

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

JOINT APPLICATION FOR APPROVAL)	
OF THE INDIRECT TRANSFER OF)	
CONTROL RELATING TO THE)	CASE NO. 2006-00136
MERGER OF AT&T INC. AND)	
BELLSOUTH CORPORATION)	

JOINT STIPULATION OF FACTS AND EVIDENCE IN THE RECORD

As stated in the Joint Application, testimony, and Joint Applicants' responses to the Attorney General's data requests, the Joint Applicants reaffirm and stipulate as follows:

1. This is a holding company transaction in which shareholders of BellSouth will receive 1.325 shares of AT&T stock in exchange for each share of their BellSouth stock (a "Holding Company Merger"). *See* Joint Application at ¶ 22 and Exhibit B – Merger Agreement at ¶ 4.1(a). Since this is a Holding Company Merger, Joint Applicants will not (a) engage in any debt financing requiring liens or the pledging of assets by the Joint Applicants' subsidiaries operating in Kentucky, (b) require any subsidiary or affiliate to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants, or to grant liens in favor of any lender providing financing, and as a result, (c) the ratepayers shall not bear, directly or indirectly any debt or transactional costs, liabilities or obligations in order to consummate this merger. *See* Joint Applicants' Response to Attorney General's Initial Data Requests ("DR") 19, 31 and 32.

2. Since this is a Holding Company Merger, there will be no effect on the rates, terms and conditions of the services that the Joint Applicants' subsidiaries currently provide in Kentucky on account of the merger. *See* Joint Application at ¶ 30. Moreover, BellSouth

Telecommunications, Inc. will elect to be subject to Kentucky HB 337, which becomes effective July 12, 2006, and as a result of this election, its Basic local rates will be capped for five (5) years. *See* Joint Applicants' Response to Attorney General's Initial DR 19.

3. After the merger closes, Joint Applicants will maintain state headquarters in Kentucky for their Kentucky operating subsidiaries and will continue to work with the Kentucky Public Service Commission and the Attorney General's Office to assist them in fulfilling their important duties. *See* Joint Application, Exhibit C and Joint Applicants' Response to Attorney General's Initial DR 35(a). The Joint Applicants will notify the Kentucky Public Service Commission and the Attorney General's Office in a timely manner of any downgrading of AT&T Inc.'s debt by Moody's or Standard & Poor's during the first year after the merger closing date, and will continue their existing protocols for resolving complaints received by the Attorney General's Office, including but not limited to providing specific company contacts and timeframes for the resolution of complaints.

4. Under state and federal law, broadband Internet access services are not within the jurisdiction of the Commission, and hence are not within the proper scope of this proceeding. *See* Joint Applicants' Response to Attorney General's Initial DRs 6 & 45. Nonetheless, the Joint Applicants acknowledge that every BellSouth Telecommunications, Inc. central office in Kentucky is currently equipped for DSL service, and BellSouth has already made DSL service available to 81% of households passed in the BellSouth service area in Kentucky. *See* Joint Application, Pre-Filed Testimony of Eddy Roberts at 7. Moreover, as stated in the Joint Application, "as a result of the merger AT&T and BellSouth can consolidate their efforts to explore ways to more efficiently deploy broadband services to rural areas and other hard-to-reach areas. In particular, the pooling of AT&T and BellSouth resources and information,

combined with the technical expertise of Cingular, holds great promise for the development and deployment of broadband services using wireless technologies.” *See* Joint Application, Pre-Filed Testimony of Christopher Rice at 11, and Eddy Roberts at 7-8.

5. Since this merger is a Holding Company Merger, it (a) will be transparent to Kentucky customers, (b) will have no effect on the rates, terms and conditions of service that the Joint Applicants’ subsidiaries operating in Kentucky currently provide, and (c) will have no effect on the ability of the operating subsidiaries in Kentucky to continue to provide the same high level of service to Kentucky customers. *See* Joint Application at ¶¶ 30 and 34. Thus, the Joint Applicants’ Kentucky operating subsidiaries will continue to comply with the lawful rules, regulations, and requirements of the Commission. The Joint Applicants’ Kentucky operating subsidiaries will also adhere to the Commission’s applicable service quality standards, including the posting of service performance results and filing of corrective action reports under the appropriate circumstances. *See also* Joint Applicants’ Response to Attorney General’s Initial DR 35(d) and (n).

6. The Joint Applicants will continue BellSouth’s historic levels of charitable contributions and community activities, including the continued funding of charitable activities throughout BellSouth’s nine-state area as has previously been provided through the BellSouth Foundation. *See* Joint Application, Exh. C. Moreover, upon reasonable notice and opportunity to respond, the Joint Applicants will provide to the Kentucky Public Service Commission and the Attorney General’s Office data regarding economic development activities and civic and charitable activities. *See* Joint Applicants’ Response to Attorney General’s Initial DR 35(c).

7. After the merger closes, the Joint Applicants' Kentucky operating subsidiaries that are parties to collective bargaining agreements will continue to adhere to their collective bargaining agreements. See Joint Applicants' Response to Attorney General's Initial DR 35(1).

8. After the merger closes, the existing interconnection agreements between BellSouth Telecommunications, Inc. and the CLECs will remain in effect. See Joint Application at ¶ 33 and Joint Applicants' Response to Response to Attorney General's Initial DR 33.

9. As a result of the merger, the Joint Applicants will be better able to respond expeditiously and effectively to the evolving needs of government customers, especially in the case of natural disasters and other emergencies. See Joint Application at ¶¶ 42-48 and Pre-filed Testimony of Christopher Rice at 13-16. After the merger closes, the Joint Applicants will contact the Kentucky Department of Homeland Security to familiarize it with the combined company's enhanced capabilities as a result of this merger.

FOR BELLSOUTH CORPORATION,
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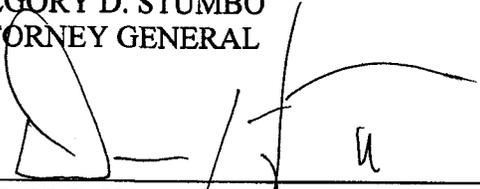
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