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July 7, 2006
Arizona Corporation Commission
DOCKETED

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AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JUL -7 P 4:36

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Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: *Notice of Filing Late-Filed Exhibits; AT&T Notice of Intent;
Docket Nos. T-02428A-06-0203, T-03346A-06-0203,
T-03116A-06-0203, T-03016A-06-0203 and T-03287A-06-0203*

Dear Sir/Madam:

As discussed at yesterday's hearing in this matter, enclosed are the original and 23 copies of the following:

1. Late-Filed Exhibit A-4—State Commission Orders Approving the AT&T/BellSouth Merger as of July 7, 2006;
2. Late-Filed Exhibit A-5—Excerpts from Form S-4 on Executive Compensation; and
3. Late Filed Exhibit A-6—Report Materials Made Available to Investors and Analyst Community Concerning Merger Efficiencies.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp
17840-3/1386437

Enclosures

Docket Control
July 7, 2006
Page 2

Original and 23 copies filed with
Docket Control this 7th day of July, 2006.

cc (w/enclosures) (delivered): Administrative Law Judge Teena Wolfe, Hearing Division
Maureen Scott, Legal Division

cc (w/enclosures) (mailed): John Gibson
Daniel Foley
Theodore A. Livingston
James G. Harralson
Harris R. Anthony
Stephen L. Earnest
Peter Shields
J. Scott Rhodes
Chris Rossie

**AT&T Notice of Intent
Docket Nos. T-02428A-06-0203, T-03346A-06-0203,
T-03116A-06-0203, T-03016A-06-0203 and
T-03287A-06-0203**

Late-Filed Exhibit A-4

**State Commission Orders
Approving the
AT&T/BellSouth Merger
as of July 7, 2006**



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION
861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 739-4247
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April 5, 2006

MEMORANDUM

TO: The Chair and Members of the Commission

FROM: E. Dennis Maczynski, Public Utilities Analyst *EDM*

SUBJECT: IN THE MATTER OF THE JOINT APPLICATION OF AT&T INC.,
BELLSOUTH CORPORATION AND BELLSOUTH LONG DISTANCE,
INC., FOR APPROVAL OF A MERGER (FILED MARCH 31, 2006) -
PSC DOCKET NO. 06-123

Application

AT&T Inc. ("AT&T"), BellSouth Corporation ("BellSouth"), and BellSouth Long Distance, Inc. ("BSLD") (together the "Applicants"), have filed an application for approval of the merger of AT&T and BellSouth.

Parties

AT&T Inc. is a Delaware corporation located in San Antonio, Texas. Through intermediate subsidiaries, AT&T wholly-owns four subsidiaries that are certificated to provide competitive interexchange and local exchange services in the State of Delaware, but are not involved in the proposed merger: 1) SBC Long Distance LLC, d/b/a AT&T Long Distance; 2) SNET America, Inc., d/b/a SBC Long Distance East; 3) AT&T Communications of Delaware, LLC; and 4) TCG Delaware Valley, Inc.

BellSouth is a Georgia corporation located in Atlanta, Georgia. BellSouth is the holding company parent of BSLD, which is a Delaware corporation. BSLD was granted a Certificate of Public Convenience and Necessity to provide competitive local exchange telecommunications services, PSC Docket No. 05-153 on July 5, 2005, and resold interexchange telecommunications services, PSC Docket No. 97-26 on July 23, 1996, in Delaware.

The Chair and Members of the Commission
April 5, 2006
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Transaction

On March 4, 2006, AT&T and BellSouth entered into an Agreement and Plan of Merger ("Merger Agreement"). The Merger Agreement provides that BellSouth will become a wholly-owned subsidiary of AT&T. AT&T has created a wholly-owned subsidiary called ABC Consolidation Corp. (the "Merger Sub") for the purpose of the merger. Merger Sub will merge with and into BellSouth, with BellSouth continuing as the surviving corporation, and as a wholly-owned subsidiary of AT&T. At the time of the merger, each share of common stock – par value \$1.00 per share – of BellSouth issued and outstanding will become exchangeable for 1.325 common shares – par value \$1.00 per share – of AT&T. AT&T will issue approximately 2.4 billion new shares of common stock, which would represent approximately 38% of the outstanding shares of AT&T. The merger will not change the ownership of BSLD or the ownership structure of any AT&T affiliated entity. Exhibit A attached shows the pre-and post-transaction.

Public Interest

The Applicants assert that the public interest will be served. The transaction will allow the Applicants to compete more effectively and to combine their financial, technical, and market resources.

Staff Recommendation

Applications seeking a merger approval by large multi-state resellers of competitive intrastate telecommunications services technically come under the provisions of 26 Del. C. § 215 because the companies are deemed to be public utilities. The applicants have represented that the proposed transaction is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. This will have the effect, under 26 Del. C. § 215, of the application being approved. Staff will also acquire verification from the Applicants that the proposed merger has been completed.

Exhibit "A"

PRE-TRANSACTION CORPORATE STRUCTURE CHART
[DELAWARE SPECIFIC INFORMATION]

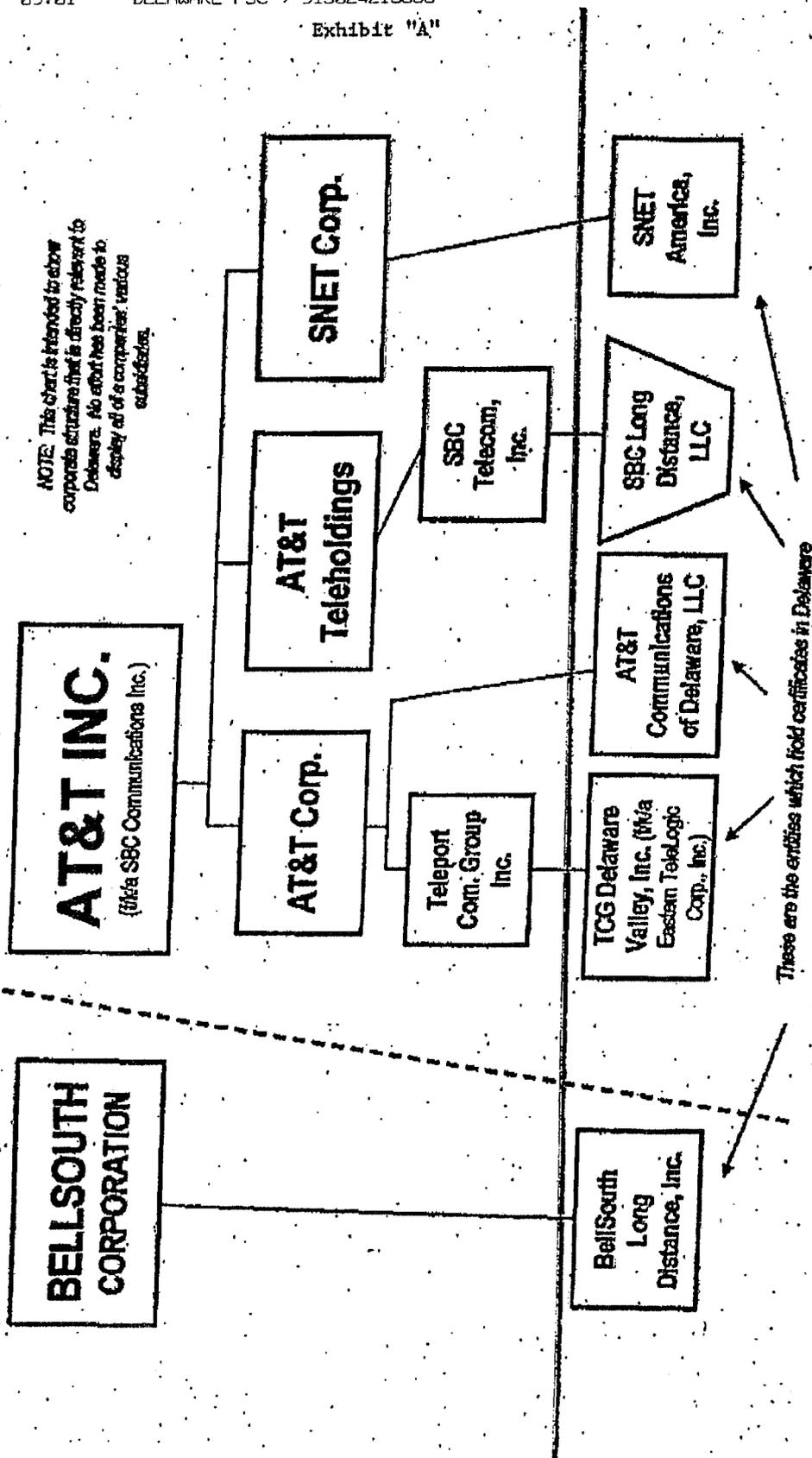
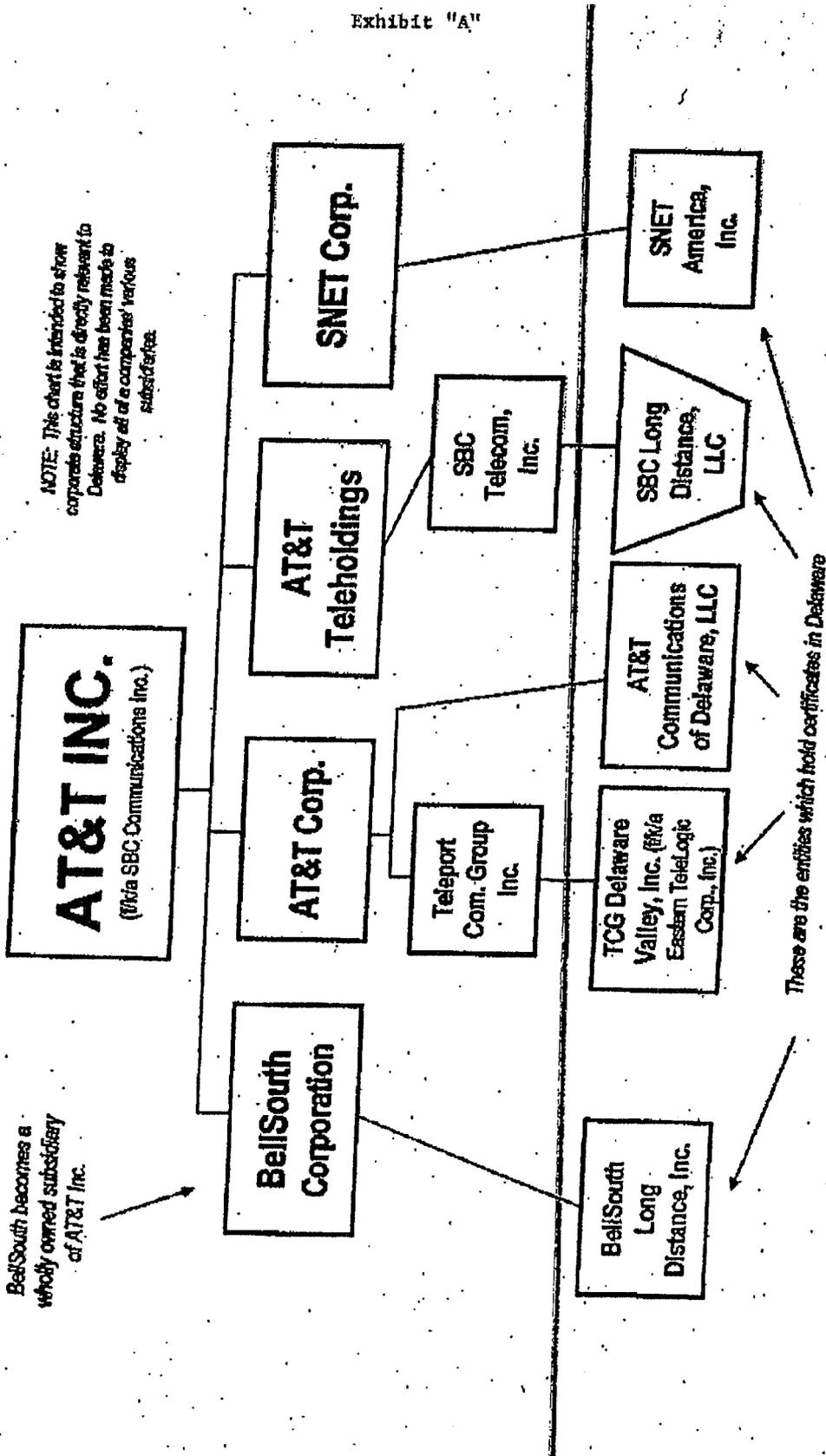


Exhibit "A"

POST TRANSACTION CORPORATE STRUCTURE CHART [DELAWARE SPECIFIC INFORMATION]





BEFORE THE PUBLIC SERVICE COMMISSION

In re: Joint application for approval of indirect transfer of control of telecommunications facilities resulting from agreement and plan of merger between AT&T Inc. (parent company of AT&T Communications of the Southern States, LLC, CLEC Cert. No. 4037, IXC Registration No. TJ615, and PATS Cert. No. 8019; TCG South Florida, IXC Registration No. TI327 and CLEC Cert. No. 3519; SBC Long Distance, LLC, CLEC Cert. No. 8452, and IXC Registration No. TI684; and SNET America, Inc., IXC Registration No. TI389) and BellSouth Corporation (parent company of BellSouth Telecommunications, Inc., ILEC Cert. No. 8 and CLEC Cert. No. 4455); and BellSouth Long Distance, Inc. (CLEC Cert. No. 5261 and IXC Registration No. TI554).

DOCKET NO. 060308-TP
ORDER NO. PSC-06-0531-PAA-TP
ISSUED: June 23, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INDIRECT TRANSFER OF CONTROL

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

On March 31, 2006, AT&T Inc., BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. (collectively referred to as "Applicants") submitted a joint application for approval of indirect transfer of control of telecommunications facilities from

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FPSC-COMMISSION CLERK

BellSouth Corporation to AT&T Inc. resulting from an Agreement and Plan of Merger jointly executed by the two companies.

The merger of AT&T Inc. and BellSouth Corporation is a holding company transaction. Upon completion of the merger, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. will become wholly owned subsidiaries of AT&T Inc., and thus, AT&T Inc. will indirectly control BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc.

AT&T Inc. is a Delaware corporation with its headquarters at 175 East Houston Street, San Antonio, Texas. AT&T Inc. is a holding company and does not directly provide any services in Florida. However, AT&T Inc. owns several subsidiaries that are currently providing services in Florida.

AT&T Inc. subsidiaries operating in Florida

AT&T Communications of the Southern States, LLC, holds the following certificates and registration:

- a. Competitive Local Exchange Company (CLEC) Certificate No. 4037, issued May 7, 1996,
- b. Pay Telephone Certificate No. 8019, issued February 1, 2002, and
- c. Interexchange Company (IXC) Registration No. TJ615, issued February 1, 2002.

TCG South Florida holds the following certificate and registration:

- a. Alternative Access Vendor (AAV) Certificate No. 3519, issued through transfer on July 21, 1995 – also authorizes the company to provide CLEC services, and
- b. IXC Registration No. TI327, issued July 27, 1995.

SBC Long Distance, LLC d/b/a AT&T Long Distance holds the following certificate and registration:

- a. CLEC Certificate No. 8452, issued May 4, 2002, and
- b. IXC Registration No. TI684, issued September 3, 1997.

SNET America, Inc. d/b/a SBC Long Distance East holds the following registration:

- a. IXC Registration No. TI389, issued July 27, 1995.

BellSouth Corporation is a Georgia corporation headquartered at 1155 Peachtree Street, N.E., Atlanta, Georgia. Like AT&T Inc., BellSouth Corporation is a holding company that does

not directly provide services in Florida. Through the following subsidiaries, BellSouth Corporation provides services in Florida.

BellSouth Corporation subsidiaries operating in Florida

BellSouth Telecommunications, Inc. holds the following certificates:

- a. Incumbent Local Exchange Company (ILEC) Certificate No. 8, issued January 17, 1955, and
- b. CLEC Certificate No. 4455, issued June 14, 1996.

BellSouth Long Distance, Inc. holds the following certificates and registration:

- a. CLEC Certificate No. 5261, issued November 18, 1997, and
- b. IXC Registration No. TI554, issued October 21, 1997.

According to the Applicants, the merger will have no effect on the rates, terms, and conditions of service that BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. provide to their customers. There will not be a transfer of certificates, customer bases, or assets. Tariffs will not require amendments. Nor will any AT&T Inc. subsidiaries certificated in Florida require any changes.

The Federal Communications Commission (FCC) established a pleading cycle seeking comments or petitions on the joint application for transfer of control filed by AT&T Inc. and BellSouth Corporation (WC Docket No. 06-74). Currently, the FCC is seeking comments on the application and those comments are due by June 5, 2006. Responses to the comments are due on June 20, 2006. The FCC is tentatively scheduled to issue an Order on the AT&T Inc./BellSouth Corporation petition in October 2006. The Order will either grant the applications, grant the applications with conditions, or designate the applications for hearing.

We are vested with jurisdiction over this matter pursuant to sections 364.01, 364.33, and 364.335, Florida Statutes.

I. Jurisdiction

A. Section 364.33, Florida Statutes

We have authority under section 364.33, Florida Statutes, to approve an application for transfer of control. In the past, we have noted that this provision does not provide specific standards which we may follow in making our decision to approve a transfer of control. However, section 364.01, Florida Statutes, implies a public interest standard that we may follow when deciding whether to approve or deny transfers of control, among other transactions.

The broad legislative intent in section 364.01, Florida Statutes, is clear: we are to exercise our jurisdiction in order to protect "the public health, safety, and welfare" as it relates to basic

local telecommunications services. Although there is little guidance on what constitutes the "public interest," section 364.335, Florida Statutes, provides that "[r]evocation, suspension, transfer, or amendment of a certificate shall be subject to the provisions of this section" We reviewed the management, technical, and financial capability of the companies within the framework of sections 364.33 and 364.335, Florida Statutes.

II. Findings

Historically, a public interest test has been used to determine if a change of control under 364.33, Florida Statutes, should be approved. Our approach in this case is consistent with our past decisions. To determine if the change of control was in the public interest, we reviewed the financial, management, and technical capabilities of the Applicants to determine if these aspects of the operation would impact such items as customer rates, service quality, or the ability to invest in preparing and upgrading infrastructure as a result of the change of control.

A. Management Capability

The Applicants explain in their joint application that BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. will continue to provide service in the same manner as the companies did prior to the transfer of control. The Applicants further state that the merger will not diminish the parties' commitment to providing the necessary resources to support our regulation of intrastate services and that AT&T Inc. intends to utilize the services of the management and employees of BellSouth Corporation following the closing of the merger.¹ Hence, it appears that the management of BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. will continue unchanged. As an Incumbent Local Exchange Company originally certificated in 1955, BellSouth Telecommunications, Inc. has demonstrated the managerial capability to operate a local exchange company within the framework of the public interest.

B. Technical Capability

The same networks that currently serve Florida customers will continue to serve them after the merger. BellSouth Telecommunications, Inc. will continue to provide service under its Service Guarantee Plan approved by the Commission in Order No. PSC-05-0440-PAA-TL, issued April 25, 2005, in Docket No. 050095-TL. The Applicants claim that the vertical integration of the AT&T Inc. backbone network and the BellSouth Telecommunications, Inc. local network will result in more efficient and reliable services.² Further, the Applicants claim that the merged networks will increase efficiency and reduce costs by avoiding the need for inter-networking traffic between companies, and ultimately, will result in better service and

¹ See Joint Application for Approval of Indirect Transfer of Control of Facilities, filed March 31, 2006, in Docket No. 060308-TI, page 11, ¶ 24.

² See Joint Application, page 18, ¶ 43.

reliability for consumers.³ Thus, the merger should not lessen the Applicants' capability to provide quality service to Florida consumers.

C. Financial Capability

The merger should not affect the Applicants' combined financial capability to continue to provide services in Florida. The Applicants' operations will remain intact while they project expense and capital expenditure synergies of about \$2 billion annually by 2008 as a result of duplicative corporate overhead, network and information technology consolidation and advertising savings.⁴

The merger may affect the combined companies' debt rating and cash flow. Moody's Investors Service placed the debt ratings of both AT&T Inc. and BellSouth Corporation under review for possible downgrade. In its Global Credit Research Rating Action, dated March 6, 2006, Moody's indicated that, while it "believes the acquisition is strategically appropriate, it is nevertheless concerned that cash flow measures of leverage will be higher in 2007 than originally expected by Moody's due to both the large share buyback program⁵ as well as the costs of integrating the two firms." Fitch Ratings also placed AT&T Inc. and BellSouth Corporation on Negative Rating Watch – reflecting Fitch's need to evaluate the financial implications of the merger on the companies' debt ratings.

In summary, the merger may slightly lower the companies' debt ratings, but should not impact BellSouth Telecommunications, Inc.'s financial capability to continue to provide local exchange services to Florida consumers. The combined market capitalization for AT&T Inc. and BellSouth Corporation would be approximately \$165 billion.⁶

III. Conclusion

We find that based upon the Applicants' management, technical, and financial capability, the transfer of control is in the public interest.

³ See Joint Application, page 18, ¶ 44.

⁴ AT&T/BS-FDR-1 000032, Assessing The Rating Implications of the AT&T Inc./BellSouth Corp. Merger, Standard & Poors, Credit FAQ, March 7, 2006.

⁵ AT&T plans to buy back up to \$10 billion of AT&T stock over the next 22 months.

⁶ *The Economist*, *Big is beautiful*, March 9, 2006.

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DOCKET NO. 060308-TP
PAGE 6

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that AT&T, Inc., BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc.'s Joint Application for Indirect Transfer of Control of BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. from BellSouth Corporation to AT&T Inc. is hereby approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 23rd day of June, 2006.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

(SEAL)

JKF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

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Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 14, 2006.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
AT&T INC. AND BELLSOUTH)
CORPORATION)
For an Exemption and/or Waiver or,)
in the Alternative, Approval of a)
Merger Transaction.)

DOCKET NO. 2006-0076

DECISION AND ORDER NO. 22581

Filed June 29, 2006
At 2 o'clock P .M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
for KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

Gleaner R. Luissacapo

and Hawaii Administrative Rules ("HAR") § 6-80-135; and (b) alternatively requesting commission approval of the Proposed Merger in the event that the commission determines that HRS § 269-19 or any other provisions of HRS ch. 269 do apply and that an exemption and/or waiver is inappropriate.

The Application was served on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate").¹ By Statement of Position filed on April 28, 2006, the Consumer Advocate informs the commission that it does not support Applicants' request for waiver of the requirements of HRS § 269-19 or any other applicable provisions of HRS ch. 269. The Consumer Advocate does not object, however, to approval of the Proposed Merger.

B.

Description of Applicants

In Decision and Order No. 21801, filed on May 3, 2005, in SBC Communications Inc. and AT&T Corp., Docket No. 05-0050, the commission approved a merger between SBC Communications Inc. and AT&T Corp. These companies merged to form AT&T, a Delaware corporation that provides IP-based communications services to businesses worldwide and provides local and long distance voice and data networking services. AT&T also provides wireless service through a 60 percent ownership interest in Cingular Wireless. AT&T is the holding parent of subsidiaries SBC Long Distance, LLC, dba AT&T Long Distance ("AT&T

¹No "person" moved to intervene in this proceeding.

Long Distance") and AT&T Communications of Hawaii, Inc. ("AT&T Hawaii") (collectively, the "AT&T subsidiaries"), who are both authorized by the commission to provide telecommunications services in Hawaii.²

BellSouth is a Georgia holding corporation and holds a 40 percent ownership interest in Cingular Wireless as a co-owner and equal voting partner of AT&T. BellSouth is also the holding parent company of BellSouth Long Distance ("BSLD"), a Delaware corporation and commission-authorized telecommunications provider in Hawaii.³

C.

Proposed Merger Transaction

Applicants entered into an Agreement and Plan of Merger ("Merger Agreement") on March 4, 2006, in which BellSouth will become a wholly-owned subsidiary of AT&T. Applicants contend

²AT&T Long Distance, a Delaware corporation, was granted a Certificate of Authority ("COA") in Decision and Order No. 15728, filed on July 28, 1997, in Docket No. 97-0212, which was extended to facilities-based and resold intrastate telecommunications services in Hawaii in Decision and Order No. 20894, filed on Apr. 28, 2004, in Docket No. 03-0416. AT&T Hawaii was granted a COA to provide intrastate "add-ons" to its interstate service in Decision and Order No. 13128, filed on Feb. 11, 1994, in Docket No. 7719, which was extended to facilities-based and resold local exchange telecommunications services in Decision and Order No. 14872, filed on Aug. 9, 1996, in Docket No. 96-0251.

³BSLD, a Delaware corporation, is authorized to provide local exchange and interexchange service in Hawaii pursuant to Docket Nos. 97-0053, 97-0336, and 04-0076. BSLD was granted a COA in Decision and Order No. 15564, filed on May 7, 1997, in Docket No. 97-0053. BellSouth BSE was granted a COA in Decision and Order No. 16001, filed on Oct. 6, 1997, in Docket No. 97-0336. The commission approved a merger of BSLD and BellSouth BSE, Inc. in Decision and Order No. 21084, filed on June 25, 2004, in Docket No. 04-0076.

that the Proposed Merger will be transparent and seamless for the customers of BSLD and the AT&T subsidiaries (collectively, the "Hawaii subsidiaries") because the Proposed Merger will occur at the parent company level and cause no change in ownership to the Hawaii subsidiaries.⁴ Applicants also contend that the Hawaii subsidiaries will continue to hold their COAs previously issued by the commission, and that there will be no transfer of the assets of the Hawaii subsidiaries in connection with the Proposed Merger.⁵ Applicants state that the Proposed Merger will not adversely affect the availability or quality of the service offered by the Hawaii subsidiaries,⁶ that the Hawaii subsidiaries will continue to exist in their current form,⁷ and that the Proposed Merger will not affect the rates, terms, or conditions of service of the Hawaii subsidiaries.⁸

D.

Applicants' Requests and Representations

Applicants contend that the requirements of HRS § 269-19 obligating a public utility to obtain commission approval prior to merging are not triggered by the Proposed Merger. This argument is based on the fact that the

⁴See Application at 7.

⁵See Application at 7.

⁶See Application at 14.

⁷See Application at 7.

⁸See Application at 7.

Proposed Merger will occur at the parent company level and cause no change in ownership to the Hawaii subsidiaries.

Applicants also contend that if the commission determines that HRS § 269-19 or any provision of HRS ch. 269 is applicable, the interest of the public will be served by an exemption under HRS § 269-16.9(a) or waiver under HRS § 269-16.9(e) from the commission's approval requirements, or in the alternative, approval of the Proposed Merger.⁹ Applicants contend that an exemption, waiver, or approval is appropriate because (1) the services provided by the Hawaii subsidiaries are competitive; (2) the Hawaii subsidiaries are non-dominant carriers in Hawaii; (3) the Proposed Merger is in the public interest; and (4) competition will serve the same purpose as regulation in this instance.¹⁰

In support of their contention that the Proposed Merger is in the public interest, Applicants contend that "[t]he merger will have no adverse impact on competition or service in Hawaii."¹¹ Applicants state that "the merger will benefit customers by better positioning the combined organization to improve efficiency and to promote the development and deployment of new and improved services, particularly IP-based services."¹² Applicants intend to integrate their separate IP-based networks and eliminate redundant IP expenditures, infrastructure, and

⁹See Application at 8.

¹⁰See Application at 9.

¹¹See Application at 9.

¹²See Application at 9.

organizations.¹³ Applicants expect that they will be able to provide more efficient, more reliable, more innovative and more secure IP-based services, enhance network security, and better protect customer data and privacy.¹⁴ In addition, Applicants maintain that the consolidation of the networks will result in faster and more economical introduction of new services and features like VoIP (Voice over Internet Protocol).¹⁵

Furthermore, Applicants contend that the Proposed Merger will allow them to (1) create a greater pool of R&D (Research & Development) human capital and intellectual property, and a greater customer base over which to spread R&D costs; (2) produce synergies such as the sharing of "best practices;" and (3) reduce procurement costs, staff and administrative expenses, network operating costs, billing and other operating support systems costs, and marketing, advertising, and branding costs.¹⁶ Applicants also contend that the Proposed Merger will benefit the public by enhancing the merged company's ability to prepare for, and respond to natural disasters and other emergencies.¹⁷

Applicants maintain that the Proposed Merger will not reduce or impede competition in Hawaii.¹⁸ Applicants explain that

¹³See Application at 10.

¹⁴See Application at 10.

¹⁵See Application at 11.

¹⁶See Application at 11-13.

¹⁷See Application at 11.

¹⁸See Application at 13.

BSLD's presence in Hawaii is extremely small (less than \$650 in revenue in 2005) and that BSLD has no local exchange customers, no local exchange revenues, no employees, no assets, and no long-distance residential customers in Hawaii.¹⁹ Thus, Applicants contend that the Proposed Merger will not eliminate any significant source of competition in Hawaii, particularly because the Hawaii subsidiaries are "but a few of the competitive telecommunications service providers already operating in Hawaii."²⁰ Indeed, Applicants represent that the Proposed Merger should promote competition by creating more robust, efficient competitors and encourage faster and broader deployment of new and improved services and service bundles.²¹

Finally, Applicants maintain that approval of the Proposed Merger is appropriate because the Proposed Merger is like the SBC-AT&T merger approved by the commission in Docket No. 05-0050.²² Applicants state that the Proposed Merger "will result in a more operationally and financially stronger company" that "will be in a better position to financially support its subsidiaries."²³

¹⁹See Application at 2, 13.

²⁰See Application at 13.

²¹See Application at 13.

²²See Application at 14-15.

²³See Application at 15 (citing Decision and Order No. 21801 at 14).

E.

Consumer Advocate's Position

In its Statement of Position, the Consumer Advocate states that it does not support Applicants' request for waiver of the requirements of HRS § 269-19 or any other applicable provision of HRS ch. 269.²⁴

With respect to Applicants' request for waiver of HRS § 269-19, the Consumer Advocate states that "HRS § 269 does not apply directly to the [Proposed Merger]" because Applicants are holding parent companies that "are not authorized to operate in the State of Hawaii under this Commission's jurisdiction."²⁵ The Consumer Advocate, therefore, finds Applicants' request for an exemption and/or waiver of HRS § 269-19 to be moot because the merging entities are not subject to HRS § 269-19.²⁶

The Consumer Advocate addresses the commission's authority to review and approve the Proposed Merger pursuant to the provisions of HRS § 269-7(a).²⁷ The Consumer Advocate cites the commission's findings in Decision and Order No. 21801 and the numerous mergers taking place involving AT&T.²⁸ In a separate discussion, the Consumer Advocate also notes that:

The Consumer Advocate is aware of opponents to the proposed transaction at the national level as it relates to the perception that a

²⁴See Statement of Position at 1.

²⁵See Statement of Position at 4.

²⁶See Statement of Position at 4.

²⁷See Statement of Position at 5.

²⁸See Statement of Position at 5-6.

return to the concentration of power exerted by AT&T pre-1984 is apparent. While these may be valid concerns at the national level, these concerns do not appear relevant at this time as it relates specifically to Hawaii.²⁹

The Consumer Advocate submits that "it is somewhat premature to determine if competition will serve the same purpose as public interest regulation" and that "a waiver of the investigative authority under HRS § 269-7(a) may not be appropriate at this time."³⁰ Thus, the Consumer Advocate proposes that the commission "take a cautious position in the instant application at this time" and recommends findings similar to those set forth in Decision and Order No. 21801.³¹

The Consumer Advocate does not object, however, to the commission's approval of the Proposed Merger of Applicants as described in the Merger Agreement.³² Based on Applicants' representations, "the Consumer Advocate does not currently expect the [Proposed Merger] to have a negative impact on Applicants' subsidiaries' customers in Hawaii."³³ Based on Applicants' representations and their filings³⁴, the Consumer Advocate

²⁹See Statement of Position at 7 n.10.

³⁰See Statement of Position at 6.

³¹See Statement of Position at 6.

³²See Statement of Position at 1-2.

³³See Statement of Position at 7.

³⁴As noted by the Consumer Advocate, "[i]n support of their financial ability, Applicants filed their respective Federal Communications Commission ('FCC') Form 10-K reports for the period ending December 31, 2005 with the instant application. These reports disclosed that for 2005 AT&T and BellSouth had operating revenues of approximately \$43.8 billion and \$20.5 billion respectively." See Statement of Position at 8.

"accepts Applicants' representation that they possess the necessary technical, managerial, and financial abilities to support their subsidiaries in [the] provision of telecommunications services in Hawaii."³⁵ Finally, since Applicants claim that the Proposed Merger will be transparent to the Hawaii subsidiaries' customers, and BSLD has no local exchange customers in Hawaii, the Consumer Advocate finds "no potential negative market-share impact to the Hawaii telecommunications market" and concludes that "the transaction is in the public interest."³⁶

III.

Discussion

A.

Request for Exemption and/or Waiver

Applicants seek an exemption and/or waiver from the provisions of HRS § 269-19, or any other applicable provisions of HRS ch. 269. HRS § 269-19 provides:

No public utility corporation shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit, or any right thereunder, nor by any means, directly or indirectly, merge or consolidate with any other public utility commission an order authorizing it so to do. Every such sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation, made other than in accordance

³⁵See Statement of Position at 8.

³⁶See Statement of Position at 9.

with the order of the commissions shall be void.

Applicants contend that

[T]he merger transaction will occur at the parent company level. As a result, BSLD and the AT&T subsidiaries currently regulated by the Commission will not be affected by the merger transaction and no change in the ownership of these affiliates will occur. Accordingly, Applicants believe that the requirements of HRS § 269-19 requiring prior Commission approval for mergers of public utility corporations are not triggered.”

As discussed in Decision and Order No. 21801, HRS § 269-19 is not applicable in situations where the applicants are holding companies that do not hold certificates of authority to operate in the State.³⁸ In the present docket, Applicants are holding companies and do not hold COAs to operate in the State. Accordingly, the commission finds that HRS § 269-19 does not apply to the Proposed Merger.

In their request for an exemption and/or waiver from the provisions of HRS ch. 269, Applicants fail to identify HRS § 269-7(a), which is the applicable section in this docket. HRS § 269-7(a) provides the commission with the authority to examine the condition of a public utility, the manner in which it is operated with reference to the safety or accommodation of the public, and “all matters of every nature affecting the relations and transactions between it and the public or persons or corporations.” As discussed in Decision and Order No. 21801, pursuant to HRS § 269-7(a), the commission has the authority to

³⁷See Application at 7 (footnotes omitted).

³⁸See, e.g., Decision and Order No. 21801 at 10.

review and approve transactions involving holding companies of State-certificated entities.³⁹ In the present docket, Applicants are holding parent companies of wholly-owned subsidiaries that provide services in the State and that are under the commission's regulatory purview. Therefore, pursuant to HRS § 269-7(a), the commission has the authority to review and approve the Proposed Merger.

Under HRS § 269-16.9(a), the commission, "upon its own motion or upon the application of any person, and upon notice and hearing, may exempt a telecommunications provider or a telecommunications service from any or all of the provisions of this chapter, except the provisions of section 269-34, upon a determination that the exemption is in the public interest."⁴⁰

In Decision and Order No. 21801, the commission stated:

We will disregard Applicants' request for an exemption under HRS § 269-16.9(a) because an exemption under this sub-section requires the commission to hold a hearing on the matter before making its determinations. Our decision is based on the following factors: (1) Applicants did not request that the commission hold a hearing, pursuant to HRS § 269-16.9(a); (2) Applicants request that we "permit the [Proposed M]erger to proceed as expeditiously as possible" (emphasis added; see, Application at 7) is inconsistent with a hearing on HRS § 269-16.9(a) because holding a hearing would impede an expeditious determination of the matters of the Application; and (3) the commission's ultimate determination regarding Applicants' Proposed Merger herein.

³⁹See Decision and Order No. 21801 at 10 ("The commission has traditionally reviewed transactions involving holding companies of State certificated entities under the requirements of HRS § 269-7(a)." (citations omitted)).

⁴⁰HRS § 269-16.9(a) (emphasis added).

Consistent with Decision and Order No. 21801, and for the same reasons discussed in Decision and Order No. 21801, the commission disregards Applicants' request for an exemption under HRS § 269-16.9(a) in the present docket.

Under HRS § 269-16.9(e), "[t]he commission may waive other regulatory requirements under this chapter applicable to telecommunications providers when it determines that competition will serve the same purpose as public interest regulation."⁴¹ Similarly, HAR § 6-80-135 allows the commission to grant an exemption from or waive the applicability of any of the provisions of HRS ch. 269 or any rule (except provisions related to HRS § 269-34), upon a determination that an exemption or waiver is in the public interest. In Decision and Order No. 21801, the commission stated:

Upon review, we find that AT&T Hawaii, AT&T's wholly-owned subsidiary, played an integral role in the development and advancement of Hawaii's telecommunications industry. For instance, AT&T Hawaii has been and continues to be a party in Docket No. 7702, the commission's on-going generic proceeding investigating the State's communications infrastructure. Through its involvement in Docket No. 7702, AT&T Hawaii was also involved in the development and the eventual ratification of HAR ch. 6-80, the State's administrative rules governing competition in telecommunications services. Additionally, AT&T Hawaii continues to provide the U.S. Department of Defense with telecommunications services in the State under its Hawaii Information Transfer System contract.

As in Docket No. 05-0050, in support of their request for an exemption and/or waiver, Applicants refer to Decision and

⁴¹HRS § 269-16.9(e) (emphasis added).

Order No. 21084,⁴² filed on June 25, 2004, in In re Bell South BSE, Inc. ("Bell South"), Docket No. 04-0076, wherein we waived the approval requirements of HRS § 269-19, among other things.⁴³ Unlike Applicants, however, the regulated carriers in Bell South are not (and have never been) a party to Docket No. 7702 and did not participate in the development and eventual ratification of HAR ch. 6-80.

Based on the above, and consistent with Decision and Order No. 21801, the commission does not find, in this instance, that competition will serve the same purpose as public interest regulation; nor do we find that an exemption or waiver of the regulatory approval requirements of HRS § 269-7(a), in this instance, is in the public interest.⁴⁴ Accordingly, we conclude that Applicants' request for an exemption and/or waiver should be denied.

B.

HRS § 269-7(a) Review

Commission approval under HRS § 269-7(a) requires a finding that the Proposed Merger is "reasonable and consistent with the public interest."⁴⁵ A transaction is said to be reasonable and consistent with the public interest if, among

⁴²See Application at 9. In their Application, Applicants incorrectly reference the commission's decision in Docket No. 04-0076 as "Decision and Order No. 21085."

⁴³See Decision and Order No. 21084 at 4-5, 7.

⁴⁴See, e.g., Decision and Order No. 21801 at 12-13.

⁴⁵See Decision and Order No. 21801 at 13 (citations omitted).

other things, the transaction "will not adversely affect the carrier's fitness, willingness, and ability to provide intrastate telecommunications services in the State, as authorized by the commission."⁴⁶

Upon review and based on Applicants' representations in the record, it appears that the Proposed Merger will not have a negative effect on the telecommunications services provided to customers in Hawaii through Applicants' Hawaii subsidiaries. In addition, Applicants' representation that the Proposed Merger "will result in a more operationally and financially stronger company" that "will be in a better position to financially support its subsidiaries" appears reasonable.⁴⁷ Furthermore, the commission concurs with the Consumer Advocate's finding that Applicants possess the necessary technical, managerial, and financial abilities to support their subsidiaries in provision of telecommunications services in Hawaii.⁴⁸ For these reasons, the commission finds the Proposed Merger to be reasonable and consistent with the public interest.

Based on the above, we conclude that Applicants' Proposed Merger should be approved, pursuant to HRS § 269-7(a). As a condition of our approval, Applicants are required to provide notice of the consummation of the Proposed Merger by

⁴⁶See Decision and Order No. 21801 at 13 (citations omitted).

⁴⁷See Application at 15 (citing Decision and Order No. 21801 at 14).

⁴⁸See Statement of Position at 8.

filing a copy of their Certificate of Merger with the commission and Consumer Advocate, as soon as practicable.

IV.

Orders

1. Applicants' request for an exemption and/or waiver of HRS § 269-19 or any other applicable provisions of HRS ch. 269 regarding the Proposed Merger is denied.

2. The Proposed Merger, as described in the Application, filed on March 31, 2006, is approved, pursuant to HRS § 269-7(a).

3. As soon as practicable, Applicants shall file a copy of their Certificate of Merger with the commission and the Consumer Advocate to provide notice of the consummation of their Proposed Merger.

4. Applicants shall timely comply with the regulatory requirement set forth in ordering paragraph no. 3, above. Failure to timely comply with the requirement may constitute cause to void this Decision and Order, and may result in further regulatory action, as authorized by State law and commission rules and regulations.

DONE at Honolulu, Hawaii JUN 29 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Carlito P. Caliboso
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By Janet E. Kawelo
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

Nichole K. Shimamoto
Nichole K. Shimamoto
Commission Counsel

2006-0076.en

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 22581 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Certificate of Service

Page 2

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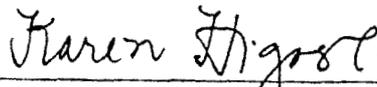
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Karen Higashi

DATED:

JUN 29 2006



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
Marshall Johnson
Kenneth Nickolai
Thomas Pugh
Phyllis Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Service Date: **MAY 24 2006**
Docket No. P442,5458/PA-06-509

To: William E. Flynn
Lindquist & Vennum PLLP
4200 IDS Center
Minneapolis, MN 55402

In the Matter of the Joint Application of AT&T Inc. and BellSouth Corp. (on Behalf of BellSouth Long Distance, Inc.) for Approval, to the Extent Necessary, of Agreement and Plan of Merger

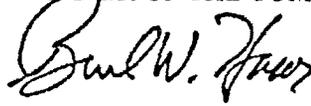
The above-entitled matter has been considered by the Commission and the following disposition made:

- **Approved the indirect transfer of control of BellSouth Long Distance Inc. to AT&T Inc.**
 - **BellSouth Long Distance Inc. must inform the Commission that the proposed transaction has closed within 20 days of its consummation.**
 - **BellSouth Long Distance Inc.'s operational interexchange authority and conditional local facilities-based authority are retained.**
 - **BellSouth Long Distance Inc. must submit a local tariff and obtain approvals for an interconnection agreement and a 911 Plan before its conditional local exchange authority becomes operational.**

The Commission agrees with and adopts the recommendations of the Department of Commerce which are attached and hereby incorporated in this Order.

This decision is issued by the Commission's consent calendar subcommittee, under a delegation of authority granted under Minn. Stat. §216A.03, subd. 8 (a). Unless a party, a participant, or a Commissioner files an objection to this decision within 10 days of receiving it, it will become the Order of the full Commission under Minn. Stat. §216A.03, subd. 8 (b).

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary

(SEAL)

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85 7th Place East, Suite 500
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April 20, 2006

PUBLIC DOCUMENT

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: PUBLIC Comments of the Minnesota Department of Commerce
Docket No. P442,5458/PA-06-509

Dear Dr. Haar:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce in the following matter:

The Joint Application of AT&T Inc. and BellSouth Corp. (on Behalf of BellSouth Long Distance, Inc.) for Approval, to the Extent Necessary, of Agreement and Plan of Merger

The petition was filed on March 31, 2006 by:

William E. Flynn
Lindquist & Vennum PLLP
4200 IDS Center
Minneapolis, MN 55402

The Department recommends **approval** and is available to answer any questions the Commission may have.

Sincerely,

Handwritten signature of Bruce L. Linscheid.

BRUCE L. LINSCHIED
Financial Analyst

BLL/ja
Attachment

Market Assurance: 1.800.657.2602
Energy Information: 1.800.657.1700
Minnesota Statewide: 651.296.4026

Licensing: 1.800.657.3978
Unclaimed Property: 1.800.657.5668
An Equal Opportunity Employer



PUBLIC DOCUMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. P442,5458/PA-06-509

I. BACKGROUND

A. INTRODUCTION

On March 31, 2006, the Minnesota Department of Commerce (the Department) received a copy of a joint application (Application) for Minnesota Public Utilities Commission (Commission) approval of the ultimate transfer of control (the Transaction) of BellSouth Long Distance, Inc. (BSLD) from BellSouth Corp. (BellSouth) to AT&T Inc. (AT&T), (together, the Applicants). On March 4, 2006, AT&T and BellSouth entered into an Agreement and Plan of Merger (Merger Agreement) that will combine two the two holding companies (the Merger) and result in an indirect change in the control of BSLD as AT&T will become the corporate parent of BellSouth.¹

B. APPLICANTS

AT&T provides IP-based communications services to businesses worldwide and local and long distance voice and data networking services within the United States. It holds a 60 percent ownership interest in Cingular Wireless. Through the Global System for Mobile Communications (GSM), Cingular Wireless offers cellular phone coverage in 170 countries worldwide.² AT&T is a holding company parent of the following operating subsidiaries in Minnesota:

¹ Application, Paragraph 5, pages 2-3.

² Application, Paragraph 8, page 4.

- SBC Long Distance, Inc. d/b/a AT&T Long Distance, which is authorized to provide interexchange and facilities-based local services;³
- SBC Telecom, Inc., which is authorized to provide interexchange and facilities-based local services;⁴
- SNET America, Inc. d/b/a SBC Long Distance East, which is authorized to provide interexchange services;⁵
- AT&T Communications of the Midwest, Inc., which is authorized to provide interexchange and facilities-based local services;⁶ and
- TCG Minnesota, Inc., which is authorized to provide interexchange and facilities-based local services.⁷

The Merger is not expected to change the assets, ownership or control of any of the AT&T subsidiaries.⁸

BellSouth provides local and interexchange voice and data networking services throughout a nine-state region in the southeastern United States. It offers DSL Internet access, satellite television, and advertising and publishing services. It also has a 40 percent ownership interest in Cingular Wireless.⁹ BellSouth is the holding company parent of BSLD, and BSLD has operational authority to provide interexchange services and conditional authority to provide facilities-based local services in Minnesota.¹⁰ The Transaction is not expected to change the assets or direct ownership of BSLD.¹¹ BSLD does not provide local exchange service to any customers in Minnesota, and has no assets or employees in Minnesota. It does provide retail resold intrastate interexchange services in Minnesota, generating less than \$21,000 in revenue in 2005.¹²

C. TRANSACTION

As a result of the March 4, 2006 Merger Agreement, BellSouth will become a wholly owned subsidiary of AT&T. The Merger is not expected to change the ownership of BSLD or the ownership structure of any of the AT&T subsidiaries authorized to provide telecommunications

³ Application, Footnote 3, page 4, Commission Orders in Docket Nos. P5520/NA-97-776 (8-13-97) and P5520/NA-04-296 (5-11-04).

⁴ Application, Footnote 3, page 4, Commission Order, Docket No. P5860/NA-99-1796 (4-18-00).

⁵ Application, Footnote 3, page 4, Commission Order, Docket No. P5209/NA-95-598 (9-27-95).

⁶ Application, Footnote 3, page 4, Commission Order, Docket No. P442/NA-96-211 (7-15-96).

⁷ Application, Footnote 3, page 4, Commission Order, Docket No. P5496/NA-97-508 (7-31-97).

⁸ Application, Paragraph 2, pages 1-2.

⁹ Application, Paragraph 9, pages 4-5.

¹⁰ Application, Paragraph 3, page 2; Docket Nos. P5458/NA-97-60 (3-14-97) and P5458/NA-05-911 (7-6-05); BSLD has not obtained approval for an interconnection agreement, a 911 Plan, or a local tariff.

¹¹ Application, Paragraph 3, page 2.

¹² Application, Paragraph 6, page 3 and Paragraph 10, page 5.

services in Minnesota. Those entities will continue to hold their current authorities to provide telecommunications services in Minnesota. No transfers of assets are expected.¹³

D. PUBLIC INTEREST

The Applicants state that the proposed merger will provide the following benefits:

- Increased efficiency and reduced costs through the integration of the separate IP networks of AT&T and Cingular into a single IP-based network for all types of communications services;
- Faster and more economical introduction of new services and features;
- A more efficient organizational form;
- A greater pool of human capital and intellectual property, and a greater customer base over which to spread research and development (R&D) costs;
- The integration of the complementary networks to improve the merged company's ability to protect customer data and privacy;
- Enhanced ability to prepare for and respond to natural disasters; and
- Synergies from the sharing of "best practices" in areas like network management and customer relations, to savings in the purchase of equipment and services, and the elimination of overlapping staff and administrative expenses.¹⁴

Competition is not expected to be affected by the proposed merger because no functional change occurs in the AT&T and BellSouth entities currently operating in Minnesota. BSLD has a limited role in Minnesota, and the Applicants state that the Minnesota telecommunications services market is robustly competitive with many providers such as Qwest, CLECs, wireless carriers, cable companies and Voice over Internet Protocol (VoIP) providers.¹⁵

II. STATEMENT OF ISSUES

- A. Does the Transaction require Commission approval?
- B. Is the Transaction in the public interest?

¹³ Application, Paragraph 14, page 7; and Exhibit A, AT&T Inc./BellSouth Corp. Merger Agreement, AT&T Inc.'s SEC Form 8-K, March 4, 2006, Item 1.01 Entry into a Material Definitive Agreement, (a) Merger Agreement; Exhibit 2.1 Agreement and Plan of Merger Among BellSouth Corporation, AT&T Inc. and ABC Consolidation Corp. dated as of March 4, 2006.

¹⁴ Application, Paragraphs 22-28, pages 10-13.

¹⁵ Application, Paragraphs 29-30, pages 14-15.

- C. Have the Petitioners complied with Minnesota law requiring prior Commission approval of the Transaction?
- D. Is there a requirement to provide Commission notice for the assignment of interconnection agreements?
- E. Does the proposed Transfer have any impact on 911 Plans that require regulatory approvals?
- F. Will BSLD the Minnesota operating subsidiaries of AT&T continue operating under their authorities after the proposed Transaction closes?

III. LEGAL REFERENCES

Minn. Stat. §237.23 states that it shall be unlawful for any telephone company, corporation, person, partnership, or association subject to the provisions of this chapter to purchase or acquire the property, capital stock, bonds, securities, or other obligations, or the franchises, rights, privileges, and immunities of any telephone company doing business within the state without first obtaining the consent of the commission thereto.

Minn. Stat. §237.16, subd. 13 states that notwithstanding any provision of sections 237.035 and 237.74 to the contrary, services provided by a telecommunications carrier are subject to Statute 237 with the exception of sections 237.075, 237.081 and 237.22.

Minn. Stat. §237.74, subd. 12 provides that no telecommunications carrier shall construct or operate any line, plant, or system, or any extension of it, or acquire ownership or control of it, either directly or indirectly, without first obtaining from the commission a determination that the present or future public convenience and necessity require or will require the construction, operation, or acquisition, and a new certificate of territorial authority.

Minn. Stat. §237.16, subd. 4 states that no person shall acquire ownership or control of another telephone company either directly or indirectly, without first obtaining from the Commission an amended certificate of authority.

Minn. Stat. §237.16, subd. 1(b) states that no person shall provide telephone service in Minnesota without first obtaining a determination that the person possesses the technical, managerial, and financial resources to provide the proposed telephone services and a certificate of authority from the commission under terms and conditions the commission finds to be consistent with fair and reasonable competition, universal service, the provision of affordable telephone service at a quality consistent with commission rules, and the commission's rules.

Minnesota Rule 7812.2210, subp. 16 also addresses mergers and acquisitions and states: "In accordance with Minnesota Statutes, section 237.74, subdivision 12, before acquiring ownership or control of any provider of local service in Minnesota, either directly or indirectly, a CLEC must demonstrate to the commission that the present or future public convenience and necessity require or will require the acquisition. To make this determination, a CLEC must show that the merger is consistent with the public interest, based on such factors as the potential impact of the merger on consumers, competition, rates, and service quality."

The Commission's requirement that it receive notice regarding the assignment of interconnection agreements is documented in the docket, In the Matter of ASC, L.P. and U S WEST Communications, Inc. Under the Federal Telecommunications Act of 1996, Docket No. P421/EM-98-554, Order Rejecting Agreement And Directing Further Filing, June 22, 1998 at page 3.

Minn. Rule Part 7812.0550 contains the requirements for Commission approval of 911 Plans.

IV. ANALYSIS

A. COMMISSION ACTION IS NEEDED FOR THIS TRANSACTION

The Commission has established a consistent precedent for requiring approval for any change of ownership affecting Minnesota telephone companies and telecommunications carriers. Commission approval is not required for corporate reorganizations in which ownership and control do not change and the operating company is not impacted by the reorganization.¹⁶

The Applicants state that the Merger involves the stock purchase of one holding company by another holding company, and the Commission may not be required or have jurisdiction under Minnesota statute to approve the merger.¹⁷ However, control of BSLD will be transferred, and the Commission should review the Transaction to determine if it is in the public interest.

B. THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST

1. *AT&T has the financial resources to ensure that BSLD continues to deliver reliable services.*

On January 1, 1984, AT&T, formerly known as SBC Communications, Inc. (SBC) was formed as one of several regional holding companies created to hold AT&T Corp's (ATTC's) local telephone companies. SBC was spun-off from ATTC pursuant to an anti-trust consent decree. It

¹⁶ *In the Matter of an Application for Approval of a Corporate Reorganization by Winstar Wireless, Inc.*, Docket No P5246/PA-00-925, August 25, 2000.

¹⁷ Application, Paragraph 15, page 8.

primarily operated in five southwestern states, and on November 18, 2005, SBC merged with ATTC and changed its name to AT&T Inc.¹⁸ ATTC is a wholly owned subsidiary of AT&T.¹⁹

AT&T reported profitable operations and positive net operating cash flows for the year ended December 31, 2005. It also reported a negative working capital position and a strong capital position on December 31, 2005. Its net income was \$4.8 billion and its net operating cash flows were \$13.0 billion for the year ended December 31, 2005. Its working capital position was - \$10.7 billion, its long-term debt was \$26.1 billion, and its stockholders' equity was \$54.7 billion on December 31, 2005.²⁰ Total capital increased approximately \$17.8 billion in 2005 primarily due to the purchase of ATTC (\$8.3 billion of the increase was from assumed long-term debt).²¹ AT&T's debt ratio was 35.9 percent on December 31, 2005 compared to 40.0 percent and 32.0 percent at December 31, 2004 and 2003, respectively.²²

AT&T's relationship with Cingular does not appear to threaten its financial position. On October 26, 2004, Cingular acquired AT&T Wireless,²³ and AT&T's capital structure does not include debt issued by Cingular.²⁴ Effective August 1, 2004, AT&T and BellSouth agreed to finance Cingular's capital and operating cash requirements to the extent Cingular requires funding above the level provided by operations.²⁵ AT&T's shareholder loan to Cingular totaled approximately \$4.1 billion at December 31, 2005 and \$5.9 billion at December 31, 2004. AT&T received net repayments from Cingular totaling \$2.4 billion in 2005 under a revolving credit agreement. After applying the net repayments, AT&T's share of advances to Cingular under the revolving credit agreement was approximately \$307 million at December 31, 2005 and \$1.0 billion at December 31, 2004.²⁶

AT&T appears to have the ability to fund its operations, service its debt, make capital and investments and pay dividends to its investors. As previously described, operations are profitable and cash flows are positive. On December 31, 2005, AT&T had approximately \$4.5 billion of

¹⁸ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Part I, Item 1- Business, page 1.

¹⁹ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Note 1 to Consolidated Financial Statements, page 57.

²⁰ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, pages 53-55.

²¹ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Note 7-Debt to Consolidated Financial Statements, page 76.

²² AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Management's Discussion and Analysis of Financial Condition and Results of Operations, page 43.

²³ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Note 16 to Consolidated Financial Statements, Cingular Acquisition of AT&T Wireless, page 97.

²⁴ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Management's Discussion and Analysis of Financial Condition and Results of Operations, page 43.

²⁵ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Management's Discussion and Analysis of Financial Condition and Results of Operations, page 43.

²⁶ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Note 16 to Consolidated Financial Statements, Cingular Acquisition of AT&T Wireless, page 97.

debt maturing within one year. Capital expenditures totaled \$5.6 billion for 2005, \$5.1 billion for 2004 and \$5.2 billion for 2003. It paid dividends of \$4.3 billion in 2005, \$4.1 billion in 2004 and \$4.5 billion in 2003. AT&T intends to fund its 2006 financing activities through a combination of cash from operations and cash provided by Cingular.²⁷

2. *The proposed Transaction does not materially impact competition in Minnesota's interexchange market*

[TRADE SECRET DATA HAS BEEN EXCISED]

Although BSLD's limited presence in Minnesota limits the impact of the proposed Transaction in Minnesota, the Applicants state that all of the merged company's Minnesota customers, including those served by the pre-merger AT&T certificated entities, the few served by BSLD, and consumers served by Cingular Wireless, will benefit from the increased efficiency and reduced costs through the integration of the separate IP networks of AT&T and Cingular into a single IP-based network for all types of communications services.²⁸ Furthermore, the Applicants state that the merger of AT&T and BellSouth is expected to enhance competition by encouraging the faster and broader deployment of new and improved services and service bundles.²⁹

The Applicants also contend that the post-merger BellSouth and AT&T entities operating in Minnesota, including Cingular Wireless, will be only one player in the competitive Minnesota telecommunications services market. Other service providers include the principal incumbent local exchange carrier, Qwest, CLECS, wireless carriers, cable companies and VoIP providers that offer telecommunications services to Minnesota customers.³⁰

Given BSLD's limited role in Minnesota, conditions similar to those imposed on AT&T in the FCC's order on the SBC/AT&T merger released on November 17, 2005 are not applicable in Minnesota. Some of the conditions required by the FCC related to:

- Unbundled Network Elements (UNE), DS1 and DS3 (high-capacity transport services) and special access pricing;
- How to account for ATTC collocation arrangements;
- Special access performance reporting;
- Internet backbone peering arrangements; and
- Annual certifications.³¹

²⁷ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Management's Discussion and Analysis of Financial Condition and Results of Operations, pages 41-42.

²⁸ Application, Paragraphs 22-23, pages 10-11.

²⁹ Application, Paragraph 30 and Footnote 8, page 14.

³⁰ Application, Paragraph 30 and Footnote 9, page 14.

³¹ AT&T Inc. SEC Form 10-K for the fiscal year ended December 31, 2005, Other Business Matters, page 38.

As previously described, the proposed Transaction does not significantly expand AT&T's Minnesota presence. In addition, concessions were not required from recent mergers involving major national telecommunications providers for the same rationale.³² That is, the small Minnesota presence of at least one of the parties involved in those national mergers resulted in an insignificant impact upon competition in the Minnesota telecommunications market.

Finally, the AT&T and BellSouth entities certificated to operate in Minnesota are expected to continue to exist in their current form upon consummation of the Merger, and Union support for the Merger has been expressed. The Transaction will not affect the rates, terms or conditions of service that those entities currently provide to their customers.³³

C. THE APPLICANTS HAVE COMPLIED WITH THE REQUIREMENT TO REQUEST PRIOR COMMISSION APPROVAL FOR THE TRANSACTION

The Applicants submitted the Application for Commission approval, to the extent necessary, on March 31, 2006, despite their belief that the Commission may not be required or have jurisdiction to approve the merger.³⁴ The March 4, 2006 Agreement and Plan of Merger (Merger Agreement) states that Integra shall have received all required regulatory approvals as a condition of closing.³⁵ The Applicants will not close the transaction without Commission approval, and no violation of Minn. Stat. §§237.23 or 237.74, subd. 12 occurs.

D. THERE IS NO REQUIREMENT TO ASSIGN INTERCONNECTION AGREEMENTS

The Commission's 60-day Commission notice requirement for the assignment of interconnection agreement assignments,³⁶ does not apply to the proposed Transaction because BSLD does not provide basic local services in Minnesota. Although it has conditional facilities-based local authority, it has not obtained approval for a local tariff, a 911 Plan or an interconnection agreement.³⁷

³² AT&T/SBC merger, Docket No. PT6432,PT6433/PA-05-349, and Verizon/MCI merger, Docket No. PT6438,6439/PA-05-425.

³³ Application, Paragraph 33, pages 15-16; and Paragraph 35, page 16, and Application, Exhibit B- Communications Workers of America's 3-5-06 News Release.

³⁴ Application, Paragraph 15, page 8.

³⁵ Application, Exhibit A, AT&T Inc./BellSouth Corp. Merger Agreement, AT&T Inc.'s SEC Form 8-K, March 4, 2006, Item 1.01 Entry into a Material Definitive Agreement, (a) Merger Agreement; Exhibit 2.1 Agreement and Plan of Merger Among BellSouth Corporation, AT&T Inc. and ABC Consolidation Corp. dated as of March 4, 2006, Article VII(c)(iii), page 58.

³⁶ *In the Matter of an ASC, L.P. and US WEST Communications, Inc. Under the Federal Telecommunications Act of 1996*, Docket No. P421/EM-98-554, ORDER REJECTION AGREEMENT AND DIRECTION FURTHER FILING, June 22, 1998, page 8.

³⁷ Application, Paragraph 3, page 2; Docket Nos. P5458/NA-97-60 (3-14-97) and P5458/NA-05-911 (7-6-05); BSLD has not obtained approval for an interconnection agreement, a 911 Plan, or a local tariff.

*E. APPROVALS FROM THE MINNESOTA DEPARTMENT OF PUBLIC SAFETY,
METROPOLITAN EMERGENCY SERVICES BOARD AND THE COMMISSION ARE
NOT NEEDED FOR THIS TRANSACTION*

Applicants generally must inform the Minnesota Department of Public Safety and the Metropolitan Emergency Services Board to coordinate any required changes to affected 911 Plans if the proposed transfer will result in a network change or any change to the county 911 Plan for customers. BSLD does not have an approved 911 Plan and does not offer basic local service in Minnesota. As previously stated, BSLD has conditional facilities-based, local authority and operational interexchange authority.³⁸ However, if BSLD seeks to obtain operational local authority, it must obtain regulatory approvals of its 911 Plan to the extent that they are required.

*F. BSLD AND THE MINNESOTA OPERATING SUBSIDIARIES OF AT&T WILL
CONTINUE OPERATING UNDER THEIR EXISTING AUTHORITIES AFTER THE
TRANSACTION CLOSES*

The Merger is not expected to change the ownership of BSLD or the ownership structure of any of the AT&T subsidiaries authorized to provide telecommunications services in Minnesota.³⁹ Those entities will continue to hold their current authorities to provide telecommunications services in Minnesota, and their authorizations should not be cancelled.

V. COMMISSION ALTERNATIVES

- Approve the indirect transfer of control of BellSouth Long Distance Inc. to AT&T Inc.
 - BellSouth Long Distance Inc. must inform the Commission that the proposed transaction has closed within 20 days of its consummation.
 - BellSouth Long Distance Inc.'s operational interexchange authority and conditional local facilities-based authority are retained.
 - BellSouth Long Distance Inc. must submit a local tariff and obtain approvals for an interconnection agreement and a 911 Plan before its conditional local exchange authority becomes operational.

- Approve the Petition with Modifications.

- Reject the Petition.

³⁸ Application, Paragraph 3, page 2; Docket Nos. P5458/NA-97-60 (3-14-97) and P5458/NA-05-911 (7-6-05); BSLD has not obtained approval for an interconnection agreement, a 911 Plan, or a local tariff.

³⁹ Application, Paragraph 14, page 7.

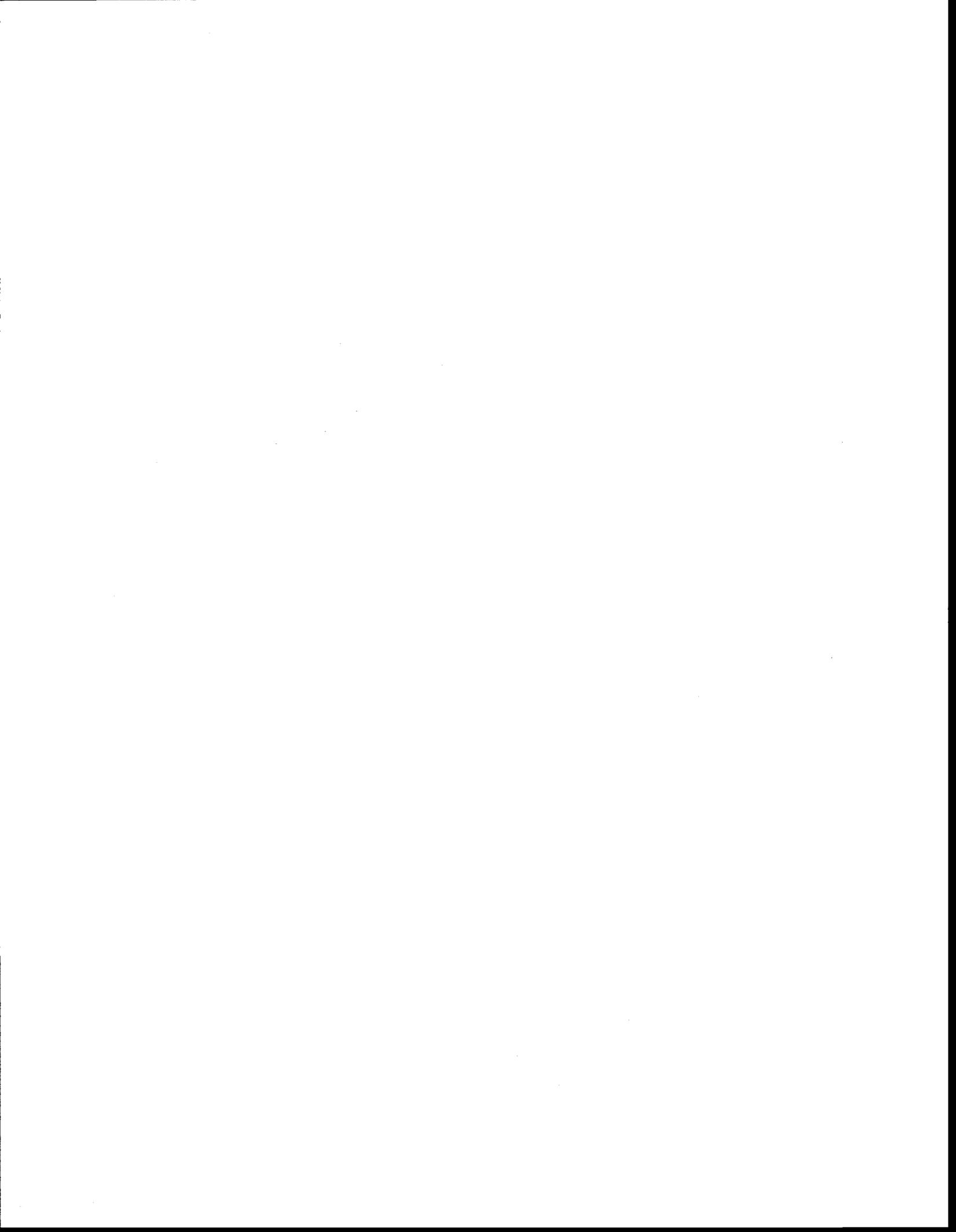
Docket No. P442,5458/PA-06-509
Analyst assigned: Bruce L. Linscheid
Page 10

PUBLIC DOCUMENT

VI. RECOMMENDATION

- Approve the indirect transfer of control of BellSouth Long Distance Inc. to AT&T Inc.
 - BellSouth Long Distance Inc. must inform the Commission that the proposed transaction has closed within 20 days of its consummation.
 - BellSouth Long Distance Inc.'s operational interexchange authority and conditional local facilities-based authority are retained.
 - BellSouth Long Distance Inc. must submit a local tariff and obtain approvals for an interconnection agreement and a 911 Plan before its conditional local exchange authority becomes operational.

/ja



April 28, 2006

Douglas L. Patch
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Re: DT 06-051, AT&T, BellSouth Corporation and BellSouth Long Distance, Inc.
Joint Application for Approval of Merger

Dear Mr. Patch:

On March 31, 2006, the Commission received notification that AT&T, Inc. (AT&T) and BellSouth Corporation (BellSouth) had entered into an Agreement and Plan of Merger. In their filing, AT&T and BellSouth, together with BellSouth Long Distance (BSLD), BellSouth's certificated affiliate and operating subsidiary doing business in New Hampshire (collectively, the Companies), requested a determination pursuant to RSA 374:22-o and 369:8 II, that the planned merger is exempt from any requirement to obtain approval from this Commission.

BSLD was certified as a CTP under IXC No. 19997 dated May 1, 1997. AT&T Communications of New England (AT&T-NE) was certified as a CTP under IXC No. 00297 dated January 21, 1991 and as a CLEC in Docket No. DE 97-174 by Order No. 22,725 on September 16, 1997.

Commission Staff has reviewed the filing and determined that BSLD meets the requirements of RSA 374:22-o for exemption from prior Commission approval because it has less than a 10 percent share of the toll revenue in New Hampshire. Staff has also determined, based on the most recent data compiled, that AT&T-NE has more than a 10 percent share of the toll revenue in New Hampshire and, therefore, is not exempt under RSA 374:22-o.

Consistent with RSA 369:8, II, and N.H. Code Admin. Rule Puc 458.02, however, the Companies have represented in their application that the merger involves the acquisition of BellSouth by AT&T at the parent company level and will not adversely affect rates, terms, service or operation of the affected jurisdictional utilities within the state. The application

April 28, 2006

Page two

further represents that the merger will be transparent and seamless for the customers of the operating subsidiaries of BellSouth and AT&T in New Hampshire.

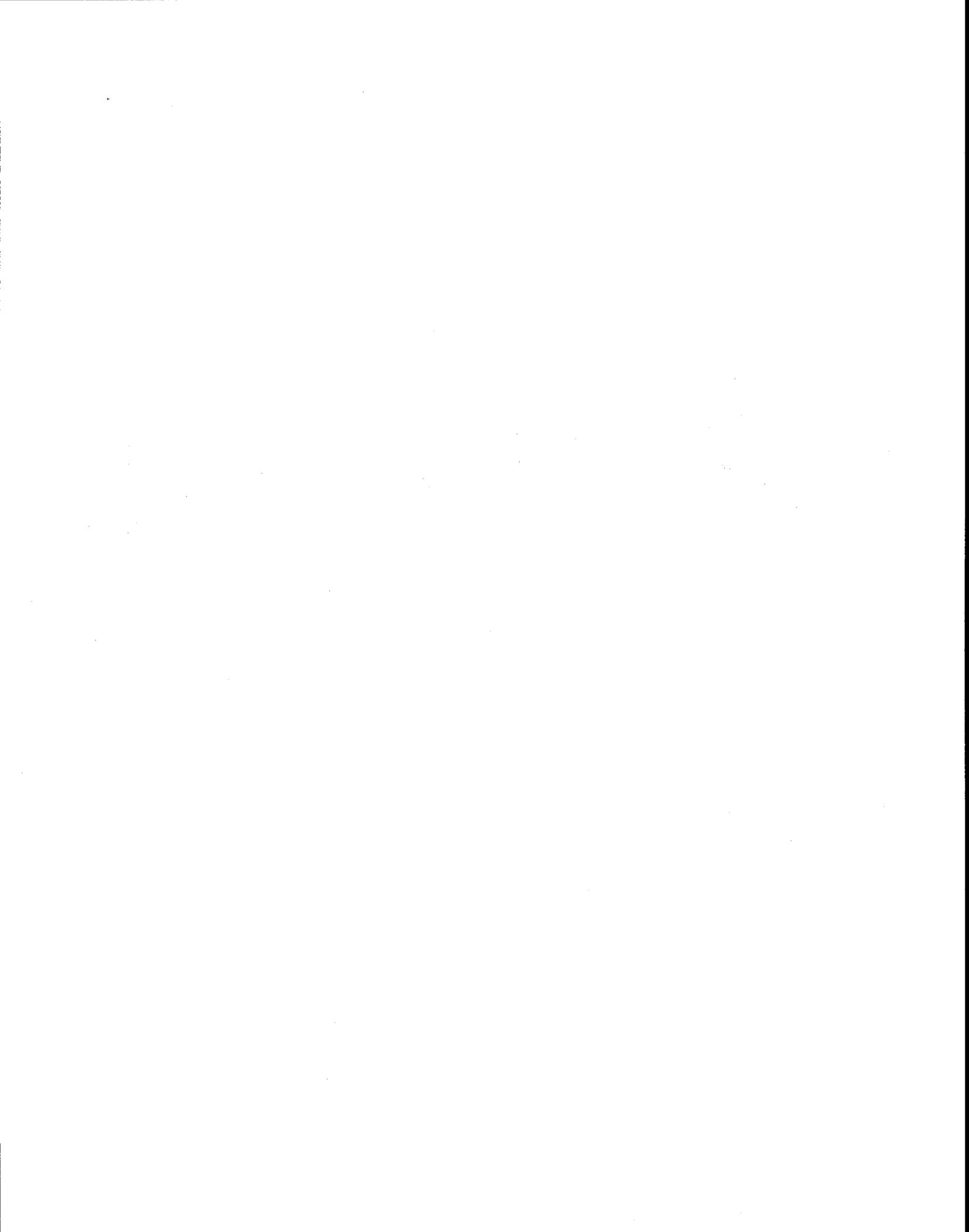
This letter serves as an acknowledgment that the Companies have, as required by statute, represented to the Commission no less than 60 days prior to the anticipated completion of the merger that the planned merger will not adversely affect rates, terms, service or operations in New Hampshire. As such, approval by the Commission, in this case, is not required.

Once the merger transaction is complete, Puc 458.02 requires BSLD to file Form CTP-37 Change of Ownership with the Commission and to provide customer notification of the transaction. BSLD is hereby requested to file within 30 days of the merger closing date Form CTP-37 as well as a copy of its customer notification and the date notification is mailed to customers.

Very truly yours,

ChristiAne G. Mason
Assistant Executive Director and Secretary

cc: Docket file





STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

DIVISION OF
TELECOMMUNICATIONS

IN THE MATTER OF THE JOINT VERIFIED PETITION
OF AT&T INC., BELLSOUTH CORPORATION AND)
BELLSOUTH LONG DISTANCE, INC. FOR APPROVAL)
OF MERGER

ORDER

DOCKET NO. TM06030262

(SERVICE LIST ATTACHED)

BY THE BOARD:

This matter has been opened to the Board by the filing of a joint verified petition by AT&T Inc. ("AT&T"), BellSouth Corporation ("BellSouth"), and BellSouth Long Distance, Inc. ("BSLD") (collectively, "Joint Petitioners"), seeking Board approval of a merger of BellSouth into AT&T, as well as any other forms of approval required to be issued in conjunction with this merger.

AT&T is a Delaware corporation with its headquarters in San Antonio, Texas. Through subsidiaries, AT&T owns a number of companies providing service to New Jersey customers: AT&T Communications of NJ, L.P., Teleport Communications-New York, TCG Delaware Valley, Inc., SBC Long Distance, LLC, d/b/a ATT Long Distance, and SNET America, Inc. d/b/a SBC Long Distance East. BellSouth is a Georgia corporation with its headquarters in Atlanta, Georgia. BSLD is a wholly-owned subsidiary of BellSouth, is a Delaware corporation headquartered in Atlanta, Georgia, and is the entity authorized to provide retail resold intrastate interexchange services in New Jersey. BSLD generated less than \$226,000 in revenue in New Jersey in 2005. In addition, these two companies own, between them, 100% of Cingular Wireless, currently split 60% to AT&T and 40% to BellSouth.

As set forth in the Joint Petition, this merger will result in BellSouth becoming a wholly-owned subsidiary of AT&T. AT&T is expected to issue approximately 2.4 billion shares of new common stock as part of the merger, representing approximately 38% of the outstanding shares of AT&T. The merger will not, claims Joint Petitioners, change the ownership of BSLD or the ownership structure of any of the AT&T-affiliated entities subject to Board regulation.

In its petition, Joint Petitioners claim that BSLD is not a public utility as a reseller and thus not subject to Board regulation beyond complaint jurisdiction. Nevertheless, claims Joint Petitioners, the matter is submitted to the Board to ensure compliance.

The Division of the Ratepayer Advocate has indicated its approval of this merger. No other parties have provided formal or informal comment to the Board on this matter.

DISCUSSION

As an initial matter, the Board disagrees with the assertion that this merger did not need to be reviewed by the Board because BSLD is a reseller. The Board believes it has jurisdiction over this merger by application of its statutes, and thus this matter is subject to a full review.

Based upon prior Board precedent, and as conceded by the Joint Petitioners, we find that the appropriate standard of review for this transaction is the "positive benefit" standard. Accordingly, we find that in order for this Board to be justified in approving Joint Petitioners' proposed change in control, Joint Petitioners must demonstrate not merely that the transaction does no harm to any of the four statutory criteria discussed below, but that, on aggregate, the transaction would affirmatively promote the public interest. Said another way, Joint Petitioners in this case must show, at a minimum, that some positive benefit would result from the transaction with respect to at least one of the four criteria, and that no harm would result with respect to the other three. With this standard in mind we now turn to the facts and opinions in evidence in this case to determine whether Joint Petitioners have made a sufficient showing with respect to the four statutory criteria to permit this Board to approve the proposed transaction.

N.J.S.A. 48:2-13 provides the Board with general supervision and regulation of and jurisdiction and control over all public utilities, including "every individual, copartnership, association, corporation or joint stock company . . . that now or hereafter may own, operate, manage, or control within this State any . . . telephone or telegraph system, plant or equipment for public use, under privileges granted or hereafter to be granted by this State or by any political subdivision thereof." The Board's authority and duty to review changes of control is set forth in N.J.S.A. 48:2-51.1, which provides that

[n]o person shall acquire or seek to acquire control of a public utility or indirectly through the medium of an affiliated or parent corporation or organization, or through the purchase of shares, the election of a board of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken in violation of this act shall be void. In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of the ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates.

Additionally, pursuant to N.J.S.A. 48:3-10, "[n]o public utility incorporated under the laws of this State shall sell, nor shall any such public utility make or permit to be made upon its books any transfer of any share or shares of its capital stock, to any other public utility, unless authorized to do so by the board. Nor shall any public utility incorporated under the laws of this State sell any share or shares of its capital stock or make or permit any transfer thereof to be made upon its books, to any corporation, domestic or foreign, or any person, the result of which sale or transfer in itself or in connection with other previous sales or transfers shall be to vest in such

corporation or person a majority in interest of the outstanding capital stock of such public utility corporation unless authorized to do so by the board."

From these statutory requirements, the Board's obligation is clear: it must consider impacts of the transaction on competition, the rates of ratepayers affected by the acquisition of control, the employees of the affected public utility or utilities, and the provision of safe and adequate service at just and reasonable rates. Based upon the standard of review above, this review must show a positive benefit to the State and consumers, as well as no adverse impacts on any of the criteria. It is under this rubric that the Board makes its determination.

Here, Joint Petitioners claim that, because BSLD has such a limited presence in the State, none of the proposed changes can or will have a significant impact upon the four listed criteria. Joint Petitioners claim that the merger will result in more competition through the encouragement of faster and broader deployment of new and improved services, and will allow the joint company to successfully compete against other voice, video and data service providers throughout the State and throughout the country. This consolidation into a "stronger" company will, in the claim of the Joint Petitioners, allow for greater competition by placing the new AT&T in the position of being able to fully compete with other major companies, including the likes of incumbent telephone providers and cable television companies. This status will ensure that competition is, at minimum, kept consistent, and, claims Joint Petitioners, will likely result in an overall increase in competition in the State.

Similarly, claim Joint Petitioners, there should be no impact upon the products offered or on the rates, terms, or conditions of service as the merger will be entirely transparent to customers in the State. No rate increases are expected, and, if the competition issue above is correct, a downward pressure upon prices overall can be expected.

Likewise, Joint Petitioners assert that the unions representing AT&T and BellSouth workers have expressed support for the merger, citing this as a positive opportunity for the employment force. With no BSLD employees in the State, and the unions representing the national labor force in agreement with the merger, the Joint Petitioners claim that this criteria is satisfied. Further, AT&T states that it remains committed to keeping its Network Operations Center, the AT&T Labs, and its Enterprise Operations in New Jersey.

As to the provision of safe and adequate service, Joint Petitioners claim that there will be no negative impact whatsoever, as the merger will be fully transparent for the limited number of New Jersey customers. Instead, assert Joint Petitioners, the merger can be expected to increase the reliability associated with the network and the service, thus resulting in a positive benefit to the provision of safe and adequate service.

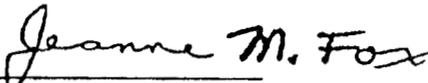
Finally, as for the overall positive benefits associated with the merger, the Joint Petitioners claim that the merger will promote development and deployment of next-generation technologies, will increase efficiency and reduce costs, will create "vertical" integration, will increase research and development, increase security of network information, and will better allow the Joint Petitioners to prepare for and deal with natural disasters and/or public emergencies. In total, claim Joint Petitioners, the merger will provide significant benefits and will not result in any detrimental impact upon the State or the customers. As such, the Joint Petitioners request approval of this merger by the Board.

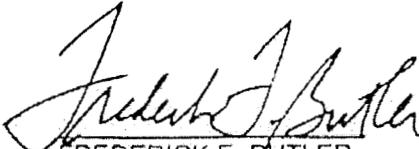
Following a full and careful review of the Joint Petition, the Board HEREBY FINDS that the proposed transaction satisfies the necessary legal standards, and that the transaction will likely

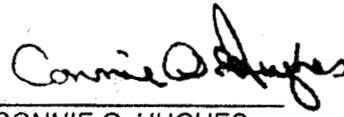
result in a positive benefit to the State of New Jersey. The Board FURTHER FINDS that the transaction will not have a negative impact on any of the four statutory criteria. Therefore, the Board HEREBY ORDERS that the Joint Petitioners shall be authorized to engage in those transactions necessary or appropriate to affect the transaction, and that the Joint Petitioners shall notify the Board of the consummation of the transaction within 5 days of its finalization. The Board FURTHER ORDERS that this Order shall not limit, diminish or otherwise affect the Board's existing authority and jurisdiction over the Joint Petitioners. Finally, the Board FURTHER ORDERS that the approval in this Order shall become null and void and of no effect to the extent it has not been exercised prior to December 31, 2006.

DATED: 6/9/06

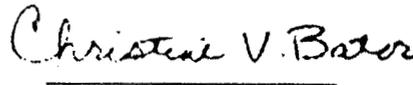
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

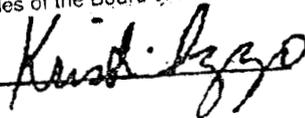

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



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Filed Session of May 17, 2006
Approved as Recommended
and so Ordered
By the Commission

JACLYN A. BRILLING
Secretary
Issued and Effective May 18, 2006

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

May 2, 2006

TO: THE COMMISSION
FROM: OFFICE OF TELECOMMUNICATIONS
SUBJECT: CASE 06-C-0397 - Joint Petition of AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for Approval of Merger.

SUMMARY OF

RECOMMENDATION: Staff recommends approval be granted pursuant to Sections 99(2) and 100 of the Public Service Law, for AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for the Merger resulting in BellSouth becoming a wholly-owned subsidiary of AT&T.

SUMMARY

By joint petition dated March 31, 2006, pursuant to Sections 99(2), and 100 of the Public Service Law, AT&T Inc. (AT&T), BellSouth Corporation (BellSouth) and BellSouth Long Distance, Inc. (BSLD) (collectively "Joint Petitioners"), request Commission approval of the merger of AT&T and BellSouth as described in the Agreement and Plan of Merger (Merger Agreement) jointly executed on March 4, 2006. Following the merger, BellSouth will become a wholly-owned, first-tier subsidiary of

AT&T. The only BellSouth subsidiary providing telecommunications services in New York is BSLD. Joint Petitioners have requested expedited treatment and consideration of the transfer request because BellSouth, through this subsidiary, has a very limited presence in New York. Commission approval is recommended.

BACKGROUND

AT&T is a Delaware corporation providing IP-based communications services to businesses worldwide and local and long distance voice and data networking services throughout a thirteen-state region in the United States. AT&T Long Distance, an AT&T subsidiary, was authorized to operate as a facilities-based provider and reseller of telephone service, including local exchange service pursuant to a Certificate of Public Convenience and Necessity granted by the Commission on August 18, 2004 in Case 04-C-0874.¹ AT&T Long Distance includes all of the business assets and operations of SBC Telecom, Inc., an AT&T subsidiary that the Commission authorized as a facilities-based common carrier and reseller of telephone services, including local exchange services, pursuant to a Certificate of Public Convenience and Necessity granted on August 4, 2000 in Case 00-C-0986. Through intermediate

¹ AT&T Long Distance was previously certified to provide resold telephone services in New York in Case 96-C-0944 (December 18, 1996) and to provide resold and facilities-based telephone services in Case 04-C-0157 (April 30, 2004).

subsidiaries, AT&T wholly owns several subsidiaries that are certified to provide competitive interexchange and local exchange telecommunications services in New York.²

On September 21, 2005, the Commission approved the merger of AT&T Corp. and SBC Communications Inc. in Case 05-C-0242. Following Commission approval of the merger, AT&T Inc. was formed and AT&T Corp. and SBC Communications Inc. became wholly-owned subsidiaries of AT&T Inc.

BSLD, a wholly-owned subsidiary of BellSouth, is a Delaware corporation authorized to offer resold interexchange service in New York through a Certificate of Public Convenience and Necessity granted by the Commission on April 7, 1997 in Case 96-C-1183 and is also authorized to provide resold local exchange service in New York through a Certificate of Public Convenience and Necessity granted by the Commission on February 25, 1998 in Case 97-C-2161 (and transferred to BSLD on April 22, 2005).

The Merger Agreement provides that BellSouth will become a wholly-owned subsidiary of AT&T. Specifically, AT&T has created a wholly-owned subsidiary called ABC Consolidation Corp. (Merger Sub) for the purpose of the merger. The Merger Sub will merge with, and into, BellSouth with BellSouth continuing as the surviving corporation and as a wholly-owned subsidiary of AT&T. AT&T will issue approximately 2.4 billion new shares of common stock which will represent approximately 38 percent of the outstanding shares of AT&T. Diagrams showing the current and proposed corporate structure of the Joint Petitioners are provided in Exhibit B.

² SBC Long Distance LLC d/b/a AT&T Long Distance, SNET America, Inc. d/b/a SBC Long Distance East, SNET Diversified Group, Inc., AT&T Communications of New York, Inc., Teleport Communications Group, Inc., TC Systems, Inc., Teleport Communications of New York, Inc. and ACC Corp.

Joint Petitioners believe that granting the proposed transaction will have no adverse impact on competition or service in New York since BellSouth has a very limited presence in New York. Specifically, BSLD has no New York State local service revenues, no New York local service customers, no access lines in New York, and only minimal intrastate interexchange service revenues.

Joint Petitioners state that the transactions will further the public interest because even with BSLD's limited role in the state, the merger should ultimately enhance competition by encouraging faster and broader deployment of new and improved services.

DISCUSSION

The merger will not change the ownership of BSLD or the ownership structure of any AT&T-affiliated entity subject to the Commission's regulatory authority. Upon consummation of the merger, these entities will continue to hold all of the state certificates that they currently hold and each will be owned by the same entity that owns them today. There will be no transfer of the assets of those certified entities in connection with this merger.

Supporting documentation in the instant proceeding provided by the Joint Petitioners indicates that the merger will not affect the rates, terms, or conditions of service that those entities currently provide to their customers and that the merger will be transparent to New York customers. Joint Petitioners believe that the merger will create an organization that will enjoy enhanced financial health and vigor, which will affirmatively benefit the public.

COMPLAINTS

Over the past 24 months, no complaints were received by the Department of Public Service Office of Consumer Services (OCS) against BellSouth Corporation or BellSouth Long Distance, Inc.

For the same period, AT&T, Inc. had 7,394 complaints received by OCS. Of those, 36 are currently open. The company has been responsive in resolving consumer complaints. Jason Smitkin (OCS Operations) has reviewed this memo.

ENVIRONMENTAL QUALITY REVIEW

Under the State Environmental Quality Review Act (SEQRA), Article 8 of the Environmental Conservation Law, and its implementing regulations, (6 NYCRR Part 617 and 16 NYCRR Part 7), all State agencies must determine whether the actions they are requested to approve may have a significant impact on the environment. Other than our approval of the action proposed here, no additional State or local permits or approvals are required, and, therefore, coordinated review under SEQRA is not needed. The Public Service Commission will assume Lead Agency Status under SEQRA and conduct an environmental assessment for review of this action.

SEQRA (6 NYCRR § 617.6 (a) (3)) requires applicants to submit a completed environmental assessment form (EAF) describing and disclosing the likely impacts of the proposed actions. Petitioner submitted a short-form Part I EAF.

The proposed action is the approval of the merger of AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. The proposed action does not meet the definition of either Type 1 or Type 2 actions that are contained in 6 NYCRR §'s 617.4, 617.5, and 16 NYCRR § 7.2, so it is classified as an "unlisted" action requiring SEQRA review. After review of the EAF and the petition demonstrates that, based upon the criteria for determining significance listed in 6 NYCRR § 617.7(c), the action proposed in the proceeding, will not have significant adverse environmental impacts. Staff has completed the short-form EAF Part 2.

The EAF demonstrates that the action proposed in the petition will not have a significant impact on the environment. Therefore, a negative declaration pursuant to SEQRA is adopted. Because no adverse environmental impacts were found, no Public Notice Requesting Comments is required or will be issued. A Notice of

Determination of Non-Significance for this unlisted action is attached as Exhibit A. The completed EAF will be retained in our files.

CONCLUSION

Based on the representations in the petition, the Office of Telecommunications agrees that the transactions proposed by the Joint Petitioners, AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for Approval of Merger, are in the public interest and we have no objections to the companies'

completion of the necessary transactions in connection with the merger. It is recommended that the petition be approved and that this case be closed.

Respectfully submitted,

Jenny Quirk
Utility Analyst

Reviewed by,

Maureen McCauley
Assistant Counsel
Office of General Counsel

CASE 06-C-0397

APPROVED:

GREGORY C. PATTENAUE
Chief, Office of Telecommunications

Attachments

EXHIBIT A

CASE 06-C-0397

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 06-C-0397 - Joint Petition of AT&T Inc., BellSouth Corporation and
BellSouth Long Distance, Inc. for Approval of Merger

NOTICE OF DETERMINATION
OF NON-SIGNIFICANCE

NOTICE is hereby given that an Environmental Impact Statement will not be prepared in connection with the approval by the Public Service Commission, of the merger of AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc., based upon our determination, in accordance with Article 8 of the Environmental Conservation Law, that such action will not have a significant adverse effect on the environment. The approval of this action is an Unlisted Action as defined under 6 NYCRR Section 617.7(c).

Based upon our review of the record, the action proposed in this proceeding, approval of the transfer of certain communications facilities under section 99(2) and 100 of the Public Service Law will not have a significant adverse environmental impact.

The address of the Public Service Commission, the lead agency for the purposes of the Environmental Quality Review of this project is Three Empire State Plaza, Albany, New York 12223-1350. Questions may be directed to Richard H. Powell at (518) 486-2885 or to the address above.

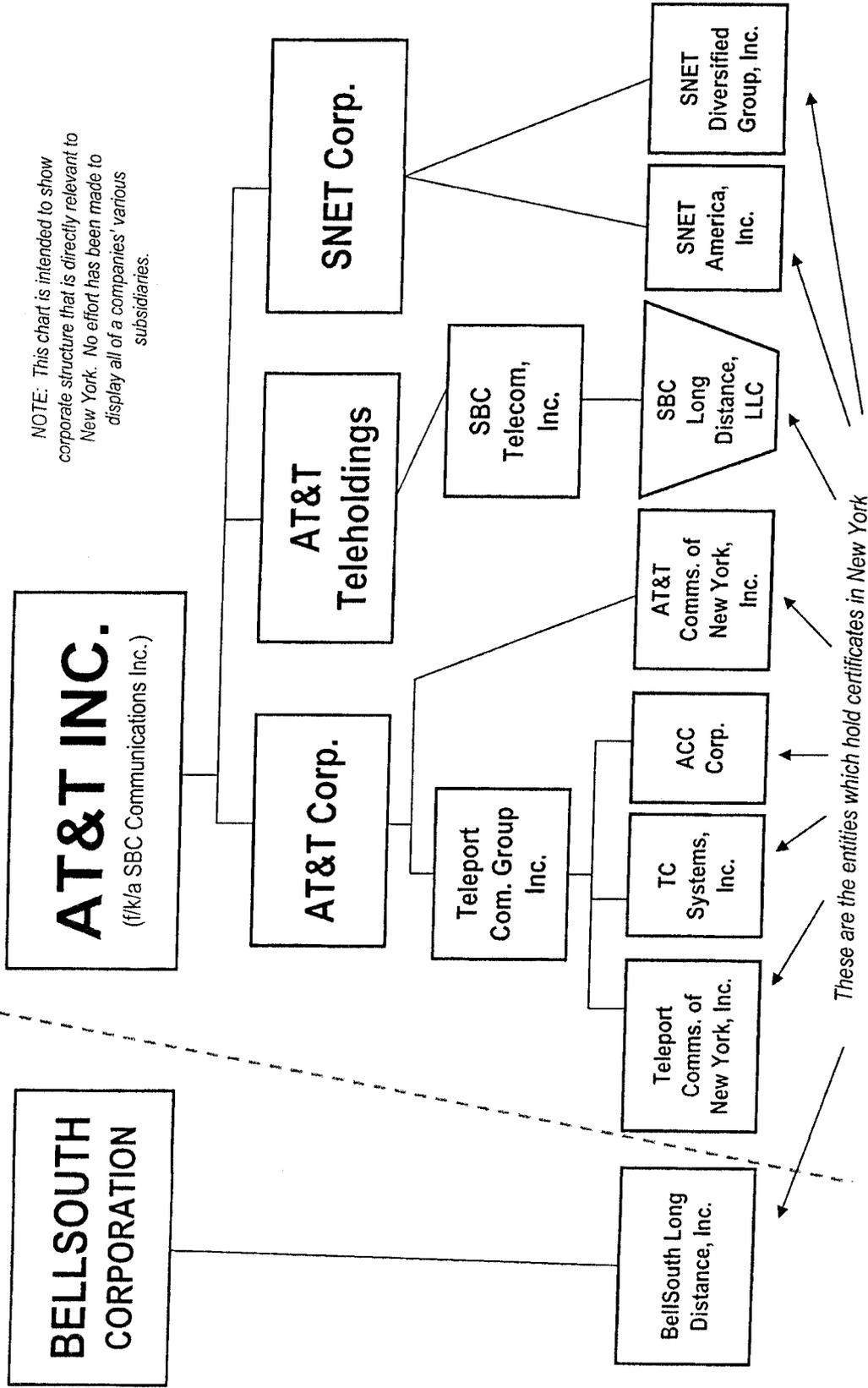
JACLYN A. BRILLING
Secretary

CASE 06-C-0397

EXHIBIT B

Exhibit B

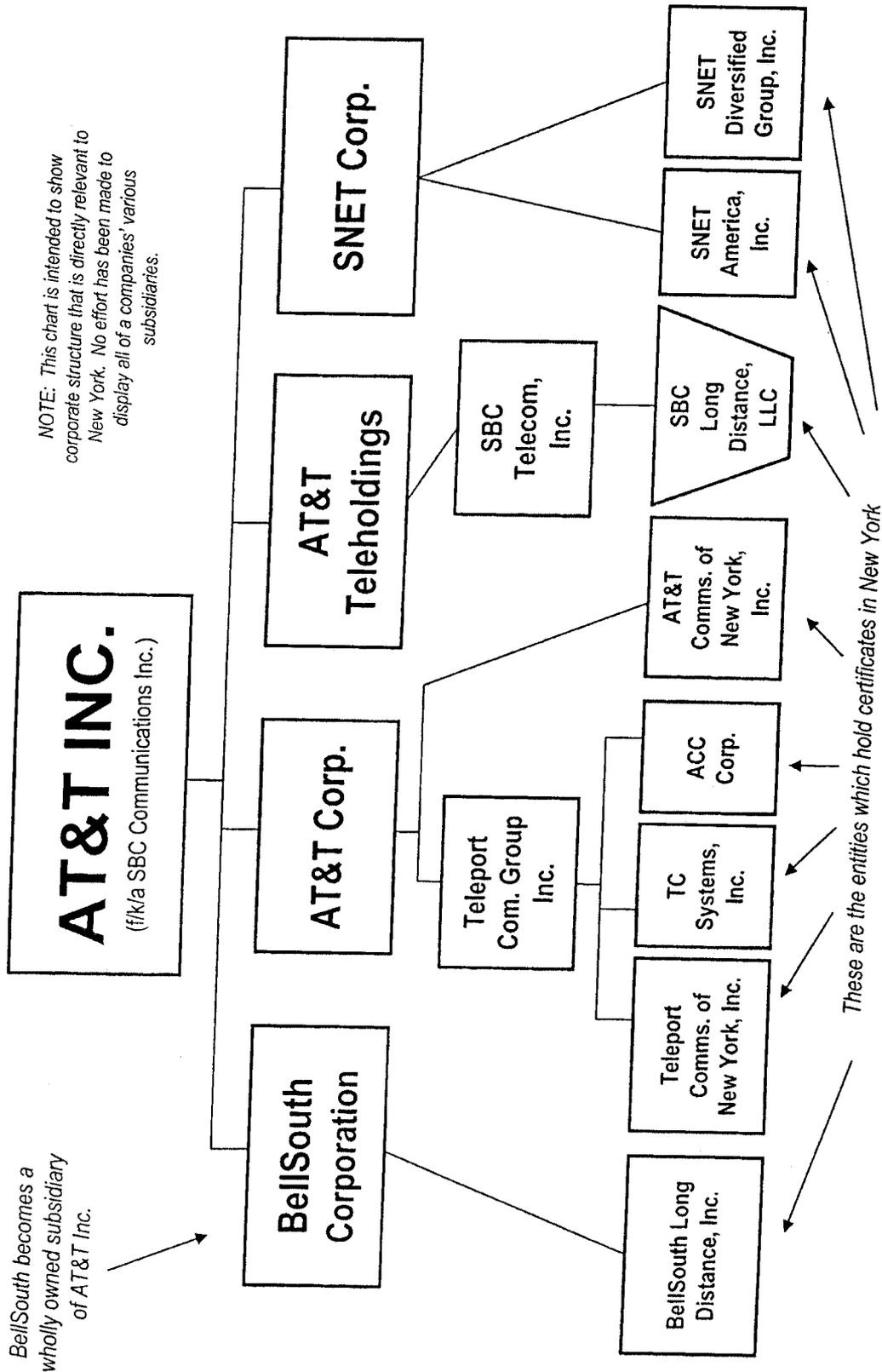
PRE-TRANSACTION CORPORATE STRUCTURE CHART
 [NEW YORK SPECIFIC INFORMATION]



These are the entities which hold certificates in New York

POST TRANSACTION CORPORATE STRUCTURE CHART

[NEW YORK SPECIFIC INFORMATION]





STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. P-55, SUB 1630
DOCKET NO. P-140, SUB 89

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of AT&T, Inc. and BellSouth) ORDER APPROVING
Corporation for Indirect Change of Control) TRANSFER OF CONTROL

BY THE COMMISSION: On March 31, 2006, AT&T, Inc. (AT&T) and BellSouth Corporation (BellSouth Corp.; collectively, Petitioners) jointly filed an Application requesting Commission approval pursuant to G.S. 62-111(a)¹ to transfer control of certain competing local providers (CLPs)—namely, BellSouth Long Distance, Inc. (BSLD) and BellSouth Telecommunications, Inc. (BellSouth)—in connection with a planned merger between AT&T, Inc. and BellSouth Corporation. On April 12, 2006, the Commission granted Petitions to Intervene filed by Time Warner Telecom of North Carolina LP and US LEC of North Carolina, Inc. (collectively, Time Warner). On April 21, 2006, the Commission granted intervention to NuVox Communications, Inc.

Time Warner Motion

On May 12, 2006, Time Warner filed a Motion for Procedural Schedule and Hearing. In this consolidated proceeding, Time Warner noted that the Petitioners are requesting approval of the indirect control of CLP certificates held by BellSouth and BSLD in connection with the transfer of control of BellSouth Corp. and its subsidiaries to AT&T, Inc. Time Warner identified several aspects of the proposed combination which it believes deserve regulatory scrutiny through a deliberative process in which the parties can file testimony and cross-examine witnesses.

The first concern had to do with the extent of horizontal concentration. Time Warner stated that the application discloses that six separate entities holding certificates in North Carolina would be combined under common ownership as a result of the merging. They are: (1) SBC Long Distance, LLC, (2) AT&T Communications of the Southern States, LLC, (3) TCG of the Carolinas, Inc., (4) SNET America, Inc., (5) BellSouth and (6) BSLD. Time Warner argued that the application does not disclose the extent of competition among these entities in various markets in North Carolina in

¹ G.S. 62-111(a) reads in relevant part as follows: "No franchise now existing or hereafter issued under the provisions of this Chapter...shall be sold, assigned, pledged, or transferred, nor shall any control thereof be changed through stock transfer or otherwise, or any rights thereunder leased, nor shall any merger or combination affecting any public utility be made through acquisition or control by stock purchase or otherwise, except after application to and written approval by the Commission, which approval shall be given if justified by the public convenience and necessity...."

any but the most generalized fashion and that allowing such consolidation might lessen competition and create confusion among consumers.

The second concern was the extent to which the merger may impact fair competition, especially as the interconnection arrangements and the procurement of interconnection services and related facilities by Time Warner from the Petitioners. Time Warner noted that in its January 2006 presentation titled "North Carolina Public Utility Infrastructure and Regulatory Climate," the Commission noted certain market failures and instability in the competitive marketplace. Nothing has changed to lessen these concerns.

Lastly, Time Warner argued that the Petitioners would not be prejudiced by a more deliberate approach to review and that the Federal Communications Commission is early in its 180-day merger review.

AT&T and BellSouth Response

On May 15, 2006, the Petitioners filed a Response in Opposition to Time Warner's Motion. The Petitioners noted the comparative lateness of Time Warner's Motion, and argued that Time Warner misunderstood not only the scope of this proceeding but the effects that the proposed merger will have on the relevant CLP subsidiaries. As the Petitioners explained in their Joint Application, this proceeding is concerned only with the transfer of indirect control of BSLD and of BellSouth *in its capacity as a CLP operating outside of its incumbent local service area in North Carolina*. Because BellSouth is subject to price regulation under G.S. 62-133.5 within its incumbent service territory, the merger approval provision of G.S. 62-111(a) does not apply to BellSouth in its capacity as an ILEC.² Thus, Time Warner's purported concerns about fair competition are misdirected because there is no nexus between Time Warner and US LEC on the one hand and the BellSouth CLP subsidiaries on the other. To the extent that Time Warner has concerns about business relationships with BellSouth in its capacity as an ILEC, this is not the proceeding to consider those issues. In addition, Time Warner is wrong to suggest that this merger will have any adverse effect on horizontal concentration. Competition in this state is well-established and will not be affected by this merger. The holding-company merger will not change the direct ownership of the CLP subsidiaries or this Commission's regulatory jurisdiction over them. There is thus no justification to grant Time Warner's request to delay this proceeding by conducting a full evidentiary hearing.

² G.S. 62-133.5(g) reads: "The following sections of Chapter 62 of the General Statutes shall not apply to local exchange companies subject to priced regulation under subsection (a) of this section: G.S. 62-35(c), 62-45, 62-51, 62-81, **62-111**, 62-130, 62-131, 62-132, 62-133, 62-134, 62-135, 62-136, 62-137, 62-139, 62-142, and 62-153." (Emphasis added).

May 15, 2006, Regular Commission Conference

This matter came before Regular Commission Conference on May 15, 2006. Four persons addressed the Commission: Mr. George Sessoms, presenting the item to approve the transfer of control as requested and described in the Application on behalf of the Commission Staff; Mr. Marcus Trathen, representing Time Warner; and Mr. Dwight Allen and Ms. Susan Ockleberry, representing Petitioners.

Commission Staff. Mr. Sessoms explained that AT&T is a Delaware corporation with its principal place of business in San Antonio, Texas. AT&T is a holding company and its subsidiaries provide domestic and international voice and data communications services to residential, business and government customers around the world. AT&T wholly owns four subsidiaries which are authorized to provide local exchange and exchange services as CLPs and/or intrastate interexchange services in North Carolina pursuant to Certificates of Public Convenience and Necessity (Certificates) granted by the Commission. These subsidiaries are AT&T Communications of the Southern States, LLC; TCG of the Carolinas, Inc.; SBC Long Distance, LLC d/b/a AT&T Long Distance; and SNET America d/b/a AT&T Long Distance East. However, according to the Application, these AT&T subsidiaries are not affected by the planned merger and their ownership structure will remain entirely unchanged.

BellSouth Corp. is a Georgia corporation with its headquarters in Atlanta, Georgia. BellSouth Corp. is also a holding company and its subsidiaries provide voice and data communications services to substantial portions of customers in the southeastern United States. Two of BellSouth Corp.'s wholly owned subsidiaries, BSLD and BellSouth, are authorized to provide local exchange and exchange access services as CLPs in North Carolina. BSLD was granted a CLP Certificate by the Commission in Docket No. P-654, Sub 5 on September 24, 2004. (BSLD is also authorized to provide intrastate interexchange services pursuant to a Certificate granted by the Commission in Docket No. P-654, Sub 0 on November 26, 1997, but providers of only interexchange services are exempt from the provisions of G.S. 62-111(a) pursuant to the Commission Order dated January 2, 2004 in Docket No. P-100, Sub 72b.) BellSouth was granted a CLP Certificate by the Commission, to provide such services in all geographic areas outside its incumbent service territory, in Docket No. P-55, Sub 1117 on June 15, 1999. (BellSouth is also an incumbent local exchange carrier which operates under a Commission approved price plan. However, G.S. 62-133.5(g) exempts local exchange companies subject to price regulation from the provisions of G.S. 62-111(a)).

Mr. Sessoms stated that AT&T and BellSouth Corp. entered into an Agreement and Plan of Merger on March 4, 2006. To implement the planned merger, a temporary and special purpose subsidiary of AT&T will merge with and into BellSouth Corp., with BellSouth Corp. being the surviving corporation. At the time of the merger, shareholders of BellSouth Corp. will exchange their shares of stock for shares of AT&T stock.

Following the merger, BellSouth Corp. will become a wholly-owned and direct subsidiary of AT&T. BSLD and BellSouth will continue to be directly owned by BellSouth Corp. However, BSLD and BellSouth will be ultimately owned and indirectly controlled by AT&T because AT&T will own the shares of their corporate parent, BellSouth Corp. Therefore, the Application requests Commission approval pursuant to G.S. 62-111(a) to transfer control of BSLD and BellSouth, in their capacity as CLPs, in connection with the planned merger of AT&T and BellSouth Corp.

According to the Petitioners, the proposed transaction will be transparent to customers in North Carolina. BSLD and BellSouth will continue to exist in their current form after the merger is completed. There will be no transfer of assets or Certificates and the merger will have no effect on the rates, terms, and conditions of service that these entities currently provide.

Mr. Sessoms noted that the Applicants submitted that Commission approval of the proposed transaction is in the public interest for several reasons as set forth in the Application. In the short-run, the merger and transfer of control will be transparent to North Carolina customers since it will have no effect on the rates, terms, and conditions of services currently provided by AT&T and BellSouth Corp. subsidiaries. Ultimately, the proposed transaction should allow the companies to integrate their networks, improving performance and service reliability, and to combine their research and development capabilities, leading to increased innovation and accelerated development of new products and services.

Accordingly, Mr. Sessoms recommended that the Commission issue an order approving the transfer of control as requested and described in the Application.

Time Warner. While alluding to the arguments made in Time Warner's May 12, 2006, Motion concerning horizontal concentration and fair competition, Mr. Trathen instead concentrated on the proposition that the Commission has jurisdiction to significantly broaden the scope of its investigation from the BellSouth CLPs to BellSouth the ILEC. He laid out two main arguments. The first argument sought to bring BellSouth Corp., the holding company, under the Commission's merger jurisdiction and, presumably by that device, to bring in BellSouth the ILEC. This argument hinged upon the phrase in G.S. 62-111(a) to the effect that the Commission has jurisdiction over "any merger or combination affecting any public utility." Mr. Trathen contended that BellSouth Corp. was a "public utility" within the meaning of G.S. 62-3(23)(c).³ The second argument was that BellSouth the ILEC was a fit subject for merger investigation because BellSouth the ILEC was also a CLP. The inference was that this CLP ownership furnished sufficient basis for investigating the ILEC merger, notwithstanding the ILEC exemption under G.S. 62-133.5(g).

³ G.S. 62-3(23)(c) reads in pertinent part as follows: "The term 'public utility' shall include all persons affiliated through stock ownership with a public utility doing business in this State as a parent corporation...to such extent that the Commission shall find that such affiliation has an effect on the rates or service of such public utility."

Petitioners. Mr. Allen rejected Time Warner's arguments both in the May 12, 2005, filing and at Regular Commission Conference. He emphasized the existence of the G.S. 62-133.5(g) exemption for BellSouth the ILEC as being dispositive of the Commission's limited jurisdiction in this matter. He noted that the Commission had noted this limited jurisdiction in other mergers, most explicitly in the Verizon/MCI merger. He also mentioned the extreme smallness of the BellSouth CLPs in terms of customer base and that only two of the CLPs mentioned in the Application were BellSouth CLPs, the others being associated with AT&T and whose status would not change as a result of the merger. He expatiated on the benefits of the merger for the end-user customers of the Petitioners and doubted the sincerity of the concerns expressed by Time Warner for competition, as it belongs to a multi-billion dollar conglomerate.

Others. No other persons spoke at Conference. However, Petitioners stated without demur from the Public Staff, who were present, that the Public Staff supported the recommendation for approval. The Attorney General did not speak on the item after having been given an opportunity to do so.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

After careful consideration, the Commission concludes that good cause exists to deny Time Warner's Motion for Procedural Schedule and Hearing and issue an Order approving the transfer of control as requested by Petitioners for the reasons described in the Commission Staff's recommendation. The Commission does not believe that Time Warner has made convincing arguments that the Commission should expand the scope of an investigation into this merger, especially in light of the exemption for BellSouth the ILEC in G.S. 62-133.5(g).

The first argument of Time Warner, as noted above, relied on the provision in G.S. 62-111(a) that provided that mergers "affecting any public utility" are not to be allowed unless there has been application to, and written approval from, the Commission if such approval is justified by the public convenience and necessity. Clearly, this provision does not affect BellSouth the ILEC as such, because G.S. 62-133.5(g) specifically exempts ILECs subject to price regulation from G.S. 62-111(a). Rather, Time Warner argues that it refers to the holding company, BellSouth Corp., on the basis that BellSouth Corp. is a "public utility" under G.S. 62-3(23)(c). This provision provides that "public utility" includes "all persons affiliated through stock ownership with a public utility doing business in this State as a parent corporation or a subsidiary corporation...to such extent that the Commission shall find such affiliation has an effect on the rates and service of such utility." (emphasis added). Time Warner suggests that BellSouth Corp. is such a parent, and it is not an ILEC subject to price regulation and thus exempt from G.S. 62-111(a).

However, even assuming arguendo that there is an effect on rates and service such as to render BellSouth Corp. a public utility, Time Warner's argument does not lead where it evidently wants to go—that is, to an examination of, and presumably conditions upon, the activities of BellSouth the ILEC. Inconveniently for Time Warner's argument, BellSouth the ILEC falls squarely within the G.S. 62-133.5(g) exemption, so no inquiry on this basis is possible. At most, the argument, if accepted, could lead to the CLPs; but the CLP transfer is already being examined under G.S. 62-111(a).

Time Warner's second argument was related to the fact that BellSouth the ILEC had obtained CLP certification. Time Warner argued that this in effect negated BellSouth the ILEC's exemption under G.S. 62-133.5(g) and rendered BellSouth the ILEC as a whole "fair game" for comprehensive merger inquiry. This is not a convincing argument. BellSouth actually holds two franchises, one as an ILEC and one as a CLP. It is a simple matter analytically and practically to separate consideration of BellSouth the ILEC and BellSouth the CLP. Besides, the logic of Time Warner's argument works both ways. If it can be argued that the existence of BellSouth the CLP makes BellSouth the ILEC fair game, the reverse can be argued as well with perhaps even greater force. Indeed, given their relative sizes and importance, the BellSouth ILEC exemption under G.S. 62-133.5(g) could be argued to apply pari passu to BellSouth the CLP, and thus neither should be subject to G.S. 62-111(a).

Lastly, the Commission notes that the holding of evidentiary hearings regarding mergers and acquisitions under G.S. 62-111(a) is discretionary. The statute simply says that application must be made and written approval be given if justified by the public convenience and necessity. Thus, even were the Commission to accept Time Warner's jurisdictional arguments to widen the scope of this proceeding, this would not necessarily equate to the type of proceeding that Time Warner seeks. Time Warner has raised concerns about horizontal concentration and fair competition, but Time Warner does not lack for options should it believe itself to be harmed and should it wish to pursue them, most notably in complaint actions or arbitrations.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of May, 2006.

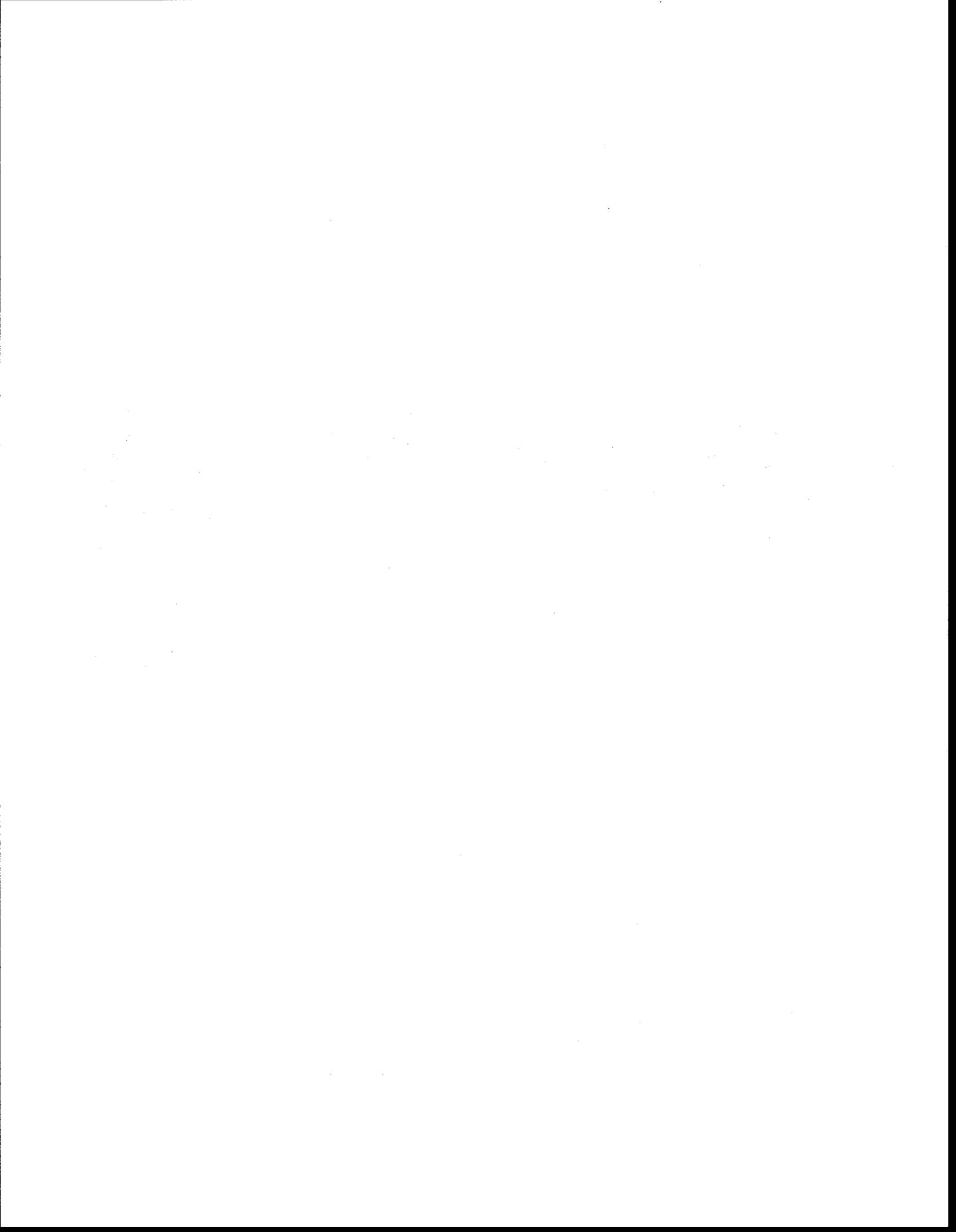
NORTH CAROLINA UTILITIES COMMISSION



Patricia Swenson, Deputy Clerk

dl051806.01

Commissioners James Y. Kerr, II and William T. Culpepper, III did not participate.





COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
June 1, 2006

REFER TO OUR FILE

A-310503 F0004

DANIEL P DELANEY ESQUIRE
KIRKPATRICK & LOCKHART
NICHOLSON GRAHAM
17 NORTH SECOND STREET
18TH FLOOR
HARRISBURG PA 17101-1507

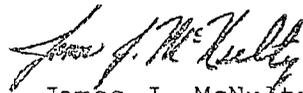
Joint Application of AT&T, Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for approval of a merger whereby BellSouth Corporation will become a wholly-owned subsidiary of AT&T, Inc.

To Whom It May Concern:

This is to advise you that an Order has been adopted by the Commission in Public Meeting on June 1, 2006 in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

Enclosure
Certified Mail
LJM

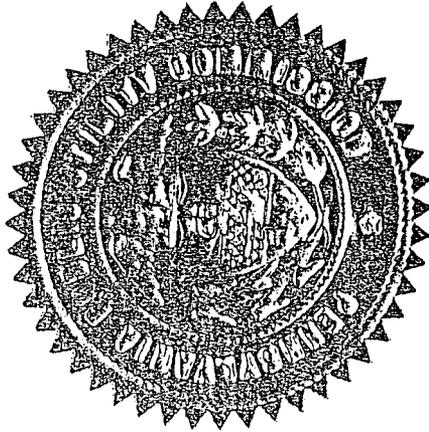
PENNSYLVANIA
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-310503 F0004

Joint Application of AT&T, Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for approval of a merger whereby BellSouth Corporation will become a wholly-owned subsidiary of AT&T, Inc.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 1st day of June, 2006.



James P. McKeely
Secretary

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held June 1, 2006

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

Docket Number:

Joint application of AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. for approval of a merger whereby BellSouth Corporation will become a wholly-owned subsidiary of AT&T Inc.

A-310503F0004

ORDER

BY THE COMMISSION:

On March 31, 2006, pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1101-1103, and the Commission's policy statement at 52 Pa. Code § 69.901(b), AT&T Inc. (AT&T), BellSouth Corporation (BellSouth) and BellSouth Long Distance, Inc. (BSLD) (collectively the Applicants) jointly filed the above-captioned application for a certificate of public convenience seeking our approval of the merger of BellSouth and AT&T. BellSouth and AT&T jointly executed an Agreement and Plan of Merger (Merger Agreement) on March 4, 2006.

The Applicants provided proof of compliance with our regulations at 52 Pa. Code § 5.14, relating to applications requiring notice. Notice of the Joint Application for merger was published April 15, 2006 at 36 *Pa.B.* 1826.

On May 1, 2006, the Communications Workers of America (CWA) petitioned to intervene in the proceeding pursuant to our regulations at 52 Pa. Code § 5.71, relating to initiation of intervention. The CWA seeks intervention on the grounds that no other party adequately represents the interests of the Applicants' CWA employees, however, the CWA does not protest the proposed merger.

AT&T is a Delaware corporation headquartered in San Antonio, Texas. AT&T is the largest provider of telecommunications services in the United States and one of the largest in the world. The company provides traditional voice services along with Internet protocol (IP) based voice service, broadband Internet, data transport, wireless and video services. In the United States, AT&T is the number one provider of broadband DSL and the number one provider of local and long distance voice services. AT&T is also the number one wireless provider in the United States through its 60 percent ownership interest in Cingular Wireless (Cingular).

In an Order entered on October 6, 2005, the Commission approved the merger of SBC Communications, Inc. and AT&T Corporation¹. As a result of the approved merger, AT&T is the ultimate parent of five subsidiaries that are certified to provide telecommunications services within the Commonwealth. These entities are: (1) SBC Long Distance, Inc., f/k/a Southwest Bell Communications Services, Inc., (2) SBC Telecom, Inc., (3) SNET America, Inc. d/b/a SBC Long Distance East, (4) TCG Delaware Valley, Inc. f/k/a Eastern Telelogic Corporation and (5) TCG Pittsburgh.

BellSouth is a Georgia corporation headquartered in Atlanta, GA. BellSouth currently has a 40% ownership interest and 50 percent voting interest in Cingular. BellSouth co-owns Cingular with AT&T. Along with its wireless operations, BellSouth is a wireline communications provider whose largest customer segment is the retail consumer market. BellSouth is one of the original Regional Bell Operating

¹ See Docket Nos. A-311163F0006, A-310213F0008 and A-310258F0005.

Companies (RBOCs) created in 1984 by the break-up of AT&T Corporation and the Bell System. AT&T is one of the original interexchange carriers (IXCs) that provided long distance service following the 1984 break-up. BellSouth operates primarily in the southeastern United States and has ILEC operations in the states of North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi and Louisiana. In the fiscal year ended 2005, BellSouth had more than \$20 billion in revenue and more than 63,000 employees.

BSLD is a Delaware corporation with its principal office located at 400 Perimeter Center Terrace Suite 400, Atlanta, GA. BSLD is a wholly-owned subsidiary of BellSouth. In Pennsylvania, BSLD provide services as an IXC reseller, a CAP and a CLEC pursuant to authority granted at A-310503, A-310503 F0002, and A-310503 F0003, respectively.

According to the Applicants, BSLD is currently only providing resold interexchange long distance services to customers in Pennsylvania, and then only on a limited basis. The Applicants also state that BSLD is not providing local exchange services and has no local exchange customers, assets or employees located in the Commonwealth. Revenues from its intrastate long distance services for 2005 totaled less than \$350,000.

The Merger Agreement entered into on March 4, 2006, provides that AT&T will acquire 100 percent of the common stock of BellSouth such that BellSouth will become a wholly-owned subsidiary of AT&T. The Merger Agreement allows for each share of BellSouth common stock outstanding and issued immediately prior to the effective time of the merger to be exchanged for 1.325 common shares of AT&T. AT&T will subsequently issue approximately 2.4 billion new shares of common stock, which would represent 38 percent of the outstanding shares of AT&T. The transaction valued at

approximately \$67 billion represented a 17.9% premium to the closing price of BellSouth stock on March 3, 2006.

As part of the Merger Agreement, three members of BellSouth's Board of Directors mutually selected by BellSouth and AT&T will become members of AT&T's Board of Directors.

The Applicants assert that the merger of AT&T and BellSouth will not change the ownership structure of BSLD. BSLD will continue to operate in the Commonwealth under the certificates it holds today and there will be no transfer of BSLD assets associated with the proposed merger. As such, the change in ownership will be transparent to the customers of BSLD located in Pennsylvania. These customers, who are primarily large business customers with multiple locations throughout the country, will continue to receive service under the same rates, terms and conditions as they do today.

The Applicants submit that the merger will have no adverse impact on competition or service in Pennsylvania given BellSouth's nominal presence here. The applicants also allege that the merger will provide significant benefits for Pennsylvania customers. These include:

- The development and deployment of new services, particularly IP-based services.
- Reduced costs and increased efficiency through network integration.
- Vertical integration benefits such as reduced transaction costs.
- A greater pool of human capital and intellectual property to enhance Research and Development (R & D) efforts.
- Enhanced network security to protect customer data and privacy.
- Enhanced ability to prepare for and respond to natural disasters.

- Synergies created from the sharing of “best practices” will reduce operating costs and increase productivity.

The Applicants further state that the merger will serve the public interest by creating a stronger company that will be better more efficient, effective and responsive to customer needs and thus be better positioned to compete in Pennsylvania’s dynamic telecommunications market.

As an initial matter, we find that the CWA Petition to Intervene should be granted. Although the CWA does not protest the proposed merger, the interest in representing the CWA employees of the Applicants warrants grant of party status.

Upon consideration, we find that the record provides substantial evidence supporting approval of the proposed merger. For the reasons set forth in detail below, we conclude that the proposed merger combining AT&T and BellSouth will benefit BSLD customers in Pennsylvania

The propose merger will advance the deployment of new services, particularly IP-based services, through utilization of the combined local and national network created from our approval of the merger. This combination should allow the Applicants to reduce costs and increase efficiencies through integration of separate networks into a single IP-based network. The integration of the networks of AT&T and BellSouth into a single IP-based network will also enhance network security and improve the merged company’s ability to protect customer data and privacy.

The proposed merger will also provide significant vertical integration benefits. This includes reduced transaction costs and access to a greater pool of human capital and intellectual property. These combined benefits will enhance the Applicants’ R & D efforts particularly in the area of emerging services.

Finally, the proposed merger will create synergies from the sharing of “best practices” that will reduce operating costs and increase productivity. These synergies will ultimately benefit Pennsylvania consumers.

This combination of benefits and improved service will improve the quality of service provided to customers. The combination also provides substantial benefits that will result in a stronger corporate presence in Pennsylvania and thereby increase the ability to provide service to Pennsylvania consumers.

These factors support our conclusion that the record provides substantial evidence of affirmative public benefits sufficient to warrant approval of the proposed transaction under *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825 (1972).

Upon consideration, we conclude that the proposed merger of BellSouth Corporation and AT&T, Inc. as described in the Merger Agreement, is necessary or proper for the service, accommodation, convenience, or safety of the public, and that the joint application should be approved; **THEREFORE,**

IT IS ORDERED:

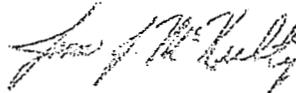
1. The Intervention Petition of the Communication Workers of America is granted.
2. That the joint application is hereby approved and that a Certificate of Public Convenience be issued evidencing our approval of the merger of BellSouth Corporation and AT&T, Inc., consistent with the discussion contained in this Order.

3. That within 30 days of the date of consummation of the transactions approved by Ordering Paragraph No. 2, above, the joint applicants file with this Commission notice of such consummation.

4. That upon filing of the notice mentioned in Ordering Paragraph No. 3, above, the case be marked closed.

5. That if the joint applicants come to determine that the instant transaction will not occur, they promptly file with this Commission notice of such determination.

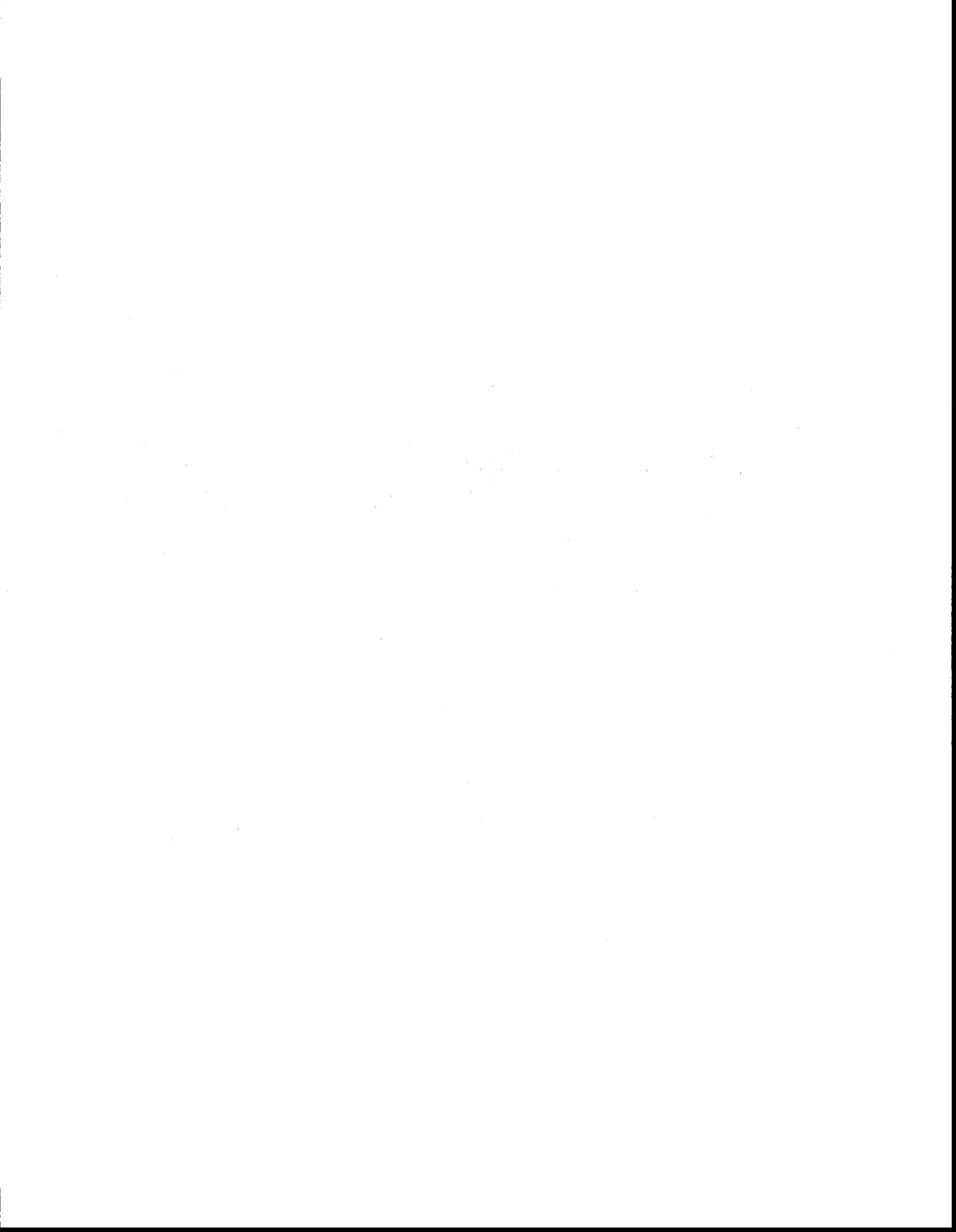
BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: June 1, 2006
ORDER ENTERED: JUN 01 2006



- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Joint Application of)
AT&T Inc. and BellSouth Corporation for)
Approval of Agreement and Plan of)
Merger)
)

DOCKET NO. 06-087-02

ORDER APPROVING MERGER

SYNOPSIS

The Commission finds the proposed merger of AT&T Inc., and BellSouth Corporation to be in the public interest and approves the same.

ISSUED: May 16, 2006

By The Commission:

PROCEDURAL HISTORY

On March 31, 2006, AT&T, Inc. ("AT&T") and BellSouth Corporation ("BellSouth"),¹ on behalf of BellSouth Long Distance, Inc. ("BSLD"), filed a Joint Application for Approval of Merger Between AT&T, Inc. and BellSouth Corporation ("Application") seeking Commission approval of the merger of AT&T and BellSouth to the extent such approval is necessary under *Utah Code Ann.* §§ 54-4-28, 54-4-29, or 54-4-30. Applicants attached the AT&T Inc./BellSouth Corporation Merger Agreement, dated March 4, 2006, as Exhibit E to the Application.

On May 9, 2006, the Division of Public Utilities ("Division") filed a memorandum of its investigation of the proposed merger recommending approval of the same.

¹Hereinafter together referred to as the "Applicants".

DISCUSSION

AT&T is a Delaware Corporation with its principal place of business in San Antonio, Texas. AT&T is the holding company parent, through intermediate subsidiaries, of: (1) SBC Long Distance LLC d/b/a AT&T Long Distance ("AT&T Long Distance"), which is authorized to provide competitive local exchange services (facilities-based and resold) and facilities-based interexchange services within the territory served by Qwest in Utah; (2) AT&T Communications of the Mountain States, Inc. ("AT&T-UT"),² which is authorized to provide competitive local exchange service, interexchange service (resale and facilities-based), and private line and access services within the territory served by Qwest in Utah, and statewide interexchange services; and (3) TCG Utah, which is authorized to provide local exchange service and other public telecommunications services (facilities-based or resold) within the territory served by Qwest in Utah. The merger will effect no change in the assets, ownership, or control of AT&T Long Distance, AT&T-UT, or TCG Utah.

BellSouth is a Georgia Corporation with its principal place of business in Atlanta, Georgia. BellSouth is the holding company parent of BSLD, which received a certificate of authority to provide facilities-based competitive local exchange services within the State of Utah, excluding those local exchanges of fewer than 5,000 access lines of incumbent telephone corporations with fewer than 30,000 access lines in the state, on September 7, 2005, in Docket No. 05-2460-01. The merger will effect no change in the assets or ownership of BSLD.

Applicants state the proposed merger will combine two holding companies, effectuating only an indirect change in the control of BSLD as AT&T will become the corporate parent of BellSouth. Applicants note that, although certificated to do so, BSLD does not provide

² In addition to Utah, AT&T-UT also serves Arizona, Colorado, Montana, New Mexico, and Wyoming.

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local exchange service to any customers in Utah, and has no assets or employees in Utah. BSLD does provide a small amount of retail resold intrastate interexchange services in Utah, generating less than \$12,000 in revenue in 2005. The merger will effect no functional change to BSLD.

Applicants identify a number of benefits they believe will arise from the merger. Applicants state the merger will position the combined companies to deliver better, more innovative products and services to businesses and consumers, and to accelerate the deployment of advanced, next-generation Internet Protocol networks and services to a greater extent than either AT&T or BellSouth could accomplish on a stand-alone basis. The Division concurs.

Utah Administrative Code Rule 746-110-1, authorizes the Commission to adjudicate a matter informally under *Utah Code Ann.* § 63-46b-5 when the Commission “determines that the matter can reasonably be expected to be unopposed and uncontested.” We note that, despite the passage of nearly two months since Applicants filed the Application, no party has sought to intervene in this docket. We therefore view this matter as unopposed and uncontested and determine to proceed informally without hearing.

Based upon the evidence submitted by Applicants and the Division’s recommendation, we find and conclude that the proposed merger will not harm and can provide benefits to the State of Utah, its citizens, or the Utah customers of AT&T, BellSouth and their subsidiaries, and is in the public interest.

Wherefore, we enter the following:

ORDER

1. Tentatively approving the proposed merger of AT&T, Inc., and BellSouth Corporation.

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2. Absent meritorious protest, this Order shall automatically become effective without further action twenty (20) days from the date of this Order.

3. Persons desiring to protest this Order may file said protest prior to the effective date of this Order. If the Commission finds said protest to be meritorious, the effective date shall be suspended pending further proceedings.

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 16th day of May, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#48967



STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7168

Joint Petition of AT&T, Inc., BellSouth)
Corporation, and BellSouth Long Distance, Inc.,)
for Approval of a Transfer of Control)

Order entered: 6/7/2006

I. INTRODUCTION

On March 31, 2006, AT&T, Inc. ("AT&T"), BellSouth Corporation ("BellSouth"), and BellSouth Long Distance, Inc. ("BSLD") (together the "Petitioners"), filed a Telecommunications Merger and/or Acquisition Request for Approval Form ("Application") and petition ("Petition") requesting authority from the Vermont Public Service Board ("Board"), pursuant to 30 V.S.A. § 107, for approval of the transfer of control of BSLD to AT&T, through a merger between AT&T and Bellsouth.

On April 24 and June 1, 2006, the Vermont Department of Public Service ("Department") filed letters with the Board recommending the Board approve the transfer of control because the proposed transaction would not detrimentally impact Vermont consumers or cause them inconvenience or confusion. The Department further recommended the Board approve the Application without further investigation or hearing.

The Board has reviewed the Application and the accompanying documents and agrees that approval should be granted without hearing.

II. FINDINGS OF FACT

Based upon the Application and accompanying documents, we hereby make the following findings of fact.

1. BSLD was issued a Certificate of Public Good (CPG No. 321) to provide telecommunications services in Vermont on March 20, 1998. The CPG was amended on August 30, 2005, to allow service to the local exchange. BSLD is a wholly-owned subsidiary of BellSouth. Application at 1.

2. AT&T and BellSouth are not authorized to provide telecommunications services in

promote the public good. For all of these reasons, we conclude that the proposed transaction meets the standards set forth in 30 V.S.A. § 107 and should be approved.

IV. CONCLUSIONS

The transfer of control of BSLD should be approved because the transaction will promote the public good of the State of Vermont and will not result in obstructing or preventing competition. 30 V.S.A. § 107(b).

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The transfer of control of BellSouth Long Distance, Inc., will promote the public good and, therefore, is approved.
2. Petitioners shall file a letter notifying the Board of the completion of the transaction within one week of such completion.

DATED at Montpelier, Vermont, this 7th day of June, 2006.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

Filed: June 7, 2006

Attest: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us).

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.



**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 26th day of June, 2006.

CASE NO. 06-0411 -T-PC

AT&T INC., BELLSOUTH CORPORATION and
BELLSOUTH LONG DISTANCE, INC.

Joint petition of AT&T Inc., BellSouth Corporation
and BellSouth Long Distance, Inc. for authority to
merge AT&T and BellSouth whereby BellSouth will
become wholly-owned subsidiary of AT&T

COMMISSION ORDER

The Commission grants the petition to intervene and grants the merger petition without notice and hearing.

BACKGROUND

On March 31, 2006, AT&T Inc. ("AT&T"), BellSouth Corporation ("BellSouth") and BellSouth Long Distance, Inc. ("BSLD"), (collectively "Petitioners"), filed a joint application seeking the Commission's consent and approval, pursuant to West Virginia Code §24-2-12, for the merger of AT&T and BellSouth and BSLD, in accordance with the Agreement and Plan of Merger ("Merger Agreement") jointly executed by AT&T and BellSouth on March 4, 2006. A copy of the Merger Agreement was attached to the joint petition as Exhibit B.

According to the petition, upon completion of the merger, BellSouth will become a wholly-owned subsidiary of AT&T. The merger will be transparent and seamless for the customers of the operating subsidiaries of AT&T¹ and BellSouth² in West Virginia and will

¹ AT&T Communications of WV, Inc. (AT&T-WV), is authorized to provide resold and facilities-based competitive local exchange telecommunications services by virtue of the authority granted in Case No. 96-0246-T-CN (November 22, 1996). AT&T-WV was authorized to provide intrastate, interexchange telecommunications services on an interim basis pursuant to the authority granted in Case No. 83-690-T-CN (December 27, 1983 Commission Order) and on a permanent basis in Case No. 83-690-T-CN (April 27, 1988 Commission Order) and as clarified by Case No. 88-833-

not adversely affect this Commission's authority to regulate the AT&T and BellSouth operating subsidiaries subject to the Commission's jurisdiction. The Petitioners stated that no transfer of assets or certificates of service authority will occur as part of this transaction and the merger will have no effect on the rates, terms or conditions of the services that these entities provide.

The Merger Agreement provides that BellSouth will become a wholly-owned subsidiary of AT&T. Specifically, AT&T has created a wholly-owned subsidiary called ABC Consolidation Corp. (the "Merger Sub") for the purpose of the merger. The Merger Sub will merge with and into BellSouth, with BellSouth continuing as the surviving corporation and as a wholly-owned subsidiary of AT&T. At the time of the merger, each share of common stock, par value \$1.00 per share, of BellSouth issued and outstanding immediately prior to the effective time of the merger will be converted into a right to receive 1.325 common shares, par value \$1.00 per share, of AT&T. AT&T will issue approximately 2.4 billion new shares of common stock, which would represent approximately 38% of the outstanding shares of AT&T.

The merger will not change the ownership of BSLD or the ownership structure of any AT&T-affiliated entity subject to the Commission's regulatory authority. The merger will not impede the Commission's ability to regulate and effectively audit the intrastate operations of BSLD or any AT&T subsidiaries certificated by the Commission. Upon consummation of the merger, these entities will continue to hold all of the state certificates that they currently hold and each will be owned by the same entity that owns them today.

The Petitioners assert that the proposed merger of AT&T and BellSouth will clearly and demonstrably benefit the public interest both in West Virginia and across the nation. According to the Petitioners, the merger will generate increased efficiency and reduced costs through the integration of the separate IP networks of BellSouth, AT&T, and Cingular into a single IP-based network for all types of communications services. The Petitioners claim that, once the merger is complete, BellSouth and AT&T will be better positioned to compete in a rapidly changing industry, making the transition from legacy technologies to advanced,

T-GI (December 13, 1988 Commission Order). TCG Virginia, Inc. (TCG Virginia), is a wholly-owned subsidiary of Teleport Communications Group, Inc., which, in turn, is a wholly-owned subsidiary of AT&T. TCG Virginia is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services pursuant to authority granted in Case No. 02-0548-T-CN (Final October 3, 2002).

² The only BellSouth subsidiary certificated to provide, and providing, telecommunications services in West Virginia is BSLD. Although certificated to do so, BSLD does not provide local exchange service to any customers in West Virginia, and has no assets or employees in West Virginia.

next generation wireless and IP networks and services. They also assert that consolidating the combined entities' networks should allow faster and more economical introduction of new services and features; i.e., the integrated network should enable the introduction of new features for business and residential customers, including through wireless/wireline interoperability, that would not be possible absent the merger. Finally, the Petitioners explain that the merger also should result in more rapid deployment of Voice over Internet Protocol ("VoIP") services due to greater economies of scale.

Petitioners believe that the combined business organization resulting from the merger will be stronger, more effective, more responsive and more innovative; it will, therefore, be better able to meet the needs and demands of its customers, enterprise, small and medium-sized business, government and mass market. According to the Petitioners, all of the combined organization's West Virginia customers, including those served by the AT&T certificated entities, the few served by BSLD, and consumers served by Cingular Wireless, stand to benefit from these developments.

The Petitioners expect the merger to assist Research & Development ("R&D") efforts by creating a greater pool of human capital and intellectual property. They assert that the merger also will improve the economics of R&D by creating a greater customer base over which to spread R&D costs. According to the application, the combined organization will have greater incentives and ability to invest in research and development and to make available the fruits of those efforts to all customers, including customers in West Virginia.

The Petitioners also assert that the integration of the complementary networks and assets of AT&T, BellSouth and Cingular into a single IP-based network will enhance network security, and, thus, will improve the combined companies' ability to protect customer data and privacy. They claim that a single, integrated network will be more secure because its managers will have fewer core nodes to manage, fewer policies to apply to network routers, and fewer routers to which access control lists must be applied. The integrated network also will have only one set of firewalls and one packet cleaning solution. In sum, according to the Petitioners the use of a single network will both increase the efficiency of traffic handling and routing and avoid the latency and reliability issues associated with traversing multiple networks, leading to better service quality and greater network security. Finally, the Petitioners assert that by operating across a wider user base, the merged firm will be able to identify more quickly and more effectively security threats to its wireline and wireless assets.

Petitioners also assert that, because no functional change in BSLD or the AT&T entities currently operating in West Virginia will occur, the merger will not adversely affect competition in the provision of services to consumers in West Virginia. Currently, BellSouth

has a very limited presence in West Virginia, and BSLD has no local service revenues, no local service customers, no access lines, and no employees in the state.

The Petitioners pointed out that, according to the Federal Communications Commission's (FCC) July 2005 *Local Competition Report*, at least eight wireless carriers served customers in West Virginia as of December 31, 2004. (Carriers with fewer than 10,000 subscribers in a state were not required to report, and thus may not be included in that figure). See FCC, *Local Telephone Competition: Status as of December 31, 2004* at Table 13 (July 2005) ("*FCC Local Competition Report*"). As of December 31, 2004, those carriers served nearly 1.4 million subscribers, a 16 percent increase from December 2003.

According to the FCC's July 2005 *Report on High Speed Internet Access*, as of December 31, 2004, there were 14 providers of high speed access lines operating in West Virginia, and the number of West Virginia customers subscribing to high speed Internet access services has shown substantial growth, with over 155,000 high speed lines in service in West Virginia as of December 31, 2004, compared to fewer than 2,000 high speed lines in service as of June 30, 2000. FCC, *High-Speed Services for Internet Access: Status as of December 31, 2004* at Tables 6, 8 (July 2005). More than two-thirds of these high speed lines were provided by cable or other providers. *Id.* at Table 7. The Petitioners assert that, post-merger, BSLD and the AT&T entities operating in West Virginia will be better positioned to compete in these markets than they would be absent the merger.

According to the Petitioners, the merger will create an organization that will enjoy enhanced financial health and vigor, which will affirmatively benefit the public. They assert that streamlining of the ownership of Cingular Wireless will produce further cost reductions.

The Petitioners also maintained that the merger will create a stronger company, better positioned to add jobs and increase employment. Indeed, the Communications Workers of America (CWA), the union representing both AT&T and BellSouth workers, has expressed its support for the merger. The President of CWA, in a statement attached to the Petition as Exhibit D, stated he believes it "is an opportunity for change in the telecom sector that if carried out properly, could make a great stride in fulfilling the promise of technology and high speed communications for all citizens." The CWA views the merger announcement with hope for "a new day for U.S. policy makers, consumers and workers in the industry" in which "the potential to regain the global lead in communications services as the backbone of our economy" may be realized.

In addition to this filing with the Commission, AT&T and BellSouth are taking steps to satisfy the requirements of other governmental entities with respect to the merger. For example, the FCC has undertaken a detailed review of the merger, as has the Department of

Justice ("DOJ"). Some state commissions are also reviewing the merger. AT&T and BellSouth also have made certain notifications to or filings with competition authorities in several countries.

On April 4, 2006, the Consumer Advocate Division of the Public Service Commission of West Virginia (CAD) filed a petition to intervene in this proceeding on behalf of the residential telecommunications consumers in West Virginia. The CAD stated that it "is required by statute and rules to represent the interests of residential ratepayers in utility cases and related proceedings", and that the joint petition filed herein constituted "a proceeding with potential for adverse effects on ratepayers in West Virginia."

On April 14, 2006, Staff filed an Initial Joint Staff Memorandum. In that preliminary memorandum, Staff reported that it was continuing its investigation into the joint petition filed herein and would be filing a final recommendation in a timely manner.

On April 19, 2006, Staff filed a Further Initial Joint Staff Memorandum recommending that, because the merger did not raise any public interest issue that would require public notice or public hearing, the Commission should retain this case, waive any requirement that the Petitioners provide public notice, and waive any public hearing.

On May 12, 2006, Staff filed a Final Joint Staff Memorandum. Staff found that the Petitioners made a proper showing that the terms of the proposed merger are reasonable, that neither party is given an undue advantage over the other, and that the proposed merger does not adversely affect the public in West Virginia. Staff recommended that the joint petition be approved.

On May 15, 2006, the Petitioners filed a letter informing the Commission that they concurred with Staff's recommendation that the merger of AT&T and BellSouth be approved in accordance with the Agreement and Plan of Merger jointly executed by AT&T and BellSouth on March 4, 2006.

On May 22, 2006, CAD filed a response to Staff's Final Joint Staff Memorandum. CAD indicated that it had no objection to the Commission's approval of the proposed merger as recommended by Staff. CAD stated that its lack of objection was based on the limited impact of the proposed merger on the citizens of West Virginia and should not be construed as endorsing the representations contained in the petition as to the purported benefits of the merger on a national basis.

DISCUSSION

The standard of review the Commission must apply in this proceeding is set forth in West Virginia Code §24-2-12. That section provides, in relevant part:

Unless the consent and approval of the [Commission] is first obtained:
... (d)no public utility . . . may, by any means, direct or indirect, merge or consolidate its franchises, licenses, permits, plants, equipment, business or other property with that of any other public utility

The commission may grant its consent in advance or exempt from the requirements of this section all assignments, transfers, leases, sales or other disposition of the whole or any part of the franchises, licenses, permits, plants, equipment, business or other property of any public utility, . . . and every contract, . . . arrangement, transfer or acquisition of control or other transaction referred to in this section, upon proper showing that the terms and conditions thereof are reasonable and that neither party thereto is given an undue advantage over the other, and do not adversely affect the public in this state.

The commission shall prescribe such rules and regulations as, in its opinion, are necessary for the reasonable enforcement and administration of this section, including the procedure to be followed, the notice to be given of any hearing hereunder, if it deems a hearing necessary, and after such hearing or in case no hearing is required, the commission shall, if the public will be inconvenienced thereby, enter such order as it may deem proper and as the circumstances may require, attaching thereto such conditions as it may deem proper, consent to the entering into or doing of the things herein provided, without approving the terms and conditions thereof, and thereupon it shall be lawful to do the things provided for in such order.

West Virginia Code §24-2-12(d).

In accordance with that Code section, the Commission adopted Rule 10.11 of the Rules of Practice and Procedure (Procedural Rules) relating to the provision of notice and hearing on a petition for Commission consent and approval. That Rule provides "that the Commission may, for good cause shown, grant the authority prayed for without formal notice and hearing."

In the Verizon Communications Inc., and MCI, Inc., Case No. 05-0349-T-PC merger case, the Commission noted that it had not required public notice and hearing in all merger request cases. (See, SBC Communications, Inc., AT&T Corp., and AT&T Communications of West Virginia, Inc., Case No. 05-0266-T-C; and Bell Atlantic Corporation and GTE Corporation, Case No. 98-1224-T-PC). In the Verizon/MCI case, the Commission required public notice. But, the Commission stressed that the decision whether to require notice was case specific:

[I]n deciding whether to require notice, the Commission must take the individual circumstances of the specific case into consideration. Here, Verizon, the major ILEC in the state, is taking over a major competitor. Even though the potential merger has received media publicity, the public may not be aware that Commission approval is required. The Commission is persuaded that the proposed merger between Verizon and MCI is one that requires public notice.

Verizon Communications Inc., and MCI, Inc., Case No. 05-0349-T-PC, (Commission Order, June 30, 2005).

Due to the very limited West Virginia presence of BellSouth, by way of BSLC, the proposed merger in the present case does not have the same public interest implications that were found in the the Verizon/MCI merger case. Thus, the Commission concludes that it is appropriate to waive public notice and hearing.

The joint petition filed herein on March 31, 2006, the intervention filed herein by the CAD on April 4, 2006, and Commission Staff's recommendations have been carefully considered and, the Commission concludes that AT&T and BellSouth have made a proper showing that the terms of the proposed merger are reasonable; that neither AT&T nor BellSouth is given an undue advantage over the other; and that the proposed merger does not adversely affect the public in this state.

The proposed merger of AT&T and BellSouth should be approved, contingent upon their receiving all other applicable state and federal approvals.

FINDINGS OF FACT

1. AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc. filed a joint petition seeking Commission consent and approval, pursuant to West Virginia Code §24-2-12, for the merger of AT&T and BellSouth, in accordance with the Agreement and Plan of Merger jointly executed by AT&T and BellSouth on March 4, 2006, a copy of which was attached to the joint petition as Exhibit B. (See, March 31, 2006 filing).

2. Following the merger, BellSouth will become a wholly-owned subsidiary of AT&T. The merger will be transparent and seamless for the customers of the operating subsidiaries of AT&T and BellSouth in West Virginia and will not adversely affect this Commission's authority to regulate the AT&T and BellSouth operating subsidiaries subject to the Commission's jurisdiction. No transfer of assets or certificates of service authority will occur as part of this transaction. (See, Joint Petition filed March 31, 2006).

3. The proposed merger will have no direct impact on the services being provided to West Virginia customers and will not change in any way the Commission's regulatory authority over certificated AT&T and BellSouth subsidiaries subject to the Commission's jurisdiction. Currently, BellSouth has a very limited presence in West Virginia, as BSLD has no local service revenues, no local service customers, no access lines, and no employees in the State. (See, Joint Petition filed March 31, 2006).

4. In addition to this filing, AT&T and BellSouth are taking steps to satisfy the requirements of other governmental entities with respect to the proposed merger, including the FCC and the DOJ, each of which will undertake a detailed review of the proposed merger. (See, Joint Petition filed March 31, 2006).

5. On April 4, 2006, the Consumer Advocate Division of the Public Service Commission of West Virginia filed a petition to intervene in this proceeding. (See, April 4, 2006 filing).

6. Staff recommended that the Commission retain this case and waive the giving of public notice and holding of a hearing. (See, Further Initial Joint Staff Memorandum filed April 19, 2006).

7. Staff found that Petitioners have made a proper showing that the terms of the proposed merger are reasonable, that neither party is given an undue advantage over the other, and that the proposed merger does not adversely affect the public in West Virginia. Staff recommended that the joint petition be approved. (See, Final Joint Staff Memorandum and attachment filed May 12, 2006).

8. CAD indicated that it had no objection to the Commission's approval of the proposed merger as recommended by Staff. CAD's lack of objection was based on the limited impact of the proposed merger on the citizens of West Virginia was not to be construed as endorsing the representations contained in the petition as to the purported benefits of the merger on a national basis. (See, CAD's Response to the Final Joint Staff Memorandum filed May 22, 2006).

9. As of the date of this Order, there have been no other responses to the May 12, 2006, Final Joint Staff Memorandum by any other telecommunications carrier, there have been no other petitions to intervene in this proceeding, or any other statement or documentation opposing or objecting to the proposed merger of AT&T and BellSouth Corporation and BellSouth Long Distance, Inc. (See, case file generally).

CONCLUSIONS OF LAW

1. The standard of review that must be applied in this proceeding is set forth in West Virginia Code §24-2-12.

2. Nothing contained in West Virginia Code §24-2-12 or the Procedural Rules mandate that notice to the public of the filing of the joint petition or that a formal hearing concerning the merits of the petition be held. The Commission makes those decisions based upon the individual circumstances of each case. In this case, the Commission concludes that it is appropriate to waive public notice and hearing.

3. AT&T and BellSouth have made a proper showing that the terms and conditions of the proposed merger are reasonable; that neither party is given an undue advantage over the other; and that the proposed merger will not adversely affect the public in the State of West Virginia.

4. The joint petition filed herein on March 31, 2006, by AT&T Inc., BellSouth Corporation and BellSouth Long Distance, Inc., seeking Commission consent and approval, pursuant to West Virginia Code §24-2-12, for the merger of AT&T and BellSouth, in accordance with the Agreement and Plan of Merger jointly executed by AT&T and BellSouth on March 4, 2006, a copy of which was attached to the joint petition as Exhibit B, should be approved, without specifically approving the terms and conditions of the underlying Agreement and Plan of Merger and contingent upon AT&T and BellSouth obtaining all other applicable state and federal approvals.

5. The petition to intervene in this proceeding filed by the CAD should be granted.

ORDER

IT IS, THEREFORE, ORDERED that the joint petition filed herein on March 31, 2006, by AT&T Corp., BellSouth Corporation and BellSouth Long Distance, Inc, seeking Commission consent and approval for the merger of AT&T and BellSouth, in accordance with the Agreement and Plan of Merger jointly executed by AT&T and BellSouth on March 4, 2006, and attached to the joint petition as Exhibit B, be, and hereby is, approved, without specifically approving the terms and conditions of the underlying Agreement and Plan of Merger and contingent upon AT&T and BellSouth obtaining all other applicable state and federal approvals.

IT IS FURTHER ORDERED that AT&T's and BellSouth's request for a waiver of any requirement that a formal public hearing be held on said joint petition be, and hereby is, granted.

IT IS FURTHER ORDERED that the petition filed herein on April 6, 2006, by the Commission's Consumer Advocate Division seeking to intervene in this proceeding be, and hereby is, granted.

IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

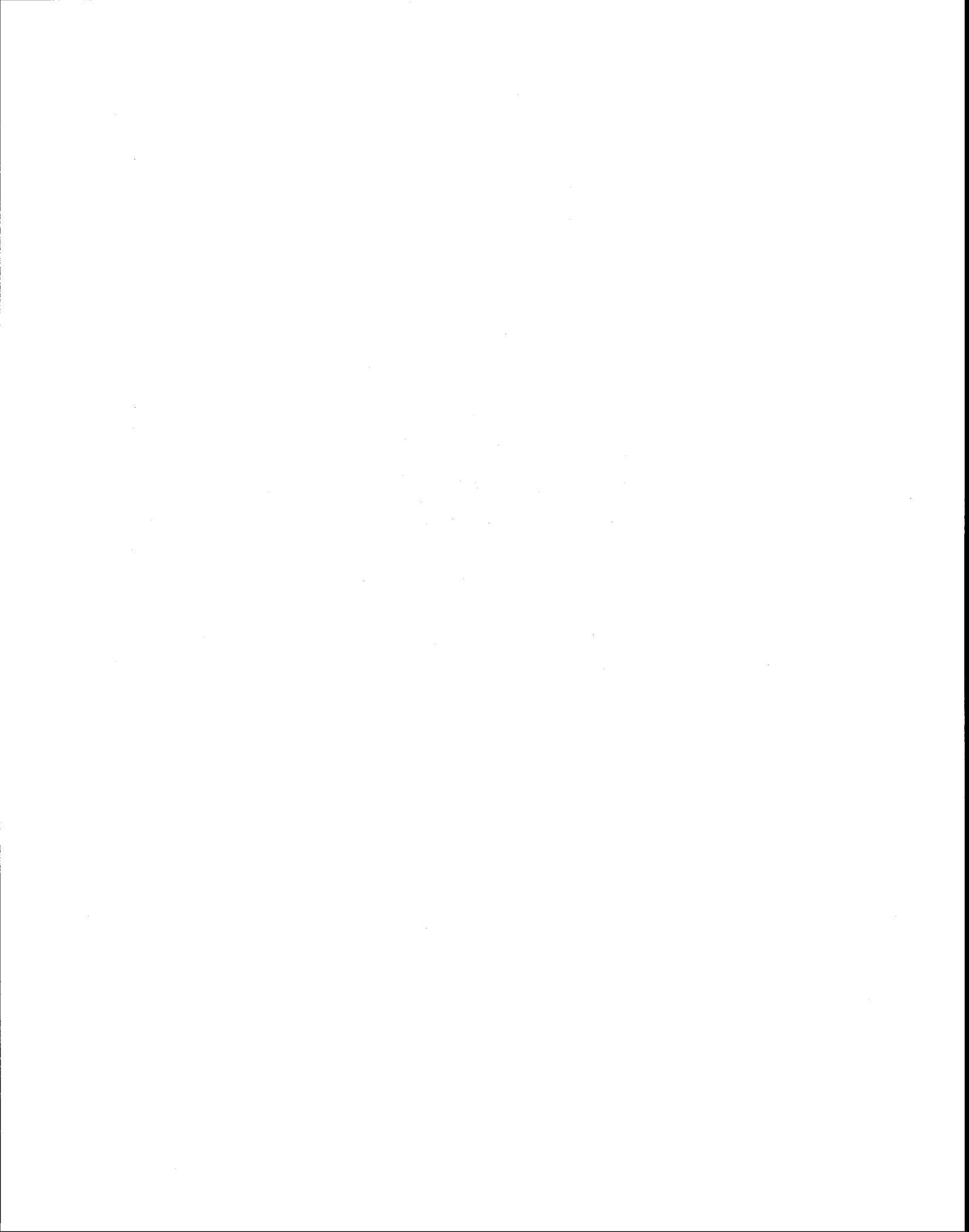
IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

JMH/las
060411c.wpd



BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE JOINT APPLICATION) DOCKET NO. 70017-60-TA-06
OF AT&T, INC., AND BELLSOUTH) DOCKET NO. 70120-2-TA-06
CORPORATION, FOR APPROVAL OF A) DOCKET NO. 74248-35-TA-06
MERGER) RECORD NO. 10490

ORDER
(Issued June 14, 2006)

This matter is before the Commission upon the joint application of AT&T, Inc., (AT&T), and BellSouth Corporation (BellSouth) for approval of an Agreement and Plan of Merger between AT&T and BellSouth and its subsidiaries, as described more fully below.

The Commission, having reviewed the joint application and attached exhibits, its files regarding AT&T and BellSouth, applicable Wyoming telecommunications utility law and being otherwise fully advised in the premises, FINDS and CONCLUDES:

1. AT&T and BellSouth are telecommunications companies as defined by W.S. § 37-15-103 (a)(xi) and, as such, subject to the Commission's jurisdiction pursuant to the provisions of W.S. § 37-15-401.

2. AT&T, Inc. is a Delaware corporation that provides services in Wyoming through several subsidiaries. There are three subsidiaries certificated to provide local telecommunications services or registered to provide competitive interexchange telecommunications services in the State of Wyoming, which are not involved in the proposed merger transaction. AT&T Communications of the Mountain States, Inc., (AT&T Communications), is a Colorado corporation with its principal place of business in Bedminster, New Jersey. AT&T Communications Certificate(s) of Public Convenience and Necessity (CPCN) were granted by this Commission in Docket No. 70017-TA-96-1 and in Docket No. 9731. SBC Long Distance, Inc. d/b/a AT&T Long Distance (AT&T Long Distance), is a Delaware corporation with its principal place of business in Pleasanton, California. AT&T Long Distance received registration authority to provide intrastate interexchange telecommunications services in Wyoming in Docket No. 74263-TX-97-1. AT&T Long Distance was granted a CPCN to provide facilities-based and resold local exchange telecommunications services in Docket No. 70110-TA-04-1, adding the name "AT&T Long Distance" in Docket No. 70110-TT-6-7. SNET America, Inc. (SNET) is a Connecticut corporation with its principal place of business in North Haven, Connecticut. SNET received registration authority to provide intrastate interexchange telecommunications services in Wyoming in Docket No. 74313-TX-98-1. AT&T Communications, AT&T Long Distance and SNET are telecommunications companies as defined by W.S. § 37-15-103(a)(xi) and, as such, are subject to the Commission's jurisdiction pursuant to the provisions of W.S. § 37-15-401. The application states AT&T provides IP-based communications services to businesses worldwide, provides local and long distance voice and data networking services and holds a sixty (60) percent share ownership in Cingular Wireless (Cingular). Through alliances with Global System for Mobile communications-based providers, Cingular offers coverage in 170 countries.

3. BellSouth is a Georgia corporation with its principal place of business in Atlanta, Georgia. According to the application, BellSouth has a forty (40) percent interest in Cingular, serving as the co-owner and equal voting partner with AT&T. BellSouth Long Distance (BSLD) is BellSouth's operating Wyoming subsidiary. BSLD is a Delaware corporation with its principal place of business in Atlanta, Georgia. BSLD received a CPCN to provide resold and facilities-based local exchange and competitive local exchange telecommunications services in Docket No. 70120-TA-05-1; and registration authority to provide intrastate interexchange telecommunications services in Docket No. 74248-TX-97-1. BSLD is a telecommunications company defined by W.S. § 37-15-103(a)(xi) and, as such, is subject to the Commission's jurisdiction pursuant to the provisions of W.S. § 37-15-401.

4. AT&T and BellSouth (collectively referred to as the Applicants), filed their Joint Application for approval of a merger. As part of their filing, the Applicants submitted an Agreement and Plan of Merger (the Agreement) executed among BellSouth, AT&T and ABC Consolidation Corp. (ABC), dated March 4, 2006. The Joint Application was filed with the Commission on March 31, 2006. The Agreement provides for a merger of AT&T and BellSouth in which AT&T will acquire 100% of the ownership of BellSouth and BellSouth will be merged into a wholly-owned, first-tier subsidiary of AT&T, named ABC. ABC, a Georgia corporation, is a newly formed entity created for the specific purpose of this transaction. BellSouth will be the surviving entity of the merger with ABC for all legal purposes and the combined entity will retain the name BellSouth Corporation.

5. Pursuant to the Agreement filed in the Joint Application, at the time of the merger, each share of common stock of BellSouth, with par value \$1.00 per share, issued and outstanding immediately prior to the effective time of merger will be exchangeable for 1.325 common shares of AT&T, with par value of \$1.00 per share. AT&T will issue approximately 2.4 billion new shares of common stock, which would represent approximately 38% of the outstanding shares of AT&T. The Applicants state the merger will not change the ownership of BSLD or the ownership of any AT&T-affiliated entity subject to the Commission's regulatory authority. The merger therefore will not impede the Commission's ability to regulate and effectively audit the intrastate operations of BSLD or any certificated or registered AT&T subsidiary. All these entities will continue to hold all the state certificates and authorizations they currently hold. There will be no transfer of assets of those certificated and registered entities in connection with this merger. The Applicants stated the proposed merger will be subject to review by the FCC, the Department of Justice and several state public utility commissions. The merger will close after all necessary approvals are obtained.

6. In support of the Joint Application, the Applicants stated the merger will have no adverse impact on competition or service in Wyoming, and the merger will serve the public interest both in Wyoming and throughout the nation. On a nationwide basis, the merger will benefit customers by better positioning the merged organization to improve efficiency and to promote the development and deployment of new and improved services, particularly IP-based services. Together, BellSouth and AT&T will be better positioned to compete in a rapidly changing industry, making the transition from legacy technologies to advanced, next generation wireless and IP networks and services. The Applicants contend the merger is expected to increase efficiency and reduce costs through integration of the separate IP networks of AT&T, BellSouth

and Cingular into a single IP network for all types of communications services. This should allow Cingular to provide more efficient, more reliable, more innovative and more secure IP services. The elimination of redundant IP expenditures, infrastructure and organizations also will improve efficiency to the benefit of customers in Wyoming and nationwide. The application stated, in addition to the greater efficiencies expected from the faster development and deployment of new technologies, the integration of these networks is expected to bring the normal benefits of vertical integration. The integration of the complementary networks and assets of AT&T and BellSouth into a single IP-based network also will enhance network security and thus will improve the merged organization's ability to protect customer data and privacy. Consolidating the networks should allow faster and more economical introduction of new services and features. The Applicants stated, as with the SBC-AT&T merger, this merger is expected to assist research and development efforts by creating a greater pool of human capital and intellectual property. On a nationwide basis, the merger is expected to produce various other synergies as well. The Joint Application stated the merger will create an organization that will enjoy enhanced financial health and vigor, which will affirmatively benefit the public. The streamlining of the ownership of Cingular will produce further cost reductions.

7. In further support of the Joint Application, the Applicants aver the merger also will benefit the public by enhancing the combined company's ability to prepare for, and respond to, natural disasters and other emergencies in any location where AT&T, BellSouth or Cingular serves customers or maintains wireline or wireless network facilities. The Applicants state the merger will promote competition in Wyoming by creating more robust, efficient competitors and encouraging broader deployment of new and improved services. The merger will effect no functional change to BSLD or to any certificated or registered entity operating in this state. BSLD has no local exchange customers, no local exchange revenues, no employees, no assets and no long-distance residential customers in Wyoming. Thus, the merger will not eliminate any significant source of competition in Wyoming. Moreover, BSLD and AT&T's certificated and registered operating entities in this state, and Cingular, are but a few of the competitive telecommunications services providers already operating here, including—importantly—other wireless carriers and, increasingly, cable companies and Voice over Internet Protocol providers. These competitors offer a wide range of telecommunications services with which the merged organization's Wyoming subsidiaries compete.

8. On April 10, 2006, the Commission issued a *Notice of Application* which provided for a protest deadline of May 10, 2006. No protests, interventions or requests for hearing were received.

9. The Commission has specific authority over this proposed transaction pursuant to the provisions of W.S. § 37-1-104 and § 37-15-408. Pursuant to the provisions of W.S. § 37-1-104, the Commission may approve a proposed reorganization, which is defined as any transaction which results in the change of ownership of a majority of the voting stock of a public utility, or a change in the ownership or control of any entity which owns or controls a majority of the voting capital stock of a public utility, unless, after public notice and opportunity for hearing it determines that the reorganization will adversely affect the utility's ability to serve the public.

10. AT&T and BellSouth's joint application came before the Commission for consideration at its open meeting of May 23, 2006. Walter Eggers and Letty D. Friesen, counsel for AT&T, and Kate Fox, counsel for BellSouth, appeared on behalf of the Applicants presenting information to the Commission for consideration. Mr. Eggers stated he believed the joint application demonstrated the merger was in the public interest in Wyoming and beyond and would not adversely affect the Commission's jurisdiction. He stated, *inter alia*, the merger would benefit Wyoming customers by improving service quality as a result of network integration, lead to improved efficiencies and promote development and deployment of new and improved services. Ms. Fox stated the merger would not affect the Commission's jurisdiction and would result in no transfer of assets or certificate authority for BellSouth. Ms. Fox further stated due to BellSouth's de minimus presence in Wyoming, there would essentially be no change in service, no transfer of assets or Commission authority and the public would be served just as well after the proposed merger. The Commission finds and concludes, based upon the representations of the Applicants, the above-described merger will not adversely affect the public interest as Bell South will continue to have the managerial, financial and technical ability and resources to provide interexchange and local exchange telecommunications services to customers in Wyoming.

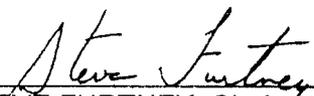
IT IS THEREFORE ORDERED:

1. Pursuant to open meeting action taken on May 23, 2006, the joint application of AT&T, Inc., and BellSouth Corporation for approval of an Agreement and Plan of Merger between AT&T and BellSouth and its subsidiaries, as more fully described above, is hereby approved, effective immediately.

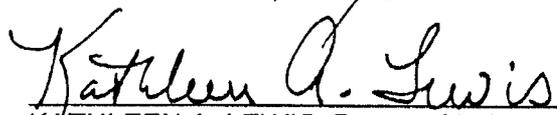
2. *This Order is effective immediately.*

MADE and ENTERED at Cheyenne, Wyoming this 14th day of June 2006.

PUBLIC SERVICE COMMISSION OF WYOMING



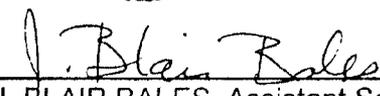
STEVE FURTNEY, Chairman



KATHLEEN A. LEWIS, Deputy Chair



ATTEST



J. BLAIR BALES, Assistant Secretary

AT&T Notice of Intent
Docket Nos. T-02428A-06-0203, T-03346A-06-0203,
T-03116A-06-0203, T-03016A-06-0203 and
T-03287A-06-0203

Late-Filed Exhibit A-5

Excerpts from Form S-4
On Executive Compensation

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
AT&T INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

4813
*(Primary Standard Industrial
Classification Code Number)*

43-1301883
*(IRS Employer
Identification Number)*

**175 East Houston
San Antonio, Texas 78205
(210) 821-4105**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Ann Effinger Meuleman
AT&T Inc.**

**175 East Houston
San Antonio, Texas 78205
(210) 821-4105**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon completion of the transactions described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Shares, par value \$1.00 per share	2,427,904,806	N/A	\$63,620,267,834	\$6,807,369

- Represents the maximum number of common shares, par value \$1.00 per share, of AT&T Inc. ("AT&T") estimated to be issuable upon completion of the merger of ABC Consolidation Corp., a Georgia corporation and a wholly-owned subsidiary of AT&T, with and into BellSouth Corporation, a Georgia corporation ("BellSouth"), based on the number of common shares, par value \$1.00 per share, of BellSouth ("BellSouth common shares") outstanding on March 29, 2006 and 8,600,000 options to purchase BellSouth common shares.
- Pursuant to Rules 457(c) and 457(f) under the Securities Act and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the market value of the approximate number of shares of AT&T common shares to be offered in the merger and is based upon the market value of \$34.72 per BellSouth common share, which was the average of the high and low prices per BellSouth common share reported on the New York Stock Exchange on March 24, 2006.
- Computed in accordance with Rule 457(f) under the Securities Act by multiplying the proposed maximum aggregate offering price by 0.000107.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Precedent Transactions Premiums Analysis. Citigroup and Goldman Sachs reviewed certain publicly available information relating to certain selected precedent transactions since 1998 with transaction values in excess of \$20 billion that Citigroup and Goldman Sachs deemed relevant. For each of the selected transactions, Citigroup and Goldman Sachs calculated the percentage premium or discount per share received by the target's stockholders based on the closing price per share of the target's common stock on the day before and the month before the announcement of the transaction and compared it to the premium to be paid to BellSouth shareholders based on the exchange ratio in the merger agreement of 1.325x and the closing stock prices of AT&T and BellSouth on March 3, 2006. The following table summarizes the results of this analysis:

	<u>1 Day</u>	<u>1 Month</u>
Median for Precedent Transactions	15%	21%
BellSouth/AT&T	16%	29%

Interests of BellSouth's Executive Officers and Directors in the Merger

In considering the recommendation of BellSouth's board of directors with respect to the approval of the merger agreement, BellSouth's shareholders should be aware that BellSouth's executive officers and directors have interests in the merger that are different from, or in addition to, those of the BellSouth shareholders generally. BellSouth's board of directors was aware of these interests and considered them, among other matters, in reaching its decisions to approve and adopt the merger agreement and to recommend that the BellSouth shareholders vote FOR the approval of the merger agreement.

Restricted Stock, Restricted Stock Units and Stock Options

BellSouth's executive officers, including its named executive officers, hold shares of restricted common stock and unvested restricted stock units, all of which were granted under BellSouth's equity compensation plans. In the event that the employment of an executive officer is terminated within two years after completion of the merger, either by AT&T without "cause" or by the executive officer for "good reason" (as these terms are defined in the executive officer's severance arrangement described below), under the terms of BellSouth's equity compensation plans and agreements, all of the restricted shares of common stock and unvested restricted stock units then held by the executive officer will fully vest. In addition, certain of BellSouth's executive officers and directors hold unvested options to purchase BellSouth common shares. Under the terms of BellSouth's equity compensation plans, all of these unvested options that are outstanding immediately prior to the completion of the merger will vest and become fully exercisable upon the completion of the merger.

The following chart sets forth, as of March 26, 2006, the number of unvested stock options, shares of restricted BellSouth common stock and unvested BellSouth restricted stock units held by BellSouth's named executive officers, other executive officers as a group and non-employee directors as a group.

<u>Name and Principal Position</u>	<u>Restricted Stock</u>	<u>Unvested Restricted Stock Units</u>	<u>Unvested Stock Options</u>
F. Duane Ackerman	203,369	123,650	269,784 (1)
Chairman of the Board and Chief Executive Officer			
Mark L. Feidler	97,000	49,850	184,400
President and Chief Operating Officer			
W. Patrick Shannon	72,900	100,400	30,000
Chief Financial Officer			
Richard Anderson	63,500	30,850	—
Vice Chairman and President — Business Markets			
Francis A. Dramis, Jr.	76,500	24,200	—
Chief Information, E-Commerce and Security Officer			
Other executive officers as a group (3 individuals) ...	148,066	43,400	57,100
Non-employee directors as a group (9 individuals) ...	—	—	69,247 (1)

(1) These options vest in May 2006 in accordance with their terms.

Performance Shares

BellSouth's executive officers, including its named executive officers, hold performance shares, which are cash-based awards denominated in notional BellSouth common shares and are subject to a three-year performance period. Upon the completion of the merger, performance shares will become earned to the extent that the applicable performance criteria have been satisfied through the calendar quarter ending on or immediately preceding the date of completion of the merger. At that time, a pro-rata portion of these earned performance shares (together with accrued dividend equivalents) will be paid to the holders in cash based on the elapsed portion of the applicable performance cycles. The amount of this cash payment per performance share is equal to the average closing price of BellSouth's common shares during the 90-day period ending on the day prior to the date of completion of the merger. The remaining portion of the performance shares will be forfeited. AT&T has agreed that it will make a grant of performance shares under its equity compensation plans to BellSouth personnel in replacement of their BellSouth performance shares that are forfeited solely by reason of the completion of the merger. These replacement AT&T performance shares will have the same value, to the extent practicable, as the forfeited BellSouth performance shares, and the performance periods of the replacement AT&T performance shares will be the same as the performance periods applicable to the forfeited BellSouth performance shares. In addition, these replacement AT&T performance shares will be deemed fully earned upon the holder's termination of employment without "cause" or for "good reason" (as these terms are defined for the purpose of the severance pay agreement applicable to the holder) prior to the end of the applicable performance periods. These replacement shares will be paid in cash at the end of the applicable performance periods based on the actual performance results as compared to the applicable performance goals.

The following chart sets forth, as of March 26, 2006, the total number of performance shares granted to BellSouth's named executive officers and other executive officers as a group for all outstanding performance cycles. The following chart also sets forth the total estimated value that would be payable with respect to these performance shares based upon actual performance results for the applicable performance periods through December 31, 2005 (except for the 2006 grant of performance shares, which has been valued at target performance), and using the 90-day average price of BellSouth common shares as of March 26, 2006 plus the estimated value of dividend equivalents payable for each performance share for the applicable performance period through March 26, 2006.

<u>Name</u>	<u>No. of Performance Shares</u>	<u>Estimated Value of Performance Shares</u>
F. Duane Ackerman	1,045,500	\$24,648,782
Mark L. Feidler	351,400	8,734,321
W. Patrick Shannon	202,425	4,842,425
Richard Anderson	259,250	6,175,341
Francis A. Dramis, Jr.	236,300	5,593,633
Other executive officers as a group (3 individuals)	309,300	8,087,799

Executive Severance Agreements

Each of BellSouth's executive officers is a party to an executive severance agreement with BellSouth. Under the terms of these agreements, each executive officer would be eligible to receive the following severance payments and benefits upon a termination of his employment by BellSouth or AT&T without "cause" or by the executive officer for "good reason" (as these terms are defined in the executive severance agreements), in each case prior to or within two years following the completion of the merger:

1. a multiple of the sum of (a) the executive officer's base salary in effect immediately before the termination date or in effect immediately before the completion of the merger, whichever is greater, and (b) the executive officer's target bonus for the year of termination or for the year in which the merger occurs, whichever is greater;

2. a pro rata bonus based on the elapsed portion of the calendar year through the date of termination, at the greater of target levels or actual performance through the calendar quarter ending on or immediately preceding the date of termination;

3. full vesting of benefits under the nonqualified deferred compensation plans, supplemental retirement and excess benefit plans, and life insurance plans in which the executive officer participates, which means that the benefits under these plans will be determined as if the executive officer is service pension eligible as defined under these plans as of the date of his termination of employment;

4. outplacement assistance; and

5. accrued base salary and other amounts earned through the date of termination but not paid as of the date of termination.

Each agreement provides for full indemnification of the executive officer for excise taxes, if applicable, on certain payments made to the executive officer as a result of the merger. However, if a reduction of payments to the executive officer of 5% or less, but not more than \$500,000, would cause no excise tax to be payable, payments to the executive officer will be reduced so that no excise tax is payable. In addition, each agreement provides for payment of legal fees and expenses incurred in good faith in the event of a dispute under the executive severance agreement.

The following chart sets forth, for each named executive officer of BellSouth, the cash severance pay to which he would be entitled upon a qualifying termination of his employment immediately following the completion of the merger. The severance payment is determined by adding items 1 and 2 above for executive officers who are not otherwise retirement eligible. The severance payment for those executive officers who are retirement eligible is determined by item 1 above. The calculation assumes completion of the merger on December 31, 2006. The calculation of the pro rata annual bonus described in Item 2 assumes performance at target levels. For each named executive officer, a multiple of three will be used in calculating such cash severance pay.

For BellSouth's other executive officers, as a group, the chart sets forth the aggregate cash amount that would be due as severance payments upon a qualifying termination of employment within two years following the completion of the merger. This calculation uses the same assumptions described in the previous paragraph.

<u>Name</u>	<u>Estimated Cash Severance Pay</u>
F. Duane Ackerman	\$9,213,750
Mark L. Feidler	\$5,197,500
W. Patrick Shannon.....	\$3,150,000
Richard Anderson	\$3,830,400
Francis A. Dramis, Jr.	\$3,696,000
Other executive officers as a group (3 individuals)	\$6,844,950

Continuation of Benefit Plans

In connection with the entry by BellSouth and AT&T into the merger agreement, AT&T has agreed that it will maintain a number of BellSouth's executive benefit plans for two years following the completion of the merger without amendment adverse to the individuals who participate in them. These plans include BellSouth's supplemental executive retirement plan, certain deferred compensation plans and certain other executive welfare benefits plans. In addition, AT&T has agreed that, for two years following the completion of the merger, it will continue to make contributions to grantor trusts maintained by BellSouth for the purpose of satisfying its obligations under the executive and non-employee director compensation and benefits arrangements covered by the trusts.

Indemnification and Insurance

BellSouth and each of its directors have entered into an indemnity agreement in a form previously approved by the BellSouth shareholders. Under the terms of these agreements, each director is entitled to be indemnified against liabilities and expenses related to his or her capacity as a director of BellSouth, subject to certain exceptions provided for under Georgia law, and is also entitled to the benefits of any directors' and officers' liability insurance policy maintained by BellSouth. Under the terms of the indemnity agreements, upon completion of the merger, BellSouth will be required to secure its obligations under each indemnity agreement with a letter of credit in an amount not less than \$1,000,000.

In addition, the merger agreement provides for director and officer indemnification and insurance. For a description of this provision, see "The Merger Agreement — Covenants and Agreements — Indemnification and Directors' and Officers' Insurance," on page 84.

Designation as Directors of AT&T

Under the merger agreement, three members of BellSouth's board of directors will join the board of directors of AT&T upon completion of the merger. As of the date of this joint proxy statement/prospectus, those persons have not been determined.

Agreement with F. Duane Ackerman

AT&T and F. Duane Ackerman, BellSouth's Chairman and Chief Executive Officer, have reached an agreement relating to Mr. Ackerman's services after the completion of the merger. The agreement provides that Mr. Ackerman will remain Chairman and Chief Executive Officer of BellSouth for a transition period of up to 90 days following the completion of the merger, at which point Mr. Ackerman will retire. Mr. Ackerman's salary, bonus, benefits and perquisites will remain the same throughout the employment period following the completion of the merger as they existed immediately prior to the completion of the merger. In addition, Mr. Ackerman will remain entitled to all of the payments and benefits to which he would have been entitled had his employment terminated with good reason immediately following the completion of the merger. These payments include the replacement AT&T performance shares to be granted by AT&T following the completion of the merger, which will be deemed fully earned at the time of Mr. Ackerman's retirement. See "— Interests of BellSouth's Executive Officers and Directors in the Merger — Performance Shares" above. In addition, AT&T has agreed to provide Mr. Ackerman with office space and secretarial assistance in Atlanta, Georgia for a period of seven years following his retirement.

Offer of Senior Officer Opportunity to Executive Officers of BellSouth

Under the merger agreement, AT&T has agreed to offer each of BellSouth's executive officers, except Mr. Ackerman, the opportunity to become a senior officer of AT&T or one of its subsidiaries immediately after completion of the merger. Each BellSouth executive officer who accepts a position with AT&T or one of its subsidiaries will be offered an employment agreement with at least a three year term and providing the executive with a position of significant managerial responsibility with AT&T or one of its subsidiaries. Under the employment agreement, the executive officer will be entitled to receive during the three year term compensation and benefits no less favorable in the aggregate than the executive's compensation and benefits with BellSouth as of March 4, 2006. Under the merger agreement, AT&T has agreed to negotiate in good faith the employment agreements. AT&T has proposed that, if an executive officer enters into an employment agreement with AT&T, the executive's rights under the employment agreement will be in lieu of his or her rights under any executive severance agreement to which he is a party.

Material United States Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the merger to U.S. holders of BellSouth common shares. The summary is based on the Internal Revenue

Code of 1986, as amended, which we refer to as the Code, Treasury regulations, administrative rulings and court decisions in effect as of the date of this joint proxy statement/prospectus, all of which are subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, the term "U.S. holder" means:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any of its political subdivisions;
- a trust if it
 - is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or
 - has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or
- an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership holds BellSouth common shares, the tax treatment of a partner in the partnership generally will depend on the status of the partners and the activities of the partnership. If a U.S. holder is a partner in a partnership holding BellSouth common shares, such holder should consult its tax advisor.

This discussion only addresses United States federal income tax consequences of the merger to U.S. holders of BellSouth common shares that hold their BellSouth common shares as a capital asset within the meaning of Section 1221 of the Code. Further, this summary does not address all aspects of United States federal income taxation that may be relevant to a U.S. holder of BellSouth common shares in light of such holder's particular circumstances or that may be applicable to holders subject to special treatment under United States federal income tax law (including, for example, non-United States persons, financial institutions, dealers in securities, insurance companies, tax-exempt entities, holders who acquired BellSouth common shares pursuant to the exercise of employee stock options or otherwise as compensation, holders subject to the alternative minimum tax provisions of the Code, and holders who hold BellSouth common shares as part of a hedge, straddle, constructive sale or conversion transaction). In addition, no information is provided herein with respect to the tax consequences of the merger under applicable state, local or foreign laws.

HOLDERS OF BELL SOUTH COMMON SHARES ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER TO THEM, INCLUDING THE EFFECTS OF UNITED STATES FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS.

The Merger

The merger has been structured to qualify as a reorganization under Section 368(a) of the Code for United States federal income tax purposes. It is a condition to the closing of the merger that AT&T and BellSouth receive opinions from Sullivan & Cromwell LLP and Fried, Frank, Harris, Shriver & Jacobson LLP, respectively, dated the closing date of the merger, to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on assumptions, representations, warranties and covenants, including those contained in the merger agreement and in tax representation letters, dated as of the merger, to be provided by AT&T and BellSouth. Although the merger agreement allows each of AT&T and BellSouth to waive its tax opinion closing condition, neither AT&T nor BellSouth currently anticipates it will waive this closing condition. If either AT&T or BellSouth waives this condition and if the tax consequences of the merger are materially different from those described in this joint proxy statement/prospectus, AT&T and

AT&T Notice of Intent
Docket Nos. T-02428A-06-0203, T-03346A-06-0203,
T-03116A-06-0203, T-03016A-06-0203 and
T-03287A-06-0203

Late-Filed Exhibit A-6

Report Materials Made
Available to Investors and
Analyst Community Concerning
Merger Efficiencies

Investor Briefing



No. 251 | March 6, 2006

Transaction Summary

Exchange ratio

1.325 AT&T shares for each BellSouth share (\$37.09 per BellSouth share based on March 3, 2006 closing stock price)

Equity value

\$67 billion

BellSouth debt net of cash

\$17 billion

BellSouth's proportionate share of Cingular's external debt net of cash

\$5 billion

Total value

\$89 billion

Debt totals as of 12/31/2005

AT&T will hold an analyst conference call to discuss the merger that will be broadcast live via the Internet at 10 a.m. EST on Monday, March 6, 2006, at www.att.com/investor.relations or www.bellsouth.com/investor.

AT&T, BellSouth to Merge

Combination to Generate Substantial Synergy Opportunities, Strengthened Growth Platforms in Wireless, Business and Integrated Services

AT&T Inc. (NYSE: T) and BellSouth Corporation (NYSE: BLS) have announced an agreement to merge, a combination that will create a more effective and efficient provider in the wireless, broadband, video, voice and data markets.

AT&T expects that the merger will generate substantial value through opportunities for synergies, largely from cost reductions, and a strengthened growth profile, with a greater percentage of revenues coming from wireless services and sales to business customers.

In addition, the proposed merger offers important strategic benefits in key areas. The merger will:

- *Streamline the ownership and operations of Cingular Wireless, which is jointly owned by AT&T and BellSouth. Cingular, which is the United States' largest wireless provider, with more than 54 million subscribers, currently operates as a joint venture, with AT&T holding 60 percent ownership and BellSouth owning 40 percent.*

Summary of Expected AT&T Financial Impacts from Merger

(dollars in billions, pretax)

	2007	2008	2009
Synergies			
Revenue synergies (EBITDA impact)	\$ 0.0	\$ 0.0 – \$ 0.1	\$ 0.1 – \$ 0.2
Expense synergies	\$ 0.4 – \$ 0.6	\$ 1.6 – \$ 1.9	\$ 2.1 – \$ 2.4
Capex synergies	\$ 0.1 – \$ 0.2	\$ 0.3 – \$ 0.4	\$ 0.4 – \$ 0.5
Total synergies	\$ 0.5 – \$ 0.8	\$ 1.9 – \$ 2.4	\$ 2.6 – \$ 3.1
One-time costs			
Integration costs – Expense	\$(2.0) – \$(1.8)	\$(0.4) – \$(0.2)	\$(0.1) – \$ 0.0
Integration costs – Capital	\$(0.7) – \$(0.6)	\$(0.2) – \$(0.1)	\$(0.2) – \$(0.1)
Integration costs – Total	\$(2.7) – \$(2.4)	\$(0.6) – \$(0.3)	\$(0.3) – \$(0.1)
Purchase accounting impacts¹			
Expected accounting impacts	\$(4.2) – \$(3.9)	\$(3.5) – \$(3.2)	\$(2.7) – \$(2.4)

¹Subject to modification with final valuation.



- *Enhance business capabilities*, providing a single point of contact for wireless/wireline business sales. In addition, business customers in the southeastern United States and the rest of the country stand to benefit from the expertise and innovation of AT&T Labs, as well as the combination of AT&T's state-of-the-art national and international networks and advanced services with BellSouth's local exchange and broadband distribution platforms and expertise.
- *Help drive a faster, more efficient technology evolution* to converged, IP-based services.
- *Allow the combined company to move to a single brand, AT&T*, to achieve increased advertising efficiency and impact. Today the three companies involved in the merger — AT&T, BellSouth and Cingular Wireless — support separate brands with separate advertising campaigns.

TERMS AND CONDITIONS

Under terms of the merger agreement, which was approved by the boards of directors of both companies, shareholders of BellSouth will receive 1.325 shares of AT&T common stock for each common share of BellSouth. Based on AT&T's closing stock price on March 3, 2006, this exchange ratio equals \$37.09 per BellSouth common share.

This represents a 17.9 percent premium over BellSouth's closing stock price on March 3, 2006, and a total equity consideration currently valued at approximately \$67 billion – approximately \$10 billion more than BellSouth's equity market value at the close

of trading on March 3, 2006. Including BellSouth's debt net of cash on hand and BellSouth's proportionate share of Cingular's external debt net of cash as of Dec. 31, 2005, the total value of the transaction is approximately \$89 billion.

AT&T's chairman and CEO, Edward E. Whitacre Jr., will serve as chairman, CEO and a member of the board of directors of the combined company. Duane Ackerman, chairman and CEO of BellSouth, will serve as chairman and CEO of BellSouth operations for a transition period following the merger. Additionally, three members of BellSouth's board of directors will join the AT&T board.

The merger, which is subject to approval by shareholders of both companies as well as regulatory authorities and to other customary closing conditions, is expected to close within approximately 12 months. Since AT&T and BellSouth are not actual competitors in the local, long distance and video markets, and because BellSouth is not a significant competitor with AT&T in the enterprise market, the merger will not reduce competition in any of those markets.

EXPANDED SHARE REPURCHASE

AT&T's board of directors also has approved an expanded share repurchase authorization of 400 million shares through 2008, replacing the company's existing program.

Under this authorization, the company expects to buy back at least \$10 billion of its common shares over the next 22 months. It expects at least \$2 billion in repurchases during 2006, consistent with its previous guidance, and an additional \$8 billion in repurchases in 2007. The timing and nature of these repurchases will depend on market conditions and applicable securities laws.

SYNERGY EXPECTATIONS

The merger will combine three companies that currently operate separately and independently: AT&T, BellSouth and Cingular Wireless. AT&T and BellSouth estimate that synergies from the combination will ramp quickly to reach an annual run rate exceeding \$2 billion in the second year after closing and more than \$3 billion in the third year. The net present value of expected synergies is estimated at nearly \$18 billion.

More than 90 percent of the expected synergies come from cost reductions, including an incremental reduction in combined force of nearly 10,000 over the first three years following the transaction's close.

- A substantial portion of synergies are expected to come from reduced costs in the operations of unregulated and interstate services and three corporate staffs, and the synergies are over and above expected productivity improvements from the companies' ongoing initiatives.



- Approximately half of the total cost savings are expected to come from network and sales operations and IT, as facilities and operations are consolidated and traffic is moved to a single IP network.
- Additional savings are expected to come from combining staff functions and from reduced ongoing advertising and branding expenses as the combined company moves from three distinct brands to a single brand.

While AT&T's expectations for revenue synergies are a small portion of total synergies, the merger is expected to improve AT&T's overall growth profile — driven by wireless, which will represent about one-third of the combined company's expected revenues in 2007, and by expanded opportunities in business markets. As a result of the increased wireless exposure and achievement of merger synergies, during the three years following close of this merger, AT&T expects that its free cash flow growth rates will nearly triple. (Free cash flow after dividends is cash from operations less capital expenditures and dividends.)

FINANCIAL EXPECTATIONS

As a result of the increased exposure to wireless growth and achievement of merger synergies, AT&T expects improved adjusted earnings per share growth and increased cash flow growth in the three years following the transaction's close.

AT&T expects the transaction to be adjusted earnings-per-share neutral in 2007 and to be accretive to adjusted EPS in 2008. The merger is expected to increase adjusted earnings per share \$0.08 to \$0.10 in 2008, growing to the \$0.12 to \$0.14 range in 2009.

Adjusted earnings per share exclude all merger integration costs and noncash expenses for amortization of intangibles.

- Integration costs are expected to be heaviest in the first year after the transaction's close. In 2007, total integration costs, including capital expenditures, are expected to exceed \$2 billion. In 2008, they drop to less than one-fourth that level, and in 2009 they are negligible.
- The companies have identified approximately \$15 billion of intangibles from customer lists associated with wireline, directory and wireless. The value of the identified intangibles will be recorded as an asset and amortized using an accelerated method. All intangibles are expected to be amortized over a range of five to nine years. The final amounts and the amortization method and life will be determined by an independent appraisal.

AT&T expects that the merger will reinforce the guidance it provided at its Jan. 31, 2006, analyst conference.

- There is no change to AT&T's 2006 outlook.
- AT&T continues to expect double-digit adjusted EPS growth in each of the next three years, with significant growth in free cash flow after dividends.
- Free cash flow after dividends is expected to exceed \$4 billion in 2007 and exceed \$6 billion in 2008. (Free cash flow after dividends is cash from operations less capital expenditures and dividends.)
- Total revenues including Cingular are expected to return to growth in 2007, a year earlier than previous guidance.
- Capital expenditures including Cingular are expected to be in the mid-teens as a percentage of revenues in 2007 and 2008.
- AT&T and BellSouth expect that the combined company will have a strong balance sheet with solid credit metrics. Both companies have single A credit ratings. AT&T expects free cash flow after dividends from the combined company to provide the flexibility to continue reducing debt levels over the next five years while providing excellent cash returns to stockholders.

Expected Impacts of BellSouth Merger to AT&T's Financial Outlook

On Jan. 31, 2006, AT&T provided a financial outlook covering key metrics. The following table summarizes the impacts to that guidance from the merger with BellSouth.

	January 2006 Outlook	Revised Outlook
Earnings per share	Double-digit-adjusted EPS growth in each of the next three years	No change
Revenue growth	Total revenues, including proportionate Cingular, to return to growth in 2008	Total revenues now expected to return to growth in 2007
	Business revenues, including wholesale, to return to growth exiting 2008	No change
Force	2006-2008: merger-related reductions of 13,000; additional 13,000 reduction from operational initiatives	2007-2009: additional reduction from BellSouth merger approaching 10,000
Capital expenditures	Excluding Cingular, \$8.0 billion to \$8.5 billion in 2006	No change
	Excluding Cingular, low teens as a percentage of revenues in 2007 and 2008	In 2007 and 2008, total company capital expenditures, including 100 percent of Cingular, in the mid-teens as a percentage of revenues
	Cingular: \$7.0 billion to \$7.5 billion in 2006	
Cash flow	In 2006, \$2 billion of free cash flow after dividends ¹	No change
	Starting in 2007, \$4 billion to \$5 billion of free cash flow after dividends ²	No change in 2007; in 2008, more than \$6 billion of free cash flow after dividends
Share repurchases	At least \$2 billion in 2006	At least \$10 billion over the next 22 months, with at least \$2 billion expected in 2006 and the remainder in 2007

¹Free cash flow after dividends is cash from operations plus proportionate share of Cingular free cash flow, less capital expenditures and dividends.

²Free cash flow after dividends is cash from operations less capital expenditures and dividends.

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 are subject to significant risks and uncertainties and outside of our control.

The following factors, among others, could cause actual results to differ from those described in the forward-looking statements in this document: the ability to obtain governmental approvals of the merger on the proposed terms and schedule; the failure of AT&T shareholders to approve the issuance of AT&T common shares or the failure of BellSouth shareholders to approve the merger; the risk that the businesses of AT&T and BellSouth will not be integrated successfully or as quickly as expected; the risk that the cost savings and any other synergies from the merger, including 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; disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; and competition and its effect on pricing, spending, third-party relationships and revenues. 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 Web site (<http://www.sec.gov>). AT&T is not under any obligation, and expressly disclaims 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 *InvestorBriefing* may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available in the "Financial & Operational Results" section on AT&T's Investor Relations Web site at www.att.com/investor.relations.

NOTE: In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, including a joint proxy statement/prospectus of AT&T and BellSouth, and AT&T and BellSouth will file other materials with the Securities and Exchange Commission (the "SEC"). Investors are urged to read the registration statement, including the joint proxy statement (and all amendments and supplements to it) and other materials when they become available because they contain important information. Investors will be able to obtain free copies of the registration statement and joint proxy statement, when they become available, as well as other filings containing information about AT&T and BellSouth, without charge, at the SEC's Web site (www.sec.gov). Copies of AT&T's filings may also be obtained without charge from AT&T at AT&T's Web site (www.att.com) or by directing a request to AT&T Inc. Stockholder Services, 175 E. Houston, San Antonio, Texas 78205. Copies of BellSouth's filings may be obtained without charge from BellSouth at BellSouth's Web site (www.bellsouth.com) or by directing a request to BellSouth at Investor Relations, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309.

AT&T, BellSouth and their respective directors and executive officers and other members of management and employees are potential participants in the solicitation of proxies in respect of the proposed merger. Information regarding AT&T's directors and executive officers is available in AT&T's 2005 Annual Report on Form 10-K filed with the SEC on March 1, 2006 and AT&T's preliminary proxy statement for its 2006 annual meeting of stockholders, filed with the SEC on February 10, 2006, and information regarding BellSouth's directors and executive officers is available in BellSouth's 2005 Annual Report on Form 10-K filed with the SEC on February 28, 2006 and BellSouth's proxy statement for its 2006 annual meeting of shareholders, filed with the SEC on March 3, 2006. Additional information regarding the interests of such potential participants will be included in the registration statement and joint proxy statement, and the other relevant documents filed with the SEC when they become available.

AT&T InvestorBriefing

The AT&T *InvestorBriefing* is published by the Investor Relations staff of AT&T Inc. Requests for further information may be directed to one of the Investor Relations managers by phone at (210) 351-3327 or fax at (210) 351-2071.

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AT&T, BellSouth Merger

**Substantial Synergy Opportunities,
Strengthened Growth Platforms in Wireless,
Business and Integrated Services**

Agenda

Strategic Overview

Edward E. Whitacre Jr.
Chairman and CEO, AT&T Inc.

Duane Ackerman
Chairman and CEO, BellSouth Corporation

Transaction Summary

James S. Kahan
Senior Executive Vice President –
Corporate Development, AT&T Inc.

Synergy Opportunities

Randall Stephenson
Chief Operating Officer, AT&T Inc.

Financial Impacts

Rick Lindner
Senior Executive Vice President
and Chief Financial Officer, AT&T Inc.

Qs and As



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Note

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Edward E. Whitacre Jr.

Chairman and Chief Executive Officer
AT&T Inc.

Strategic Benefits: Logical Step for Both Companies

- Improves AT&T's growth profile with increased exposure to wireless
- Creates a strong national and global competitor better positioned to innovate and deliver new services
- Gives Cingular Wireless single ownership with the industry's best combined wireless and wireline reach
- Strengthens capabilities in business markets through converged services and a single point of contact for both wireless and wireline
- Creates a company with expanded opportunities to deliver advanced broadband and IP-based services



Value-Creating Transaction

- Substantial synergies from multiple sources: network, IT, consolidating traffic, combining staff and headquarters functions, single brand
- \$18 billion net present value of expected synergies
- AT&T board of directors has authorized an expanded share repurchase – plan to buy back at least \$10 billion of our shares over the next 22 months



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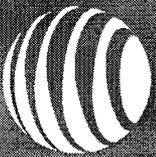
 **BELLSOUTH**

Commitment to Customers and Community Service

AT&T and BellSouth share a strong tradition and a commitment to people, communities and corporate citizenship

- High-quality customer service
- Community involvement and civic leadership
- Diversity in employee development and supplier relations





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BELLSOUTH[®]

Duane Ackerman

**Chairman and Chief Executive Officer
BellSouth Corporation**

Benefits of Combination

- Uniting with one of the most respected companies in America
- Moving forward with industry progress and technology advancements
- Providing a strong portfolio of assets
- Continuing shareholder value



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BELLSOUTH

Benefits to Shareholders, Employees and Customers of BellSouth

- Shareholders benefit from:
 - 38% ownership in AT&T
 - Increased dividends
 - Merger synergies
- Customers benefit from:
 - Excellent customer service
 - Product innovation
- Employees benefit from:
 - Joining the largest global communications provider
 - Strong cultural fit





James S. Kahan

Senior Executive Vice President –
Corporate Development
AT&T Inc.

Transaction Summary

- All-stock transaction with fixed exchange ratio of 1.325 AT&T shares for each BellSouth share
- Exchange ratio represents a 17.9% premium to March 3 closing price for BellSouth's shares
- Transaction size:

Equity purchase price	\$67.1 billion
BellSouth net debt	16.8 billion
BellSouth's proportionate Cingular net debt	<u>5.5 billion</u>
Total transaction	\$89.4 billion

Net debt is total debt net of cash and short-term investments as of 12/31/05.



Share Repurchase Plans

- \$67.1 billion equity value of transaction – represents a premium of \$10 billion to equity market value at close of trading on March 3
- AT&T's board has authorized an expanded share repurchase of 400 million shares through 2008
 - Share buyback of at least \$10 billion planned over next 22 months
 - \$2 billion or more in 2006, as planned
- Share repurchase authorization approximates the transaction premium



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BELLSOUTH

Terms and Conditions

- Closing terms and conditions, interim operating covenants, and deal protections are all standard for a transaction of this size
- Thorough due diligence process
 - Experienced teams
 - Companies very familiar with each other's operations
 - Strong working relationship through joint ownership of Cingular Wireless
- 12 month drop-dead date can be extended for an additional six months by either company for certain regulatory approvals



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BELLSOUTH

Terms and Conditions

- Three BellSouth board members added to AT&T board
- Maintain Cingular Wireless and Southeast regional telephone headquarters in Atlanta
- Retention bonus plan to assure continuity, maintain key personnel



Approvals

- Shareowner approval at both AT&T and BellSouth
- Hart Scott Rodino filing – Department of Justice review
- Federal Communications Commission review
- At least five states in BellSouth's region including Florida, Kentucky, Louisiana, Mississippi and North Carolina
- Additional state reviews for IXC and CLEC certificates
- Limited foreign competition approvals
- Reasonable to expect approvals to be completed within 12 months





Randall Stephenson

**Chief Operating Officer
AT&T Inc.**

Substantial Value

- **Clear, achievable synergies, which drive attractive financial returns to shareowners**
 - Synergies ramp quickly
 - Most come from cost side of the business
 - Execution is straightforward
- **Simplified ownership and operating structure for Cingular Wireless**
- **Single brand – more effective and cost-efficient**
- **Accelerated technology evolution**
 - Cingular's wireless networks and AT&T's wireline networks both are moving to IP-based technologies
 - Significant opportunities in convergence with access to content and applications across three screens



Expected Synergies

- Headquarters/
Corporate
 - Network and
Sales Operations
 - IT Support
 - Procurement
 - Advertising/
Brand
- **More than \$2 billion** annual synergy run rate in 2008, growing to more than **\$3 billion** by 2010
 - **More than 90%** of expected synergies come from clearly identified cost reductions
 - **\$18 billion** net present value of identified synergies



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Synergy Opportunities on Multiple Fronts

- Not just another ILEC to ILEC merger
- Combining functions, coordinating operations, sharing technology platforms at **three companies**: AT&T, BellSouth and Cingular

- Consolidate advertising spend, moving from three brands to one
- Consolidated staff and support functions from AT&T, BellSouth and Cingular
- Move BellSouth LD traffic from third parties to AT&T network
- Move Cingular traffic to common IP backbone
- Move AT&T dedicated access to BellSouth network
- Optimize IT, support and customer care platforms
- R&D, product development spread across larger base, AT&T Labs



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Revenue Opportunities

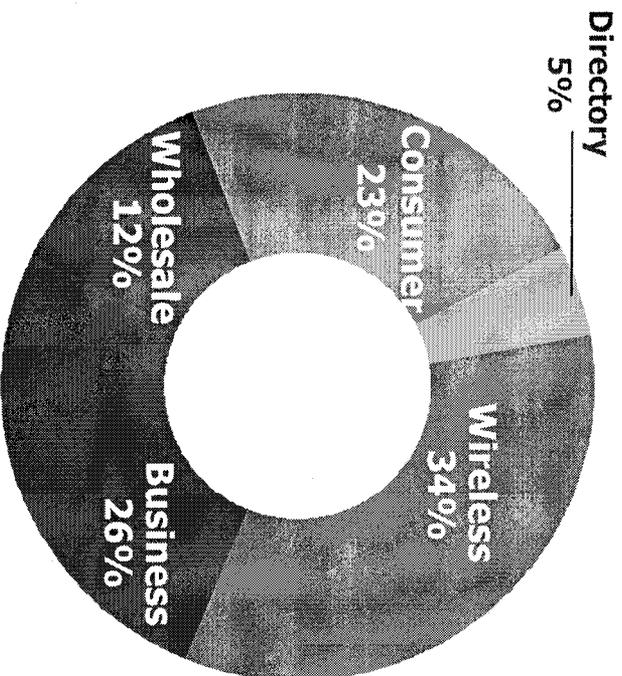
- **Revenue synergies modeled conservatively**
- **Significant long-term revenue potential**
 - AT&T's large business services can be migrated to BellSouth's small and medium business base
 - Enterprise customers in Southeast will benefit from AT&T's global reach and advanced product sets
 - Single point of contact, unified effort in wireless/wireline enterprise sales
 - Industry's best combined wireless/wireline reach creates broader opportunity for integrated products



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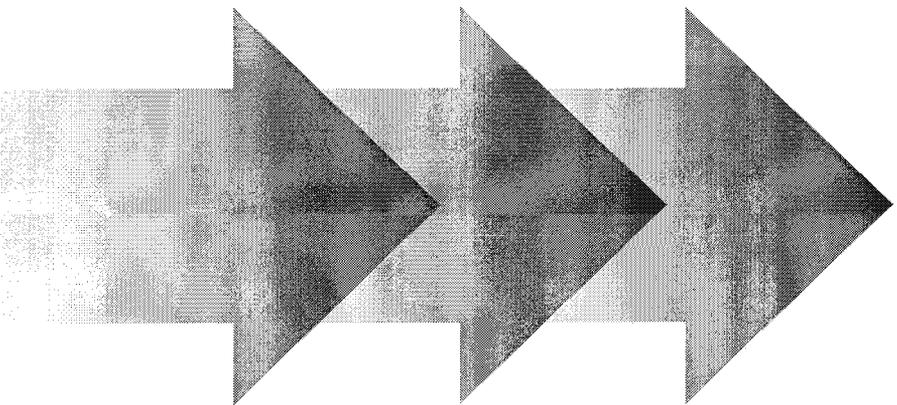
Revenue Mix: Improved Growth Profile

2007 Pro Forma
Revenues – Combined
AT&T+BellSouth



- **Increased exposure to wireless** with one-third of total 2007 revenues coming from Cingular
- **72% of total revenues** come from wireless and sales to business customers

Simplified Wireless Ownership and Operating Structure



- Allows for easier, faster integration of wireless and wireline networks and services
- Enables full shared use of network assets, including AT&T's IP backbone
- Drives operating efficiencies for both wireless and wireline, as duplicate staff and support functions are combined
- Allows for shared R&D and product development, shared content and applications

Logical Progression in Terms of Execution

- Cingular's integration of AT&T Wireless merger is **on or ahead of schedule** in every major area, 3G UMTS/HSDPA network deployment will be **largely complete in 2006**
- The majority of SBC/AT&T Corp. merger integration projects **on track to be completed in 2006**, ahead of BellSouth merger's expected close
- **BellSouth merger integration expected to begin in early 2007**, will be sequenced to build on progress in both previous integrations

Expect to utilize the proven planning approaches and experience from most recent integrations, with focus on keeping talented personnel, providing seamless experience to customers





Richard G. Lindner

**Senior Executive Vice President
and Chief Financial Officer
AT&T Inc.**

Changes To Financial Statements

Prior to Merger
with BellSouth

After Merger
with BellSouth

Income Statement

- Cingular results included in Equity in Net Income of Affiliates line of Consolidated Statements of Income
- BellSouth and Cingular operating results will be consolidated in revenues and expenses

Balance Sheet

- AT&T investment in Cingular reflected in Investments in and Advances to Cingular Wireless
- Under purchase accounting, BellSouth and Cingular will incur opening balance sheet adjustments and be consolidated into AT&T's balance sheet

Cash Flow Statement

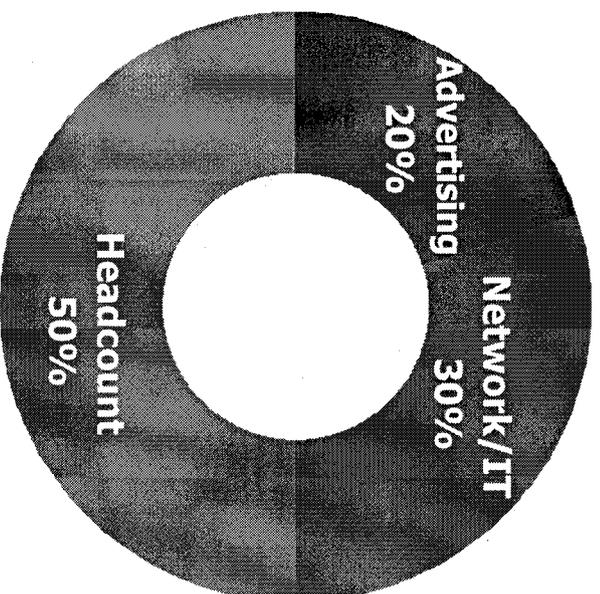
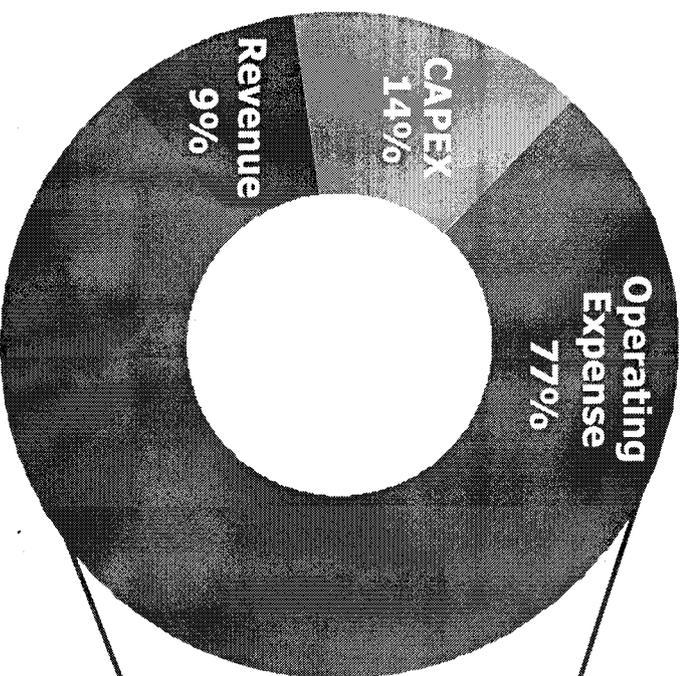
- AT&T records cash received from and paid to Cingular in Investing Activities and cash provided by Operating Activities
- BellSouth and Cingular cash flows will be recognized in net cash provided by operating, investing and financing activities



Breakdown of Expected Synergies

Percentage Breakdown
\$18 Billion of Net Synergies

Percentage Breakdown
Operating Expense Synergies

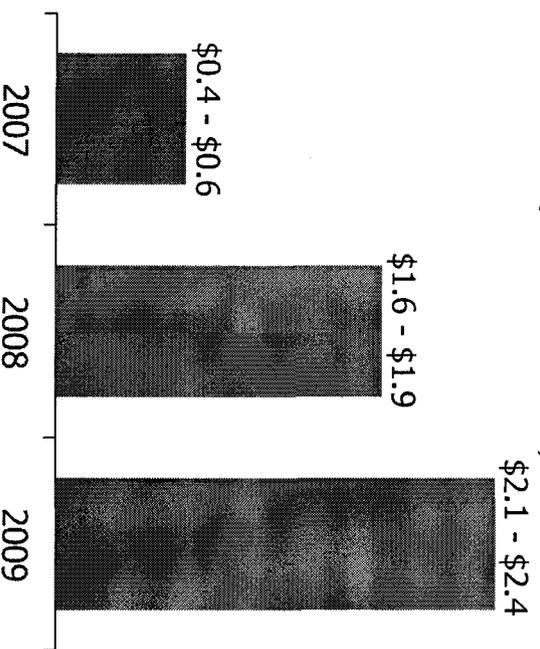


Expected Expense Synergies

(dollars in billions)

	2007	2008	2009
Organizational Consolidation	\$0.2 – \$0.3	\$0.8 – \$0.9	\$1.0 – \$1.1
Network/IT/Procurement	\$0.2 – \$0.3	\$0.4 – \$0.5	\$0.7 – \$0.8
Advertising	\$0.0 – \$0.0	\$0.4 – \$0.5	\$0.4 – \$0.5

Expense Synergies (dollars in billions)



Sources of Operating Synergies

- Elimination of corporate duplication, consolidation of sales, marketing
- Optimization of transport and network operations
- Merge LD network and operations
- Procurement leverage
- Three brands going to one



at&t

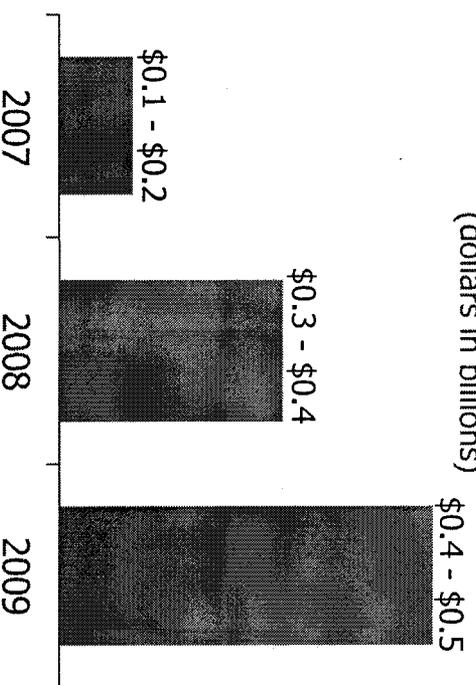
Capital Expenditure Synergy Opportunities

(dollars in billions)

	2007	2008	2009
Expected Capital Synergies	\$ 0.1 – \$ 0.2	\$ 0.3 – \$0.4	\$ 0.4 – \$ 0.5
Expected Integration Capital	\$(0.7) – \$(0.6)	\$(0.2) – \$(0.1)	\$(0.2) – \$(0.1)
Expected Net Capital Synergies	\$(0.6) – \$(0.4)	\$ 0.1 – \$ 0.3	\$ 0.2 – \$ 0.4

Expected Capital Synergies

(dollars in billions)



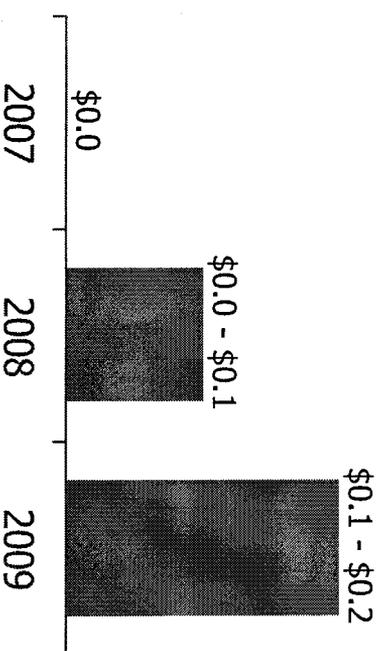
Sources of Capital Synergies

- Procurement
- Cingular IP network, voice, and transport facilities
- IT data centers, support systems

Revenue Synergy Opportunities

(dollars in billions)	2007	2008	2009
Expected Revenue Synergies			
(EBITDA Impact)	\$0.0	\$0.0 – \$0.1	\$0.1 – \$0.2

Expected EBITDA from Revenue Synergies (dollars in billions)



Sources of Revenue Synergies

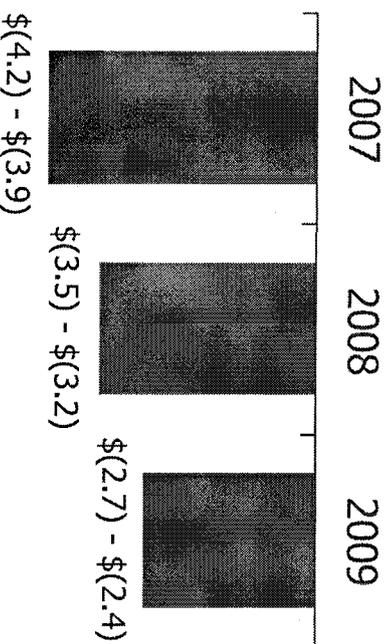
- Strengthened performance in business due to single point of contact for wireless and wireline
- Expansion of BellSouth's in-region medium business segments

Purchase Accounting Impacts

(dollars in billions)	2007	2008	2009
Expected Accounting Impacts ¹	\$ (4.2) – \$ (3.9)	\$ (3.5) – \$ (3.2)	\$ (2.7) – \$ (2.4)

¹ Subject to modification with final valuation.

Expected Accounting Impacts (dollars in billions)



Sources of Accounting Impacts

- Valuation and amortization of purchased customer list intangibles
- Elimination of existing purchased amortization

Summary of Financial Impacts

(dollars in billions, pretax)

2007

2008

2009

Synergies

Revenue synergies (EBITDA Impact)	\$0.0	\$ 0.0 - \$ 0.1	\$ 0.1 - \$ 0.2
Expense synergies	\$ 0.4 - \$ 0.6	\$ 1.6 - \$ 1.9	\$ 2.1 - \$ 2.4
Capex synergies	\$ 0.1 - \$ 0.2	\$ 0.3 - \$ 0.4	\$ 0.4 - \$ 0.5
Total synergies	\$ 0.5 - \$ 0.8	\$ 1.9 - \$ 2.4	\$ 2.6 - \$ 3.1

One-time costs

Integration costs – Expense	\$ (2.0) - \$ (1.8)	\$ (0.4) - \$ (0.2)	\$ (0.1) - \$ 0.0
Integration costs – Capital	\$ (0.7) - \$ (0.6)	\$ (0.2) - \$ (0.1)	\$ (0.2) - \$ (0.1)
Integration costs – Total	\$ (2.7) - \$ (2.4)	\$ (0.6) - \$ (0.3)	\$ (0.3) - \$ (0.1)

Purchase accounting impacts¹

Expected accounting impacts	\$ (4.2) - \$ (3.9)	\$ (3.5) - \$ (3.2)	\$ (2.7) - \$ (2.4)
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¹ Subject to modification with final valuation.



Expected AT&T EPS Impacts

(earnings per share)

	2007	2008	2009
Reported EPS	\$(0.62) – \$(0.58)	\$(0.33) – \$(0.29)	\$(0.19) – \$(0.15)
Plus:			
Intangible Amortization	\$ 0.41 – \$ 0.43	\$ 0.35 – \$ 0.37	\$ 0.27 – \$ 0.29
Integration Expense	\$ 0.19 – \$ 0.21	\$ 0.04 – \$ 0.06	\$ 0.01 – \$ 0.03
Adjusted EPS	\$ (0.02) – \$ 0.02	\$ 0.08 – \$ 0.10	\$ 0.12 – \$ 0.14



Expected Impacts To Guidance

January 2006
Outlook

Revised
Outlook

- EPS
- Double-digit adjusted EPS growth expected over each of the next three years
 - No change
-

- Revenue Growth
- Total revenues, including proportionate Cingular, returns to growth in 2008
 - Business, including wholesale, returns to growth exiting 2008
 - Total revenues return to growth in 2007
 - No change



Expected Impacts To Guidance

January 2006 Outlook

Revised Outlook

Force

- From 2006-2008 ...
 - Merger-related reductions of 13,000
 - Additional 13,000 reduction driven by operational initiatives
- Nearly 10,000 additional reduction from AT&T/BellSouth merger from 2007-2009

Capex

- Excluding Cingular ...
 - \$8.0 billion to \$8.5 billion in 2006
 - Low teens as a percent of revenue in 2007 and 2008
- Cingular: \$7.0 billion to \$7.5 billion in 2006
- No change for 2006
- Mid-teens as percent of revenue for combined company in 2007 and 2008, including Cingular



at&t

Expected Impacts To Guidance

January 2006
Outlook

Revised
Outlook

- | | | |
|------------------|---|---|
| Cash Flow | <ul style="list-style-type: none">• \$2 billion free cash flow after dividends¹ in 2006• \$4 billion to \$5 billion free cash flow after dividends¹ starting in 2007 | <ul style="list-style-type: none">• No change• No change in 2007, more than \$6 billion free cash flow after dividends² in 2008 |
|------------------|---|---|

- | | | |
|-------------------------|--|--|
| Share Repurchase | <ul style="list-style-type: none">• At least \$2 billion in 2006 | <ul style="list-style-type: none">• At least \$10 billion over the next 22 months with at least \$2 billion expected in 2006 |
|-------------------------|--|--|

¹Free cash flow after dividends is cash from operations plus proportionate share of Cingular free cash flow, less capital expenditures and dividends.

²Free cash flow after dividends is cash from operations less capital expenditures and dividends.



Financial Summary

- Significant **achievable synergies** that ramp quickly
- **Adjusted EPS neutral** in 2007, positive starting in 2008
- **Free cash flow additive** starting in 2008
- Cash flows provide potential for continued **dividend growth, share repurchase and debt retirement**
- **Minimal to no impact** on credit metrics



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BELLSOUTH



AT&T, BellSouth Merger

**Substantial Synergy Opportunities,
Strengthened Growth Platforms in Wireless,
Business and Integrated Services**