

## DECLARATION OF CHRISTOPHER RICE

**Executive Vice President – Network Planning and Engineering  
SBC Communications Inc.**

**In connection with the proposed transaction, SBC intends to file a registration statement, including a proxy statement of AT&T Corp., and other materials with the Securities and Exchange Commission (the “SEC”). Investors are urged to read the registration statement and other materials when they are available because they contain important information.** Investors will be able to obtain free copies of the registration statement and proxy statement, when they become available, as well as other filings containing information about SBC and AT&T Corp., without charge, at the SEC’s Internet site ([www.sec.gov](http://www.sec.gov)). These documents may also be obtained for free from SBC’s Investor Relations web site ([www.sbc.com/investor\\_relations](http://www.sbc.com/investor_relations)) or by directing a request to SBC Communications Inc., Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Free copies of AT&T Corp.’s filings may be accessed and downloaded for free at the AT&T Relations Web Site ([www.att.com/ir/sec](http://www.att.com/ir/sec)) or by directing a request to AT&T Corp., Investor Relations, One AT&T Way, Bedminster, New Jersey 07921.

SBC, AT&T Corp. and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from AT&T shareholders in respect of the proposed transaction. Information regarding SBC’s directors and executive officers is available in SBC’s proxy statement for its 2004 annual meeting of stockholders, dated March 11, 2004, and information regarding AT&T Corp.’s directors and executive officers is available in AT&T Corp.’s proxy statement for its 2004 annual meeting of shareholders, dated March 25, 2004. Additional information regarding the interests of such potential participants will be included in the registration and proxy statement and the other relevant documents filed with the SEC when they become available.

Certain matters discussed in this statement, including the appendices attached, are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, without limitation, the information concerning possible or assumed future revenues and results of operations of SBC and AT&T, projected benefits of the proposed SBC/AT&T merger and possible or assumed developments in the telecommunications industry. Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by SBC with the Securities and Exchange Commission, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of SBC and AT&T or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of AT&T shareholders to approve the merger; (3) the risks that the businesses of SBC and AT&T will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that Cingular Wireless LLC could fail to achieve, in the amount and within the timeframe expected, the synergies and other benefits expected from its acquisition of AT&T Wireless; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which SBC and AT&T operate.

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## DECLARATION OF CHRISTOPHER RICE

Executive Vice President – Network Planning and Engineering, SBC

I, Christopher Rice, hereby declare the following:

### **Position and Qualifications**

1. My name is Christopher Rice. I am Executive Vice President – Network Planning and Engineering. I am responsible for enterprise-wide technology direction, new technology introduction, platform development, engineering, planning, network methods and procedures, deployment guidelines, advanced switching and routing, and SBC Laboratories.

2. Prior to becoming Executive Vice President – Network Planning and Engineering, I held the position of Executive Vice President – Services & CTO, Network Planning Engineering, Procurement, and SBC Laboratories, in which I was responsible for enterprise-wide technology direction, new technology introduction, platform development, engineering, planning, network methods and procedures, deployment guidelines, advanced switching and routing, and SBC Laboratories.

### **Purpose**

3. The purpose of my affidavit is to explain the benefits to our customers that will result from SBC's acquisition of AT&T. These benefits fall into four broad categories: (a) benefits from network integration, (b) more innovation in networks and services, and faster roll-out of new and existing services to our customers, (c) our ability to make available to small and medium business customers, as well as to residential customers,

services that AT&T offers only to enterprise customers, and (d) new services that we will be able to offer with AT&T's network assets.

4. The combined company will be able to offer both current and new services that are better than current services either company offers or could offer on its own. The services of the combined company will have lower costs than would the services of either company on its own. These cost reductions include: savings on equipment purchases stemming from redeployment and more intense use of existing equipment; reductions in operating costs; savings from reduction and elimination of payments to other carriers, and; lower unit costs of traffic handling due to more efficient use of the combined network. We will also be able to roll-out new services more quickly, and to more customers and customer groups, than either company could on its own.

5. The combined company will be a more significant competitor, and will offer a broader assortment of services – both in the SBC region, as well as outside the SBC region – than either company could on its own.

### **Benefits of Network Integration**

6. Once the acquisition is completed, SBC will integrate the current SBC network assets with the current AT&T network assets. While, in general, the networks are complementary, there are areas of overlap in network facilities. The overlap in network facilities will allow us to re-distribute traffic across the now-combined network to achieve a more efficient distribution of traffic, thereby carrying traffic more efficiently (at lower average unit cost) on the previously-under-utilized network segments, and saving the cost of augmenting facilities on the previously-over-taxed network segments. In some

places, network equipment or facilities that will no longer be necessary in their current application or location will be re-deployed in other locations or other services, thereby utilizing our capital more efficiently. And there will be network facilities that can be retired, thereby saving the recurring costs of maintaining and operating those facilities.

7. Currently (and historically) internet traffic is exchanged between the networks at a limited number of public peering points, because SBC is so much smaller than AT&T in internet traffic that SBC does not qualify as a Tier 1 carrier, and therefore is not permitted a direct peering relationship with AT&T. Based on the locations of these public peering points, in relation to the origination and destination points of the traffic, the required traffic routing is inefficient, consuming excess network resources. In addition, routing traffic through these peering points involves multiple traffic handoffs, further reducing efficiency and degrading quality.

8. Integrating the two networks will allow us to move SBC's internet-bound traffic (both domestic-bound and international-bound) onto AT&T's network, achieving greater economies of scale, and significantly allowing us to take on AT&T's Tier 1 status. This status will allow us to hand off internet traffic on a direct peering basis, and therefore more efficiently from an engineering viewpoint, and also without our paying to hand off that internet traffic to other carriers. This will increase efficiency by up to 25% to 50% over current traffic handling. In addition, with the AT&T backbone and the resulting increase in direct peering relationships, even where the internet traffic on our network is destined for other networks, we will carry that traffic on our network for a longer duration, thereby enabling us to better manage the quality of the traffic as it is delivered to the other carrier(s) with which we will have a (Tier 1) direct peering relationship. By thus reducing the total

number of hand-offs the traffic will experience as it travels among carriers, this integration will improve reliability, reduce latency (delay in signal flow), and therefore allow us to provide a higher quality of service (“QoS”).

9. The benefits of network integration are even more significant for business “data” traffic (including the traffic traditionally considered data, as well as voice over IP or “VoIP”, IP video, and other real-time IP-based traffic). With the combination of AT&T's and SBC's IP backbones and ATM/FR networks, more of our data traffic will remain on-net. The categories of traffic here under discussion include network-based virtual private networks, IP-enabled Frame Relay, ATM, managed data services, and optical switched Ethernet traffic destined for our IP backbone. This traffic is largely business traffic and has different characteristics than the internet traffic discussed above. Internet traffic is “best effort” traffic, such as surfing the web, which can tolerate latency and packet loss with relative little reduction in utility to the customer. The IP-based services traffic described above, on the other hand, is traffic in which the utility to the (usually business) customer is significantly affected by such issues as latency and packet loss. This traffic will experience significant quality improvement from remaining on-net, as our control over the network will allow us to control latency and packet loss, resulting in a much higher level of quality of service (“QoS”).

10. The higher QoS we can offer will allow us to offer Service Level Agreements (“SLAs”) that are more in line with the strict performance these business customers require. SLAs are service warranties from us to our customers. SLAs specify the performance of the services we offer our customers, provide clear rules for measuring that performance, and specify exactly what the consequences are should we fail to meet the quality of

service we have offered. SLAs typically include such performance metrics as: network latency (the time it takes a data packet to travel roundtrip between two points in the network), packet loss (the number of packets that must be resent), network uptime (the percentage of a given measure of time, such as a month, that the network will be available without problems), and mean time to repair (how long it will take us to remedy a problem). The ability to offer higher level SLAs than either company could offer independently will make our network more competitive.

11. Integrating the networks will also reduce the number of networks involved in moving traffic from origination to destination, thus further improving efficiency, reliability, and latency, all of which contribute to higher QoS and better SLAs. Networks generally are engineered to a high standard, specifically to move traffic between endpoints with no more than three “hops-” on a given network. But when the routing between those endpoints involves two networks, as it often does, the traffic is subject to a total of up to at least six hops, even when each network is operating at high industry standards. (Similarly, if the hand-offs involve two networks working through a transiting carrier, the traffic may experience up to nine hops over the originating-transiting-and-terminating networks.)

12. Network integration will allow us to deliver traffic between any two points on the combined network at no more than three hops total, since all the traffic will be on a single network, which we will engineer. This will increase the efficiency of traffic handling, improving reliability, reducing latency, and packet loss (which affects data speed and quality). These efficiency improvements will lower the cost of handling the traffic, and will also allow us to offer tighter SLAs warranting significantly improved QoS. This reduction in

latency and packet loss are especially significant for “real time” services such as voice over IP (“VoIP”), video, video conferencing, and collaboration.

13. Network integration will also result in more traffic being carried entirely on our network. Increasing the on-net traffic over a greater percentage of the distance between the origination and destination points allows us to better manage that traffic. Better management again reduces latency, and therefore allows us to offer our customers better service. We will also be able to offer our customers improved reliability and security.

14. By decreasing the amount of off-net traffic, network integration will also decrease the off-net mileage, and therefore the mileage charges we will pay to other networks. In-region, the density of the SBC network will reduce mileage charges for the combined company, and therefore reduce access costs for our customers. Similarly, out of region, the density of the AT&T network will reduce mileage charges for the combined company that we must pay to other providers to gain access to our customers outside of our service territory, and therefore reduce access costs for our customers.

15. The integrated network will be significantly better suited to IP-based services, such as VoIP. As I mentioned previously, our customers will gain the benefits of our having greater control over reliability, security, and latency for on-net traffic. Part of the reason for these improvements comes from the difficulty of obtaining sufficient SLAs from the other networks involved in current multi-network traffic exchange. It is difficult for networks to work out SLAs among themselves that would allow us to offer our customers the SLAs they want when traffic must cross multiple networks. As a result, there are no commercial arrangements today for exchanging VoIP traffic with QoS guarantees. Once the traffic is



on-net due to network integration, we will be able to guarantee reliability, security, and QoS, and offer our customers the SLAs they want.

16. In addition, we will reduce the amount of traffic for which we have to pay other carriers for transiting our traffic as it moves from our network to another network. For example, we currently use Sprint, Level3 and WilTel (but not AT&T) for transit traffic. Much of that transit traffic will move onto the AT&T network, reducing the fees we currently pay these other carriers, and resulting in real savings.

17. The greater control over network performance we will gain through network integration will allow us to provide superior QoS even when the customer's traffic originates over the network of another broadband access provider and then is handed off to the combined company via a direct peering point. This will increase the number of customers to whom we can offer superior service. The combined company network will more often exchange traffic through direct peering points, which will enable us to offer this higher quality of service.

18. In many areas, the amount of traffic we are projecting for the SBC backbone – primarily from such bandwidth-intensive services as video and VoIP – will soon exceed our planning maximum, requiring us to augment the backbone with additional capacity. Network integration will allow us to rebalance traffic onto the AT&T backbone, thus avoiding the need to augment the SBC backbone.

**Increased and Accelerated Investments In Innovation;  
Rollout Of New Services; and the Provision of  
A Broader Range of Services to a Broader Range of Customers**

19. The combined company will increase the pace of innovation, roll-out new services more quickly, and offer those services to a broader range of customers, including making

available to SMBs and residential customers services that otherwise would be available only to enterprise customers. Moreover, the combined company will have a greater incentive to invest in the future than would either company alone. Because technical innovations are generally applicable to a broad range of services, the incentive to invest in such innovations is greatest when the resulting innovation can be offered across multiple services and to the broadest range of customers, allowing the innovator the maximum opportunity to earn the full benefits of the innovation. Today, AT&T focuses its service offerings only on enterprise customers, depriving it of the opportunity to reap benefits of innovation directly from other customer groups. And while SBC serves all customers, residential and business, SBC is primarily confined to only a portion of the country, reducing the scope over which it can realize the benefits of innovation. Once the transaction is completed, the combined company will be able to realize the benefits of innovation across the entire country and across all customer groups. This will increase the incentive of the combined company to engage in innovation. And the increased innovation will be a significant benefit to the public. AT&T has budgeted \$200 million dollars per year for five years for research on a number of initiatives. SBC expects higher capital spending totaling approximately \$2 billion (before synergies) over the first several years after closing than would likely have been incurred by the two companies absent the merger.

20. One current innovation is AT&T's development of an all-optical network that allows for remote "click-through" service provisioning. This means that, through the use of all optical components, including switching, customer orders for service can be fulfilled by remotely manipulating graphical representations and indications of network components, eliminating the need to physically connect and disconnect those components.

21. Customers benefit from this innovation in seeing shortened service intervals, through the elimination of the delays inherent in human intervention. In the future, customers will be able to provision services for themselves, once again reducing provisioning intervals-and increasing the accuracy of service provisioning. Finally, customers will also receive higher quality service on the all-optical network.

22. SBC also plans to adopt this click-through all-optical provisioning approach as broadly as possible across its existing network and services. In addition, SBC plans to offer this click-through all-optical provisioning approach not only to the enterprise customers of AT&T who currently benefit from it, but also across the full range of small and medium business customers SBC now serves and will serve after the acquisition, both in region and out of region.

23. There are additional innovations under development at AT&T and SBC that we will make available throughout the service reach of the combined network (both in region and out of region for the current SBC) and throughout the full range of customer groups (including residential customers and all sizes of business customers) that would otherwise have been available only to enterprise customers if offered by AT&T as a stand-alone company. These services include Storage Area Network, enhanced security solutions, and Internet Data Centers.

24. Storage Area Network ("SAN") is a service offering in which a network offers hosted storage capacity at various points on its network. This service permits businesses to obtain secure redundant storage on a flexible basis, without incurring the capital cost of acquiring and installing the storage devices and infrastructure, and without incurring the operational costs of maintaining those storage facilities. While AT&T designed this service

for its enterprise customers, SBC will offer these services throughout the full range of its business customers, including small and medium businesses, both in the SBC region as well as out of region.

25. AT&T is currently developing proprietary security solutions which exceed the capabilities available from other sources, and plans to offer them to its enterprise customers. SBC will offer these services throughout the full range of business customers of the combined company, including enterprise, medium, and small businesses. AT&T offers a network protection service that identifies viruses and worms before they infect networks. This solution monitors network traffic for anomalies and when they are identified, it reroutes the abnormal packets for cleansing. Once the packets are sanitized, they are forwarded on to their destination. This ensures the customers networks do not become infected, thereby increasing network reliability and security. AT&T is also developing advanced network security capabilities they plan to offer in the future.

26. Internet Data Centers (“IDCs”) are carrier-controlled facilities for hosting and distributing IP-based services. The carrier provides the physical data centers, including power and emergency power, physical security, fire protection, and redundancy, as well as the personnel to support the services. Customers are the businesses that offer IP-based services to their customers and subscribers. The IDCs allow them to offer such services without incurring the capital cost of acquiring and installing the storage devices and infrastructure, and without incurring the operational costs of maintaining those storage facilities. Moreover, because the facilities and personnel who support them are shared among multiple customers, those customers achieve a level of efficiency and cost reduction no single customer could achieve on its own. SBC is outgrowing the capacity of

its IDCs, and has been planning to expand that capacity. Once the transaction is completed, SBC will be able to transfer its additional business to existing AT&T IDCs. This will not only reduce the capital costs SBC had been planning to incur, but also will increase the efficiency of the AT&T IDCs, by spreading their costs across greater demand. Moreover, while AT&T had offered IDC service only to its enterprise customers, SBC will offer those services to the full range of its business customers, including enterprise, medium and small businesses, both in region and out of region.

27. SBC also has a significant research and development organization that will contribute valuable innovation to the combined business. For example, SBC Labs developed the architecture and tight security in our business VoIP platform, which ensures that the VoIP platform and the customer network interface are secure from intrusion, as well as, viruses and worms. This is crucial to make VoIP as secure as the public switched telephone network ("PSTN"), and is complementary to AT&T's work on network security.

28. Another example is that SBC Labs has been working with the switch suppliers regarding their next generation IP Multimedia Services ("IMS") solutions for soft switching to enable wireless/wireline integration. This would enable customers to have a dual mode handset and utilize their wireless (WiFi) VoIP service at home on their cell phone using WiFi, as well as receiving calls on the VoIP number on their dual mode handset via the GSM cellular network. And SBC Labs has also developed a software client for laptops and PDAs that integrates Cingular's GPRS/EDGE (and soon UMTS) cellular data services with SBC's Freedomlink WiFi service. The next release of the client will facilitate seamless roaming between SBC's Freedomlink service and the Cingular GPRS/EDGE (and soon

UMTS) service without the end user having to log back into either the Freedomlink service or the Cingular cellular data service when the user switches between the two networks.

### **Increased Competition and Competitiveness Both In Region and Out of Region**

29. The combined company will be a much more significant competitor, offering a broader array of services, to a broader spectrum of customers, both in region and out of region, than either company could have been on its own.

30. SBC and AT&T have traditionally focused on, and been successful with, complementary customer groups. While AT&T has been increasingly focused on enterprise customers, SBC has continued to focus on residential customers, and business customers of all sizes, including medium and small businesses. Selling to and supporting these different customer groups requires different products, network capabilities, sales forces, and technical skills.

31. AT&T lacks the resources to serve residential customers throughout the footprint of the combined company, and the dense ubiquitous network needed to serve those customers in the SBC region.

32 SBC on its own lacks the necessary array of enterprise services, and out of region lacks the dense ubiquitous network needed to support a broad array of services and customers. While SBC could, with enough time and money, build a sufficient out of region network, it is unlikely to have enough funding to be able to do so in any reasonable

period of time. Moreover, it would be shooting at a moving target, as the networks it would be trying to match would themselves continue to develop while SBC was building.

33. Therefore, the combined company will be able to offer a broader array of services, to a broader range of customers, both in region and out of region, than either company could on a stand-alone basis.

### **Conclusion**

34. SBC's acquisition of AT&T will result in significant benefits. These include increased efficiency and service quality from network integration, increased innovation in network technology and services, and the availability of a broader range of services to a broader range of customers, including those available using AT&T's network assets.

I declare under penalty of perjury that the foregoing is true and correct.

Signature: /s/ Christopher Rice

Christopher Rice  
Executive Vice President –  
Network Planning and Engineering, SBC

Date: February 18, 2005