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March 15, 2005

Via Hand Delivery

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.; Room TW-A325
Washington, DC 20554

**Re: In the Matter of Applications for Consent to the Transfer of Control of Licenses
and Section 214 Authorizations from Ameritech Corporation, Transferor to
SBC Communications, Inc., Transferee (CC Docket No. 98-141)**

Dear Ms. Dortch:

In accordance with Paragraph 65(c) of the *SBC/Ameritech Merger Order*,¹ SBC (or "the Company") submits the attached "Annual Compliance Report" for the calendar year 2004.

If you have any questions regarding this report, please contact me at (202) 326-8819.

Sincerely,

A handwritten signature in black ink, appearing to read "m. thomas", written over a horizontal line.

Attachment

cc: Mr. Trent Harkrader
Mr. Pete Young
Ms. Diana Lee

¹ *Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, DF90, 95 and 101 of the Commission's Rules ("Merger Order").* Included in Appendix C of the Merger Order were Merger Conditions that affected the combined entities post-merger business operations of SBC Communications Inc. ("SBC" or "Company") and Ameritech Corporation ("Ameritech").

SBC Communications Inc.

**SBC/Ameritech Merger Conditions
2004 Compliance Report to the FCC**

Priscilla Hill-Ardoin
Senior Vice President-Regulatory
Compliance
SBC Communications Inc.

March 15, 2005

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SBC Communications Inc.

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Introduction

On October 8, 1999,¹ the Federal Communications Commission (“FCC” or “Commission”) released its Report and Order (“Order”) in CC Docket No. 98-141, regarding the *Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, DF90, 95 and 101 of the Commission’s Rules* (“Merger Order”). Included in Appendix C of the Merger Order were Merger Conditions that affected the combined entities post-merger business operations of SBC Communications Inc. (“SBC” or “Company”) and Ameritech Corporation (“Ameritech”).² Pursuant to the Merger Conditions, Paragraph 65c requires that an annual compliance report be submitted no later than March 15 of the calendar year following the year covered by the report.

SBC provides this Annual Compliance Report for the Calendar Year 2004 (“Report Period”) in compliance with Paragraph 65c. Several of the merger conditions sunset in 2002, 36 months after October 8, 1999 (the closing date of the merger), 36 months after the requirement was first implemented, or as otherwise indicated in the body of the report. Additional conditions sunset in 2003 and in 2004 resulting in the satisfaction of a majority of the Merger Conditions. The first section of the report provides a summary of the actions taken to help ensure overall compliance. The second section describes the objectives and compliance activities associated with each of the Merger Conditions during the Report Period and is presented in a format substantially similar to the independent auditor’s report on compliance with the Merger Conditions. Compliance for those conditions that sunset during 2004 is described through the date indicated.

SBC is committed to meeting all Merger Condition requirements and has dedicated the resources required to maintain compliance until all obligations have fully sunset.

¹ October 8, 1999 is referred to as the Merger Close Date or “Merger Closing Date” throughout this report.

² Note: throughout this document, the use of “SBC” or the “the Company” refers collectively to SBC Communications Inc., including Ameritech, the affiliates, and the operating companies of both companies, unless otherwise noted.

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I. Summary of Compliance Activities and Merger Efficiencies

1. Assignment of Compliance Responsibilities

1.1 Corporate Compliance Officer

On September 27, 2002, the Audit Committee of the Board of Directors appointed Priscilla Hill-Ardoin, Senior Vice President – Regulatory Compliance, as FCC Corporate Compliance Officer and this appointment remained in effect during 2004. During the period covered by this report, the FCC Corporate Compliance Officer's responsibilities included the following:

- Monitoring SBC's compliance program and progress toward meeting the remaining deadlines specified in the Merger Conditions
- Providing periodic reports to the Commission regarding SBC's compliance as required by the Merger Conditions and consulting with the Commission as needed regarding SBC's compliance with the Merger Conditions

1.2 Regulatory Compliance Group

The Regulatory Compliance Group (RCG), as directed by the Corporate Compliance Officer, provided the Company with a framework for maintaining internal controls to ensure compliance with the remaining Merger Conditions. The RCG maintained a compliance plan, which tracked the requirements of the Merger Conditions requiring action on the Company's part in 2004. The RCG assigned responsibility to officers of the Company, who as the team leaders for their Condition(s) were responsible for ensuring full compliance with the Condition in the individual business units. The RCG monitored compliance with these requirements through periodic update in which each responsible officer or delegate was required to report compliance status, on both a historical and prospective basis.

1.3 Audit Committee

The FCC Corporate Compliance Officer reported periodically to the Audit Committee of SBC's Board of Directors in 2004 to monitor SBC's progress in meeting the Merger Conditions.

1.4 Executive Compliance Group

For each of the remaining Merger Conditions, a corporate officer continued to have primary responsibility for achieving and maintaining compliance. A list of the responsible officers and their respective Merger Conditions is provided in Appendix 1 of this Compliance Report.

1.5 Responsibilities of Business Units

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Each business unit head, each organization within a business unit, and each work group was collectively responsible for maintaining its units, organizations, or work groups in full compliance with the Merger Conditions and promptly remedying any situations that might lead to non-compliance.

2. Compliance Requirements and Timelines

2.1 Compliance Requirements and Timelines

In order to provide ongoing and consistent internal controls, the Company used a compliance timeline (Federal Communications Commission's Public Notice, DA 99-2480, released November 8, 1999) as the basis for requirements. The Corporate Compliance Officer (or delegate) reviewed timelines and compliance requirements on an as-needed basis with the Executive Compliance Group, legal counsel, and the RCG.

3. Audit and Documentation Requirements

3.1 Annual FCC Compliance Report

The Annual Compliance Report ("Report") as submitted herein is required by Paragraph 65c of the Merger Conditions. This Report addresses SBC's compliance with the Merger Conditions and documents the activities SBC has undertaken to ensure compliance. Each Business Unit has maintained sufficient documentation to enable the Corporate Compliance Officer to file this Report.

3.2 Independent Compliance Audit

On September 7, 1999, SBC engaged Ernst & Young LLP ("E&Y") as the independent auditor to perform the examination and agreed-upon procedures engagements required by the Merger Conditions and this engagement included the 2004 report year. The Commission's letter of August 24, 1999 to the Company indicated the Commission's acceptance of the auditor.

4. Internal Controls and Training

The Company recognizes that maintenance of an effective internal control structure is an essential element to ensure continued compliance with the Merger Conditions. Each member of the Executive Compliance Group was responsible for maintaining an effective internal control structure for his or her assigned Merger Conditions. SBC's Wholesale organization (Industry Markets) was the only business unit with substantial Merger Obligations to be adhered to throughout 2004. Controls and training in 2004 were focused on maintaining compliance with previously implemented methods and procedures as the deployment requirements of the Merger Conditions were completed prior to 2004. Industry Markets assigned each functional area such as residential Unbundled Network Elements ("UNE") and resale discounts, Shared Transport, and

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Operations Support Systems (“OSS”) availability to a product manager or subject matter expert. Methods and Procedures used by the Industry Markets organization included instructions and references to merger-related discounts where appropriate.

5. Merger Efficiencies

The Company completed recognition of merger efficiencies prior to 2004.

II. Discussion of Compliance by remaining 2004 Merger Conditions

3. Advanced Services Operations Support Systems (OSS)

Description and Objectives: Condition 3 required SBC to provide options for pre-ordering and ordering components used to provide digital subscriber line and other Advanced Services. This Condition also required SBC to provide unaffiliated carriers with access to the OSS enhancements on a specified schedule and made provisions for voluntary payments if dates were missed.

The following addresses SBC's compliance with the requirements of this condition:

SBC continued to make available the enhanced Datagate or Electronic Data Interchange ("EDI") interfaces for pre-ordering and ordering xDSL and other Advanced Services implemented by SBC according to the Future Mode of Operation Timeline – Release Schedule in the Plan of Record filed April 3, 2000, and Phase 2 of the collaborative sessions ended on December 22, 2000. SBC completed the enhancements to Advanced Services OSS on October 22, 2001, except in Connecticut, where the enhancements were completed on August 6, 2002.

SBC was obligated to make the OSS enhancements and additional interfaces required by this Condition available for not less than 36 months after they were deployed. As such, this Condition sunset in 2004 except in Connecticut.³

6. Non-discriminatory Rollout of xDSL Services

Description and Objectives: In an effort to ensure that xDSL services are available to low-income consumers, this Condition provides that at least 10 percent of all rural and 10 percent of all urban wire centers be designated as low-income wire centers. Once xDSL is deployed in 20 wire centers in a given category (i.e. rural or urban) in a given state, at least 10 percent of the wire centers must be from the low-income pool. The Company is required to file a quarterly report with the Commission describing the status of its xDSL roll-out.

The following addresses SBC's compliance with the requirements of this condition:

- For 36 months after SBC had deployed xDSL in at least 20 urban or 20 rural wire centers in a particular state, at least 10 percent of the urban or rural wire centers in which xDSL had been deployed were wire centers identified from the Low-Income Pool.
- SBC filed the required quarterly reports with the FCC describing the status of the xDSL roll-out for the states and wire center categories with obligations in effect during 2004.

³ This conditions sunsets in SBC East ("Connecticut") August 7, 2005.

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This Condition sunset on a state-by-state and urban/rural category basis in accordance with the timeframes set forth in the Merger Conditions. Two state and wire center categories remained subject to the condition as of January 1, 2004, of which one sunset effective May 31, 2004. The final state and wire center category sunset on January 31, 2005 which sunset the Condition in its entirety upon filing of the last quarterly report on March 4, 2005.

Ensuring Open Local Markets

7. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Description and Objectives: Condition 7 required SBC to implement the Carrier-to-Carrier Performance Plan (Plan). SBC provided the FCC with monthly performance measurement results that demonstrate SBC's performance provided to the aggregate of CLECs within each of the 13 SBC states. This was to be compared to SBC's retail performance (where applicable) or to a benchmark when a retail comparison is not appropriate. SBC was also obligated to make voluntary payments of up to \$1.125 billion over 3 years to the U.S. Treasury based on SBC's performance. SBC was also required to provide the FCC, state commissions, and CLECs with access to SBC's Internet web site where these parties can obtain performance measurement results provided to the aggregate of all CLECs as compared to SBC's retail performance.

This Condition sunset prior to 2004 upon 271 approval for each state, with the exception of Connecticut (SBC East). This Condition remained in effect for Connecticut until the May 20, 2004 due date for the 36th potential monthly Plan payment for SBC-East.

The following addresses SBC's compliance with the requirements of this Condition:

- SBC reported, on a monthly basis for SBC East according to the schedule established in Appendix A to the Merger Conditions, its performance in 20 measurement categories (with sub-measurements) that addressed functions that may have a particularly direct effect on CLECs and their customers. These files were transmitted by the 20th of each month or the first business day after the 20th when the due date was on a weekend or federal holiday. In addition, these performance measurement results were also posted to the SBC Internet web site coincident with the monthly transmittals to the FCC staff. While substantially correct, occasionally certain data filed during the Report Period were either restated or corrected prospectively.
- Carrier-to-Carrier Performance Plan attached the obligation for SBC to make voluntary payments to the U.S. Treasury for Connecticut in 2004 through the sunset date period described above. Each payment required during the 2004 Report Period was made to the Commission within 30 days of when the performance results became available or on the first business day after 30 days when the due date was on a weekend or federal holiday. These voluntary payments were not included in the revenue requirements of any SBC-East. The Company provided notice to the Commission within five business days of each payment.

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8. *Uniform and Enhanced OSS*

Description and Objectives: Condition 8 generally provided for the development and deployment of uniform, electronic OSS throughout the 13-state SBC Service Area. In particular, this condition required SBC to develop and deploy uniform application-to-application and graphical user interfaces that supported pre-ordering, ordering, provisioning, maintenance/repair, and billing. It also required SBC to develop and deploy uniform business rules for completing CLEC local service requests, or a software solution that ensures that CLEC-submitted local service requests were consistent with SBC's business rules. Condition 8 further required SBC to develop and offer to state commissions a uniform change management process. In addition, it required SBC to offer to develop both direct access to SBC's service order systems and enhancements to the existing Electronic Bonding Interface ("EBI") interface for OSS that support maintenance and repair services for a period of 30 months following the Merger Closing Date.

This Condition sunset in 2003, except with respect to the obligation to provide access to the OSS enhancements and any additional interfaces required by Paragraphs 26, 27, 29, and 30 of this Condition for not less than 36 months after they were deployed.

The following addresses SBC's compliance with the requirements of this Condition:

- Pursuant to Paragraph 27, SBC continued to provide make available the OSS enhancements and interfaces deployed in 2002 pursuant to Uniform and Enhanced Plan of Record ("POR") as directed by the FCC on September 22, 2000.
- Pursuant to Paragraph 31, on April 10, 2003, the Company notified the Commission that it had completed Phase III of the Uniform Business Rules Plan of Record within the 18-month deadline following the conclusion of Phase II.

14. *Carrier-to-Carrier Promotions: Unbundled Loop Discount*

Description and Objectives: Condition 14 required that SBC offer a Promotional Discount program whereby a CLEC can purchase at a discount, a basic unbundled network element loop facility for use in providing residential telephone service to its end user customers. Each loop sold during the promotional period is allowed the promotional discount for a period of three years. This Condition provided an offering window that was the latest of the following: 1) 24 months after commencement of the offering window period (November 7, 1999); 2) the first day on which SBC is authorized to provide in-region, interLATA services in the relevant state; or 3) the first date on which SBC provides facilities-based telephone exchange service to at least one customer in each of the 15 out-of-territory markets pursuant to paragraph 59 of the Merger Conditions (April 8, 2001).

The requirement to offer the discount sunset on a state-by state basis as 271 approval was obtained. SBC remains obligated to discount loops ordered pursuant to this offering

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for 36 months after a qualifying loop is installed and operational, or the period during which the loop remains in service at the same location and for the same telecommunications carrier, whichever is shorter.

The following addresses SBC's compliance with the requirements of this Condition:

- The Company requirement to offer the unbundled loop discount sunset prior to 2004.
- The Company continued to provide the unbundled loop discount for eligible loops ordered prior to sunset of the offer until 36 months after the qualifying loops were installed and operational, or the period during which the loops remained in service at the same location and for the same telecommunications carrier, whichever was shorter. Arkansas sunset in November 2004, 36 months after the end of the offer period. Loops in the 5-state Midwest region remained eligible for discounts based on the October 2003 offer sunset in those states. In all other SBC states where eligible loops had been ordered, loops receiving the discount had reached the 36th month in service prior to 2004.

15. Carrier-to-Carrier Promotions: Resale Discount

Description and Objectives: Condition 15 required SBC to offer CLECs promotional resale discounts on telecommunications services that SBC provides at retail to subscribers who are not telecommunications carriers, where such services are resold to residential end user customers. The offering window for Promotional Resale Discounts was either 36 months after commencement of the offering, or the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reached a maximum state-specific quantity.

The following addresses SBC's compliance with the requirements of this Condition:

- The Company continued to provide the promotional resale discount for 36 months after the initial service date as required by this Condition for lines ordered prior to the sunset of the offer. However, in both the West and Southwest regions, a small number eligible lines did not receive the discount when ordered. The Company has been unable to identify the exact cause for these isolated cases where the discount was not provided or identify the impacted orders as the system programming to provide the discount on new orders was overwritten when the offering window closed in October 2002. However, the Company has determined that the vast majority of orders were processed correctly and that the overall number of lines potentially eligible for the promotional discount were low; as such, the number of lines that potentially may not have received the promotional discount was minimal and the total dollar value difference between the potential promotional discount and standard resale discount was nominal.

This Condition sunset on November 7, 2002, 36 months after commencement of the Offering Window for the promotion. However, the Company remains obligated to

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provide the promotional resale discount for 36 months from the date a qualifying resold service is installed and operational, or the period during which the resold service remains in service at the same location and for the same telecommunications carrier, whichever is shorter. Therefore, this condition remains applicable to embedded base lines in 2004.

16. Carrier-to-Carrier Promotions: UNE Platform

Description and Objectives: Condition 16 required SBC to offer CLECs Promotional End-to-End UNE Combinations for the provisioning of residential POTS service and residential Basic Rate Interface (“BRI”) Integrated Services Digital Network (“ISDN”). This condition provides for the combination of unbundled network elements into an integrated service for use by CLECs in providing service to residential end user customers. The offering window for Promotional End-to-End UNE Combinations in each state shall be either 36 months after commencement of the offering, or the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reaches a maximum state-specific quantity.

The following addresses SBC’s compliance with the requirements of this Condition:

This Condition sunset on November 7, 2002, 36 months after commencement of the Offering Window for the promotion. However, the Company continued to provide the promotional UNE platform for 36 months from the date a promotional UNE platform was installed and operational, or the period during which the promotional UNE platform remained in service at the same location and for the same telecommunications carrier, whichever was shorter. Therefore, this condition remains applicable to embedded base lines in 2004.

19 Shared Transport in Ameritech States

Description and Objectives: Condition 19 required that interim shared transport be offered in the Ameritech states prior to the merger closing. Paragraph 56 of the Merger Conditions outlines the requirement to offer, within 12 months of the merger closing, a Long Term Shared Transport option in the Ameritech states that is “substantially similar” to the shared transport that SBC offers to telecommunications carriers in Texas.

The following addresses SBC’s compliance with the requirements of this Condition:

- The requirement to offer shared transport as a Merger Condition sunset on March 24, 2003, the date on which the DC Circuit’s vacatur of the Commission’s unbundling rules adopted in the *UNE Remand Order*, including the obligation to provide shared transport,⁴ became final and non-appealable. On January 21, 2004 SBC asked the Enforcement Bureau to confirm the sunset date for Condition 19 and specifically requested that Enforcement Bureau provide a written explanation of its decision if it did not agree with the March 24, 2003 sunset date. Shared Transport is included in

⁴ *USTA vs FCC*, 290 F.3d 415 (D.C. Cir.2002), *cert. denied* 123S.Ct.1571 (2003) (“USTA I”)

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the 2004 report only because, as of this report date, the FCC has not responded to SBC's request to confirm the sunset date.

- Subsequent to the March 24 2003 sunset date, and throughout 2004, SBC continued to offer shared transport in Ameritech States under terms and conditions, other than rate structure and price, that were substantially similar to the most favorable terms SBC offered to CLECs in Texas as of August 27, 1999.

22 InterLATA Services Pricing

Description and Objectives: Condition 22 requires SBC to refrain from implementing mandatory minimum monthly or flat-rate charges for interLATA services provided to any in-region or out-of-region wireline residential customer within the United States.

The following addresses SBC's compliance with the requirements of this Condition:

SBC did not impose any minimum mandatory monthly or flat-rate charges to any residential wireline customers in any in-region state where it had authority to offer interLATA services, nor to any out-of-region residential wireline customers.

This Condition sunset April 8, 2004, 36 months after the date that SBC was providing telephone exchange service to residential customers in at least 15 markets pursuant to Condition 21.

23 Enhanced Lifeline Plans

Description and Objectives: Condition 23 requires SBC to offer an Enhanced Lifeline universal service plan to low-income residential subscribers in each of its states, upon acceptance of the state commissions within 12 months of presentation of the offer. The terms and conditions offered are to be similar to the Ohio Universal Service Assistance ("USA") Lifeline Plan as set forth in Ameritech Ohio's Alternative Regulation Plan.

The following addresses SBC's compliance with the requirements of this Condition:

- The Company provided the Enhanced Lifeline plan in all the states that accepted the offer with discounts of up to \$10.20 per month as required by the agreement.
- SBC maintained toll-free access numbers for voice or fax communication with current and potential customers, and modified voice response units at its service centers to incorporate Enhanced Lifeline information for calls in which customers express an interest in obtaining new service, where the Enhanced Lifeline plan has been implemented.
- The Company provided on-line verification of eligibility in those states in which terms were negotiated to permit the Company to access information necessary to verify a customer's participation in an eligible program.
- SBC maintained promotional budgets, as required by the merger agreement, to make potential customers aware of the Enhanced Lifeline plan or other programs that

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benefit low-income consumers, and expenditures met required minimum annual promotional budget levels as required.

- In those states where the plan was implemented, appropriate methods and procedures were maintained to implement operational provisions of the Enhanced Lifeline plan regarding payment arrangements for past due bills and no deposits were required for local service.

This Condition had sunset in all SBC states except Texas and Arkansas by the end of 2003. The condition sunset in Texas in February 2004 and in Arkansas in August 2004.

Ensuring Compliance with and Enforcement of These Conditions

26. Compliance Program

Description and Objectives: Condition 26 requires SBC to have a corporate compliance officer and to file an annual report that summarizes compliance with these Merger Conditions.

This Condition sunsets when SBC has no obligations remaining under the Conditions.

The following addresses SBC's compliance with the requirements of this Condition:

- A senior corporate officer served as Compliance Officer throughout 2004.
- On March 15, 2004, the Company filed its annual compliance report accurate to the best of its knowledge and belief at the time it was filed, which detailed its compliance with the Merger Conditions for Report Year 2003.

27. Independent Auditor

Description and Objectives: Condition 27 requires SBC to engage an independent auditor to annually review its compliance with these Merger Conditions. The audit is to provide a thorough and systematic evaluation of SBC's compliance with the Merger Conditions and determine the adequacy of internal controls.

This Condition sunsets when the audits discussed in this condition are no longer required.

The following addresses SBC's compliance with the requirements of this Condition:

- SBC engaged E&Y to review its compliance with the Merger Conditions for 2004.
- SBC granted the independent auditor access to all books, records, operations, and personnel for the audits.
- On August 30, 2004, SBC filed with the FCC E&Y's Report of Independent Accountants on SBC's Report of Management on Compliance with the Merger Conditions (excluding Condition 1) regarding the Company's compliance during the year ended December 31, 2003.

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- On August 30, 2004, SBC filed with the FCC the Auditor's Report of Independent Accountants on Applying Agreed-Upon Procedures for 2003 in accordance with the separate Advanced Services affiliate requirements in Condition 1 of the Merger Conditions.

28. Enforcement

Description and Objectives: Condition 28 states that the enforcement and compliance programs established by these Conditions do not abrogate, supersede, limit or otherwise replace the Commission's powers under the Communications Act. The Condition also provides for voluntary payment procedures.

This Condition sunsets when SBC has no obligations remaining under the Conditions.

The following addresses SBC's compliance with the requirements of this Condition:

- As indicated in the response for Condition 7, SBC made voluntary payments to the U.S. Treasury during 2004 related to Carrier-to-Carrier performance measurement requirements.
- The FCC's Enforcement Bureau, in its Notice of Apparent Liability for Forfeiture ("NAL"), File No. EB-01-1H-0030, released January 18, 2002 alleged that the Company, in violation of the Merger Order, did not provide shared transport in the Ameritech States under terms and conditions substantially similar to those that it offered in Texas as of August 27, 1999. The Company filed a response with the Commission on March 5, 2002 contesting the FCC's allegations. On October 9, 2002, the FCC in Forfeiture Order, File No. EB-01-IH-0030, upheld the NAL. On November 8, 2002 the Company filed a Petition for Reconsideration with the FCC. The Company subsequently withdrew the Petition for Reconsideration and paid the amount assessed by the Forfeiture Order; however, the Company filed a Petition for Review of the Forfeiture Order in the U.S. Court of Appeals for the D.C. Circuit, *SBC Communications Inc. v. FCC*, No. 03-1118 (D.C. Cir. filed Apr. 28, 2003). The Court rejected the Petition on July 7, 2004.
- On March 20, 2003, the Company and the FCC entered into a Consent Decree (DA 03-825) regarding the accuracy of performance measure data reported to the FCC pursuant to Merger Condition 7. In the Consent Decree, SBC agreed to make a voluntary contribution of \$250,000 to the United States Treasury, which SBC paid within the required 30 days of the effective date of the order adopting the Consent Decree. In the Consent Decree, SBC committed a Compliance Plan containing the following remedial actions:
 1. Implementation of a Control Process
 2. Enhanced Regulatory Compliance Group Oversight
 3. Development and Application of a True-Up Process
 4. Submission of Reports to the Enforcement Bureau
 5. Inclusion of the Consent Decree in the Merger Compliance audit

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Consent Decree obligations continued into 2004 through the true up payment process. The Company made the first of two true up payments September 2003. The first payment was for the twelve month period immediately preceding the date of the consent decree, i.e. for the reports filed March 2002 through February 2003. A second true up was performed on April 20, 2004 for the balance of 2003 in order to comply with the requirements of Section 3. The final true up to voluntary payments performed in September 2004 indicated a credit was due to the SBC for restatements to previous reports. EY will assess the accuracy of the true-up payment in their Report of Independent Accountants on SBC's Report of Management on Compliance with the Merger Conditions regarding the Company's compliance during the year ended December 31, 2004.

29. Sunset

Description and Objectives: Condition 29 generally provides that all Conditions shall cease to be effective, and shall no longer bind SBC in any respect, after the effective date of the Merger Conditions (October 23, 1999). Condition 29 recognizes four principal exceptions to the "Merger Closing Date plus 36 months" rule: (a) instances where other termination dates are specifically established; (b) Conditions requiring SBC to provide Advanced Services through one or more separate affiliates for a period beyond the Merger Closing Date plus 36 months; (c) Conditions which become effective or operational after the Merger Closing Date; and (d) Conditions whose duration is extended for non-compliance in accordance with Paragraph 69 of the Conditions.

During the Report Period many aspects of the Merger Conditions met sunset provisions as indicated in the individual conditions described above. The sunset dates for all Conditions are detailed in Appendix 2 to this Report.

30. Effect of Conditions

Description and Objectives: Condition 30 imposes no additional requirements on SBC but states the relationship between state law requirements and the Commission's Merger Conditions. The Condition recognizes that various offerings and initiatives contained within these Merger Conditions may substantially duplicate requirements imposed in connection with the merger under various state laws. Pursuant to Condition 30, the Merger Conditions shall supplement but shall not be cumulative of substantially related Conditions imposed under state law. Where both these Merger Conditions and state-imposed Conditions grant parties similar rights, parties shall not have the right to invoke the relevant terms of the Merger Conditions in a given state if they have already invoked a substantially related Condition imposed on the merger under applicable state law.

The following addresses SBC's compliance with the requirements of this Condition:

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- This Condition does not impose affirmative obligations on SBC. Rather, it states the relationship of the Merger Conditions to state law, and vice versa. SBC followed this guidance in interpreting and applying the Merger Conditions.

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Date: 3/15/05

SBC Communications Inc.

By:



Priscilla Hill-Ardoin

Senior Vice President-Regulatory Compliance

SBC Communications Inc.

Active 2004 FCC Merger Conditions - Responsible Officers

<u>Condition</u>⁵	<u>Officer</u>
3 Advanced Services OSS	J. Gutierrez
6 Non-discriminatory Rollout of xDSL Services	B. Casili
7 Carrier-to-Carrier Performance Plan (Incl. Performance Measures)	M. Gilliam
8 Uniform and Enhanced OSS	J. Gutierrez
14 Carrier-to-Carrier Promotions: Unbundled Loop Discount	J. Gutierrez
15 Carrier-to-Carrier Promotions: Resale Discount	J. Gutierrez
16 Carrier-to-Carrier Promotions: UNE Platform	J. Gutierrez
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22 InterLATA Services Pricing	L. Champion
23 Enhanced Lifeline Plans	J. Shelley
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27 Independent Auditor	P. Hill-Ardoin
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30 Effect of Conditions	P. Mancini

⁵ Only Conditions in effect during the 12 months ended December 31, 2004 had a Responsible Conditions Officer during 2004.

Merger Condition 29 – Sunset Dates

The following table contains the sunset dates for each condition contained in the discussion of compliance with the individual conditions in this Report.

Number	Condition Name	Sunset Date
1	Separate Affiliate For Advanced Services	10/08/03
2	Surrogate Line Sharing	05/29/00
3	Advanced Services OSS	10/22/04 - 12 States 08/07/05 - Conn.
4	Access to Loop Information for Advanced Services	10/08/03
5	Loop Conditioning Charges and Cost Studies	10/08/02
6	Low Income Rollout of xDSL Services	Oklahoma Rural – 05/31/04 Indiana Rural – January 2005 All other states – prior to 2004
7	Carrier to Carrier Performance Measurements	05/20/04 - SNET
8	Uniform and Enhanced OSS	04/24/05 - 12 States. 08/07/05 - Conn.
9	Restructuring OSS Charges	10/08/02
10	OSS Assistance to CLECs	11/07/02
11	Collocation Compliance	10/08/02
12	MFN for In/Out Region ICA Arrangements	10/08/02
13	Multistate ICA and Resale Agreements	12/07/02
14	Residential UNE Discount	Varies by state: Last offering window closed in the 5 Midwest states on 10/15/03
15	Residential Resale Discount	Offering window closed in all states on 11/07/02
16	UNE Platform Offering	Offering Window closed in all states on 11/07/02
17	Offering of UNEs	03/24/03
18	Alternative Dispute Resolution	10/08/02
19	Shared Transport in Ameritech States	03/24/03
20	Access to Cabling in MDUs	10/08/02
21	Out-of-Territory Competitive Entry	08/21/02
22	InterLATA Services Pricing	04/08/04
23	Enhanced Lifeline	08/22/04
24	Additional Service Quality Reporting	11/20/02
25	NRIC: Network Services	10/08/02
The following conditions sunset when SBC has no obligations remaining under the Merger Conditions and any required audits have been completed.		
26	Compliance Program	
27	Independent Auditor	
28	Enforcement	
29	Sunset	
30	Effect of Conditions	