

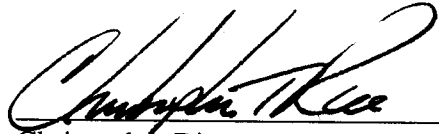
AFFIDAVIT

STATE OF TEXAS

COUNTY OF BEXAR

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Christopher Rice, who being by me first duly sworn deposed and said that:

He is appearing as a witness before the Kentucky Public Service Commission in Case No. _____, (Joint Application for Approval of the Indirect Transfer of Control Relating to the Merger of AT&T Inc. and BellSouth Corporation), and if present before the Commission and duly sworn, his direct testimony would be set forth in the annexed testimony consisting of 17 pages.

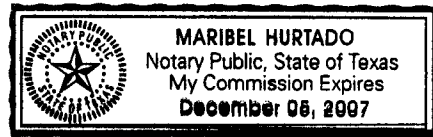


Christopher Rice

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 28 DAY OF MARCH, 2006

 Notary Public

My Commission Expires: 12/05/2007



COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

JOINT APPLICATION FOR APPROVAL)
OF THE INDIRECT TRANSFER OF)
CONTROL RELATING TO THE)
MERCER OF AT&T INC. AND)
BELLSOUTH CORPORATION)

Case No. _____

DIRECT TESTIMONY OF CHRISTOPHER RICE

**Executive Vice President – Network Planning and Engineering
AT&T Inc.**

March 31, 2006

1 **DIRECT TESTIMONY OF CHRISTOPHER RICE**
2 **Executive Vice President – Network Planning and Engineering**
3 **AT&T Inc.***

4 **I. INTRODUCTION**

5 **Q. PLEASE STATE YOUR NAME AND TITLE.**

6 A. My name is Christopher Rice. I am Executive Vice President – Network Planning
7 and Engineering for AT&T Inc. (“AT&T”).

8 **Q. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.**

9 A. I am responsible for enterprise-wide development, engineering, planning and
10 procedures, deployment guidelines, advanced switching and routing, and other
11 aspects of the new AT&T network. As part of my responsibilities, I am
12 responsible for planning and implementing the integration of the legacy SBC
13 network with the legacy AT&T network. I also was involved in certain aspects of
14 due diligence relating to the networks of BellSouth Corp. (“BellSouth”) and
15 Cingular.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to explain from a network perspective the
18 benefits that customers in Kentucky can expect to receive as a result of AT&T’s
19 merger with BellSouth. These benefits fall into three broad categories:
20 (a) benefits from network integration; (b) more innovation in networks and
21 services, and faster roll-out of new and existing services to our customers; and
22 (c) improved ability to respond to natural disasters.

* Please see the Cautionary Language Regarding Forward-Looking Statements included as Attachment A to this testimony.

1 **II. THE MERGER WILL ENHANCE NETWORK INTEGRATION AND**
2 **THEREBY INCREASE SERVICE QUALITY**

3 **Q. DOES AT&T PLAN TO INTEGRATE THE BELLSOUTH AND AT&T IP**
4 **NETWORKS WITH CINGULAR'S IP NETWORK?**

5 A. Yes. A merged AT&T and BellSouth, with unified ownership of Cingular, will
6 be able to realize the advantages of combining the three companies' networks into
7 one, Internet Protocol ("IP") based network. This integration will yield
8 operational efficiencies, as the combined company will conduct network planning
9 and engineering across a single, integrated network and will realize more efficient
10 traffic management. In addition, AT&T is presently in the process of developing
11 an IP-based network architecture, known as "IP Multimedia Subsystem," or
12 "IMS," that will enable the delivery of combined voice, data, and video offerings
13 across the company's wireline and wireless networks. With BellSouth, Cingular,
14 and AT&T each operating separate networks, it is not operationally feasible to
15 deploy a single IMS solution across the three companies' networks, which in turn
16 limits the ability of the companies to offer customers the full capabilities enabled
17 by this new technology. Following the merger, the combined company will be
18 able to deploy a single IMS solution across the entire, integrated network, which
19 in turn will permit the company to offer customers an array of integrated voice,
20 data, and video services.

21 **Q. CAN YOU BE MORE SPECIFIC ABOUT HOW INTEGRATION WILL**
22 **BENEFIT CUSTOMERS IN KENTUCKY?**

23 A. Yes. For one thing, the merged company will be better able to provide
24 innovative, efficient, high-quality service to the small- and medium-sized
25 businesses that BellSouth serves today in Kentucky. To take one of many

1 examples, prior to its merger with SBC Communications Inc., AT&T Corp. had
2 developed an advanced “click-through” portal that allowed large enterprise
3 customers to, in effect, provision and manage their telecommunications services
4 in real time, simply by navigating a computer interface. A key benefit arising out
5 of the SBC/AT&T merger is that the combined company now has the resources
6 and customer base to enable it to make services such as this available to a broader
7 segment of customers. Although the SBC/AT&T merger was consummated just
8 last fall, we have already completed the systems work necessary to make the
9 “click-through” portal available to a broader set of business customers than the
10 legacy AT&T had, and we are funding additional work to expand the offering
11 even further. Following the merger with BellSouth, that process will occur in
12 Kentucky and other BellSouth States as well, thus ensuring that a broader set of
13 customers in these States realize the benefits of innovations that previously had
14 been limited to large enterprise customers.

15 In addition, the merged company will likewise be better positioned to serve the
16 large enterprise customers that AT&T serves today in Kentucky. One of the
17 primary objectives of the merger is to create a national and international end-to-
18 end IP network that will allow for the more efficient transmission of the high
19 volumes of traffic that enterprise customers generate, at the quality of service
20 these customers increasingly demand.

21 Finally, the integration of the BellSouth and AT&T IP networks with Cingular’s
22 IP network will permit the combined company to offer customers a range of next-
23 generation, IP-based services. With the deployment of IMS described above, the

1 merged company will be able to offer customers a seamless suite of voice, data,
2 and video services to the customer, regardless of where that customer is and what
3 device (*e.g.*, wireline phone, wireless phone, or computer) he or she happens to be
4 using.

5 **Q. CAN YOU PROVIDE A CONCRETE EXAMPLE OF HOW NETWORK**
6 **INTEGRATION CAN PROVIDE A BENEFIT TO CUSTOMERS,**
7 **PARTICULARLY IN THE IP CONTEXT?**

8 A. Yes. Integrating BellSouth's and AT&T's complementary networks will allow us
9 to move BellSouth's Internet-bound traffic (both domestic-bound and
10 international-bound) onto AT&T's backbone network, achieving greater
11 economies of scale. Specifically, this will allow Internet-bound traffic originated
12 by BellSouth customers to be carried using AT&T's Tier 1 Internet backbone.
13 Currently, despite the fact that BellSouth is a leading Internet service provider, it
14 is not a Tier 1 backbone provider. Integrating the networks will allow BellSouth-
15 originated Internet traffic to be handed off on a direct peering basis. Such an
16 arrangement is more efficient from an engineering viewpoint and reduces the cost
17 of hand-offs of Internet traffic to other carriers. In addition, by carrying Internet
18 traffic on our own network for a longer duration, the combined company will be
19 better able to manage the quality of the traffic as it is delivered to other carrier(s)
20 with which we will have a (Tier 1) direct peering relationship. By thus reducing
21 the total number of hand-offs the traffic will experience as it travels among
22 carriers, this integration will improve reliability, reduce latency (delay in signal
23 flow), and allow us to provide a higher quality of service or "QoS." And these

1 benefits, in turn, will allow the merged company to provide more efficient, higher
2 quality services to customers in Kentucky.

3 **Q. HOW WILL THIS NETWORK INTEGRATION AFFECT QUALITY OF**
4 **SERVICE FOR CUSTOMERS?**

5 A. The network integration resulting from the merger will improve quality of service.
6 As I explained above, it will result in more traffic being carried entirely on a
7 single, integrated IP network. Increasing the on-net traffic over a greater
8 percentage of the distance between the origination and destination points allows
9 us to better manage that traffic. Better management reduces latency, and
10 therefore allows us to offer our customers better service. We will also be able to
11 offer our customers improved reliability and security. And, again, this improved
12 quality of service will benefit the customers that BellSouth and AT&T already
13 serve in Kentucky, as well as the customers (both enterprise and mass market)
14 that they hope to serve.

15 **Q. HOW WILL THE NETWORK INTEGRATION DESCRIBED ABOVE**
16 **AFFECT THE COMBINED COMPANY'S ABILITY TO ADDRESS**
17 **NETWORK SECURITY ISSUES?**

18 A. Integration of the BellSouth, AT&T, and Cingular IP networks will markedly
19 enhance the company's ability to address security concerns. Simply put, security
20 is far easier to manage on a single, IP-based network than it is on three distinct IP
21 networks. Network integration results in fewer mission-critical facilities – i.e.,
22 core nodes and routers – that must be managed. In addition, with a single IP
23 network, critical security solutions – such as firewalls and packet cleaning
24 solutions – need only be installed and managed once, rather than repeatedly

1 across multiple networks. These efficiencies, in turn, permit the combined
2 company to pursue security solutions on a cost-effective basis, leaving more
3 resources to devote to the types of innovative solutions discussed above.

4 **Q. HAS AT&T ACHIEVED ANY BENEFITS OF INTEGRATION FROM**
5 **THE RECENT MERGER BETWEEN SBC AND AT&T CORP.?**

6 A. Absolutely. While the process of integrating the legacy SBC and the legacy
7 AT&T networks is just beginning, we already are realizing significant benefits.
8 After we closed the merger on November 18, 2005, we spent the next
9 approximately six weeks completing the integration planning process. The actual
10 implementation phase began in January. Even in the first 90 days of this process,
11 we already are realizing significant benefits for customers from network
12 integration. Indeed, we are ahead of schedule in many respects.

13 For instance, in addition to the “click through” example discussed above, as a
14 result of that merger, we already are delivering enhanced Internet backbone
15 reliability and reduced latency to our customers. Prior to the SBC/AT&T merger,
16 AT&T Corp. had a national and international network, and was considered one of
17 the “Tier 1” backbones. SBC, like BellSouth’s subsidiaries, operated a dense in-
18 region network with relatively few out-of-region points of presence. SBC was not
19 considered a Tier 1 backbone, and therefore had to hand off significant amounts
20 of traffic to a Tier 1 backbone and pay transit fees. Since closing the merger, we
21 have begun the integration by directly connecting the legacy SBC backbone to the
22 legacy AT&T backbones outside the U.S. so that they can operate effectively as
23 one. Thus, international traffic already is subject to fewer hops, and therefore

1 reduced latency, than it was pre-merger. We expect to directly connect the legacy
2 SBC and legacy AT&T U.S. backbones by the end of April. At that time, traffic
3 that previously was sent to/from legacy SBC and AT&T customers will be
4 exchanged directly, and all such traffic will experience service enhancement.

5 **Q: ARE THERE OTHER BENEFITS THAT ARE ALREADY**
6 **MATERIALIZING?**

7 A. Yes, there are. Another benefit of combining SBC and AT&T is that we have
8 been able to commit the financial resources to accelerate expansion of network
9 capacity in two respects. One expansion involves the legacy AT&T plan for an
10 all-optical, ultra long-haul transport network. Because of budget constraints, the
11 legacy AT&T had not planned to complete this network upgrade until at least
12 2007-2008. The new AT&T, with the financial resources of the combined
13 companies, has accelerated that investment into the current year. When
14 completed, this investment will greatly enhance the through-put (i.e., reduced
15 latency and packet loss) and reliability of customer services. It will also lay the
16 foundation for increasing the capacity of the AT&T IP backbone to meet
17 customer growth for IP-based services such as virtual private networks, disaster
18 recovery connections, and remote storage requirements. And it will also allow for
19 shorter provisioning intervals and lower costs.

20 The second, broader expansion involves our core Internet backbone network. The
21 legacy AT&T core was comprised of multiple OC192 circuits. The new AT&T
22 has developed a plan to accelerate deployment of new OC768 circuits. That
23 process will start later this year. In addition to increased capacity, the new

1 network will benefit customers by enhancing traffic management efficiency,
2 improving the reliability of the IP network, and providing increased disaster
3 recovery capabilities should a failure in any part of the IP network occur (i.e.,
4 transport facility, router, peer point, etc.). Therefore, with the combination of
5 SBC and AT&T, this enhancement of our Internet backbone will occur more
6 quickly than either company alone would have been able to accomplish, to the
7 benefit of our customers.

8 The combined company also is launching a project to reduce network congestion
9 using an AT&T Laboratories-developed intelligent routing solution. Today, each
10 router in a network operates off a list of routing tables that tell it where to send the
11 Internet traffic. These routing tables are used to re-route traffic when there is
12 congestion on one part of the network (e.g., because a router goes down).

13 Currently, when re-routing is necessary, routing tables are updated through a
14 process of sending updated routing table information to every router in the
15 system. That process takes time and causes additional congestion on the IP
16 network, which delays traffic (i.e., increases latency and packet loss) as the IP
17 routers update with the new routing tables. This process recurs when the failed
18 router is restored, again causing all of the routing tables to update.

19 The new AT&T has accelerated the implementation of a technology developed by
20 AT&T Laboratories to connect these routing tables electronically to a single
21 database, which will enable a router automatically to query the database and
22 locate the best routing to avoid the point of congestion. Once this new system is
23 implemented fully, it will be able to identify congestion earlier and provide re-

1 routing information more quickly, resulting in a more stable network. This new
2 intelligent routing capability will be able to mitigate Distributed Denial of Service
3 (“DDOS”) attacks by preventing congestion both on the IP network and on
4 customer connections. It also will enable the development/creation of new IP-
5 based services and applications much like the Advanced Intelligent Network
6 (“AIN”) technology did for the Public Switched Telephone Network (“PSTN”).

7 These are just a few of the many examples of concrete benefits directly traceable
8 to the integration accomplished as a result of the recent merger.

9 **III. THE MERGER WILL INCREASE THE PACE OF INNOVATION AND**
10 **THE DEPLOYMENT OF NEXT GENERATION SERVICES**

11 **Q. PLEASE DESCRIBE HOW THE MERGER WILL AFFECT**
12 **INNOVATION AND THE INTRODUCTION OF NEW SERVICES.**

13 A. The wireline-wireless integration that I have discussed will permit us to introduce
14 new IP-based products and to be far more responsive to consumer demands.

15 Across the spectrum of our customers, from the largest enterprise to a single
16 household, we continue to hear that consumers want to be able to access needed
17 information and applications from any connected device in an easy, intuitive, and
18 reliable manner. With the integration of these IP networks, AT&T will be able to
19 meet these demands.

20 The merger will allow the combined company to increase the pace of innovation,
21 roll-out new services more quickly, and offer those services to a broader range of
22 customers. Moreover, the combined company will have a greater incentive to
23 invest in new products and services than would either company alone. Because

1 technical innovations are generally applicable to a broad range of services, the
2 incentive to invest in such innovations is greatest when the resulting innovation
3 can be offered across multiple services and to the broadest range of customers,
4 allowing the innovator the maximum opportunity to earn the full benefits of the
5 innovation.

6 **Q. CAN YOU PROVIDE AN EXAMPLE OF HOW AN INNOVATION CAN**
7 **BE EXTENDED TO NEW CUSTOMER GROUPS?**

8 A. Yes. Prior to its merger with SBC Communications Inc., AT&T Corp. was
9 developing a proprietary security solution that exceeded the capabilities available
10 from other sources, and it planned to offer these solutions to its large enterprise
11 customers. The merger between SBC and AT&T enabled the combined company
12 to expand its plans in order to offer this solution to the small- and medium-sized
13 business customers in the 13-state region traditionally served by SBC
14 Communications Inc.'s incumbent local exchange carriers. The merger between
15 AT&T and BellSouth will enable the combined company to offer these services
16 throughout the full range of business customers of the combined company,
17 including those located in the BellSouth region.

18 **Q. ARE THERE PARTICULAR BENEFITS OF THE MERGER FOR RURAL**
19 **CONSUMERS?**

20 A. Yes, there are. Access to a high-speed Internet connection can be particularly
21 crucial for improving the quality of life for rural residents because the Internet can
22 augment many basic services that are in short supply in rural America, such as
23 state-of-the-art health care, extensive library resources, and educational

1 opportunities. As the FCC has recognized, however, deployment of wireline DSL
2 in some rural areas poses difficult challenges.¹

3 As a result of the merger, AT&T and BellSouth can consolidate their efforts to
4 explore ways to more efficiently deploy broadband services to rural areas and
5 other hard-to-reach areas. In particular, the pooling of AT&T and BellSouth
6 resources and information, combined with the technical expertise of Cingular,
7 holds great promise for the development and deployment of broadband services
8 using wireless technologies. Indeed, AT&T is implementing pre-WiMax trials in
9 rural areas of Nevada and Texas this year.

10 **Q. WILL ACCESS TO AT&T LABORATORIES PROVIDE ANY**
11 **PARTICULAR BENEFITS TO THE BELLSOUTH COMPANIES?**

12 A. Yes, it will. For instance, AT&T Laboratories has particular expertise in the
13 development of IP-enabled voice and video technologies, including technologies
14 relating to more cost effective delivery of video over IP. AT&T Laboratories is
15 working to develop enhanced video compression technology so that video
16 conferencing services can be offered to enterprise customers with high QoS

¹ In its Fourth Report to Congress on the availability of advanced services, the FCC recognized that providing wired broadband service to certain rural areas poses some hurdles but noted that significant progress is being made:

Rural areas are typically characterized by sparse and dispersed populations, great distances between the customer and the service provider, and difficult terrain. These factors present a unique set of difficulties for providers attempting to deploy broadband services. Yet despite these obstacles, the data described in the preceding section demonstrate that significant progress is being made towards ubiquitous availability of advanced services in rural areas. This is a marked improvement since the *Third Report*.

Fourth Report to Congress, *Availability of Advanced Telecommunications Capability in the United States*, 19 FCC Rcd 20540, 20577 (2004).

1 commitments. The merger with BellSouth will increase the attractiveness of
2 investments in these developments by increasing the base of potential customers
3 who would benefit from these developments. The increased customer base also
4 will make the resulting higher quality video-conferencing services available more
5 quickly and at more attractive prices to small- and medium-sized businesses.

6 AT&T Laboratories also has been a leader in developing tools relating to speech
7 and voice recognition, and in conversion of speech to text and vice versa. The
8 ability to hear email over a cellphone, to read voicemail messages through a video
9 display, or to text messages that can be heard by the receiving party offer
10 tremendous advances in communication to consumers who are sight, hearing, or
11 speech impaired. This transaction will allow us to provide that service to millions
12 of new small businesses and consumers in BellSouth's region.

13 **Q. ARE THE BENEFITS OF THE MERGER LIMITED TO RESIDENTIAL**
14 **CUSTOMERS?**

15 A. Not at all. The new products that will be made possible by the merger will benefit
16 business customers as well. We will be able to more rapidly and effectively
17 develop integrated business solutions that will bring the benefit of seamless
18 mobility to the workplace by integrating wireless devices more fully with office
19 applications. This will in turn enable businesses to be more productive and
20 efficient as their workers will be able to perform a wider array of functions
21 wherever they are located through mobile devices. The acquisition of BellSouth
22 will enable us to meet business demands for integrated services, as well as to
23 compete more effectively with a range of competitors – a number of which are

1 also working on developing integrated wireless-wireline devices for enterprises.
2 Business customers will also benefit from our enhanced ability to offer network
3 security services to protect their business networks from viruses, worms, spam,
4 and denial-of-service attacks. And, as discussed above with regard to the merger
5 of SBC and AT&T Corp., the merged company will be able to bring products and
6 capabilities originally designed to serve the needs of AT&T's very large national
7 and international customers to smaller businesses.

8 **Q. WILL THE COMBINED COMPANY'S INCREASED INNOVATION**
9 **BENEFIT KENTUCKY CUSTOMERS?**

10 A. Absolutely. The innovation we expect from the merger will directly impact
11 customers in Kentucky. Many of these innovations will come in the area of
12 Internet and IP-enabled services, an area in which AT&T has been a long-time
13 industry leader. So, whether the customer is, on the one hand, a consumer that
14 subscribes to the merged company's broadband Internet access product, or, on the
15 other, an enterprise customer purchasing a suite of data services, the merger will
16 provide meaningful, direct benefits to customers in Kentucky.

17 **IV. THE MERGER WILL FACILITATE DISASTER RESPONSE AND**
18 **RECOVERY**

19 **Q. WILL THE MERGER AFFECT THE COMBINED COMPANY'S**
20 **ABILITY TO RESPOND TO A NATURAL DISASTER?**

21 A. Yes, it will. Large-scale disasters such as ice storms, floods, tornadoes,
22 hurricanes, and other natural phenomena burden the resources of companies even
23 as large as AT&T and BellSouth. Historically, the Regional Bell Operating
24 Companies ("RBOCs") supported one another through voluntary aid agreements,

1 pursuant to which they would make support personnel and equipment available to
2 the affected RBOC. Such a voluntary system, however, cannot substitute for the
3 efficiency that arises when there is one network throughout the affected region,
4 with a common inventory of substitute equipment and personnel trained on that
5 equipment.

6 In the case of Hurricane Katrina, for example, AT&T (that is, SBC before its
7 November 2005 merger with AT&T Corp.) provided support personnel and
8 equipment to support BellSouth's restoration effort. However, before we could
9 deploy our personnel and equipment, the companies had to go through a formal
10 process that involved a number of steps, each of which was necessary in the
11 circumstances, but together delayed deployment. For example, after receiving
12 BellSouth's formal request for assistance (which in turn could only be prepared
13 after BellSouth understood the extent of the devastation it faced, what resources it
14 had, and what it needed from others), SBC had to determine whether it had an
15 inventory of compatible equipment and parts and, if so, how much could be
16 spared without risking its own network. Similarly, SBC needed to determine how
17 many personnel could be loaned to BellSouth consistent with SBC's own network
18 support obligations, and then comply with various labor agreements before it
19 could deploy personnel.

20 The merger will speed disaster response and recovery by enabling the combined
21 company to share equipment and resources more efficiently. As a single
22 company, AT&T and BellSouth will eliminate many of the processes that
23 contributed to the delay of deployment. Moreover, with a single network, the

1 issue of equipment and electronics compatibility disappears, and the company
2 could more efficiently plan for a disaster recovery effort in advance, thereby
3 speeding up the eventual restoration of service considerably.

4 **Q. ARE THERE OTHER WAYS THAT THE MERGER WOULD IMPROVE**
5 **DISASTER RECOVERY IN KENTUCKY?**

6 A. Yes, AT&T has unique assets that can be deployed to improve disaster recovery.
7 As an outgrowth of its long-standing role in national security communications,
8 and to respond to demands of enterprise service customers that expect the highest
9 level of network reliability, legacy AT&T invested hundreds of millions of dollars
10 to develop a truly unique disaster response capability. AT&T can deploy custom-
11 built emergency vehicles with satellite uplink facilities, providing a critical
12 command center as a first response to a disaster. These command centers can be
13 used by police, fire, and emergency personnel to support communications in the
14 area, as occurred after the attacks on the World Trade Center in 2001. In addition,
15 AT&T has the ability to deploy as many as 150 mobile central offices from its
16 own fleet of trucks. Thus, if a central office is taken out by terrorist activity or
17 other disaster, the mobile office can restore service very rapidly. Similarly,
18 AT&T has some 350 trailers with generators, HVAC systems, and other resources
19 needed to provide power and cooling to facilities that have lost power, enabling
20 the facilities to be brought back on line quickly.

21 All of these AT&T recovery resources would be available to both BellSouth and
22 Cingular following the merger. They would substantially enhance their abilities
23 to respond to both natural and man-made disasters, to improve on-site

1 coordination of first responders and police, and to restore communications
2 services to private businesses and consumers in the affected areas.

3 **Q. WHAT CONCLUSIONS HAVE YOU REACHED CONCERNING**
4 **BENEFITS TO KENTUCKY CUSTOMERS STEMMING FROM THE**
5 **MERGER?**

6 A. The merger will result in significant benefits to customers in Kentucky. These
7 include increased efficiency and service quality from network integration,
8 increased innovation in network technology and services, availability of a broader
9 range of services to a broader range of customers, and more efficient disaster
10 response and recovery.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes, it does.

ATTACHMENT A

Cautionary Language Concerning Forward-Looking Statements

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and BellSouth Corporation and are subject to significant risks and uncertainties and outside of our control.

Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by AT&T with the SEC, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of AT&T and BellSouth or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of BellSouth shareholders to approve the merger; (3) the risks that the businesses of AT&T and BellSouth will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that any savings and other synergies relating to the resulting sole ownership of Cingular Wireless LLC may not be fully realized or may take longer to realize than expected; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which AT&T and BellSouth operate. Additional factors that may affect future results are contained in AT&T's, BellSouth's, and Cingular Wireless LLC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website (<http://www.sec.gov>). Neither AT&T nor BellSouth is under any obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

This document may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at www.sbc.com/investor_relations.