

SECTION V – TRANSACTIONS WITH AFFILIATES
INTRODUCTION

Nevada Bell Telephone Company, Pacific Bell Telephone Company, Southwestern Bell Telephone, L.P., **The Southern New England Telephone Company**, Wisconsin Bell, Inc., The Ohio Bell Telephone Co., Michigan Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, and Illinois Bell Telephone Company (Telcos) use the applicable provisions of the following guidelines established in RAO 26, released May 6, 1998, and modified in the Phase 2 Report and Order in the 2000 Biennial Regulatory Review released November 5, 2001, in conducting all affiliate transactions.

A. General Definitions:

- (1) "tariffed rates" -- rates provided pursuant to documents filed with state or federal regulatory authorities.
- (2) "publicly-filed agreements/statements of generally available terms" -- charges appearing in publicly-filed agreements submitted to a State commission pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f) in place of tariffed rates when tariffed rates are not available.
- (3) "prevailing price" -- the price at which a company offers an asset or service to the general public. In order to qualify for prevailing price valuation, sales of a particular asset or service to third parties must encompass greater than 25 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis.
- (4) "fair market value" -- the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.
- (5) "net book cost" -- the original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.).
- (6) "fully distributed cost" -- cost determined in a manner that complies with the standards and procedures for the apportionment of special, joint, and common costs between the regulated and nonregulated operations of the carrier. A fully distributed costing methodology apportions the total costs of a group of services or products—including the authorized interstate rate of return—among the individual services or products in that group. In general, this process directly assigns some of the costs to individual services or products. The remaining costs are allocated among individual services or products based on relative use measurements or estimates of relative use. The resulting cost apportionments determine the share of total cost that is attributed to each service or product. (In Telco service transactions, fully distributed cost includes a return component calculated, as required, using the authorized interstate rate of return, currently 11.25%.)

B. Valuation Methods for the Sale or Transfer of Assets:

- (1) "tariffed rate" -- is to be used when assets are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

- (2) "prevailing price" -- is to be used when non-tariffed assets are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular asset must encompass greater than 25 percent of the total quantity of such product sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset basis rather than on a product-line basis. In the case of transactions for assets subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.
- (3) "higher of fair market value and net book cost" -- is to be used as a floor for all other assets sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV (fair market value) or NBC (net book cost) next to each asset listed.
- (4) "lower of fair market value and net book cost" -- is to be used as a ceiling for all other assets purchased by or transferred to the carrier from its affiliates, except that the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate, may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or NBC next to each asset listed.

C. Valuation Methods for the Provision of Services:

- (1) "tariffed rate" -- is to be used when services are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.
- (2) "rate pursuant to a publicly-filed agreement" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates pursuant to publicly filed agreements submitted to state commissions pursuant to section 252(e) of the Communications Act of 1934, as amended, (the Act) or statements of generally available terms pursuant to section 252(f).
- (3) "prevailing price" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular service must encompass greater than 25 percent of the total quantity of such service sold by an entity. Carriers shall apply this 25 percent threshold on a service-by-service basis rather than on a service-line basis. In the case of transactions for services subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.
- (4) "higher of fair market value and fully distributed cost" -- is to be used as a floor for all other services sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or fully distributed cost (FDC) next to each service listed.
- (5) "lower of fair market value and fully distributed cost" -- is to be used as a ceiling for all other services purchased by or transferred to the carrier from its affiliates, except that the first

\$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that services received by a carrier from its affiliates that exist *solely* to provide services to members of the corporate family shall be recorded at FDC, as shown below in item (6)). For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or FDC next to each service listed.

- (6) "fully distributed cost" -- is to be used only when a carrier purchases services from an affiliate that exists solely to provide services to members of the carrier's corporate family. In order to qualify for this classification, the services affiliate must not have any sales with outside parties.

APPLICATION OF AFFILIATE TRANSACTION RULES

The Telcos and their corporate affiliates will comply with the Commission's affiliate transaction rules as outlined in the Uniform System of Accounts (USOA), Part 32 of the Commission's Rules and Regulations, as modified by the Order on Reconsideration in the Joint Cost Proceeding, and the Accounting Safeguards Order under the Telecommunications Act of 1996, CC Docket 96-150.

Assets transferred from an affiliate to the Telco will be recorded on Telco's books of account at prevailing prices (PP). Where no prevailing price has been established, the lower of fair market value (FMV) or the affiliate's net book cost (NBC) will be used as a ceiling for recording on Telco books, except that the first \$500,000 of assets on a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

Assets transferred from Telco to its affiliates will be recorded at prevailing price or tariff rate, if applicable. Otherwise, the higher of fair market value or Telco's net book cost will be used as a floor for recording **on** Telco books, except that the first \$500,000 of assets on an a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

With respect to the purchase of services from an affiliate, Telco will record the prevailing price or any applicable rate pursuant to a tariff or publicly filed agreement. Otherwise, Telco will use the lower of fair market value or fully distributed cost (FDC) as a ceiling for recording on Telco books, except that the first \$500,000 of **services on a** service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that, for services Telco purchases from an affiliate that exists solely to provide services to members of the corporate family, Telco may record **the** fully distributed cost. Instructions have been provided to affiliates concerning the use of the fully distributed cost methodology of cost allocation as contained in Section 64.901 rules. Affiliates are required to apply that method in developing the cost information needed by Telco in complying with the affiliate transaction rules.

When Telco provides a service to an affiliate, the affiliate will be charged an applicable rate pursuant to a tariff or publicly filed agreement. Absent such rates, Telco will apply a prevailing price, if available. Otherwise, the higher of fair market value or fully distributed cost will be used as a floor for recording on Telco books, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost.

The Telcos provide instructions and counseling to each affiliate for guidance in developing the affiliate's fully distributed costs, or the fair market value of the service.

SERVICE COSTING PROCEDURES FOR AFFILIATES

PROVISION OF SERVICES

If an affiliate provides a service to Telco, one of three affiliate transaction rules will apply to Telco. First, if the affiliate provides a **service** pursuant to a tariff or publicly filed agreement, Telco must record **the service** at that rate. The second rule applies when the affiliate provides more than 25 percent of the service quantity to nonaffiliated third parties at a "prevailing" price. Under these circumstances, Telco must record expenses on its (regulated) books equal to the affiliate's "prevailing" price.

If the affiliate does not have a "prevailing" price, the lower of fair market value or fully distributed cost will be used as a ceiling for recording **the service** on Telco books. Fair market value is a good faith estimate developed via methods routinely used by the general business community such as appraisals, catalog listings, competitive bids, replacement cost of an asset, net realizable value of an asset, sales to third parties, etc. Except where fair market value is lower than fully distributed cost, the affiliate providing the service to Telco must use FDC procedures in accordance with Section 64.901 of the FCC Rules and Regulations to cost the affiliate's service.

LIST OF AFFILIATES

Ameritech Advanced Data Services, Inc.	Incorporated in each of the five states within the Ameritech region within the Ameritech region (Illinois, Indiana, Michigan, Ohio, Wisconsin). These companies provide business customers with advanced data communications services.
Ameritech Information Industry Services, Inc.	Provides information services to third-party information providers.
Ameritech Payphone Services, Inc.	Payphone provider outside of Ameritech Ameritech region.
Ameritech Publishing, Inc.	Directory advertising and publishing provider.
Ameritech Services, Inc.	(FDC Exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Capital Services, Inc.	Provider of capital financing and leasing services.
AT&T Corp.	(Section 272 Affiliate) Provides interexchange and advanced data communications services. Also furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data and voice systems for business use.
<u>AT&T DataComm, Inc.</u>	<u>Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data systems for business use.</u>
AT&T Enterprise Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services, Human Resources Support Services, Training Services and Finance Support Services. Also includes Business Process Development and Design, Marketing, Customer Care and Billing Support Services. Also provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Labs, Inc.	(FDC exception applies) Involved in applications research; the preparation of general generic specifications for products; the testing and evaluation of manufacturers' designs and products to determine if the general specifications set by the various AT&T subsidiaries are being met; and writing applications software for computers with processing systems that have been designed to be user-programmed.
AT&T Management Services, L.P.	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Messaging, LLC	Voice messaging services provider.
AT&T Operations, Inc.	(FDC exception applies) Includes the development and design of business processes to provide for the planning, development and other support for the sale and merchandising of telecommunications services and products as well as a single point of contact for customers.
AT&T Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services, Human Resources Support Services, Training Services and Finance Support Services.
<u>AT&T Video Services, Inc.</u>	<u>Video Programming services provider.</u>
Callisma, Inc.	Provider of network consultation services.

LIST OF AFFILIATES

Cingular Wireless, LLC	Wireless services and equipment provider.
Gateway Rivers Insurance Company	(FDC Exception applies) Insurance company that currently provides workers' compensation, general liability, auto liability, printer's errors and omissions, railroad liability, environmental liability, property, medical stop loss, and corporate professional liability.

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<u>Gateway Rivers Insurance Company</u>	(FDC Exception applies) Insurance company that currently provides workers' compensation, general liability, auto liability, printer's errors and omissions, railroad liability, environmental liability, property, medical stop loss, and corporate professional liability.
Pacific Bell Directory	Directory publishing and advertising provider.
Pacific Bell Information Services	Voice messaging service provider.
SBC Advanced Solutions, Inc.	Data services provider.
SBC Asset Management, Inc.	Real estate services provider.
SBC DataComm, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data systems for business use.
SBC Global Services, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service voice systems for business use.
SBC International, Inc.	Holding company for SBC subsidiaries and affiliates operating internationally whose interests are in foreign telecommunications and other related businesses.
SBC Internet Services, Inc.	Internet service provider.
SBC Long Distance, LLC	(Section 272 Affiliate) Provides interexchange services.
SNET America, Inc.	(Section 272 Affiliate) Provides interexchange telecommunications services and interstate and international long-distance services through alliances with major carriers.
SNET Diversified Group, Inc.	Engages in a variety of business activities including tandem switching services, customer call center operations, operator services and consulting services.
SNET Information Services, Inc.	Provides yellow pages directory advertising and publishing, and engages in electronic publishing and internet services.
<u>SNET Real Estate, Inc.</u>	<u>Engages in the acquisition and leasing of commercial real estate.</u>
Southwestern Bell Video Services, Inc.	Video Programming services provider.
Southwestern Bell Yellow Pages, Inc.	Directory publishing and advertising provider.
Sterling Commerce, Inc.	Provider of e-business integration solutions.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Administrative Services	Services include various combinations of general administrative activities, fraud management, preparation and maintenance of technical and other documents, <u>assistance in facilitation of mass migration of certain affiliate customers to Telco network, ID and access cards, facsimile provisioning, conference rooms, E-Rate calculations, etc.</u> Also includes CLEC website support.
Asset Transfers Official Communications Services	Occasional transfers of assets to affiliates, listed in the associated matrix by asset type. Services include the installation, maintenance, and administration of local, intra-LATA and inter-LATA corporate communications services. Also includes related consulting and engineering, official directory, conference calls and terminal equipment.
Billing and Collections Services Real Estate Services	Services include billing on Telco bill and associated collection for services provided by the affiliate to its customers. Services include asset use, property management, lease administration, architectural planning, design and construction, floor space planning, furniture inventory, floor space, furniture and equipment leasing, parking facilities, and antenna site licenses. Also includes lease of central office space and equipment and power space in administrative buildings.
Business Process Development & Design Temporary Projects	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care. Services include temporary support, one-time transactions including licensing of intellectual property, and consultation for general administrative activities.
Collection Services Human Resources Support	Provision of collection services which are not included in a separate billing and collection agreement. Includes support activities related to staffing, work force development, benefit administration, absence management and labor relations.
Customer Care Public Relations Services	Includes post-sale customer care for 272 and 272-like affiliates; encompasses services provided during the period from initial point of sale until first bill is rendered. Includes Customer Account Record Exchange (CARE) testing and high volume business record indicator services. Does not include marketing efforts that precede customer care, and Billing and Collection inquiry service following customer care. Also includes Single Point of Contact (SPOC) support for all affiliates including service and project management functions as well as transfers of misdirected, non-marketing/non-billing/collection calls to affiliate. May include handling of customer inquiries, complaints, appeals, and customer service measurement. May also include general public relations services such as layout, video, news clippings, employee information publications, graphics, and audio tape production.
Customer Premises Equipment (CPE) and Wire Services	Includes the sale or lease, installation, maintenance and repair of CPE, simple and complex wire, intra- and inter-building cables and voice, data and/or video equipment as well as other related telecommunications equipment on the customer's side of the network interface. Also included are installation, maintenance, operations support and/or management services (e.g., consulting, design, engineering and administration activities). These network plans can consist of customized wiring (copper, coaxial or fiber) and/or equipment that provides voice, data and/or video services. Inside wire maintenance plans are also offered as a part of this service. Also includes training of Telco employees to provide CPE Splitter/Filter Support. Includes post-sale customer care for 272 and 272-like affiliates; encompasses services provided during the period from initial point of sale until first bill is rendered. Includes Customer Account
Customer Care	

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Service Provided	Service Description
	Record Exchange (CARE) testing and high volume business record indicator services. Does not include marketing efforts that precede customer care, and Billing and Collection inquiry service following customer care. Also includes Single Point of Contact (SPOC) support for all affiliates including service and project management functions as well as transfers of misdirected, non-marketing/non-billing/collection calls to affiliate.
Marketing Services	Includes marketing, retail sales of products and the administrative support of sales operations up to and including issuing orders for outside third parties and affiliates, including sales support by our Global and Major Accounts units. Also includes use of Telco assets for advertising (e.g. van wrapping, banner advertising on telco buildings). Customer care is not included in marketing services provided to 272 and 272-like affiliates.
<u>Digital Subscriber Loop (DSL) Maintenance and Provisioning</u>	Includes DSL related maintenance and testing activities required to receive process, and close trouble reports and work requests from affiliate and/or affiliate customers. Also includes DSL provisioning functions such as contacting customer or customer representative to assist in PC setups, modem, and filtering requirements. DSL work may include joint testing with telco to resolve provisioning and maintenance issues.
<u>Digital Subscriber Loop (DSL) Network Planning & Engineering Services</u>	Service includes implementation engineering functions (e.g. procurement support, monitoring systems and plant additions, project tracking, scheduling, and reporting), network planning functions (e.g. capacity/sizing/budget analysis and verification, forecasting) and project integration/planning functions (e.g. forecasts, new technology initiatives), and other related activities and associated support functions for DSL products in the 13-states.
Business Process Development & Design	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.

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Service Provided	Service Description
<u>Engineering Support</u>	<u>Service includes receiving and reviewing equipment addition directives from Capacity Managers, complete collocation applications, secure installation vendor and obtain installation quotes, space walkthroughs, vendor installation monitoring/quality assurance, system updates, expense tracking and time-reporting, project scheduling and reporting, and coordination with maintenance engineering for equipment.</u>
Fiber Broadband Service Customer Premises Equipment (CPE) and Wire Services	Service is a high speed network access service that provides connectivity to SBC's IP-enabled network that is capable of delivering a suite of services including internet access, voice, data, and video. This service consists of fiber transport running from a point at or near the customer's home to the customer's serving central office over a Passive Optical Network (PON). PONs are the next generation in networking technology. The PON elements include an optical line terminal that resides in the central office, an optical splitter which is placed in the outside plant, and an optical network terminal that is placed at or near the customer's premises. Includes the sale or lease, installation, maintenance and repair of CPE, simple and complex wire, intra- and inter-building cables and voice, data and/or video equipment as well as other related telecommunications equipment on the customer's side of the network interface. Also included are installation, maintenance, operations support and/or management services (e.g., consulting, design, engineering and administration activities). These network plans can consist of customized wiring (copper, coaxial or fiber) and/or equipment that provides voice, data and/or video services. Inside wire maintenance plans are also offered as a part of this service. Also includes training of Telco employees to provide CPE Splitter/Filter Support.
Finance & Treasury Services Billing and Collections Services	Includes budget analysis support, accounting standards, safety services, risk management, and finance corporate fraud management. Services include billing on Telco bill and associated collection for services provided by the affiliate to its customers.
Human Resources Support Telephone Directory Services	Includes support activities related to staffing, work force development, benefit administration, absence management and labor relations. Includes provision of White Pages listings to telephone directory publishers as well as other listing services
Interconnection Tariffed Telecommunications Services	Establishment of interconnection arrangements with other telecommunications providers. Provision of services covered by federal and/or state tariff or rates mandated by state/federal commissions.
Primary Interexchange Carrier Services (PIC)	May include account maintenance, provision of customer information, verification of customer record and switch data, and service order issuance. May also include PIC change service.
Wholesale Telecommunications Services	Provision of services (e.g. broadband, Local Wholesale Complete) on a wholesale basis.
<u>Layer 1/2/3 and Voice Network Planning and Engineering Service</u>	<u>Services include, but are not limited, to: network planning functions; project integration and planning functions; corporate-wide network planning initiatives; program/project management; common systems standards and applications engineering; equipment and material approval for use (AFUs) and life cycle management; switching/transport/data process support; asset management; cross discipline engineering systems support; network engineering regulatory and compliance support and associated support functions for Layer 1 (i.e., Inter-LATA Transport), Layer 2 (i.e., ATM/FR/Ethernet), Layer 3 (i.e., Internet Protocol) and Voice (i.e., TDM/VoIP) Network Engineering Support services.</u>

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<u>Marketing Services</u>	Includes marketing, retail sales of products and the administrative support of sales operations up to and including issuing orders for outside third parties and affiliates, including sales support by our Global and Major Accounts units. Also includes use of Telco assets for advertising (e.g. van wrapping, banner advertising on telco buildings) and use of customer lists for marketing purposes. Customer care is not included in marketing services provided to 272 and 272-like affiliates.
<u>Network Operations Support</u>	Service includes line number administration, customer/network translations, RCMAC, trunk maintenance, switch surveillance and analysis, and electronic switching support.
<u>Network Performance Monitoring</u>	Service includes the creation and maintenance of network performance monitor databases; installation and configuration of the hardware and software; creation and maintenance of engineering reports; and data tracking and system troubleshooting.
<u>Official Communications Services</u> <u>Collection Services</u>	Services include the installation, maintenance, and administration of local, intraLATA and interLATA corporate communications services. Also includes related consulting and engineering, official directory, conference calls and terminal equipment. Provision of collection services which are not included in a separate billing and collection agreement.
<u>Finance & Treasury Services</u>	Includes budget analysis support, accounting standards, safety services, risk management, and finance corporate fraud management.
<u>Regulatory Services</u>	Services include regulatory support, audit oversight, consulting services and public affairs support
<u>Other Directory Services</u>	Oversight of billing and collection of Yellow Pages sales and advertising, and related project management.
<u>Training Provided to Others</u>	Training classes, curriculums and materials developed or acquired for Telco use are provided to others, and can include custom training development.
<u>Interconnection</u>	Establishment of interconnection arrangements with other telecommunications providers.
<u>Telecommunications Services</u>	Includes telecommunications support activities such as access to test systems for purpose of performing tests on telco owned facilities used by affiliates and special construction activities. May also include employee concession in the Ameritech region and providing central office space and power.
<u>Asset Transfers</u>	Occasional transfers of assets to affiliates, listed in the associated matrix by asset type.

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Service Provided	Service Description
<u>Operator Services</u>	<u>Service includes operator services activities.</u>
Other Directory Services Fiber Broadband Service	Oversight of billing and collection of Yellow Pages sales and advertising, and related project management. Service is a high-speed network access service that provides connectivity to SBC's IP-enabled network that is capable of delivering a suite of services including internet access, voice, data, and video. This service consists of fiber transport running from a point at or near the customer's home to the customer's serving central office over a Passive-Optical Network (PON). PONs are the next generation in networking technology. The PON elements include an optical line terminal that resides in the central office, an optical splitter which is placed in the outside plant, and an optical network terminal that is placed at or near the customer's premises.
<u>Power Management</u>	<u>Service includes monitoring and evaluating power plants for alarms and possible servicing troubles.</u>
Primary Interexchange Carrier Services (PIC)	May include account maintenance, provision of customer information, verification of customer record and switch data, and service order issuance. May also include PIC change service.
Public Relations Services	May include handling of customer inquiries, complaints, appeals, and customer service measurement. May also include general public relations services such as layout, video, news clippings, employee information publications, graphics, and audio tape production.
Real Estate Services	Services include asset use, property management, lease administration, architectural planning, design and construction, floor space planning, furniture inventory, floor space, furniture and equipment leasing, parking facilities, and antenna site licenses. Also includes lease of central office space and equipment and power space in administrative buildings.
<u>Regulatory Services</u>	Services include regulatory support, audit oversight, consulting services and public affairs support.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff or rates mandated by state/federal commissions.
Telecommunications and Equipment Services	Includes telecommunications support activities such as access to test systems for purpose of performing tests on telco owned facilities used by affiliates and special construction activities. May also include employee concession in the Ameritech region and providing central office space and power. Also includes equipment related maintenance and testing activities required to receive, process, and close trouble reports and work requests from affiliate and/or affiliate customers. Also includes Equipment provisioning functions such as contacting customer or customer representative to assist in PC setups, modem, and filtering requirements. Equipment work may also include joint testing with affiliate and/or affiliate customers to resolve provisioning and maintenance issues. Also includes voice mail service and telecommunications-related management consulting and field and staff support functions.
Telephone Directory Services	Includes provision of White Pages listings to telephone directory publishers as well as other miscellaneous directory or support listing services.
Temporary Projects	Services include temporary support, occasional or one-time transactions including licensing of intellectual property, and consultation for general administrative activities.

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<u>Training Provided to Others</u>	<u>Training classes, curriculums and materials developed or acquired for Telco use are provided to others, and can include custom training development.</u>
<u>Wholesale Services Digital Subscriber Loop (DSL) Network Planning & Engineering Services</u>	<u>Provision of services (e.g. broadband , Local Wholesale Complete, Private Carriage Services) on a wholesale basis. Service includes implementation engineering functions (e.g. procurement support, monitoring systems and plant additions, project tracking, scheduling, and reporting), network planning functions (e.g. capacity/sizing/budget analysis and verification, forecasting) and project integration/planning functions (e.g. forecasts, new technology initiatives), and other related activities and associated support functions for DSL products in the 13 states.</u>

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Service Provided	Service Description
Administrative Services Corporate Governance	Includes security, insurance, office services, maintenance of furniture and office equipment, executive transportation, repatriation, customer seminars, loaned employees, services provided to Telco employees located in affiliate buildings, and interim employee-related services arising from mergers and acquisitions. Includes overall corporate direction and development, strategic business planning and executive supervision.
Advertising Finance and Treasury Services	Directory advertising, directory insert advertising, and miscellaneous advertising. Includes shareowner services, investor relations, earning requirements, economic analysis, investment and cash management, tax services, corporate accounting, financial analysis, asset protection, risk management, audit services, payroll, accounts payable and bill payments, disbursement accounting, fixed asset accounting, and affiliate transactions oversight.
Advertising and Image Promotion External Affairs and Government Relations	Provision of information and promotion of AT&T and Telco: names, products, services and corporate image to the investment community and other external audiences. Includes external reporting, regulatory and rate proceeding activities, and compliance with securities law and exchange requirements, and maintaining relations with government and regulatory bodies as well as the general public and other companies.
Asset Transfers Advertising and Image Promotion	Occasional transfers of assets from affiliates, listed in the associated matrix by asset type. Provision of information and promotion of AT&T and Telco: names, products, services and corporate image to the investment community and other external audiences.
Billing & Collection Services Human Resources Support Services	Services include billing on affiliate bill and associated collection for services provided by the affiliate to its customers. Also includes cooperating to identify and correct misapplied payments regardless of billing source. Includes staffing, work force development, benefit administration, absence management and labor relations.
Billing/Customer Support Services Legal Services	Includes billing operations, bill printing and mailing, fraud management, payment processing, billing system project management, customer account establishment and servicing, and provision of customer service advice. Includes professional services provided by affiliate legal organizations.
Broadband IP Service Administrative Services	Service provides Internet Protocol (IP) connectivity capable of providing high speed internet access, video and voice services. Service may consist of connectivity between the IP backbone and the Layer 3 World Wide Web backbone. Service may also include provisioning of video content, VoIP telephony capabilities, end-user customer account establishment, maintenance and tracking, provision of floor space and power, and installation and maintenance activities, (e.g. CPE installation and maintenance, wire work, dispatch, testing, etc.). Includes security, insurance, office services, maintenance of furniture and office equipment, executive transportation, repatriation, customer seminars, loaned employees, services provided to Telco employees located in affiliate buildings, and interim employee-related services arising from mergers and acquisitions.
Business Process Development & Design Marketing Services	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional

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Service Provided	Service Description
	areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care. Services may include product and market management; distribution channel management and development; pricing, packaging and promotion; customer competitive and research analysis; market trials and tests, marketing channels, corporate call center activities, retail sale of Telco products, industry markets sales support, and call center marketing (includes sales transfers and/or referrals to affiliates). Can also include various customer care services including service management and project management functions.
<u>Call Center Customer Care/Procurement Support Services</u>	Includes call center transfers of misdirected, non-marketing calls to affiliates and billing and collection related inquiries. Can also include Call Center PC Lease related costs, non-recurring charges for IVR Development Charges and Reports. Includes contract management, purchasing operations, fleet management, materials management, internal mail services, copy bureau services, office equipment leasing, and procurement systems project management.
Communications Services and Equipment	Includes provision of inter-LATA services, wireless telephone sets and service; voice messaging and message center mailbox services; Internet access, products and support; circuit access and usage charges; equipment leasing and engineering, installation, monitoring, and maintenance of telecommunications products and services.
Technology planning, assessment, and applied technology services	Service involves applications research (which takes known discoveries and determines how they can be used); preparing general specifications for products; testing and evaluating manufacturers' designs and products to determine if they meet Telco general specifications; and writing applications software for computers with processing systems that have been designed to be user-programmed.
Broadband IP Service	Service provides Internet Protocol (IP) connectivity capable of providing high speed internet access, video and voice services. Service may consist of connectivity between the IP backbone and the Layer 3 World Wide Web backbone. Service may also include provisioning of video content, VoIP telephony capabilities, end-user customer account establishment, maintenance and tracking, management of portions of the telecommunications network, provision of floor space and power, and installation and maintenance activities, (e.g. CPE installation and maintenance, wire work, dispatch, testing, etc.).

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Corporate Governance	Includes overall corporate direction and development, strategic business planning and executive supervision.
External Affairs and Government Relations	Includes external reporting, regulatory and rate proceeding activities, and compliance with securities law and exchange requirements, and maintaining relations with government and regulatory bodies as well as the general public and other companies.
Finance and Treasury Services Temporary Projects	Includes shareholder services, investor relations, earning requirements, economic analysis, investment and cash management, tax services, corporate accounting, financial analysis, asset protection, risk management, audit services, payroll, accounts payable and bill payments, disbursement accounting, fixed asset accounting, and affiliate transactions oversight. Services include temporary support, one-time transactions including consultation for general administrative activities.
Human Resources Support Services Real Estate Support Services	Includes staffing, work force development, benefit administration, absence management and labor relations, includes facilities management, real estate design and construction management, real estate transactions, space planning, real estate systems project management and furniture administration, and lease of floor space.
Information Technology Services White Pages Directory Services	Includes software development and maintenance, data center operations, PC desktop support services, corporate data communications management, related miscellaneous office equipment expense, and other miscellaneous services. Includes composition, production and distribution of white pages directories, directory sales, printing and binding of Customer Guide Pages, customer listing change support, database support, customer contact referrals, and local directory closing costs. Provided to Ameritech telcos at no charge from publishing affiliate.
Insurance Services Advertising	Includes insurance administration and funding, Directory advertising, directory insert advertising, and miscellaneous advertising.
Interconnection Services Billing/Customer Support Services	Establishment of interconnection (includes reciprocal compensation agreements) arrangements with other telecommunications providers. Includes billing operations, bill printing and mailing, fraud management, payment processing, billing system project management, customer account establishment and servicing, and provision of customer service advice.
Information Technology Services	Includes software development and maintenance, data center operations, PC desktop support services, corporate data communications management, related miscellaneous office equipment expense, and other miscellaneous services.
Telecommunications Services and Equipment	Includes provision of inter-LATA services, wireless telephone sets and service, voice messaging and message center mailbox services; internet access, products and support; circuit access and usage charges; equipment leasing and engineering, installation, monitoring, and maintenance of telecommunications products and services.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

<p><u>Layer 1/2/3 and Voice Network Planning and Engineering Service</u></p>	<p><u>Services include, but are not limited, to: network planning functions; project integration and planning functions; corporate-wide network planning initiatives; program/project management; common systems standards and applications engineering; equipment and material approval for use (AFUs) and life cycle management; switching/transport/data process support; asset management; cross discipline engineering systems support; network engineering regulatory and compliance support and associated support functions for Layer 1 (i.e., Inter-LATA Transport), Layer 2 (i.e., ATM/FR/Ethernet), Layer 3 (i.e., Internet Protocol) and Voice (i.e., TDM/VoIP) Network Engineering Support services.</u></p>
<p><u>Legal Services/Interconnection Services</u></p>	<p><u>Includes professional services provided by affiliate legal organizations. Establishment of interconnection (includes reciprocal compensation agreements) arrangements with other telecommunications providers.</u></p>
<p><u>Marketing Services/Asset Transfers</u></p>	<p><u>Services may include product and market management; distribution channel management and development; pricing, packaging and promotion; customer competitive and research analysis; market trials and tests; marketing channels, corporate call center activities, retail sale of Telco products, industry markets sales support, and call center marketing (includes sales transfers and/or referrals to affiliates). Can also include various customer care services including service management and project management functions and use of customer lists for marketing purposes. Also can include training to market affiliates products, implementation and installation of equipment/software necessary demonstrations, product demonstrations, attending presentations and use of marketing space for buyer's products. Occasional transfers of assets from affiliates, listed in the associated matrix by asset type.</u></p>
<p><u>Insurance Services</u></p>	<p><u>Includes insurance administration and funding.</u></p>
<p><u>Business Process Development & Design</u></p>	<p><u>Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.</u></p>

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
<u>Billing & Collection Services</u>	Services include billing on affiliate bill and associated collection for services provided by the affiliate to its customers.
<u>Call Center Customer Care</u>	Includes call center transfers of misdirected, non-marketing calls to affiliates.
<u>Operator Services</u>	<u>This service provides the Company with Operator Services activities.</u>
<u>Procurement Support Services</u>	<u>Includes contract management, purchasing operations, fleet management, materials management, internal mail services, copy bureau services, office equipment leasing, and procurement systems project management.</u>
<u>Real Estate Support Services</u>	<u>Includes asset use, facilities management, real estate design and construction management, real estate transactions, space planning, real estate systems project management and furniture administration, and lease of floor space.</u>
<u>Tariffed Telecommunications Services</u>	Provision of services covered by federal and/or state tariff.
<u>Technology planning, assessment, and applied technology services</u>	<u>Service involves applications research (which takes known discoveries and determines how they can be used); preparing general specifications for products; testing and evaluating manufacturers' designs and products to determine if they meet Telco general specifications; and writing applications software for computers with processing systems that have been designed to be user-programmed.</u>
<u>Temporary Projects</u>	<u>Services include temporary support, occasional or one-time transactions including consultation for general administrative activities. Also can include temporary use of equipment</u>
<u>White Pages Directory Services</u> <u>Tariffed Telecommunications Services</u>	<u>Includes composition, production and distribution of white pages directories, directory sales, printing and binding of Customer Guide Pages, customer listing change support, database support, customer contact referrals, and local directory closing costs. Provision of services covered by federal and/or state tariff.</u>

**AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
TARIFFED RATE																																
Billing & Collections		D		D				D						D					D	D	D	D				D						
Real Estate Services					O	O		O					D		D																	
Tariffed Tele-communications Services		D	O	D	D	D	D	D					D	D	D	D			D	D	D	D	D		D		D		<u>D</u>	<u>D</u>		
Fiber Broadband Service								D																								
Primary Interexchange Carrier Services (PIC)		D																														
Wholesale Tele-communications Services																D						D										
PUBLICLY FILED AGREEMENT																																
Interconnection		O													D							D										
PREVAILING PRICE																																
CPE and Wire Services			O	O	O	O	O	O					O	O	O	<u>D</u>			O	O	<u>D</u>	<u>D</u>	O		<u>O</u>		O		<u>D</u>			
Billing & Collections		D		O				D							D					D	D	D				D			<u>D</u>			
Telephone Directory Services																																
Primary Interexchange Carrier Services (PIC)		D			D											D																

- 1= N/A/N/A
- 2= SBC Long Distance, LLC
- 3= SBC International, Inc.
- 4= Pacific Bell Directory
- 5= SNET Diversified Group, Inc.
- 6= Pacific Bell Information Services
- 7= Callisma, Inc.
- 8= SBC Internet Services, Inc.
- 9= N/A

- 10= N/A
- 11= N/A
- 12= AT&T Services, Inc.
- 13= AT&T Management Services, L.P.
- 14= AT&T Operations, Inc.
- 15= AT&T Corp.
- 16= AT&T Enterprise Services, Inc.
- 17= N/A
- 18= AT&T Labs, Inc.

- 19= Southwestern Bell Yellow Pages, Inc.
- 20= SBC Advanced Solutions, Inc.
- 21= AT&T Messaging, LLC
- 22= N/A
- 23= Sterling Commerce, Inc.
- 24= N/A
- 25= ~~Southwestern Bell~~ AT&T Video Services, Inc.
- 26= N/A
- 27= SNET Information Services, Inc.

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- 29= N/A
- 30= N/A

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Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

**AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Telecommunications and Equipment Services		D		D	D	D	D	D				D	D	D	D			D	D	D	D				D		D	D		
Wholesale Tele-communications Services		D													D					D										
ASSETS – Higher of Fair Market Value and Net Book Cost																														
Inventory													Q																	
Central Office Equipment																														
Land and Building																														
Transmitters																														
Support Assets		O				O		O				O	O							O										
SERVICES – Higher of Fair Market Value and Fully Distributed Cost																														
Finance & Treasury Services (FDC, FMV)		O						D				O			D					O					O					
Administrative Services (FDC, FMV)		O	O	O	O	O		O				O	O	O	D				O	O	O	O			O				O	
Official Communications (FDC, FMV)		Q	D	D	Q	O	O	M				D	D	D		Q			D	D	D	D				M		Q	Q	
Real Estate Services (FDC,FMV)		D		D	D	D	D	D				D	D	D	D	D			D	D	D	D		D		O		D	D	

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**AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Temporary Projects (FDC, FMV)		O	O	O	O	O	O	O				O	O	O	<u>Q</u>			O	O	O	O		O		O		O	O		
Business Process Development & Design (FDC, FMV)		D													D					D								D		
Marketing Services (FDC, FMV)		D		<u>D</u>	<u>O</u>	D	D	D				O	D	M	D			O	D	D	D				D			D		
CPE and Wire Svcs Services (FDC, FMV)		D		O	O	O		O				D	O					O	O	D	O				O			<u>O</u>		
Telephone Directory Services (FDC)				D															D								<u>D</u>			
Primary Interexchange Carrier Services (PIC) (FDC, FMV)		D			D										D					D										
Regulatory (FDC, FMV)		M		O		O		M				O	M	M	<u>M</u>	<u>M</u>		O	M	M	M				M		O	<u>D</u>	<u>O</u>	
Other Directory Services (FDC)																														
Training Provided to Others (FDC, FMV)		O	O	O		O		O				O	O	O	<u>O</u>					O	O								<u>O</u>	
Collection Services (FDC, FMV)		D			<u>O</u>			D							<u>O</u>					O	O				D			D		
Operator Services (FDC)					<u>D</u>																									

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**AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
Telecommunications and Equipment Services (FDC, FMV)		D			D	Q	Q	D				D		D	D						D	Q						D	D		
Human Resources Support (FDC, FMV)																															
Public Relations Services (FDC,FMV)		O	O	O		O		O				O	O	O	Q				O	O	O	O		O		O		O			
Customer Care (FDC, FMV)		D			D	D		D							D						D	D							D		
Fiber Broadband Service (FDC, FMV)																															
Digital Subscriber Loop (DSL) Maintenance and Provisioning (FDC, FMV)																						D									
Digital Subscriber Loop (DSL) Network Planning & Engineering (FDC, FMV)																						D									
Engineering Support (FDC)						O									O																
Network Operations Support (FDC)		D																													
Network Performance Monitoring (FDC)		O																													
Power Management (FDC) Digital Subscriber Loop (DSL) Network Planning & Engineering (FDC, FMV)		D							O													D									

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- 29= N/A
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AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES

31= SBC Asset Management, Inc.	40= Ameritech Information Industry Services, Inc.
32= SBC Global Services, Inc.	41= N/A
33= Ameritech Advanced Data Services, Inc.	42= N/A
34= N/A	43= N/A
35= Ameritech Publishing, Inc.	44= Cingular Wireless, LLC
36= Ameritech Services, Inc.	45= N/A
37= SBC AT&T DataComm, Inc.	46= Ameritech Payphone Services, Inc.
38=N/A	47= N/A
39= AT&T Capital Services, Inc.	

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**AFFILIATE TRANSACTIONS MATRIX
TO TELCOS FROM AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32			
TARIFFED RATE																																			
Telecommunications Services and Equipment						D																													
Tariffed Telecommunications Services												D	D																					D	
PUBLICLY FILED AGREEMENT																																			
Interconnection Services																																		D	
PREVAILING PRICE (assets & services)																																			
Information Technology Services																																		O	
Advertising				D	D											D																	D		
Telecommunications Communications Services and Equipment														D																				O	
Real Estate Support Services																																		D	
ASSETS – Lower of Fair Market Value and Net Book Cost																																			
Test Sets																																			O
Inventory																																			O
Amortizable Assets																																			O

- 1= AT&T Operations, Inc.
- 2= **N/ASNET Real Estate, Inc.**
- 3= **N/ASNET Information Services, Inc.**
- 4= Pacific Bell Directory
- 5= Ameritech Services, Inc.
- 6= Pacific Bell Information Services
- 7= SBC Internet Services, Inc.
- 8= N/A

- 9= SNET America, Inc.
- 10= AT&T Management Services, L.P.
- 11= AT&T Labs, Inc.
- 12= SBC Advanced Solutions, Inc.
- 13= SNET Diversified Group, Inc.
- 14= AT&T Services, Inc.
- 15= Ameritech Advanced Data Services, Inc.
- 16= Southwestern Bell Yellow Pages, Inc.
- 17= Callisma, Inc.
- 18= Gateway Rivers Insurance Company
- 19= AT&T Messaging, LLC
- 20= N/A
- 21= **SBC AT&T DataComm, Inc.**
- 22= SBC Asset Management, Inc.
- 23= SBC Long Distance, LLC
- 24= Sterling Commerce, Inc.

- 25= N/A
- 26= AT&T Capital Services, Inc.
- 27= Cingular Wireless, LLC
- 28= N/A
- 29= Ameritech Publishing, Inc.
- 30= SBC Global Services, Inc.
- 31= AT&T Enterprise Services, Inc.
- 32= AT&T Corp.

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**AFFILIATE TRANSACTIONS MATRIX
TO TELCOS FROM AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32		
TARIFFED RATE																																		
Leasehold Building Improvements														0																				
Support Assets	0				0					0		0		0	0						0					0						0		0

- 1= AT&T Operations, Inc.
- 2= ~~N~~**ASNET Real Estate, Inc.**
- 3= ~~N~~**ASNET Information Services, Inc.**
- 4= Pacific Bell Directory
- 5= Ameritech Services, Inc.
- 6= Pacific Bell Information Services
- 7= SBC Internet Services, Inc.
- 8= N/A

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- 12= SBC Advanced Solutions, Inc.
- 13= SNET Diversified Group, Inc.
- 14= AT&T Services, Inc.
- 15= Ameritech Advanced Data Services, Inc.
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- 23= SBC Long Distance, LLC
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- 30= SBC Global Services, Inc.
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Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

**AFFILIATE TRANSACTIONS MATRIX
TO TELCOS FROM AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	
Information Origination/ Termination Assets									Q																								
Leasehold Building Improvements														Q																			
Support Assets	Q				Q		Q		Q	Q		Q	Q	Q							Q		Q			Q				Q		Q	
SERVICES – Lower of Fair Market Value and Fully Distributed Cost																																	
Billing & Collection Services (No Charge)																																	Q
Temporary Projects (FDC, FMV)							Q	Q				Q		Q		Q		Q		Q		Q		Q					Q		Q		
White Pages Directory Services (FDC) or at no charge to SBC Midwest telcos from Ameritech Publishing, Inc.			D	D										D														D					
Administrative Services (FDC)						Q																											
Telecommunications Communications Services and Equipment (FDC, FMV)						D	Q					D		D									D			Q						D	
Marketing Services (FDC, FMV) Employee referral at no charge to telcos from SBGLD.																						Q							D		D		

- 1= AT&T Operations, Inc.
- 2= ~~WASNET Real Estate, Inc.~~
- 3= ~~SNET Information Services, Inc.~~ N/A
- 4= Pacific Bell Directory
- 5= Ameritech Services, Inc.
- 6= Pacific Bell Information Services
- 7= ~~SBC C-Internet Services, Inc.~~
- 8= N/A

- 9= SNET America, Inc.
- 10= AT&T Management Services, L.P.
- 11= AT&T Labs, Inc.
- 12= SBC Advanced Solutions, Inc.
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- 24= Sterling Commerce, Inc.

- 25= N/A
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