

Management Communication Guide #1-1999

Questions and Answers

1. What prevented IXC from achieving its 1998 earnings goal?

An increase in expenses associated with the expansion of our Eclipse sales force and developing our IT infrastructure -- including merging systems with several acquired companies -- were the main reasons for not reaching the earnings goal. As the sales per Eclipse salesperson rise with experience and a full product portfolio, however, we'll improve our earnings to sales ratio.

2. What are we doing to limit our future exposure to unsuccessful customers?

We've revisited our credit and reserve practices and made adjustments. A recent review of our accounts receivables -- what customers owe IXC -- shows we are in good shape.

3. What contributed to IXC achieving its 1998 sales goal?

By being the only company with a robust and ready fiber optic network (85,000 OC-48 miles worth), we're were able to capture increased business from Internet service providers as well as from our competitors in the class of emerging carriers whose networks are not complete.

4. Where are we focusing our revenue attainment efforts in 1999? In other words, where will revenue growth come from?

The main thrust of our revenue attainment will be private line and data sales.

5. Why did IXC feel it was important to enter the business-to-business direct channel? Doesn't that complicate matters with our wholesale customers?

There is much greater opportunity to provide high-margin added value services in the business-to-business sector. Further, by targeting the small-to-medium-size business market, we're going after a sector that is outpacing the growth rate of businesses overall. As a matter of practice, we don't compete with our wholesale customers for retail accounts.

Another advantage of serving this market is that it gives us a place to test the viability of services for our resellers, who can offer the same product set to their customers.

We have deliberately avoided the consumer market at this time, because many of our resellers are much more invested in consumer sales.

6. We just agreed to purchase Coastal Telephone. Are there additional plans for expanding the business-to-business channel? What costs will be incurred?

Although I have nothing to share with you at this time, it's fair to assume that there will be more acquisitions in the future to build the business-to-business channel. It's impossible to say what costs will be incurred.

5. What is the company's strategic plan?

Internet and data sales and private line sales.

6. Why has IXC's value lagged behind that of others in the "emerging carrier" class?

That's something of a mystery to us. What we do know is that we've gotten the attention of investors in the past quarter, and we think that our value as we build strategic alliances.

7. What kind of strategic alliances are IXC's board and executives open to?

Discussions with investment bankers Morgan Stanley are based on the Senior Leadership Team's desire to ensure that IXC lives up to its full potential. The company has much building to do yet, primarily in the areas of processes, information technology systems and brand development, and all these activities require significant cash outlays. An investment banker can help a growing enterprise like ours understand the costs and benefits associated with numerous options.

8. If I have questions about my stock options, who do I contact?

Merrill Lynch administers the IXC Shares Employee Stock Option Plan for us. You can dial 800-933-3228 and ask for John Fitzpatrick or Erik Leishman