



Southern Region
Law & Government Affairs

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February 28, 2005

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box. 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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PUBLIC SERVICE
COMMISSION

Re: Notification of SBC Communications Inc.'s Acquisition of AT&T Corp.

Dear Ms. O'Donnell:

We are writing to provide the Commission with information regarding the recently announced merger between SBC Communications Inc. ("SBC") and AT&T Corp. ("AT&T") pursuant to the requirements of Administrative Case Nos. 359 and 370. SBC and AT&T believe the merger will strengthen the combined company's ability to provide advanced, innovative communications services, to the benefit of businesses and consumers in Kentucky, nationwide, and around the globe.

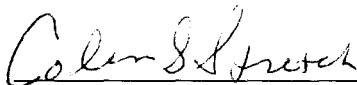
The combination of SBC and AT&T will advance the public interest. The companies, through their common history, have provided telecommunications services for over 125 years and share a legacy of innovation, integrity, and reliability. SBC brings financial strength, a focus on consumers and small business, local and regional service areas, and voice, DSL, and wireline service. AT&T contributes its global systems capabilities, government and business customers, a solid portfolio of data and Internet Protocol ("IP") services, hosting, security and professional services, technology leadership through AT&T Labs, and skilled networking capabilities. Together, the combined company will boast robust, high-quality network assets, both in the United States and around the world, and complementary expertise and capabilities. It will have the resources and skills to innovate and more quickly deliver to customers the next generation of advanced, integrated IP-wireline and wireless communications services.

The merger of SBC and AT&T will be transparent to AT&T's customers in Kentucky, who will not experience any service interruptions or switching fees. Pursuant to the parties' merger agreement, a wholly-owned subsidiary of SBC will be created specifically for the purpose of consummating the transaction. The newly formed entity will merge with and into AT&T, with AT&T being the surviving entity. Shareholders of AT&T will receive consideration comprised of 0.77942 shares of SBC common stock and a special dividend of \$1.30 per share of AT&T stock. Following the merger, AT&T will become a wholly owned subsidiary of SBC. There will be no change in the ownership structure of any SBC-affiliated

entity subject to the Commission's regulatory authority.¹ Likewise, the transaction will result in no change in the ownership of those entities affiliated with AT&T that are subject to the Commission's regulatory authority.²

The SBC/AT&T proposed merger will be reviewed by the United States Department of Justice and the Federal Communications Commission. Although the merger does not require this Commission's approval, we believe it is important for you to understand the transaction and its benefits. Thus, should you have any questions regarding the transaction, please do not hesitate to contact either of us. The merger will result in real benefits for Kentucky consumers and the country, and we look forward to its completion at the earliest possible time.

Yours truly,



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cc: The Hon. Mark David Goss
The Hon. Ellen C. Williams
The Hon. W. Gregory Coker

¹ SBC owns several subsidiaries that are authorized to provide competitive local exchange and interexchange services in Kentucky. The first is SBC Long Distance, Inc., f/k/a Southwestern Bell Communications Services, Inc., a Delaware corporation headquartered at 5850 W. Las Positas Blvd., Pleasanton, CA 94588. SBC Long Distance is authorized to provide competitive local exchange and interexchange services in Kentucky and holds Utility IDs 22251324 (CLEC services) (granted on Apr. 8, 2004) and 5132400 (IXC services) (granted on Aug. 2, 1997). The second is SBC Telecom, a Delaware corporation headquartered at 1010 N. St. Mary's, San Antonio, TX 78215. SBC Telecom is authorized to provide competitive local exchange services in Kentucky and holds Utility ID 05051240. The third is SNET America, Inc. d/b/a SBC Long Distance East, a Connecticut corporation headquartered at 310 Orange Street, New Haven, CT 06510. SBC Long Distance East is a wholly owned subsidiary of Southern New England Telecommunications Corporation, which is in turn a wholly owned subsidiary of SBC. SBC Long Distance East is authorized to provide interexchange services in Kentucky and holds Utility ID 5114600.

² AT&T wholly owns two subsidiaries operating in Kentucky. The first is AT&T Communications of the South Central States, LLC ("AT&T South Central"), a Delaware corporation headquartered at One AT&T Way, Bedminster, NJ 07921. AT&T South Central is authorized to provide competitive local exchange and interexchange services, as well as operator services and COCOT services, in Kentucky and holds Utility IDs 13800 (IXC services), 22213800 (operator services), 33313800 (CLEC services), and 50002500 (COCOT services). The second is TCG Ohio, headquartered at One AT&T Way, Bedminster, NJ 07921. TCG Ohio is a wholly owned subsidiary of Teleport Communications Group, Inc., which is in turn a wholly owned subsidiary of AT&T. TCG Ohio is authorized to provide competitive local exchange services in Kentucky and holds Utility ID 5200800. In the wake of the merger, AT&T South Central and TCG Ohio will continue to provide services in Kentucky pursuant to their existing tariffs.