

## DECLARATION OF PARLEY C. CASTO

**Executive Director - Industry Markets Special Access Product Management  
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 78205. 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 PARLEY C. CASTO**

**Executive Director - Industry Markets Special Access Product Management  
SBC Communications Inc.**

I, Parley C. Casto, hereby declare the following:

1. My name is Parley C. Casto. I am the Executive Director - Industry Markets Special Access Product Management for SBC Communications Inc. I am responsible for product management, product development, rate development, policy development, and tariff management for the wholesale special access business of SBC on an enterprise-wide basis.
  
2. I understand that certain opponents of the proposed merger of AT&T and SBC have claimed that AT&T, as a result of AT&T's relatively high volume of purchases of SBC's special access services, has been able to purchase special access services at prices that are lower than those available to carriers that purchase lower volumes of SBC's special access services. This allegation, in turn, underlies merger opponents' claims that AT&T has resold SBC's special access services to other carriers at lower prices than those available to those carriers from SBC. It also underlies claims that the merger will eliminate AT&T as a source of lower-priced resold special access services and end the constraining effect of AT&T's resale practices on SBC's special access pricing.
  
3. These claims rest upon a misunderstanding of SBC's tariffs and of the prices charged by SBC to AT&T and other carriers for special access services. SBC provides service to AT&T and

other carriers pursuant to a variety of pricing plans offered through SBC's generally available, publicly filed tariffs. These plans provide customers a variety of options tailored to meet their individual needs, and in many cases offer substantial discounts with no volume commitment. For example, SBC's generally available tariffed plans offer discounts on DS1 services of 11 percent for a one-year term plan, 41 percent for a three-year term plan, and 45 percent for a five-year term plan. These discounts are often available with no volume commitment at all, so even the smallest customers can take advantage of them.

4. SBC also provides service pursuant to pricing flexibility contract tariffs that were initially negotiated to meet the individual needs of specific customers, but which are then made available to any similarly situated customer. These pricing flexibility contracts also provide significant discounts off SBC's special access non-discounted, or "rack" rates (for example, SBC's pricing flexibility contract tariffs offer discounts of between 5 and 50 percent on DS1 services). Although SBC is eager to negotiate pricing flexibility contracts with all of its customers, including AT&T, to date (with very minor exceptions that amount to less than 1 percent of its purchases from SBC) AT&T has not secured special access services from SBC pursuant to pricing flexibility contract tariffs.

5. AT&T has, however, purchased service pursuant to SBC's Managed Value Plan ("MVP"), which also is a publicly filed, generally available tariff plan. *See* Pacific Bell Tariff F.C.C. No. 1, § 22; Southwestern Bell Tariff F.C.C. No. 73, § 38; Ameritech Tariff F.C.C. No. 2, § 19. MVP is an overlay offering pursuant to which customers are eligible for additional discounts, ranging from nine percent the first year to fourteen percent the fifth year, on top of the

discounts available under SBC's other service plans. These same fixed percentages for each year of the five-year term apply to all customers under the tariff. Thus every MVP customer purchases services under other service plans with SBC, and the MVP discounts apply to the otherwise applicable rates in the customer's underlying service plans.

6. In order to qualify for MVP, a customer must purchase at least \$10 million in special access services annually; and, to receive the full additional discounts available under MVP, a qualifying customer must purchase at least the volume of special access services purchased during the period preceding the customer's subscription to the MVP. Thus the only "volume" component to MVP is a minimum threshold to qualify; there is no "sliding scale" of discounts based on increasing purchase volumes. All qualifying customers who meet this threshold receive the same discount, irrespective of their actual traffic volumes. AT&T is currently one of twelve carriers that subscribes to MVP – all of which receive the exact same discounts under the terms of the tariff. Approximately 65 percent of SBC's special access revenue is derived from services purchased pursuant to this overlay plan.

7. Because MVP customers who meet their annual commitment receive the exact same discounts under the terms of the MVP tariff, irrespective of traffic volume, claims that AT&T purchases special access services at lower rates than other carriers can receive are completely false. Indeed, AT&T pays *more* for special access services than at least one other MVP customer which receives services pursuant to another pricing flexibility contract tariff offered by SBC. By virtue of the customer's decision to purchase services from multiple tariff agreements, it purchases special access services from these tariffs at rates lower than AT&T. That customer

purchases special access services at lower rates even though it purchases a lower volume of services than other customers, including AT&T. What is most surprising is that customer is one of the CLECs complaining here most loudly about AT&T's supposed advantage.

8. I understand that, in his statement concerning the purported economic effects of the SBC-AT&T Merger on behalf of Global Crossing, Professor Joseph Farrell asserts that “SBC is content to price well above CAPs where it does face CAP competition and offers substantial discounts in return for region-wide commitments to give SBC not simply a large amount of business but a large share of the carrier's business.” Prof. Farrell thus appears to assume that, in order to obtain substantial discounts, a customer must purchase pursuant to MVP, and thus make a region-wide volume commitment. As noted above, however, this is simply not the case. As I explained earlier, the only volume commitment a customer must make under the MVP plan is to purchase the same volume of special access from SBC as *that* customer purchased in the three months prior to entering into the MVP arrangement. There is no requirement, either explicit or implicit, that the customer must increase its volume of purchases, or expand the geographic area of its purchases to include the entire SBC region. What is surprising is that Professor Farrell is unaware that his client does in fact purchase significant quantities of special access services from SBC under a generally available tariff plan that requires no volume commitment whatsoever, and at some of the lowest rates SBC has to offer under current DS1 term payment plans. Further, SBC also offers many contract tariffs that are not region-wide and provide significant discounts to carriers.

9. In conclusion, SBC has offered and charged the same tariffed prices to AT&T for special access services that are available to other carrier customers, including customers (some of whom are complaining in this proceeding) that have purchased far lower volumes of special access service than has AT&T. The assertion (or assumption) that AT&T has received lower prices than any other carrier based on AT&T's volume of purchases is simply wrong.

I declare that the foregoing is true and correct.

Signature: /s/  
Parley C. Casto  
Executive Director - Industry Markets  
Special Access Product Management

Date: May 6, 2005