

UNIT SPOCS

APPENDIX C

**Corporate Principle 80
Appendix C**

**FOR INTERNAL BUSINESS PURPOSES ONLY
Not for Disclosure Outside Pacific Telesis Group and its Subsidiaries**

AFFILIATE TRANSACTIONS SPOCS

ARC	GROUP	SPOC	TELEPHONE
2	CEO (Dorman)	Vacant	
3/Y	Treasurer (Downing)	Susan Harford	510-901-9442
6/B	Technology Services Group	Pat Murphy	510-824-7281
90	Network Services (Kaplan)	Jan Ansberry	510-823-7952
99/9 Q	Quality & Proc. Reengineering	Vacant	
2M	New Business Development	Sandi Ng	510-823-1638
9E	Finance and Support	Terry Manning	510-901-8884
9J	Contingency Planning	Pat Murphy	510-824-7281
9M	Network Operations	Phyllis Keys	818-713-7221
9S	CPR Implementation	Vacant	
9U	Service Operations	Kelcie Tinker	415-542-3545
A0	Bus Comm Services (Lee)	Julia Clark	510-823-0167/ 916-972-2741
AQ	Business Marketing	Julia Clark	510-823-0167/ 916-972-2741
AS	Business Service/ISDN	Julia Clark	510-823-0167/ 916-972-2741
AT	Finance Support	Julia Clark	510-823-0167/ 916-972-2741
C	Human Resources (Moberg)	Vacant	
D	Network Engineering	Vacant	510-823-7022
E	Public Comm	Jason Collins	510-831-4500
F00	Con Com Services	Jo Jamieson	510-824-5219
F0E	Finance and Support	Jo Jamieson	510-824-5219
FA	Marketing	Jo Jamieson	510-824-5219
FB	Consumer Sales	Jo Jamieson	510-824-5219
FC	Consumer Services	Jo Jamieson	510-824-5219
FD	Ethnic Markets Group	Jo Jamieson	510-824-5219
G	Business Sales	Julia Clark	510-823-0167/ 916-972-2741
H	External Affairs (Odgers)	Vacant	
L	Industry Market Group	Darrell Haydon	415-545-0828
NP	Consumer Broadband	Pam Garza	510-806-5247
R	Procurement	Sherry Smith	510-823-0529
RF	Corp. Real Estate	Anita Cardenas	510-867-6315
S	Operator Services	Vacant	

Pacific Bell PI/IP SPOCs

Name	Phone	Fax	Organization	Arc	Address	City
Weber, Meri	510-823-7931		Technology Svcs. Group	6	2600 Camino Ramon, 3W050Q	SRV
Hultin, Yong	510-823-5016	510-275-9644	CFO-Treasury	3G	2600 Camino Ramon, 4S450E	SRV
Van Laak, Deb	415-545-8540	415-957-1190	CFO-SPOC Coordinator	3H0C	140 New Montgomery St., 2010	San Francisco
Silva, Michael	510-901-7742	510-866-0166	CFO - SAP	All ARCs	2600 Camino Ramon, 2W700V	SRV
Fong, Monica	510-824-6344	510-355-1304	PTG (Network Engineering)	D	2600 Camino Ramon, 2S000Q	SRV
Wilson, Rolanda	510-831-4485	510-837-8724	Public Communications	E	39 Beta Court, 235	SRV
Navejas, Joe	510-823-0964	510-866-1552	Consumer Mktg. - Finance	F0E	2600 Camino Ramon, 4CN100	SRV
Derek Hibbard/Liz Baptiste	510-824-7832	510-328-0646	Cons. Mktg. - PrePaid Card	F008	2420 Camino Ramon, 350V	SRV
Lawrence, Colette	510-901-8407	510-830-4278	Cons. Mktg. - Strat. Planning	F0F	2420 Camino Ramon, 320C	SRV
Castro, Judy	510-824-7154	510-830-4278	Consumer Marketing	FAB	2420 Camino Ramon, 330A	SRV
Chaves, Assunsao	510-823-5202	510-867-4633	Mktg. Communications	FAD	2420 Camino Ramon, 360D	SRV
Navejas, Joe (Temporary)	510-823-0964	510-866-1552	Consumer Mktg. - Finance	FB	2600 Camino Ramon, 4CN100	SRV
Dancey-Nobles, Joetta	510-901-8525	510-244-1054	Consumer Services	FC	2600 Camino Ramon, 4S952	SRV
Valladares, Jaime	818-570-7719	818-282-5917	Ethnic Markets Consumer	FD	500 E. Main St, 538	Alhambra
Harper, Tyson	415-545-1372	415-495-6839	Priority Sales North	GA	666 Folsom Street, 1224	San Francisco
Sroczynski, Jim	310-783-8141	310-782-8001	Business Market South	GB	21241 S. Western Ave., 100	Torrance
Lee, Margie	415-545-0303	415-543-6205	Ethnic Market Sales	GC	666 Folsom, 1023	San Francisco
Mercomes, Andrea	415-542-1511	415-512-1565	Healthcare Market Group	GD	370 Third Street, 704	San Francisco
Nickerson, Hillary (Gianna L.)	213-975-3597	213-482-5409	Premier Accounts	GE/GH	1010 Wilshire Blvd., 1300	Los Angeles
Devine, Pat	415-542-2939	415-542-2555	Commercial Markets	GF	140 New Montgomery St., 1900	San Francisco
Yee, Angela	415-545-6148	415-542-4744	Sales Support Operations	GG	370 Third Street, 701	San Francisco
Granger, Liz	510-806-4941	510-355-9529	Broadband Deployment	NP	2410 Camino Ramon, 300	SRV

Pacific Bell PI/IP SPOCs

Name	Phone	Fax	Organization	Arc	Address	City
Guilfoy, Tom	510-867-5850	510-867-9818	CFO-Corp. Strategy	YE	2600 Camino Ramon, 4S000BB	SRV
Howell, Renatte	510-824-8650	510-275-9644	CFO-Fin Ops & Chng Lead	YF	2600 Camino Ramon, 4S450U	SRV
Brown, Bruce	415-895-3979	415-777-5760	Directory	4	101 Spear Street, 375	San Francisco
Kelley, Linda	510-823-3228	510-867-1148	CPR	99	2600 Camino Ramon, 2E050E	SRV
Fitch, Tish	510-824-8910	510-244-1729	Local Competition	2C	2600 Camino Ramon, 3S400W	SRV
Cheung, Bea	510-824-7073	510-277-1808	New Business Development	2M	2600 Camino Ramon, 4S250EE	SRV
Ansberry, Jan	510-823-7952	510-355-7981	Finance Network Services	9E	2600 Camino Ramon, 3CN30A	SRV
Keys, Phyllis	818-713-7221	818-340-5942	Network Operations	9M	22012 Van Owen , 116	Canoga Park
Fitch, Tish	510-824-8910	510-244-1729	Local Competition Implement.	9N	2600 Camino Ramon, 3S400W	SRV
Divita, Bill	510-901-9247	510-866-9383	Service Policy and Quality	9Q	2600 Camino Ramon, 2E150P	SRV
Tinker, Kelcie	415-542-3545	415-546-1657	Service Operations (Finance)	9U	666 Folsom Street, 1221	San Francisco
Spomer, Kathy	510-901-8276	510-355-1248	Business Marketing	AQ	2600 Camino Ramon, 4S156	SRV
Lee, Peter	510-901-7500	510-830-9447	Business Services Group	AS	2600 Camino Ramon, 2S403	SRV
Clark, Julia	916-972-2741	916-971-1216	Business Group Finance	AT	2700 Watt Avenue, 3460	Sacramento
Clark, Julia		510-866-1552	Business Group Finance	AT		
Huckabee, Gail	510-901-6615	510-355-1749	HR Development	CE	2600 Camino Ramon, 2N200M	SRV
Huckabee, Gail	510-901-6615	510-355-1749	Human Resources	CJ	2600 Camino Ramon, 2N200M	SRV
Watson, Mary Ellen	415-542-1674	415-542-5499	Govt. Relations/Public Comm	HE	140 New Montgomery St., 1223	San Francisco
Burd, Liz	415-542-0586	415-974-1236	Regulatory and Legal	HL	140 New Montgomery Street, 914	San Francisco
Dilginis, Myra	619-237-3626	619-230-0864	Govt. Relations/Public Comm	HT	525 B Street, 1780	San Diego
Haydon, Darrell	415-545-0828	415-495-2065	Industry Markets Group	L	370 Third Street, 716	San Francisco
Saliman, Mark	510-823-0830	510-355-1542	Procurement	R	2600 Camino Ramon, 2E300X	SRV

Pacific Bell PI/IP SPOCs

Name	Phone	Fax	Organization	Arc	Address	City
Allen, Vicki	510-867-7244	510-277-0112	Real Estate	RF	2600 Camino Ramon, 1N050T	SRV
Velazquez, Elsie	510-901-6702	510-867-0376	Operator Services	SD	2600 Camino Ramon, 1N350AA	SRV

Regulatory and TPAG Contacts:

Liz Burd	415-542-0588	415-974-1236 Pacific Bell Regulatory	140 New Montgomery, 914	San Francisco
Alan Carroll	415-394-2759	415-362-8559 Pacific Telesis Regulatory	130 Kearny Street, Ste. 3008	San Francisco
Lisa Hargrove	510-824-7084	510-901-0524 IP/PI Coordinator - TPAG	2600 Camino Ramon, 2W700R	SRV
Brenn Hudak	510-823-9189	510-901-0524 IP/PI Coordinator - TPAG	2600 Camino Ramon, 2W650H	SRV

TPA LIST BY ORGANIZATION

APPENDIX D

Attachment 2

Official Copy _____ Retain Until _____
Duplicate Copy _____

St. Louis, September 8, 1997

MR. ALLISON:	MR. HARDEN:	MR. MASTERS:
MR. BLASE:	MR. JENNINGS:	MS. MEULEMAN:
MR. CALLAWAY:	MS. JENNINGS:	MR. MORGAN:
MR. CARTER:	MS. KINNEY:	MR. SHELLEY:
MS. CHAMPION:	MR. KITCHENS:	MS. SNYDER:
MR. COLE:	MR. LINDNER:	MR. TAYLOR:
MR. DUPRE:	MR. LANE:	MR. TURNER:
MR. ECKHART:	MS. LONG:	MR. WALKOVIAK:
MR. EPPERSON:	MR. LOPEZ:	MR. WELCH:
MR. GALLEMORE:	MR. LUCAS:	MR. WILKINS:
MR. GILLIAM:	MR. LYNCH:	MR. YOUNG:
MR. GLOTZBACH:	MS. MANNING:	
MR. HANNIGAN:	MS. MARTINEZ:	

1997 may well be the most challenging year for our Southwestern Bell Telephone Company organizations since divestiture. All organizations are currently involved in the continuing evolution of SBC; the entry of SBC into the long distance market; the PacTel merger; and the implementation of new affiliate transaction guidelines. While this is an extremely exciting and challenging time for our company, it is important that SWBT continue to comply with all applicable federal affiliate transaction rules.

The Communications Act of 1996 is very clear that SWBT may not discriminate in favor of any 272 affiliate¹ in the provision or procurement of goods, services, facilities and information, or in the establishment of standards. In addition to this non-discrimination requirement, SWBT and all SBC 272 affiliates are strictly prohibited from providing or in any way assisting in the "operation, installation, or maintenance" ("O,I&M") of the other's network.

As we move toward interLATA freedom and beyond, SBC will be under intense external scrutiny regarding our compliance with these legal requirements. It is very important that all affiliate transactions between SWBT and any 272 subsidiary fully comply with these guidelines; failure to do so could, by law, result in delay or outright loss of SBC's authority to offer interLATA services.

¹ A structurally separate affiliate that would offer manufacturing, interLATA telecommunications, interLATA information and/or alarm monitoring services.

To assist existing in-region subsidiaries in meeting their legal and regulatory obligations, an oversight team is being established, comprised of representatives from Regulatory, Legal and In-region Strategic Planning. In addition, the team will also include appropriate representatives from California and Nevada; a letter similar to this one will be circulated to the necessary PacTel organizations.

The goal of this team is to provide expedited review of all affiliate transactions between SWBT and any subsidiary that is either currently operating under 272 structural separations rules or slated to do so within the next year. This SBC 272 Oversight Team will meet each Friday for the purpose of reviewing proposed requests for affiliate services or other joint activities and to provide assistance in ensuring that the proposed transaction meets the OI&M/nondiscrimination tests.

Because we are under the legal obligation to provide a point of interface for our own affiliates that is identical to that provided to unaffiliated third parties, it is necessary to establish two separate points of contact for the SBC 272 Oversight Team:

- All 272 affiliate requests for any SWBT provided services should be directed to the customer contact point appropriate for the service being ordered (BSC, CPAT, Regional Marketing, etc.).
- All other affiliate transactions or other joint activities involving a SBC 272 subsidiary should be submitted in writing to Mary Marks, Senior Attorney, under a heading claiming Attorney/Client privilege, in care of Corine Duft (cd4537@stlmail8.sbc.com) **prior to initiating any direct contact with the subsidiary from which the service is to be requested.** These requests should contain a clear, concise statement of the facts, together with any attachments (drawings, supporting documentation, etc.) that will serve to better illuminate the issue. All requests should be submitted no later than close of business on Wednesday.

Please begin immediately to coordinate with this group before instituting any affiliate transactions between existing or planned 272 subsidiaries and any other SBC affiliate. Hopefully, this process will help assure compliance with provisions of federal regulations and avoid the risk of sanctions or other actions by a regulatory agency that can result from noncompliance. Further, the responsibility for adherence to these rules rests with each of us, as set forth in the Code of Business Conduct.

1) Impact of New Regulations

Several questions have arisen concerning compliance with federal and state affiliate transaction rules. The continuing evolution of SBC's corporate structure presents a new and exciting environment for all of us. Along with the excitement comes the responsibility to comply with the FCC affiliate transactions rules, the Telecommunications Act of 1996, and state affiliate

transaction requirements. While the passage of legislation did give tremendous market freedoms to SWBT, the affiliate transaction rules have been modified to implement the telecommunications Act.

As a result, two primary questions continue to be asked of my organization:

1. What are the requirements to report and bill cross subsidiary activity?
2. What impact does cross subsidiary billing have on company budgets?

The answers to two additional questions can be used to determine if a cross subsidiary transaction, that is subject to the affiliate transaction rules, is going to take place as part of your support of Corporate restructuring:

- Is the employee providing the service an "SWBT" (*paid by*) employee?
- Is the service exclusively for the benefit of SWBT?

Is the employee providing the service an "SWBT" employee? For purposes of implementing the reorganization goals, this question is answered by which company is paying the employee. If the employee is paid by SBC (or another affiliate) then that employee is an SBC employee and work performed for SWBT will be billed via the SBC allocation process. If the employee is paid by SWBT, then the employee is an SWBT employee for purposes of the affiliate transaction rules, even though that employee's manager is an SBC employee, or the employee administratively reports to another company, i.e. SBC Operations, Center for Learning, etc. In this instance, any work performed by the employee paid by SWBT that does not exclusively benefit SWBT must be billed to the benefiting affiliate. Two results ensue:

1. The benefiting affiliate is billed for the service performed
2. The benefiting affiliate's budget is impacted

The affiliate transaction rules, as required by the FCC, apply to these cross subsidiary transactions with SWBT. These rules govern what SWBT must record as the revenue derived from the services or assets provided to an affiliate or the cost that SWBT can record for services or assets purchased from an affiliate. The actual application of the rules is accomplished through coordination with my organization in the affiliate contract process, which is discussed more fully below.

If the business activity that is being performed by the employee paid by SWBT is **exclusively and solely** for the benefit of SWBT, an affiliate transaction does not exist and no cross subsidiary activity has taken place. Expenses associated with that activity are properly reported as SWBT operating expenses.

If on the other hand, you are an employee paid by SWBT, working on an issue that is not exclusively SWBT, i.e. designing training material for use by Southwestern Bell

Communications, Inc., then a service is being provided and an affiliate transaction is taking place. These affiliate services must be reduced to writing and the cost associated with that activity must be recovered from the affiliated company receiving the benefit.

The following matrix identifies the significant changes to the affiliate transaction rules as a result of the Report and Order in CC Docket No. 96-150.

SOUTHWESTERN BELL TELEPHONE COMPANY OVERVIEW OF CC DOCKET No. 96-150 – ACCOUNTING SAFEGUARDS	
PREVIOUS REQUIREMENTS OF SECTION 32.27 OF THE FCC RULES AND REGULATIONS	REVISED REQUIREMENTS OF SECTION 32.27 OF THE FCC RULES AND REGULATIONS
1. Assets or services sold by or transferred between SWBT and an affiliate pursuant to a tariff, shall be recorded at the tariffed rate	SAME (SWBT is allowed to use rates in publicly-filed interconnection agreements and statements of generally available terms when tariffed rates are not available.
2. Non-tariffed assets or services sold by or transferred between the carrier and an affiliate may be recorded at the prevailing price. Prevailing Price is established by a substantial number of sales to unaffiliated third parties.	SAME (Except for the definition of prevailing price.) Prevailing price is established if sales of a particular asset or service to nonaffiliated third parties encompass greater than 50 percent of total quantity of such product or service sold by an entity.
3.	SWBT sales of facilities, services or information which are subject to the nondiscrimination requirements of Section 272 of the Telecommunications Act of 1996, may be recorded at prevailing price regardless of whether the 50 percent threshold has been satisfied.
4. For all other assets sold by or transferred from the carrier to an affiliate, the asset shall be recorded by the carrier at the higher of fair market value or net book value.	SAME
5. For all other assets purchased by the carrier from an affiliate, the asset shall be recorded by the carrier at the lower of fair market value or net book cost.	SAME
6. For all other services a carrier purchases from or sells to an affiliate, the service shall be recorded at fully distributed cost.	For services the carrier purchases from an affiliate that exists solely to provide services to members of the corporate family, the services shall be recorded at fully distributed cost. For all other services the carrier purchases from an affiliate, the service shall be recorded by the carrier at the lower of fair market value or fully distributed cost. For all other services the carrier sells to an affiliate, the service shall be recorded by the carrier at the higher of fair market value or fully distributed cost.

There is an impact on company budgets caused by the cross subsidiary activity. It is important to remember that "budgeting" for a particular non-SWBT activity in SWBT does not supersede the affiliate transaction rules. That is, SWBT, may have initially been given the budget for an activity that is of benefit to SWBT and other subsidiaries. This does not mean SWBT does not have to bill the other subsidiaries for work SWBT employees perform on this activity that benefits the other subsidiaries. SWBT incurs the expense to provide the service and derives revenue when the service is billed to the benefiting subsidiary. For example, budgeting for the expense associated with "Network Planning", for the family of companies, in SWBT does not remove the requirement of SWBT to bill all affiliated companies that benefit from a planning project performed by an employee paid by SWBT. The affiliate received a service that was provided by a SWBT employee, and must receive a bill for the service.

2) Overview of the Affiliate Services Process

Affiliate services are a collection of activities that Southwestern Bell Telephone Company (SWBT) performs internally that are provided to SBC Communications Inc. (SBC) and SBC's other subsidiaries (affiliate companies) utilizing primarily existing resources. The guiding strategy of affiliate services is to maximize benefit to SBC while full and complete compliance with Federal and State regulatory requirements.

Each year many SWBT groups and individuals become involved with affiliated companies for the first time. The attached guidelines will give an overview of the affiliate process and provide additional sources of information. An overview of how to report these activities so appropriate billing can take place is also provided. More detailed instructions for affiliate services are provided in Operating Practice 125.

All affiliate-only services provided by SWBT must be reduced to writing in a contract or agreement and reported to:

Tom Powers - Area Manager-Affiliate Services
One Bell Center, Room 38-T-08
St. Louis, Missouri 63101
(314) 235-9559

Mr. Powers will assure appropriate contracts and billing processes are established for the service and assist in the classification of the service for purposes of nonregulated accounting requirements.

With reorganization activities, SWBT will also be receiving new services from existing and newly formed affiliated companies. These types of activities also require written contracts and are subject to the requirements of the federal affiliate transaction rules. The same issue of budget responsibility applies to these services SWBT purchases. An affiliate may be given the budget to perform a service for SWBT and other affiliates. That affiliate will generally bill SWBT and

other benefiting affiliates for the services it provides. Contract administration for the purchase of services from an affiliated company must be reported to and coordinated through:

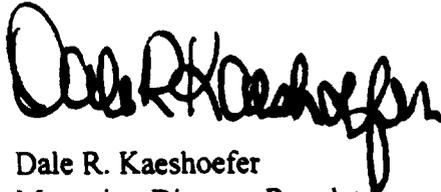
Brad Young - Area Manager-Affiliate Transactions
One Bell Center, Room 38-S-05
St. Louis, Missouri 63101
(314) 235-4887

SWBT may also provide services to Pacific Bell and/or Nevada Bell (the telephone company entities) in the merged environment. Written agreements have been executed and a billing process has been implemented for the provision of SWBT services to these affiliated companies. As detailed in correspondence dated April 25, 1997, under file index 740.19 - Contracts and Agreements, the Custom Work Order (CWO) process will be used to report and bill SWBT services provided to PacBell and Nevada Bell. **The CWO process will be used for these transactions between regulated telephone companies since the affiliate transaction rules do not apply to this type of regulated transaction.²** Questions regarding the types of SWBT activities and services applicable to this affiliate billing process may be referred to:

Dennis Hall - Area Manager-Belcore and Technology Services
One Bell Center, Room 38-U-02
St. Louis, Missouri 63101
(314) 331-3571

² Provision of SWBT nonregulated services is not covered by these CWO guidelines and should follow normal OP35 procedures. Questions regarding the proper treatment of SWBT nonregulated services should be directed to Ray Snelling, One Bell Center, Rm 33-D-7, (314) 235-4679.

My organization is available to assist in the administrative activities of costing, contracting and billing for these affiliate services. We can also provide training, as required, for affiliate transaction contracting and reporting. Additional questions concerning affiliate service in general and specific "services" questions may be directed to Tom Powers (314) 235-9559 or Kathleen Larkin (314) 235-4907.

A handwritten signature in black ink, appearing to read "Dale R. Kaeshoefer". The signature is written in a cursive style with a large initial "D".

Dale R. Kaeshoefer
Managing Director-Regulatory
And External Affairs

Attachment

Regulatory and External Affairs
State Regulatory Issues

BCC: Mr. Barry
Ms. Bertelsman
Mr. Bowlin
Ms. Brady
Mr. Bruner
Ms. Carter
Mr. Chavez
Ms. Ciegel
Ms. Claypool
Ms. Crouch
Ms. Darris
Ms. Delia
Mr. Downs
Ms. Ellis
Ms. Escobedo
Mr. Etter
Ms. Evans
Mr. Feger

Mr. Finney
Ms. Flynn
Ms. Foster
Ms. Fritz
Ms. Gosa
Mr. Griggs
Ms. Griot
Ms. Guess
Mr. Iezzi
Mr. King
Ms. Klinger
Ms. Lynch
Mr. Magnam
Ms. Miller
Ms. Morris
Ms. Moss
Mr. Parker
Mr. Porter

Mr. Pulaski
Mr. Reichle
Mr. Rodick
Mr. Royston
Mr. Ruegg
Mr. Schellman
Ms. Schnieders
Ms. Shipman
Ms. Smith
Ms. Stewart
Ms. Suttle
Ms. Syberg
Ms. Thompson
Ms. Walgate
Mr. Walters
Mr. Watkins

Overview of the Billing Requirements for Services Provided to Affiliated Companies by Employees Paid by Southwestern Bell Telephone Company

Affiliate services are non-tariffed, contract offerings that are incidental to the operation of SWBT. Except as required by law, they are not offered to non-affiliated third parties. They are priced to recover appropriate costs as required by the FCC affiliate transaction guidelines.

This document is intended to convey a summary description of the methods that are employed in costing, pricing, contracting and billing all SWBT services to be provided to the affiliate companies by employees paid by southwestern Bell Telephone Company.

- **Cost Input**

The service provider will estimate the appropriate recurring and non-recurring labor, expense and/or capital required to provide a specific service to an affiliate company. All cost estimates will be forward looking and shall be for a period of 24 to 60 months, as appropriate. The service provider will also provide a description of the service. This information will be forwarded to Affiliate Services and Cost Study. This input will normally be collected during the first quarter.

- **Cost Studies**

The service provider will supply the above information to Cost Studies, who will develop the appropriate incremental unit cost (IUC) for each service. In addition to IUC's, Fully Distributed Costs (FDC) are developed to determine the cost that must be recovered by price in order to comply with Part 64 of the FCC rules and regulations. The results of the cost study will normally be released to Affiliate Services by July.

- **Affiliate Services Group**

The Affiliate Services organization will price affiliate services. Prices will comply with all Federal and State guidelines for affiliate transactions. Pricing of service will be based upon the Report and Order in CC Docket 96-150, which requires:

Services provided by SWBT to an affiliate must be recorded on the SWBT regulated books in the following manner:

- Assets or services sold by or transferred between SWBT and an affiliate pursuant to a tariff, shall be recorded at the tariffed rate. (SWBT is allowed to use rates in publicly filed interconnection agreements and statements of generally available terms when tariffed rates are not available.)

- Non-tariffed assets or services sold by or transferred between SWBT and an affiliate may be recorded at the prevailing price. Prevailing price is established if sales of a particular asset or service to nonaffiliated third parties encompasses greater than 50 percent of total quantity of such product or service sold by SWBT.

SWBT sales of facilities, services or information which are subject to the nondiscrimination requirements of Section 272 of the Telecommunications Act of 1996, may be recorded at prevailing price regardless of whether the 50 percent threshold has been satisfied.

- For all other assets sold by or transferred from SWBT to an affiliate, the asset shall be recorded by SWBT at the higher of estimated fair market value³ or net book cost.
- For all other assets purchased by SWBT from an affiliate, the asset shall be recorded by SWBT at the lower of estimated fair market value or net book cost.
- For all other services SWBT sells to an affiliate, the service shall be recorded by SWBT at the higher of estimated fair market value or fully distributed cost.
- For all other services SWBT purchases from an affiliate, the service shall be recorded by SWBT at the lower of estimated fair market value or fully distributed cost, with the one exception noted below.
- For services SWBT purchases from an affiliate that exists solely to provide services to members of the corporate family, the services shall be recorded at fully distributed cost.

Preliminary prices for the following year will be provided to the affiliated companies in September with final pricing addenda sent out in November, or as required for new services.

- **Contracting**

The affiliate companies have executed a General Agreement with SWBT that defines the SWBT/client business relationship and the general terms and conditions under which SWBT will

³ Estimated Fair Market Value - A good faith estimate developed via methods routinely used by general business community such as appraisals, catalog listings, competitive bids, replacement cost of an asset, net realizable value of an asset, sales to third parties, etc.

provide services. The specific services to be provided to a client will be detailed in Contract Schedules, which will be an attachment to the General Agreement.

The Contract Schedule will convey a description of the service to be provided, price and billing, the contract duration and service specific terms and conditions.

The Affiliate Services organization will deal with the client's contract administrator in negotiation/execution of the General Agreement and Schedules.

- **Reporting Time to Affiliate Services Activities**

1. Your time is reported in SWMTR as normal SWBT time. SWMTR time reporting does not automatically generate affiliate billing.
2. To initial affiliate billing all time spent in support of an affiliate project must be reported to the affiliate services group on Form SW-2681. Form SW-2681 must be received by the affiliate services group by the fifteenth calendar day of the month following the month in which the service was provided. All vouchered expenses are also reported on the SW-2681.

- **Billing and Remittance**

The frequency of billing will be determined by each Contract Schedule. Most services will be billed monthly. The Contract Schedule will determine the unit of billing appropriate for a specific service, i.e., per employee, per report, etc. The Service provider will supply the billing information to the Manager-Affiliate Services. Bill issuance and contract payment remittance will be handled by the District Manger-State Regulatory organization.

Commonly Asked Questions

- Q. What is an affiliate company?
- A. SBC Communications, Inc. (SBC), any other subsidiary of SBC, Subsidiary of an SBC subsidiary, Bellcore and any current or future subsidiaries of SWBT.
- Q. What is considered a "service" for an affiliate company?
- A. Any activity that SWBT performs for the benefit of an affiliate company. These services are non-tariffed, contract, offerings that are incidental to the operation of SWBT.
- Q. Can the reorganization of SWBT, having SWBT managers reporting to SBC managers, cause an affiliate transaction to occur?
- A. Yes, if an employee paid by SWBT is working on non-exclusive SWBT issues that involve an affiliated company, a service is being provided.
- Q. What do I do if I am unsure whether I am providing a service or not?
- A. Contact Area Manager-Affiliate Services (314) 235-9559 on a case-by-case basis.
- Q. If I perform a service for an affiliate company, can I cross-charge the expense to the affiliate?
- A. No. Cross-charging expenses from SWBT to SBC or any of its other subsidiaries is not allowed. Expenses incurred in support of affiliate activities are SWBT expenses and will remain in your organizational budget. The Affiliate Company will be billed for your service at the greater of estimated fair market value or fully distributed cost, if the service is not tariffed and does not have a prevailing price.
- Q. Can a Custom Work Order (CWO) be used to bill affiliate services to nonregulated affiliates of SWBT and, therefore, remove expense from SWBT?
- A. No. With one exception noted below, the use of a CWO is a form of expense cross charging that is not allowed by current state or federal regulation.
- Q. Can a Custom Work Order (CWO) be used to bill for services provided to PacBell and Nevada Bell (the regulated telephone companies) and, therefore, remove expense from SWBT?
- A. Yes. The use of a CWO is permitted for transactions between regulated telephone companies. The affiliate transaction rules do not apply to the regulated to regulated

services that would be provided by SWBT to PacBell and Nevada Bell. CWO's may not be used to provision SWBT nonregulated products to PacBell and Nevada Bell. Questions on the use of CWO for PacBell/Nevada Bell services can be directed to Dennis Hall (314) 331-3571.

Q. How are services provided to affiliate companies?

A. A contract is established that outlines the specific services to be provided and the terms and conditions of that service.

Q. How does SWBT recover its cost of providing a service to an affiliate?

A. Whenever SWBT provides a service to an affiliate it will book tariff (or rates in publicly filed agreements or statements of generally available terms and conditions), prevailing price or the greater of estimated fair market value or fully distributed cost.

Q. How do I report my time while performing a service for an affiliate?

A. Your time is reported in SWMTR as normal SWBT time. In order for SWBT to recover the cost associated with your service the hours worked on non-SWBT issues, for the previous month, are reported to the affiliate services group by the 15th calendar day.

Q. If I include expense in my SWBT budget for affiliate support, is that all I need to do to comply with the affiliate transaction rules?

A. No. Budget is necessary to support the work, but either the tariffed rate, prevailing price, or the greater of estimated fair market value or fully distributed cost of the service must be billed to the affiliate receiving the service.

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Attachment 3

TEMPORARY SERVICES OF SOUTHWESTERN BELL TELEPHONE (SWBT)
EMPLOYEES TO AN AFFILIATE
(Revised January 1998)

This document has been revised to outline the activities that must occur when Southwestern Bell Telephone (SWBT) Company employees perform temporary services for an affiliate¹.

GENERAL

The temporary services of an SWBT employee to an affiliate is considered to be an affiliate transaction. The affiliate transaction rules are outlined in Operating Practice 125, Nontariffed Activities and Affiliate Transaction, which must be followed. An affiliate transaction is a transaction that includes assets, products or services being transferred or provided to SWBT from an affiliate or from SWBT to an affiliate. "Asset" generally encompasses any item that is recorded in an investment account on the SWBT regulated books².

The FCC prescribes rules, which SWBT must follow in conducting business with its affiliated companies. These rules have been incorporated into the Schedule of Authorization and the SWBT Cost Allocation Manual (CAM) which prescribes the methods for accounting for assets or services transferred or provided to and from SWBT and its affiliates.

Services provided by SWBT to an affiliate must be recorded on the SWBT regulated books in the following manner:

- Assets or services sold by or transferred between SWBT and an affiliate pursuant to a tariff shall be recorded at the tariffed rate. (SWBT is allowed to use rates in publicly filed interconnection agreements and statements of generally available terms when tariffed rates are not available.)
- Non-tariffed assets or services sold by or transferred between SWBT and an affiliate may be recorded at the prevailing price. Prevailing price is established if sales of a particular asset or service to nonaffiliated third parties encompasses greater than 50 percent of total quantity of such product or service sold by SWBT.
- SWBT sales of facilities, services or information which are subject to the nondiscrimination requirements of Section 272 of the Telecommunications Act of 1996, may be recorded at prevailing price regardless of whether the 50 percent threshold has been satisfied.

¹ SBC Communication, Inc. (SBC), all subsidiaries of SBC other than SWBT, any SWBT subsidiary, Bell Communications Research, Inc. (Bellcore), and any of Bellcore's subsidiaries.

² If you have a question concerning the definition of "asset" contact Area Manager-Affiliate Transaction (**Brad Young, 214-858-1926**).

- For all other assets sold by or transferred from the SWBT to an affiliate, the asset shall be recorded by SWBT at the higher of fair market value or net book cost.
- For all other assets purchased by SWBT from an affiliate, the asset shall be recorded by SWBT at the lower of fair market value or net book cost.
- For all other services SWBT sells to an affiliate, the service shall be recorded by SWBT at the higher of fair market value or fully distributed cost.
- For all other services SWBT purchases from an affiliate, the service shall be recorded by SWBT at the lower of fair market value or fully distributed cost.
- For services SWBT purchases from an affiliate that exists solely to provide services to members of the corporate family, the services shall be recorded at fully distributed cost.

Services Requested from a 272 Affiliate

The Telecommunications Act of 1996 is very clear that SWBT may not discriminate in favor of any 272 affiliate in the provision or procurement of goods, services, facilities and information, or in the establishment of standards. In addition to this non-discrimination requirements, SWBT and all SBC 272 affiliates are strictly prohibited from providing or in any way assisting in the "installation, operation or maintenance" of the other's network.

It is very important that all affiliate transactions between SWBT and any 272 subsidiary of SBC fully comply with these guidelines; failure to do so could, by law, result in delay or outright loss of SBC's authority to offer interLATA services.

To assist in meeting these legal and regulatory obligations, an SBC 272 Oversight Committee has been established. The goal of this committee is to provide expedited review of all affiliate transactions between SWBT and any subsidiary of SBC that is either currently operating under 272 structural separations rules or slated to do so within the next year. This SBC 272 Oversight Committee will meet each Friday for the purpose of reviewing proposed requests for affiliate services and to provide assistance in assuring that the proposed transaction meets the OI&M/ discrimination tests.

Because we are under legal obligation to provide a point of interface for our own 272 affiliates that is identical to that provided to unaffiliated third parties, it is necessary to establish two separate points of contact for this SBC 272 Oversight Committee:

- All 272 affiliate requests for any SWBT tariffed or nontariffed product or service should be directed to the customer contact point appropriate for the service being ordered (BSC, CPAT, Regional Marketing, etc.)