DECLARATION OF THOMAS HORTON

Chief Financial Officer and Vice Chairman
AT&T Corp.

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). These documents may also be obtained for free from SBC's Investor Relations web site (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) 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 THOMAS HORTON

Chief Financial Officer and Vice Chairman
AT&T Corp.

I, Thomas Horton, hereby declare the following:

1. I am the Chief Financial Officer and Vice Chairman of AT&T Corp. I offer this affidavit to explain AT&T's reasons for entering into the merger agreement with SBC and the basis for our belief that combining AT&T and SBC will create significant benefits for consumers as well as for AT&T's shareholders.

2. This affidavit is organized in two parts. First, I will briefly summarize the marketplace and other developments that led to AT&T's June 2004 decision to cease marketing mass market services generally and to focus AT&T on the provision of service to large enterprise and wholesale long distance customers. Second, I will explain that, although we believed that AT&T could prosper as a standalone firm focused on large commercial, government and wholesale customers, we concluded that a merger with SBC was likely to assure broader and more productive uses of AT&T's assets and capabilities. The merger is designed to create a combined company that will have a far greater ability to innovate, to invest, and to provide better and lower priced services for all consumers – mass market as well as enterprise – than either AT&T or SBC would in the absence of a merger.

3. At the enactment of the Telecommunications Act of 1996 ("1996 Act"), AT&T consisted of AT&T Wireless (which has since been divested and sold), AT&T's Consumer Services (which has ceased marketing to customers), AT&T Business Services (which serves

enterprise business, government and wholesale customers), and AT&T Laboratories (which conducts R&D and network design and engineering to support all of AT&T's businesses). AT&T's landline operations focused on the provision of long distance telecommunications services to mass market, enterprise, and wholesale customers and did not provide local exchange or exchange access services.

4. The 1996 Act sought both to open local services to competition and to allow the regional Bell Operating Companies ("RBOCs") to provide long distance services once they opened their local markets to competition. The 1996 Act thus unleashed a flood of changes that eventually led AT&T to decide to cease marketing of mass market services and focus on enterprise, government and wholesale services.

5. First, even apart from the RBOCs' entry, marketplace developments led to precipitous declines in AT&T's mass market revenues in its long distance business. AT&T's long distance customers were increasingly using wireless carriers to make long distance calls, greatly reducing long distance revenues. Likewise, the explosion in e-mail and Instant Messaging traffic had a dramatic and, from AT&T's perspective, negative impact on long distance calling. Although AT&T still carried some of this traffic pursuant to its wholesale arrangements with wireless carriers and ISPs, the wholesale margins it earned were far below its historic retail margins. Further, because of intense wholesale competition, much of the burgeoning wireless and e-mail long haul traffic was carried by AT&T's competitors.

6. Second, once the RBOCs began providing long distance service, AT&T believed that it was essential that it be able to offer the bundles of local and long distance to customers that the RBOCs would be able to offer. AT&T had already made substantial investments in various local

entry strategies that had not been successful. The only local entry option that AT&T was still actively pursuing was the purchase of combinations of loops, transport and switching ("UNE-P") at TELRIC-based rates.

7. However, after the D.C. Circuit struck down the Commission's *Triennial Review Order*, and after the Commission determined that it would not defend further the order, it became clear that AT&T would not be able to offer local services using UNE-P. With growing competition from multiple quarters further undermining the economics of AT&T's mass market offerings, AT&T concluded that it no longer made business sense to market service to mass market customers.

8. At the same time, AT&T senior management believed strongly that AT&T had the ability to be a strong competitor in the provision of enterprise and wholesale long distance services. In our view, AT&T's state-of-the-art network and the R&D capabilities of AT&T Labs assured that AT&T could remain a leading provider of enterprise voice and data services – particularly with respect to providing global and the most sophisticated services.

9. However, AT&T's senior management concluded that the opportunity to merge with SBC was a far superior option for AT&T's customers and AT&T's shareholders. In our view, there is little doubt that AT&T's shareholders and consumers would benefit more if AT&T's assets were combined with those of SBC.

10. In addition to the cost reductions that can be achieved by the merger, we believed that the merger will increase innovation and hasten the introduction of new services, including the development of new services that would likely not exist but for the merger. One of AT&T's most important assets is its AT&T Laboratories. Its scientists and engineers are dedicated to the

research and development of next generation telecommunications networks and systems. Their areas of expertise range from advanced data networking to software engineering, to systems integration, to speech technology. AT&T Labs is a global leader in many areas, but is perhaps best known for its work on network systems based on Internet protocol ("IP").

11. As noted, AT&T does not own mass market local telephone facilities. As a result, the focus of AT&T Labs has been on AT&T's long distance network and services sold to large customers. In many cases, the basic principles and technologies developed by AT&T can, with additional effort and funding, be applied in other market segments. Post-merger, AT&T Labs will have the incentive and ability to apply its existing "know how" to technologies and services aimed at mass market customers. As explained in greater detail in the Affidavit of Dr. Eslambolchi, the merger can be expected benefit consumers in the short run by enhancing the ability of the combined firm to provide services over IP, to exploit superior speech/text technologies (such as natural language speech understanding systems), to provide more robust fraud and network security, and to provide superior provisioning and repair.

12. The merger will also foster increased R&D for a second, related reason. While many of the technologies and innovations being pioneered by AT&T Labs are (with further development work) transferable to mass market services, that situation is somewhat fortuitous. AT&T makes a decision to invest in R&D based on whether a project has a reasonable prospect of enhancing AT&T's enterprise business services and AT&T does not fund projects on the basis of how much the research may also advance mass market or other services that AT&T no longer actively offers.

13. Post-merger, that incentive situation will no longer be the case. The merged entity would have a powerful incentive to fund R&D at AT&T Labs based on how it will benefit a broad array of services. And because both companies are moving toward a unified IP-based network, research into IP-based services provided to enterprise customers is likely to generate significant "spill over" benefits with respect to IP-based services provided to mass market customers – benefits that will be fully internalized by the combined company. In turn, this should increase the incentive to invest and almost certainly result in greater innovation in technologies and services aimed at mass market customers.

14. In this regard, it is important to stress that the full potential of IP-based capabilities cannot be realized simply by transforming the backbone network, but also requires a comparable transformation of the local network. An "end-to-end" IP network offers the prospect of a whole new host of innovative services that simply cannot be offered using the legacy, circuit switched network. As Dr. Eslambolchi explains in greater detail, a fully unified IP network will allow the creation of a single, integrated system for ordering, provisioning and maintaining voice, data and video services with interactive capabilities. The creation of a single, unified IP network will also allow for greater ability to share bandwidth, and hence enable better bandwidth-intensive services such as video teleconferencing, customer relationship management applications integrated with voice services, and unified voice and e-mail messaging. And a fully unified IP network will allow for the combined company to provide greater guaranteed quality service.

15. Finally, the increased scale and diversification of the company should lower the cost of capital for AT&T. Currently, Standard and Poor's assigns AT&T a long term investment rating of BB+. I anticipate that the combined company will have a higher, investment grade rating. Further, a combined AT&T-SBC should, because of its greater scale and scope, have

increased latitude to invest in R&D while maintaining any particular debt rating. Correlatively, the increased scale and scope of the network should lower the per-unit costs of R&D and allow the combined to company to realize the benefits of R&D on a more accelerated basis. Each of these factors will give the combined company a greater incentive to undertake innovation.

16. In sum, the merger will enable the existing inventions and innovations of AT&T Labs to be extended to services provided to mass market customers to whom AT&T is now no longer marketing. The broader scope and scale of the combined firm will also lead to greater R&D than would have occurred in the absence of the merger. The scale of the combined firm, and its reduced capital costs, will mean that the combined entity will be better equipped to make network investments and to roll out innovative new services.

VERIFICATION

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

Signature: /s/ Thomas Horton
Thomas Horton
Chief Financial Officer and Vice Chairman
AT&T Corp.

Date: February 21, 2005