to higher demand for voice equipment, $7.9 million in professional services, $6.1 million from the sale of equipment residuals and $3.5 million in other revenues offset by a decrease of $12.6 million in maintenance and customer service orders revenues. The increase in professional services revenue is primarily attributable to the October 1998 acquisition of Computer Network Group, Inc.

WCG's solutions unit's gross profit increased to $285.9 million for the nine months ended September 30, 1999 from $284.4 million for the same period in 1998, while gross margin decreased to 27% for the nine months ended September 30, 1999 from 28% for the same period in 1998. Cost of sales increased $33.1 million, or 5%, to $765.6 for the nine months ended September 30, 1999 from $732.5 million for the same period in 1998. The increase in cost of sales is consistent with the increased revenues. The slight decline in gross margin is a result of increased competitive pressures in the voice equipment business.

WCG's solutions unit's selling, general and administrative expenses increased $31.4 million, or 13%, to $269.1 million for the nine months ended September 30, 1999 from $237.7 million for the same period in 1998. The increase in selling, general and administrative expense is primarily due to $16.5 million in higher technological and infrastructure support costs associated with the implementation of new systems and processes of which $12.9 million is directly related to increased information technology and business integration costs, $6.6 million of higher salaries and wages costs, a $3.4 million increase in business consulting services in support of sales efforts, $3.1 million related to a Williams-wide stock performance incentive and a $1.6 million charge for the conversion and vesting of employee stock options from Williams to WCG stock options at the time of the WCG initial equity offering.

WCG's solutions unit's provisions for doubtful accounts increased $11.9 million, or 312%, to $15.7 million for the nine months ended September 30, 1999 from $3.8 million for the same period in 1998. The increase in provisions reflects adjustments to reserves based on unresolved billing and collection issues.

WCG's solutions unit's depreciation and amortization increased $6.5 million, or 23%, to $34.7 million for the nine months ended September 30, 1999 from $28.2 million for the same period in 1998. The increase is primarily due to $2.6 million of depreciation on systems implemented in 1999 and $2.2 million of amortization relating to the acquisition of Computer Network Group, Inc. in October 1998.

WCG's solutions unit's other operating expense decreased $5.0 million, or 92%, to $.4 million for the nine months ended September 30, 1999 from $5.4 million for the same period in 1998, primarily due to a third quarter 1998 non-cash charge of $5.6 million related to the abandonment of capitalized software costs in favor of new systems.

Liquidity and Capital Resources

Cash sources

WCG's operations do not currently provide net positive cash flow. Accordingly, prior to the completion of its equity and high yield offerings, WCG funded capital expenditures, acquisitions and other cash needs through a combination of borrowings and capital contributions from Williams as well as external borrowings when required. As a result of the recently completed offerings and entering into a long-term credit facility, which are discussed below, WCG plans on financing future cash outlays through internally generated and external funds without relying on cash advances, credit support or contributions from Williams.

During 1998, WCG entered into an asset defeasance program. The asset defeasance program provides cash which WCG may use, as agent for a trust, to buy and install fiber optic cable and equipment in order to construct portions of the network that WCG will lease upon completion. WCG has the right to acquire the assets from the lessor upon expiration of the lease. The lessor is a trust formed for the purpose of obtaining funding for network construction. The maximum amount available under this asset defeasance program is $750 million. As of September 30, 1999, approximately $547 million had been spent under this program for the network and there was an additional $203 million available. Obligations under the lease are partially guaranteed by Williams.

In September 1999, WCG (through WCI) entered into a $1.05 billion credit facility to replace an interim credit facility. As of September 30, 1999, the long-term credit facility was guaranteed by Williams. Williams is expected to be released from the guarantee in the fourth quarter of 1999. At September 30, 1999, WCG had $500 million outstanding under this facility all of which was repaid in October 1999. WCG also entered into a $750 million short-term loan facility in September 1999 to provide funds to repay a portion of the borrowings on the interim credit facility and to finance capital expenditures for its business units through the completion of the offerings. Borrowings under this short-term loan facility totaled $625 million at September 30, 1999, all of which were repaid in October upon the completion of the offerings.

WCG's offerings were declared effective in September 1999 and trading on the high yield public debt began on September 30, 1999 and trading on the equity securities began on October 1, 1999. Proceeds from the offerings were received in October 1999 and consisted of approximately $1.94 billion from the high yield offering and approximately $1.47 billion from the equity offering. Included in the equity offering proceeds were amounts from concurrent investors as follows: SBC Communications of $438.5 million for a 4.36% ownership in WCG, $200 million from Intel for a 2.00% ownership in WCG and $100 million from Teléfonos de Mexico for a 1.00% ownership in WCG. The remaining equity proceeds received represented a 7.34% ownership. Williams retained an 85.3% ownership. The proceeds from the equity and high yield offerings are to be used to develop and light the network currently under construction, repay portions of debt, fund operating losses and for working capital and general corporate purposes.

After the completion of the offerings in October, WCG subsequently re-characterized $200 million from paid-in capital to amounts due to Williams resulting in approximately $1.0 billion in borrowings from Williams. WCG will pay a floating interest rate on borrowings from Williams equal to LIBOR plus a margin based on its credit rating.

Cash uses

Network capital expenditures — WCG's primary anticipated cash need is funding capital expenditures for its network unit for construction costs including the purchase and deployment of fiber optic cable, equipment costs and other costs including capitalized interest. WCG's network's construction contracts typically cover all or a portion of a cable construction project. While WCG's network may use the same contractors on different projects, it has no long-term construction agreements. WCG's network has long-term equipment purchase contracts with Nortel and Ascend Communications Inc. WCG spent approximately $1.6 billion under its network capital plan through September 30, 1999. WCG estimates that during the period from October 1, 1999 through December 31, 2000, it will spend a total of approximately $2.3 billion on its network. This amount includes expenditures made under the asset defeasance program, as agent for the trust, and expenditures made for dark fiber.

Also in 1997, Williams established a Year 2000 committee to oversee management and execution of the plan. The Year 2000 issue is being addressed in the following phases:

- awareness
- inventory and assessment
- renovation and replacement
- testing and validation

The initial phase, awareness, is a continuing process intended to heighten awareness of Year 2000 issues both within WCG and among its customers.

WCG has completed the inventory and assessment phase. During this phase, WCG inventoried and classified all systems with possible Year 2000 implications into the following categories:

- highest, compliance is business critical
- high, compliance necessary within a short period of time following January 1, 2000
- medium, compliance necessary within 30 days from January 1, 2000
- low, compliance desirable but not required
- unnecessary

WCG designated the first three categories above as critical and as its major focus. Critical systems are systems that directly support customer systems and applications for WCG's products and services customer base. Examples of critical systems include solutions unit's "SIMS" database, which holds the solutions unit's customer records, and network unit's provisioning and ordering fulfillment system.

WCG split the inventory and assessment phase into two categories, IT and Non-IT. WCG hired an external contractor as a consultant to provide support services for the IT assessment. Third-party software information was compared with the contractor's master product compliance database to determine Year 2000 compliance status. Vendors were contacted for software not found in this master database. The systems identified in the assessment phase included all date- and time-sensitive hardware and embedded items. The Non-IT assessment was developed to ensure that all computer hardware, network hardware and plant equipment continues to operate without interruption up to and beyond the rollover to the year 2000. The systems identified in the assessment included both manned sites and unmanned network sites as well as other Non-IT systems.

For the testing and validation phases, a Year 2000 test lab capable of testing almost any software is in place and operational. All critical IT and Non-IT systems have been fully tested or otherwise validated as compliant. An example of another way a system is validated as compliant is when a business process is determined not to be date- and time-sensitive. Some non-critical systems that will not have a material impact on WCG business may not be compliant until after January 1, 2000.

WCG has initiated a formal communications process with customers, vendors, service providers and other companies to determine the extent to which these companies are addressing Year 2000 compliance. In connection with this process, as of September 30, 1999 WCG has sent approximately 9000 letters and questionnaires to third parties who have conducted business with WCG during the last three years. While the response rate has been 37% overall, the response rate is higher from critical business partners. For example, there is a 72% response rate from IT business partners, a 78% response rate from Non-IT partners and a 44% response rate from lessors. Virtually all of these companies have indicated that they are already compliant or will be compliant on a timely basis. WCG has identified the most critical business partners and are currently in the process of determining the amount of risk to which WCG may be exposed. Where necessary, WCG will be working with key business partners to reduce the risk of a break in service or supply and with non-compliant companies to mitigate any material adverse effect on business.

WCG has attempted to minimize risks for the Year 2000 rollover by taking actions, which include the following:

- following a comprehensive project methodology
- ongoing coordination with the legal and audit departments
- completing an audit of the software, hardware and firmware in use at its facilities
- determining the business criticality of the items identified and formulating appropriate action plans
- maintaining centralized storage of project documentation and communication with critical files kept and logged as vital records
- contacting vendors, suppliers and business partners regarding their Year 2000 compliance efforts
- issuing consistent and approved responses to external requests regarding Year 2000 status
- conducting ongoing management reporting and awareness and training programs for employees
- contacting customers and notifying them of plans and changes (potential or tangible) relating to its business
- taking appropriate legal actions where required based on contractual agreements, warranties and representations (including Year 2000 wording in contracts, warranties, and purchase orders)
- preventing the purchase or construction of any system, tools or processes that are not Year 2000 compliant or upgradeable before January 1, 2000

Although all critical systems over which WCG has control are planned to be compliant and tested before the Year 2000, WCG has identified two areas of concern. First is the possibility of service interruptions to WCG and/or its customers due to non-compliance by third parties. Second is the delay in system replacements scheduled for completion during 1999. WCG is closely monitoring the status of these systems to reduce the chance of delays in completion. WCG believes the most reasonably likely worst possible scenario would be a systems failure beyond its control to remedy, which could materially prevent it from operating its business. WCG believes that such a failure would likely lead to lost revenues, increased operations costs, loss of customers or other business interruptions of a material nature, in addition to potential claims including mismanagement, misrepresentation or breach of contract.

Contingency Plans

WCG began initial contingency planning during 1998 and significant focus on that phase of the project is taking place in 1999. Guidelines for that process were issued in January 1999 in the form of a formal business continuity plan. An external contractor has worked within each business unit to review existing business continuity plans and to modify these plans to include Year 2000 contingency plans for the critical business processes, critical business partners, suppliers and system replacements that may experience significant delays.

WCG's Year 2000 contingency plan methodology is as follows:

- assess each business process for business risk and potential need for contingency plans
- create business process contingency plans as needed based on the risk analysis
- test the completed plans, evaluate the test results and revise plans accordingly
- store completed plans both on-site and off-site
- maintain plan copies at the appropriate Year 2000 offices
- review and modify contingency plans as part of an ongoing change management process

All defined business contingency plans have been completed and implemented where appropriate. However, due to the general uncertainty inherent in the Year 2000 issue and the inability to anticipate all

Foreign currency risk

At September 30, 1999, WCG has a preferred stock investment in a Brazilian telecommunications venture totaling $318 million. Estimating cash flows from this investment is not practical given that the cash flows from or liquidation of this investment is uncertain. The Brazilian economy has experienced significant volatility in 1999 resulting in an approximate 37 percent reduction in the Brazilian Real against the U.S. dollar. However, management believes the fair value of this investment approximates the carrying value. An additional 20 percent reduction in the value of the Brazilian Real against the U.S. dollar could result in up to a $64 million reduction in the fair value of this investment. This analysis assumes a direct correlation in the fluctuation of the Brazilian Real against the value of this investment. The ultimate duration and severity of the conditions in Brazil remains uncertain, as does the long-term impact on WCG's interests in the venture. Management presently does not utilize derivative or other financial instruments to hedge the risk associated with the movement in foreign currencies. However, management continually monitors fluctuations in these currencies and will consider the use of derivative financial instruments or employment of other investment alternatives if cash flows or investment returns so warrant.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLIAMS COMMUNICATIONS GROUP, INC.
(Registrant)

/s/ SCOTT E. SCHUBERT
Scott E. Schubert
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

November 11, 1999

EXHIBIT G

Network Map