

Dow Jones  
Indust. Avg.  
**Down 38.31**  
8,057.98

# Business

S & P 500  
**Down 4.56**  
965.72

# BUSY SIGNAL AS GTE JOINS MCI BIDFEST

*Slow & steady is strategy for GTE boss*

By PAUL THARP

GTE's low-key boss Charles Lee has held a slow and steady hand on his company's five-year ascent as the future model for telecommunications companies.

Lee, 57, who prefers being called Chuck, has quietly put GTE into a solid spot in every corner of the field — local service, wireless, on-line services, long distance and data transmissions for everything from movies to medical archives.

This spring, he became the only telephone company chief to succeed in a face-off with Wall Street, by telling analysts that he's sacrificing short-term earnings for a long-term bonanza.

Part of his bonanza came yesterday — a \$28 billion cash offer for MCI — the boldest challenge ever to fast-growing WorldCom's acquisition binge. WorldCom earlier offered \$34.5 billion in stock and debt for MCI.

"WorldCom's been a freight train and nobody dared get in their way, until now," said David Otto, an analyst at Edward Jones. "But Chuck and GTE jumped out in front of the train and they aren't afraid of stopping it."

"This could make WorldCom re-think their strategy."

Lee, whose biggest pastime is playing golf, offers a sharp contrast to the cowboy flamboyance of WorldCom's chief Bernie Ebbers.

The father of five children, Lee trained as a metallurgical engineer at Cornell University, earned an MBA from Harvard and did seven- and nine-year stints at U.S. Steel and Penn Central.

Then he went to Hollywood for three years as Columbia Pictures' chief money man. He joined GTE in 1984, rising to chairman and CEO in 1992.

By JON EISEN

Count GTE in for the mushrooming battle over MCI.

The Stamford-Conn.-based local phone giant made an unsolicited \$28 billion all-cash bid for MCI yesterday, rivaling a higher stock offer from WorldCom, and a lower announced deal MCI has with British Telecommunications.

The GTE offer — in the form of a bear-hug letter from GTE chief Charles Lee to MCI chairman Bert Roberts — is worth \$40 a share, just less than WorldCom's all stock offer of \$41.50 a share. It would be the largest cash bid ever.

BT's announced acquisition of MCI is for \$9 billion less than WorldCom's bid.

GTE was considered the most likely of other possible bidders for MCI, but analysts say others may still make offers of their own for the belle of the ball.

"There are many telecom companies with global ambitions, and there's only one MCI," said Salvatore Muoio, analyst with S. Muoio & Co.

MCI investors were gleeful about the prospects of a bidding war. Trading of MCI shares was halted as they rose during the day when word of the GTE offer leaked. GTE shares fell 1 1/8 to 48 before being halted. WorldCom shares dropped 1 1/8 to 35 7/8 and BT depository receipts rose 2 1/8 to 75.

GTE is hoping that MCI shareholders will prefer its cash to WorldCom's stock. WorldCom shares have skyrocketed in recent years, but skeptics say its shares are inflated and might sink under the weight of the MCI deal.

GTE also offers a strong brand name and track record, and might be more appealing to MCI partner British Telecom, which might want to ally with a merged GTE-MCI.

MCI said it would evaluate the bids from GTE and WorldCom soon. Its board is expected to meet Friday.

For MCI, a deal with GTE would provide speedy access into the local phone markets that MCI has been finding very expensive to crack. It was the high cost of building local business, along with the slowing of MCI's long-distance business, that led BT to cut its bid for MCI by \$5 billion, opening the door to WorldCom's hostile bid.

Conversely, MCI would provide GTE speedy access to the long-distance market, something GTE has been building as a reseller. Already it has about a million long-distance

**GTE makes an unsolicited \$28 billion all-cash bid for MCI.**

customers.

GTE said a GTE-MCI would increase the company's earnings by at least 20 percent after its first year of operations. It would save \$1.4 billion to \$1.6 billion in its first full year, and rise to as much as \$2.2 billion in the second year, rising further thereafter.

GTE's Lee suggested in his letter that he would like to continue MCI's alliance with BT, saying "we share the global vision of our industry that brought MCI and British Telecom together."

GTE currently operates in 21 countries, deriving 15 percent of its net income from its international business.

Keeping the BT-MCI alliance, would help a merged GTE-MCI with its global ambitions, possibly opening a door eventually to a merger with BT.

A GTE-MCI "would be putting AT&T back together," said Muoio. A WorldCom-MCI, he added, would be "creating the company of the future," with its mix of Internet and data services, local and long-distance.

Lee was solicitous in his letter to Roberts, offering the MCI chairman a job as vice chairman of the new company's board of directors, and participation in the office of the chairman.

He offered to put the company's world headquarters in Washington, where MCI is now headquartered, rather than GTE's Connecticut base.

The new company would have \$40 billion in revenues, 21 million local lines and 24 million long-distance lines.

Financing for the bid hasn't been arranged yet, although GTE said its adviser, Goldman, Sachs & Co. assured it financing is readily available. With \$1 billion on hand, GTE would have to raise almost the entire amount. Some MCI stockholders may be concerned at their potential tax liability on an all cash bid, but Lee offered to acquire MCI in cash and stock if MCI preferred.



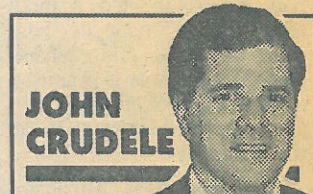
## MCI investors

GTE or WorldCom or British Telecom?

Shareholders of MCI Communications are in the enviable position of having a buffet of takeover offers for their company. But the winner may ultimately be determined by how well the overall stock market does in the months ahead than anything else.

Experts agree that this latest great takeover struggle is likely to get much more complicated before it gets resolved.

For one thing, experts say that GTE and WorldCom probably aren't finished bid-



**JOHN CRUDELE**

ding, since their offers are virtually equal right now.

And British Telecom, which now has a merger deal with MCI that looks all but doomed, will probably stoke the fires, if for no other reason than to get its rivals to go higher. British Telecom already owns 20 percent of MCI

**NEW PLAYER:** GTE's Charles Lee walked into the bidding for MCI, joining WorldCom's Bernie Ebbers and British Telecom's Iain Vallance.

Ismael Roldan