

<u>No.</u>	<u>PMs Affected</u>	<u>E&amp;Y Exception Description</u>
25	SBC Midwest Ordering 3	January through June 2002 results did not include orders considered to be "projects" in the denominator of PM 3. Seven "drop to manual" error messages were incorrectly reported as failed flow-through transactions and some Mechanized Order Receipt (MOR) transactions were incorrectly excluded from PM due to incorrect program logic.
26	SBC Midwest Ordering 3	Certain line-sharing orders were improperly excluded from reported results for January through May 2002.
27	SBC Midwest Ordering 3	Certain supplemental and cancelled orders had the ability to flow through the Company's systems; however, the Company did not have the capability to identify and report this data for August and September 2002.
28	SNET Ordering 3	August through October 2002 results were incorrect as a result of incorrectly classifying certain service orders as flow-through eligible when they were not.
29	SBC Midwest Provisioning 4a, 4b, 4c	Cancels for no fieldwork orders were not being captured and reported in the PMs for January through July 2002.
30	SBC Midwest Provisioning 4a, 4b, 4c, 5a, 5b, 5c, 6a, 6b, 6c, 6c.1, 7a, 7c, 8	The Company's matching logic did not capture the appropriate order date on orders (i.e., the last date an order was supplemented was captured instead of the original order date) between January 2002 and September 2002.
31	SBC Midwest Provisioning 4a, 4b, 5a, 5b, 6b Maintenance 11a, 11b, 11c, 12a, 12b, 13a,	January through July 2002 results did not report certain UNE-P and UNE Loop and Port transactions that were not identified due to a data entry error. These were a subset of all the UNE-P and UNE Loop and Port transactions reported.
32	SBC Midwest Provisioning 4a, 5a, 6a, 7a	The Company incorrectly reported certain internal orders as wholesale on split CLEC/ILEC accounts during 2002.
33	SNET Provisioning 4a, 5a, 6a, 7a	September through December 2002 results were incorrect due to an error in the computer program logic utilized to report UNE-P measures.
34	SBC Midwest Provisioning 4b, 4c	Cancels were not being properly included in the results during January through August 2002. The Company was not including Ameritech-caused cancels after the due date.
35	SBC Midwest Provisioning 4b, 4c, 5b, 5c, 6b, 6c, 7b, 7c, 8	April through June 2002 results did not include the correct data from the LASR, which was excluded in error as a result of implementing LASR in April 2002.
36	SBC Midwest Provisioning 4b, 4c, 5b, 5c, 6b, 6c, 6c.1, 7b,	Certain UNE and special products were classified as "unknown products" (i.e., products that have not been mapped to be reported in the PMs) and not reported in the PM results for the months of January through July 2002.

<u>No.</u>	<u>PMs Affected</u>	<u>E&amp;Y Exception Description</u>
	7c, 8, Maintenance 11b, 11c, 12b, 12c, 13b, 13c	
37	SBC Midwest Provisioning 4b, 5b, Maintenance 11b, 12b	A computer program coding error incorrectly excluded UNE Loop & Port-ISDN PRI records from May and June 2002 results.
38	SBC Midwest Provisioning 4c, 5c	February and March 2002 ILEC results were calculated in error. This affected the retail comparison for UNE BRI Loops only.
39	SBC Midwest Provisioning 4c, 6c, 7c, 8	January and February 2002 results did not include all broadband line share orders.
40	SBC Midwest Provisioning 4c, 5c, 6c, 7c, 8 Maintenance 10b, 11c, 12c, 13c	Certain DSL retail and wholesale transactions were improperly classified as 8db loop transactions for January through June 2002 results.
41	SNET Provisioning 4c, 5c, 7c Maintenance 11c, 12c, 13c	In January 2002, the Company incorrectly used BRI and PRI service as the retail comparison for BRI Loops With Test Access instead of only BRI type retail as required by the business rules.
42	SNET Ordering 4d	August 2002 results were incorrectly reported due to an error associated with computer program changes made to reflect implementation of the Plan of Record.
43	SBC Midwest Provisioning 5b, 5c, Maintenance 10b, 11b, 11c, 12b, 12c, 13b, 13c	January 2002 results were incorrect due to a truncation of Michigan specials repair data.
44	SBC Midwest Provisioning 5c	January 2002 results for one submeasure (lineshare) were calculated utilizing an incorrect installation interval. Only the affiliate data, which is used for the retail comparison, was affected.
45	SBC West Provisioning 5c	<i>Nevada Only</i> - November 2002 results contained incorrect order counts for the retail and wholesale interconnection trunks data element.

<u>No.</u>	<u>PMs Affected</u>	<u>E&amp;Y Exception Description</u>
46	SBC West Provisioning 5c Maintenance 10b, 11c, 12b, 12c, 13c	<i>California Only</i> - May through July 2002 results improperly excluded certain trouble and analysis codes from reported results for Resale DS1, UNE loops, and their retail comparisons.
47	SBC Midwest and SNET Provisioning 5c Maintenance 11c, 12c, 13c	The Company does not take allowed exclusions related to DSL loops greater than 12,000 feet and when acceptance testing is available but not selected by the customer.
48	SBC Midwest Provisioning 6a	The Company did not properly identify customer-requested due dates ("CDDD") during 2002. Instead of capturing the actual customer-requested due date, the Company-offered due date was utilized in the calculation when the requested due date was greater than or equal to the standard offered interval.
49	SBC West Provisioning 6a, 6b	<i>California Only</i> – August and September 2002 results contained an error regarding the fieldwork and no fieldwork classifications for the retail results on one data element in August and two data elements in September 2002.
50	SBC Midwest Provisioning 6a, 6b, 6c, 6c.1, 8	The transaction indicator used to calculate the measured application date was not populated consistently for April through September 2002.
51	SBC West Provisioning 6b	<i>California Only</i> - February 2002 results contained an incorrect classification of transactions between wholesale and retail for the Resale Centrex – No Field Work data element due to a manual error by a service representative.
52	SBC Midwest Provisioning 6b, 6c, 7c, 8	The Company utilized the wrong field to determine the exclusion for customer-requested due dates in excess of the stated time period in the business rules between January 2002 and November 2002.
53	SBC Midwest Provisioning 6c	January and February 2002 results did not exclude certain DSL line share orders from the calculation.
54	SBC Midwest Provisioning 6c, 6c.1, 8	During May and June 2002, the Company identified a problem with a source system utilized to identify LNP with loop orders, application date, and loop length which was not populated causing some Michigan Coordinated Hot Cut (CHC) and Frame Due Time (FDT) data to not be reported.
55	SBC Midwest Provisioning 6c, 8	During January through October 2002, certain orders involving the Facility Modification Order Database ("FMOD") were not properly identified as loops involving conditioning or were incorrectly identified as FMOD orders.
56	SBC Midwest Provisioning 7c	January 2002 results did not include missed due dates for facility reasons.
57	SNET Provisioning 7c, 8	The Company did not exclude incremental days attributable to the CLEC (i.e., no access) after the initial Company caused delay although this exclusion is required by the business rules.

<b>No.</b>	<b>PMs Affected</b>	<b><u>E&amp;Y Exception Description</u></b>
58	SBC Midwest Provisioning 8	During January 2002, the broadband line-sharing disaggregation was not reported.
59	SBC Midwest Provisioning 8	The Company did not take the allowed exclusions related to expedites (less than 3 days) due to system limitations.
60	SBC Midwest Maintenance 10a, 10b, 11a, 11b, 11c, 12a, 12b, 12c, 13b, 13c	A number of retail trouble reports were improperly classified as wholesale trouble reports.
61	SBC Midwest Maintenance 10a, 12a, 12c	March 2002 results did not include computer program logic to properly process certain disposition codes that required a dispatch.
62	SBC Midwest Maintenance 10b, 11c, 12c, 13c	The Company improperly calculated the wholesale numerator during January through October 2002 for the line share submeasure. The Company only included trouble reports for the voice portion of the line and improperly excluded trouble reports related to the data portion of the line.
63	SBC Midwest Maintenance 10b, 12c	January through April 2002 retail comparisons for 8db loops and DSL line sharing did not exclude tickets processed through LMOS coded as no access or delayed maintenance from the reported results as required by the business rules.
64	SBC West Maintenance 11a	<i>California Only</i> - April 2002 results for Retail Residence POTS, Retail Business POTS, Retail Centrex, Resale Residence POTS, UNE Platform, UNE loop, UNE xDSL capable loop, UNE line sharing loop, and UNE Broadband line-sharing loop data elements were incorrect due to the repeat flag being improperly set.
65	SBC Midwest Maintenance 11b	February through March 2003 results did not use the correct criteria for measuring repeat intervals for the UNE Loop & Port submeasure. This issue affected Michigan only.
66	SBC West Maintenance 11c	<i>California Only</i> - January through February 2002 results contained an error resulting from a computer program logic issue that caused repeat trouble reports to be overstated for unbundled loop and line sharing data elements.
67	SNET Maintenance 12a	The Company did not exclude customer premises equipment ("CPE") from results during 2002 although the exclusion is required by the business rules.
68	SBC Midwest Maintenance 12a, 12b, 12c	The Company excluded trouble tickets in excess of 720 hours from results although this exclusion is not allowed by the business rules for January through September 2002.
69	SBC Midwest Maintenance 12c	The Company used an incorrect file to generate the retail comparison for PM12c for October 2002.
70	SBC West Maintenance 12c	<i>California Only</i> - October 2002 results contained some trouble reports that should have been excluded.
71	SBC Midwest Maintenance 13a, 13b, 13c	ISDN-Centrex line counts are excluded from the retail denominator of PMs 13a, 13b, and 13c for January through August 2002.

<b>No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>
72	SBC Midwest Maintenance 13b, 13c	For the denominators of PMs 13b and 13c, certain transactions with unknown products were not included in the denominator. Additionally, October 2002 results contained a data formatting issue in the denominator causing incorrect reporting of results.
73	SNET Maintenance 13c	January through August 2002 results contained an incorrect retail comparison to retail POTS Business instead of Retail POTS Residence and Business.
74	SBC West Maintenance 13c	<i>Nevada Only</i> - November 2002 results improperly excluded the UNE Loop 2-wire digital xDSL line-sharing data element from reported results.
75	SBC West Maintenance 13c	<i>California Only</i> – January and February 2002 retail results for the UNE Loop data elements did not contain the appropriate dispatch and non-dispatch categories.
76	SBC Midwest Coordinated Hot Cuts 16	January through March 2002 results did not properly aggregate coordinated hot cut (“CHC”) and frame due time (“FDT”) data.
77	SNET Coordinated Hot Cuts 16	The PM16 population contained CHC records with blank completion date/time, which were included in the PM16 calculation. The population also inappropriately included FDT, 8dbs, and other non-CHC transactions, and excluded I-37s.
78	SNET Frame Due Time 16	Results for the months of May, July, September, October, and December 2002 data did not include transactions from the last day of the month.
79	SBC Midwest Billing 18	During 2002, the Company did not report disaggregated results for EDI and BDT as required by the business rules
80	SBC Midwest OSS Interface 19	Data provided for one system (“ARAF”) for August 2002 was incorrect due a manual error resulting in the incorrect reporting of a miss by the Company.
81	SBC Midwest OSS Interface 19	Data provided for one system (“EBTA”) for June 2002 was incorrect due a manual error resulting in the incorrect reporting of a miss by the Company.
82	SBC Midwest OSS Interface 19	January 2002 results did not properly report downtime for the Webtoolbar system and EBTA. Webtoolbar downtime was incorrectly identified as EBTA downtime.
83	SBC Midwest, SBC West and SNET Various PMs	In January 2002, the Company did not report results when there were less than ten transactions during the month.

## **Attachment B**

The following errors relate to the completeness and accuracy of the eight service quality measures identified in Paragraph 5 of our report during the Evaluation Period:

- a. The Company did not properly report the disaggregation of service quality results between MSA and non-MSA for PB in July 2002 and for Michigan in April 2002 resulting in materially misstated results for non-MSA reported results.
- b. For NB, trouble reports related to certain wire centers were improperly excluded from reported results as these wire centers were not coded as MSA or non-MSA, resulting in errors in the eight measures.
- c. In the Ameritech states, the calculation of Line 385 is incorrect due to a computer program error in the field that accumulates the receipt to clear time. The field truncates the hours from receipt time to clear time at three digits causing records that exceed 999 hours to be recorded incorrectly, resulting in the numerator used in the calculation of line 385 to be understated.
- d. For Indiana, due to a clerical error the Company improperly reported Lines 360 and 370 by reporting February 2002 results in place of the March 2002 results.

## Attachment C

- a. In 2000, Supra Telecom filed a formal complaint with the Texas Public Utility Commission (“Texas PUC”) alleging that the Company refused to collocate its 5ESS switch, violating compliance with Condition 11, “Collocation Compliance.”
- b. On December 4, 2001, Heritage Technology (“Heritage”) filed a formal complaint with the Texas PUC, alleging 1) an inability to lease dark fiber from the Company due to the Company’s refusal to provide sufficient information regarding the availability of dark fiber without unnecessary and costly routing and 2) improper denial of cageless and virtual collocation applications due to Heritage’s request to place a fiber distribution panel. These allegations relate to Condition 11, “Collocation Compliance.”
- c. Although not alleging noncompliance with the merger conditions, we are aware of disputes in Missouri and Texas regarding the application of certain collocation rates per interconnection agreements and tariffs. Final resolution of these rate disputes are pending in the respective state commissions.

## Attachment D

The Company and the FCC Staff agreed to the following definition of the Evaluation Period by Condition:

#	Condition Name	Evaluation Period
1	Separate Affiliate For Advanced Services	Condition 1 is addressed in a separate agreed-upon procedures engagement report of Ernst & Young LLP.
2	Discounted Surrogate Line Sharing Charges	Condition sunset prior to January 1, 2002.
3	Advanced Services OSS	January 1, 2002 through December 31, 2002
4	Access to Loop Information for Advanced Services	January 1, 2002 through December 31, 2002
5	Loop Conditioning Charges and Cost Studies	January 1, 2002 through October 23, 2002
6	Non-discriminatory Rollout of xDSL Services	January 1, 2002 through December 31, 2002
7	Carrier to Carrier Performance Plan:	
	SNET, Ameritech States, Nevada Bell and Voluntary Payments	January 1, 2002 through December 31, 2002
	Pacific Bell	January 1, 2002 through November 30, 2002
	SWBT	Condition sunset in a prior year.
8	Uniform and Enhanced OSS	January 1, 2002 through December 31, 2002
9	Restructuring OSS Charges	January 1, 2002 through October 23, 2002
10	OSS Assistance to Qualifying CLECs	January 1, 2002 through November 8, 2002

#	Condition Name	Evaluation Period
11	Collocation Compliance	January 1, 2002 through October 23, 2002
12	Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements	January 1, 2002 through October 23, 2002
13	Multi-State Interconnection and Resale Agreements	January 1, 2002 through December 7, 2002
14	Carrier-to-Carrier Promotions: Unbundled Loop Discount	January 1, 2002 through December 31, 2002
15	Carrier-to-Carrier Promotions: Resale Discount	January 1, 2002 through December 31, 2002
16	Carrier-to-Carrier Promotions: UNE Platform	January 1, 2002 through December 31, 2002
17	Offering of UNEs	January 1, 2002 through December 31, 2002
18	Alternative Dispute Resolution through Mediation	January 1, 2002 through October 23, 2002
19	Shared Transport in Ameritech States	January 1, 2002 through December 31, 2002
20	Access to Cabling in Multi-Unit Properties	January 1, 2002 through October 23, 2002
21	Out-of-Territory Competitive Entry (National-Local Strategy)	January 1, 2002 through October 23, 2002
22	InterLATA Services Pricing	January 1, 2002 through December 31, 2002
23	Enhanced Lifeline Plans	January 1, 2002 through December 31, 2002
24	Additional Service Quality Reporting (Including testing of completeness and accuracy of eight service quality measures selected by the FCC)	January 1, 2002 through December 23, 2002

#	Condition Name	Evaluation Period
25	NRIC Participation	January 1, 2002 through October 23, 2002
26	Compliance Program	January 1, 2002 through December 31, 2002.
	Sections 1 and 2 of the Compliance Plan attached to the Consent Decree dated March 20, 2003	March 20, 2003 through May 4, 2003 <sup>1</sup>

---

<sup>1</sup> The evaluation period for Sections 1 and 2 of the Compliance Plan attached to the Consent Decree of March 20, 2003 through May 4, 2003 represents 45 days from when the Consent Decree became effective. At the direction of the FCC Staff, E&Y was instructed to report on the Company's compliance with Sections 1 and 2 of the Compliance Plan attached to the Consent Decree in conjunction with our attestation examination of the Company's compliance with the Merger Conditions for the year ended December 31, 2002.





**Priscilla Hill-Ardoin**  
Senior Vice President  
Regulatory Compliance

SBC Telecommunications, Inc.  
175 E. Houston Street  
Suite 1208  
San Antonio, TX 78205

210.351.3080 Phone

## **Report of Management on the Effectiveness of Controls over Compliance With the Merger Conditions**

Management of SBC Communications Inc. ("SBC" or the "Company") is responsible for establishing and maintaining effective controls over SBC's compliance with the conditions set forth in the Merger Conditions<sup>1</sup> during the Evaluation Period<sup>2</sup>. The controls are designed to provide reasonable assurance to SBC's management and Board of Directors that SBC is in compliance with the Merger Conditions.

Conditions 1, "Separate Affiliate for Advanced Services" of the Merger Conditions is separately reported on by management and is not included in this report at the direction of the FCC.

Additionally, management of SBC is responsible for reporting accurate and complete data related to the reporting of eight service quality measurements calculated under the Business

---

<sup>1</sup> Merger Conditions are set forth in Appendix C of the Federal Communications Commission's ("FCC's") Order Approving the SBC/Ameritech Merger (*Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999)). Condition 11, "Collocation Compliance," of the Merger Conditions requires the Company to provide collocation consistent with the FCC's Collocation Rules as defined in paragraphs 555-607 in the *Implementation of Local Competition Provisions of the Telecommunications Act of 1996, First Report and Order and Fourth Notice of Proposed Rulemaking*, CC Docket No. 96-98, (FCC 96-325) 11 FCC Rcd 15499 (1996) ("Local Competition Order") and *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *First Report and Order* (FCC 99-48), 14 FCC Rcd 4761 (1999), and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147 and 96-98, *Order on Reconsideration And Second Further Notice Of Proposed Rulemaking In CC Docket No. 98-147 And Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98* (FCC 00-297), 15 FCC Rcd 17806 (2000), as modified by the waiver granted to SBC in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *Memorandum Opinion and Order* (DA 00-2528), released November 7, 2000 ("Waiver Order"), as modified and expanded by *Deployment of Wireline Order* (FCC 01-204), 16 FCC Rcd 15435 (2001), including collocation rules codified in 47 C.F.R. Sections 51.319 (a)2(iv), 51.321, and 51.323 as modified by the waiver granted to SBC in the Waiver Order.

<sup>2</sup> The Evaluation Period is described in Attachment C of the Report of Management on Compliance With the Merger Conditions.

<sup>3</sup> "Business Rules" refers to the criteria agreed to by the Company and the FCC Staff on August 13, 2001 for reporting additional service quality results. These Business Rules are documented at <https://clec.sbc.com/clec/shell.cfm?section=34> and replace the NARUC White Paper reporting requirements of Condition 24.

**Report of Management on the Effectiveness of Controls over Compliance  
With the Merger Conditions – August 29, 2003**

Rules<sup>3</sup> for the Evaluation Period. Management is also responsible for establishing and maintaining effective internal controls for reporting accurate and complete service quality measures calculated under the Business Rules.

There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

SBC has determined that the objectives of the controls with respect to compliance with the Merger Conditions are to provide reasonable, but not absolute, assurance that compliance with the Merger Conditions has been achieved. Additionally, SBC has determined that the objectives of the controls with respect to reporting accurate and complete service quality measures in accordance with the Business Rules are to provide reasonable, but not absolute, assurance that compliance with the Business Rules has been achieved.

SBC has assessed its controls over compliance with the Merger Conditions, exclusive of Conditions 1, in relation to the criteria set forth in the Merger Conditions. Based upon this assessment, except for the effect of the control deficiencies described below related to Conditions 3, “Advanced Services OSS”, 7, “Carrier-to-Carrier Performance Plan”, 11, “Collocation Compliance”, 14, “Carrier to Carrier Promotions: Unbundled Loop Discount”, 15, “Carrier to Carrier Promotions: Resale Discount”, 23, “Enhanced Lifeline Plans”, and 26, “Compliance Program” SBC maintained, in all material respects, effective controls over compliance with the Merger Conditions during the Evaluation Period based on the criteria set forth in the Merger Conditions. Additionally, SBC has assessed its controls over reporting accurate and complete service quality measurements in accordance with the Business Rules. Based upon this assessment, except for the effect of the control deficiencies described below, SBC maintained, in all material respects, effective controls over reporting accurate and complete service quality measures in accordance with the Business Rules during the Evaluation Period based on the criteria set forth in the Business Rules.

The processes used to provide certain discounts required by Conditions 3, 14, and 15 during the Evaluation Period did not include controls sufficient to verify that all eligible and requested discounts by competitive local exchange carriers (“CLECs”) were provided within the established time frames as specified in the Merger Conditions. The requirement to provide discounts pursuant to Condition 3 sunset in 2002, and the requirement to offer lines subject to discounts pursuant to Condition 15 also sunset. The Company inadvertently failed in to update the appropriate rate tables for certain CLECs in the Ameritech region, which resulted in the 25% discount associated with Condition 14 not being given to certain CLEC that had ordered loops eligible for the specified discount. In the Ameritech region, orders for

---

<sup>3</sup> “Business Rules” refers to the criteria agreed to by the Company and the FCC staff on August 13, 2001 for reporting additional service quality results. These Business Rules are documented at <https://clec.sbc.com/clec/shell.cfm?section=34> and replace the installation and maintenance section of the NARUC White Paper reporting requirements of Condition 24.

**Report of Management on the Effectiveness of Controls over Compliance  
With the Merger Conditions – August 29, 2003**

residential loops were improperly entered as business loops due to an ordering system error that occurred in April 2002 causing errors in discounts owed under Condition 14. The Company improved by controls by implementing requiring positive confirmations to be exchanged by the work groups responsible for contracts and rate table updates to ensure that rate tables are properly updated for contract amendments. In addition, the Company implemented an automated solution to identify and correct billing errors that is performed on a monthly basis.

The processes used to produce the performance measurements for Condition 7 during the Evaluation Period did not include requisite controls over some data input functions, some detection processes, and certain system controls. This contributed to the need to restate certain data and modify certain performance measurements on a prospective basis during the Evaluation Period.

Controls have been implemented to manage the integrity of the monthly performance measure production process and performance data. Actions taken by the Company include the processes and controls documented in Attachment D to Report of Management on Compliance with the Merger Conditions

The processes used to ensure compliance with the FCC's Collocation Rules did not include certain controls to ensure that the Company's Methods and Procedures (M&Ps) reflected the requirements consistently throughout the Evaluation Period or in all versions of the M&Ps. Specifically, the M&Ps were updated to ensure that 1) the Company submitted to state commissions detailed floor plans or diagrams of any premises where the Company claims that physical collocation is not practical because of space limitations in accordance with Part 51.321(f) and 2) that space availability reports were provided to requesting carriers within the required timeframe.

SBC is in the process of implementing improved monitoring and reporting procedures to ensure that minimum annual promotional budgets related to Condition 23 are spent according to the requirements, and establishing internal target dates to meet the spending requirements prior to year-end that leave adequate time to compensate for any unexpected circumstances that resulted in the actual expense being less than anticipated.

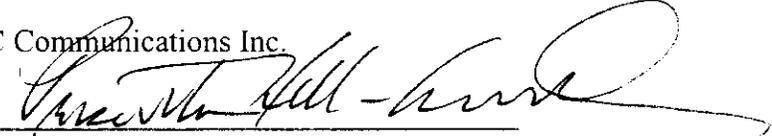
The processes used to report accurate and complete service quality measures in accordance with the Business Rules did not include controls over some data input functions, some detection processes, and certain system controls. This contributed to the need to restate certain service quality measures and modify certain service quality measures on a prospective basis during the Evaluation Period.

Additionally, the processes used to ensure the annual compliance report filed in accordance with Condition 26 did not ensure that the Company reported noncompliance related to Conditions 23, Condition 15 with respect to missed discounts in the SWBT region, and with the one instance for Condition 11 in which the Company responded to a space availability inquiry one day later than permitted.

**Report of Management on the Effectiveness of Controls over Compliance  
With the Merger Conditions – August 29, 2003**

Date: 8/29/03

SBC Communications Inc.

By: 

Pricilla Hill Ardoin

Senior Vice President – Regulatory Compliance  
FCC Corporate Compliance Officer