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DOCKET FILE COPY ORIGINAL

November 15, 2006

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

FILED/ACCEPTED

NOV 15 2006

Federal Communications Commission
Office of the Secretary

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

Dear Ms. Dortch:

Pursuant to Appendix C (Merger Conditions) regarding SBC Communications Inc.'s (SBC) compliance with the merger conditions set forth in the Federal Communications Commission's (FCC's) Order approving the SBC/Ameritech Merger, AT&T¹ submits herein the reports of its independent auditor, Ernst & Young LLP, regarding its compliance during the Evaluation Period.²

If you have any questions regarding this report attached, please contact me at (202) 457-3014.

Sincerely,

Attachments

cc: Mr. Trent Harkrader (FCC)
Mr. Hugh Boyle (FCC)
Mr. Peter Young (FCC)

¹ SBC Communications adopted AT&T Inc as the company's new name following the close of the SBC/AT&T Merger on November 18, 2005.

² The Evaluation period is defined for each Merger Condition in Attachment A of the Ernst & Young Report of Independent Accountants - Compliance, attached to this letter.

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Report of Independent Accountants

To the Management of AT&T Inc.

1. We have examined AT&T Inc.'s (the Company) compliance with the Merger Conditions¹ during the Evaluation Period², and management's assertion, included in the accompanying Report of Management on Compliance with the Merger Conditions (Report of Management), that AT&T complied with the Merger Conditions for the Evaluation Period, except as noted therein. Management is responsible for the Company's compliance with the Merger Conditions. Our responsibility is to express an opinion based on our examination.
2. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the requirements referenced above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.
3. Our examination disclosed the following material noncompliance with the Merger Conditions applicable to the Company during the Evaluation Period:
 - a. Condition 14 "Carrier-to-Carrier Promotions: Unbundled Loop Discount," required the Company to provide to Competitive Local Exchange Carriers (CLECs) discounted prices on monthly recurring charges for unbundled local loops used in the provision of local service to residential end user customers for 36 months after the first day AT&T Inc. was authorized to provide in-region, interLATA services in the relevant state. One CLEC tested did not receive the discount on certain loops ordered prior to closure of the offer window in the AT&T Midwest³ region and did not receive the discount during the Evaluation Period.

¹ 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)). In addition, the term Merger Conditions also includes Section 3, "True-up Process" documented in the "Compliance Plan of SBC Communications Inc." (Compliance Plan) attached to the "Consent Decree" set forth in the Order and Consent Decree released March 20, 2003, by the FCC in File No. EB-02-IH-0382 (hereafter "Consent Decree").

² The Evaluation Period differs for each Merger Condition and is defined for each Merger Condition in Attachment A to the attached "Report of Management on Compliance with the Merger Conditions."

³ The "AT&T Midwest" region refers to the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin.

- b. Condition 26, "Compliance Program," requires the Company to file, for public record, an annual compliance report detailing the Company's compliance with the Merger Conditions. The Company filed its annual compliance report for the year ended December 31, 2005, on March 15, 2006, as required. The filed annual compliance report did not note the material noncompliance related to Condition 14, "Carrier-to-Carrier Promotions: Unbundled Loop Discount," as discussed in paragraph 3.a. as it relates to one CLEC tested not receiving discounts during the Evaluation Period.
4. In our opinion, except for the material noncompliance described above, the Company complied, in all material respects, with the Merger Conditions for the Evaluation Period, including the filing of an accurate annual compliance report for the year ended December 31, 2005, and the Company providing the FCC with timely and accurate notice pursuant to specific notification requirements.
5. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However this report is a matter of public record and its distribution is not limited.

Ernst + Young LLP

November 10, 2006



Priscilla Hill-Ardoin
Senior Vice President
Regulatory Compliance

AT&T Services, Inc.,
175 E. Houston Street
Suite 1208
San Antonio, TX 78205

Report of Management on Compliance With the Merger Conditions

Management of AT&T, Inc. (formerly known as SBC Communications, Inc or SBC) (or the Company) is responsible for complying with the conditions set forth in the Merger Conditions¹ for the Evaluation Period².

Management has performed evaluations of AT&T Inc.'s compliance with the requirements of the Merger Conditions for the Evaluation Period. Based on these evaluations, we assert that during the Evaluation Period, AT&T Inc. complied with all requirements of the Merger Conditions except as specifically noted in assertion 14.

SBC merged with AT&T Corp. effective November 18, 2005 and adopted AT&T Inc. as the name for the combined entity. For references prior to November 18, 2005, SBC is used to describe the Company. AT&T Inc. (AT&T) is used to describe the Company in references to events or requirements that occurred on or after November 18, 2005.

3. Advanced Services Operations Support Systems (OSS)

The Company complied with the requirements of this Condition in the following manner:

SBC continued to make available the enhanced Datagate³ 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

¹ Merger Conditions are set forth in the 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 Red 11712 (1999) (SBC/Ameritech Order). Merger Conditions also include the "Compliance Plan of SBC Communications Inc." attached to the "Consent Decree" set forth in the Order and Consent Decree released on March 20, 2003 by the FCC in File No. EB-02-IH-0382 (hereafter Consent Decree).

² The Evaluation Period differs for each Merger Condition and is defined for each Merger Condition in Attachment A.

³ In the Second Quarter of 2005 (after the obligations under Merger Condition #3 had expired in the West and Southwest regions in 2004), the Datagate interface which was made available in the West and Southwest regions was retired in accordance with the Change Management Processes required under Merger Condition #8.

**Report of Management on Compliance With the Merger Conditions
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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 for SBC East (“Connecticut”) where the condition sunset on August 7, 2005.

6. Non-discriminatory Rollout of xDSL Services

The Company complied with the requirements of this Condition in the following manner:

- 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.
- This Condition sunset on a state-by-state and urban/rural category basis in accordance with the timeframes set forth in the Merger Conditions. The final state and wire center category sunset on January 11, 2005, and the Condition was fully satisfied when SBC filed the last quarterly report with the FCC on March 4, 2005. E&Y included compliance with Condition 6 through the 2005 sunset date in their audit report for 2004.

8. Uniform and Enhanced OSS

The Company complied with the requirements of this Condition in the following manner:

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.⁴

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

- Pursuant to Paragraph 27, SBC continued to 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. The obligation sunset on April 24, 2005, except in Connecticut, where the obligation sunset on August 7, 2005.

⁴ In the Second Quarter of 2005 (after the obligations under Merger Condition #3 had expired in the West and Southwest regions in 2004), the Datagate interface which was made available in the West and Southwest regions was retired in accordance with the Change Management Processes required under Merger Condition #8.

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- 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. The Company continued to comply with the Uniform Business Rules Plan of Record through the final Condition 8 sunset in April 2006.

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

The Company complied with the requirements of this Condition in the following manner:

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

- The Company requirement to offer the unbundled loop discount sunset in 2003 or before.
- 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. Loops in the 5-state Midwest region were eligible for discounts until October 15, 2006 based on the October 2003 offer sunset in those states. In the other SBC states where eligible loops had been ordered, all loops receiving the discount had reached the 36th month in service prior to 2005.
- In August 2002, the Class of Service code on orders submitted by one CLEC in Michigan with a valid merger amendment was changed from tariff to contract. Orders submitted subsequent to the change would appear to be eligible for the merger discount. However, in 2001, this CLEC had requested a change in the class of service on its embedded base of loops from contract to tariff, and the CLEC elected to have its future orders receive a tariff class of service. The Company does not have any indication that this CLEC subsequently revoked its election to obtain the tariffed class of service and rates but does not have sufficient information to assert compliance with respect to this CLEC.

15. Carrier-to-Carrier Promotions: Resale Discount

The Company complied with the requirements of this Condition in the following manner:

- 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.
- This Condition sunset on November 7, 2002, 36 months after commencement of the Offering Window for the promotion. However, the Company remained obligated to provide the promotional resale discount for 36 months from the date a qualifying resold service is installed and operational, or the period during which

Report of Management on Compliance With the Merger Conditions November 10, 2006

the resold service remains in service at the same location and for the same telecommunications carrier, whichever is shorter. The condition sunset entirely in November 2005 when the last lines ordered under this conditions reached the 36th month of service.

16. Carrier-to-Carrier Promotions: UNE Platform

The Company complied with the requirements of this Condition in the following manner:

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. The condition sunset entirely in November 2005 when the last lines ordered under this conditions reached the 36th month of service.

Ensuring Compliance with and Enforcement of These Conditions

26. Compliance Program

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

This Condition sunsets when AT&T has no obligations remaining under the Conditions.

The following addresses AT&T's compliance with the requirements of this Condition:

- A senior corporate officer served as Compliance Officer throughout 2005 and in 2006 through the report date.
- On March 15, 2006, 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 2005. 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 Condition 14 in Midwest in the report.

27. Independent Auditor

**Report of Management on Compliance With the Merger Conditions
November 10, 2006**

Description and Objectives: Condition 27 requires AT&T 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 AT&T'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 AT&T's compliance with the requirements of this Condition:

- AT&T engaged E&Y to review its compliance with the Merger Conditions for 2005 and through the October 15, 2006, sunset date of Condition 15.
- AT&T granted the independent auditor access to all books, records, operations, and personnel for the audits.
- On August 29, 2005, SBC filed with the FCC E&Y's 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.

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 AT&T has no obligations remaining under the Conditions.

The following addresses AT&T's compliance with the requirements of this Condition:

- 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 were satisfied in 2004 with completion of the true up payment process. The final true up to voluntary payments performed in September 2004 indicated a credit was due to SBC for restatements to previous reports. EY audit procedures for the 2004 audit report filed on August 29, 2005 included an assessment of the accuracy of the true-up payment calculation.

29. Sunset

Description and Objectives: Condition 29 generally provides that all Conditions shall cease to be effective, and shall no longer bind AT&T 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 AT&T 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.

The sunset dates for all Conditions are detailed in Attachment A to this Report.

30. Effect of Conditions

Description and Objectives: Condition 30 imposes no additional requirements on AT&T 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 AT&T’s compliance with the requirements of this Condition:

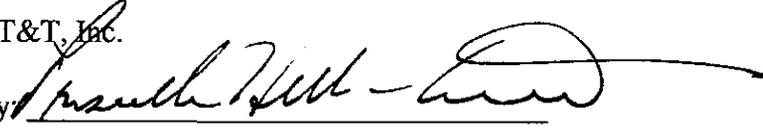
- This Condition does not impose affirmative obligations on AT&T. Rather, it states the relationship of the Merger Conditions to state law, and vice versa. AT&T followed this guidance in interpreting and applying the Merger Conditions.

**Report of Management on Compliance With the Merger Conditions
November 10, 2006**

November 10, 2006

AT&T, Inc.

By

A handwritten signature in black ink, appearing to read "Priscilla Hill-Ardoin", written over a horizontal line.

Priscilla Hill-Ardoin

Senior Vice President – Regulatory Compliance

FCC Corporate Compliance Officer

Attachment A
Evaluation Period by Condition

<i>No.</i>	<i>Condition Name</i>	<i>Evaluation Period</i>
1	Separate Affiliate For Advanced Services	Condition sunset prior to January 1, 2005.
2	Discounted Surrogate Line Sharing Charges	Condition sunset prior to January 1, 2005.
3	Advanced Services OSS	Condition sunset prior to January 1, 2005 (12 States) January 1, 2005 through August 7, 2005 (Connecticut)
4	Access to Loop Information for Advanced Services	Condition sunset prior to January 1, 2005
5	Loop Conditioning Charges and Cost Studies	Condition sunset prior to January 1, 2005
6	Non-discriminatory Rollout of xDSL Services	Condition sunset prior to January 1, 2005 except for Indiana Urban that sunset January 31, 2005 as evaluated and included in SBC's Report of Management on Compliance with the Merger Conditions regarding the Company's compliance during the year ended December 31, 2004
7	Carrier to Carrier Performance Plan	Condition sunset prior to January 1, 2005
8	Uniform and Enhanced OSS	Condition sunset prior to January 1, 2005 except for the requirements of Paragraphs 26, 27, 29, 30 and 31. Paragraphs 26, 27, 29 and 30, all states except Connecticut, January 1, 2005 through April 24, 2005 as evaluated and included in SBC's Report of Management on Compliance with the Merger Conditions regarding the Company's compliance during the year ended December 31, 2004 Paragraphs 26, 27, 29 and 30, Connecticut, January 1, 2005 through August 7, 2005 Paragraph 31, January 1, 2005 to April 10, 2006
9	Restructuring OSS Charges	Condition sunset prior to January 1, 2005
10	OSS Assistance to Qualifying CLECs	Condition sunset prior to January 1, 2005
11	Collocation Compliance	Condition sunset prior to January 1, 2005
12	Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements	Condition sunset prior to January 1, 2005
13	Multi-State Interconnection and Resale Agreements	Condition sunset prior to January 1, 2005

Attachment A
Evaluation Period by Condition

<i>No.</i>	<i>Condition Name</i>	<i>Evaluation Period</i>
14	Carrier-to-Carrier Promotions: Unbundled Loop Discount	January 1, 2005 through October 15, 2006 for Illinois, Indiana, Michigan, Ohio and Wisconsin. Condition sunset prior to January 1, 2005 in all other states
15	Carrier-to-Carrier Promotions: Resale Discount	January 1, 2005 through November 8, 2005
16	Carrier-to-Carrier Promotions: UNE Platform	January 1, 2005 through November 8, 2005
17	Offering of UNEs	Condition sunset prior to January 1, 2005
18	Alternative Dispute Resolution through Mediation	Condition sunset prior to January 1, 2005
19	Shared Transport in Ameritech States	Condition sunset prior to January 1, 2005
20	Access to Cabling in Multi-Unit Properties	Condition sunset prior to January 1, 2005
21	Out-of-Territory Competitive Entry (National-Local Strategy)	Condition sunset prior to January 1, 2005
22	InterLATA Services Pricing	Condition sunset prior to January 1, 2005
23	Enhanced Lifeline Plans	Condition sunset prior to January 1, 2005
24	Additional Service Quality Reporting	Condition sunset prior to January 1, 2005
25	NRIC Participation	Condition sunset prior to January 1, 2005
26	Compliance Program	January 1, 2005 through December 31, 2005 ¹

¹ . AT&T is required to file the final annual Compliance Program report for the period January 1, 2006 to October 31, 2006 by March 15, 2007.

Report of Independent Accountants

To the Management of AT&T Inc.

1. We have examined the effectiveness of AT&T Inc.'s (the Company) controls over compliance with the Merger Conditions¹ during the Evaluation Period² based on the criteria set forth in the Merger Conditions and management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with the Merger Conditions (Report of Management), that AT&T maintained effective controls over the Company's compliance with the conditions set forth in the Merger Conditions for the Evaluation Period based on the criteria set forth in the Merger Conditions, except as noted therein. The Company's management is responsible for maintaining effective controls over compliance with the Merger Conditions. Our responsibility is to express an opinion based on our examination.
2. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the Company's controls over compliance, testing and evaluating the design and operating effectiveness of the controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the effectiveness of AT&T Inc.'s controls over compliance with the Merger Conditions.
3. Our examination disclosed the following related to the Company's controls over compliance with the Merger Conditions for the Evaluation Period:
 - a. The processes to provide discounts required by Condition 14, "Carrier-to-Carrier Unbundled Loop Discount" did not include certain controls in the AT&T Midwest region³ to verify that discounts were applied and corrections were made to certain competitive local exchange carrier (CLEC) accounts within the established time frame of the initial billing.

¹ 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)). In addition, the term Merger Conditions also includes Section 3, "True-up Process" documented in the "Compliance Plan of SBC Communications Inc." (Compliance Plan) attached to the "Consent Decree" set forth in the Order and Consent Decree released March 20, 2003, by the FCC in File No. EB-02-IH-0382 (hereafter "Consent Decree").

² The Evaluation Period is described in Attachment A of "Report of Management on Compliance with the Merger Conditions" attached to our Report of Independent Accountants on AT&T's Compliance with the Merger Conditions also dated November 10, 2006.

³ The "AT&T Midwest region" refers to the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin.

- b. The processes to ensure that the annual compliance report filed in accordance with Condition 26 did not ensure that the Company reported noncompliance related to Condition 14 related to certain CLEC lines not receiving the eligible discount.
4. In our opinion, except for the effect of the control deficiencies described in paragraph 3. above, the Company maintained in all material respects, effective controls over compliance with the Merger Conditions for the Evaluation Period based upon the criteria set forth in the Merger Conditions.
5. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ernst + Young LLP

November 10, 2006



Priscilla Hill-Ardoin
Senior Vice President
Regulatory Compliance

AT&T Services, Inc.,
175 E. Houston Street
Suite 1208
San Antonio, TX 78205

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

Management of AT&T, Inc. (formerly known as SBC Communications, Inc or SBC) (or the Company) is responsible for establishing and maintaining effective controls over AT&T's compliance with the conditions set forth in the Merger Conditions¹ during the Evaluation Period². The controls are designed to provide reasonable assurance to AT&T's management and Board of Directors that AT&T is in compliance with the Merger Conditions.

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.

AT&T 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.

AT&T has assessed its controls over compliance with the Merger Conditions, 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 Condition 14, AT&T 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.

The Company's controls over documenting the ordering methodology for one CLEC as to the eligibility of residential UNE Loop orders for the discount required by Condition 14 were insufficient to substantiate compliance with the condition. The offering window closed in October 2003 and the 36 month discount period expired in October 2006. 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 Condition 14 in Midwest in the report

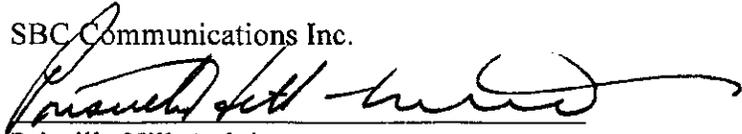
¹ Merger Conditions are set forth in the Appendix C of the Federal Communications Commission's (FCC's) Order Approving the SBC/Ameritech Merger. *Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant 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) (SBC/Ameritech Order). Merger Conditions also include the "Compliance Plan of SBC Communications Inc." attached to the "Consent Decree" set forth in the Order and Consent Decree released on March 20, 2003 by the FCC in File No. EB-02-IH-0382 (hereafter Consent Decree).

² The Evaluation Period is described in Attachment A of the Report of Management on Compliance With the Merger Conditions.

**Report of Management on the Effectiveness of Controls over Compliance
With the Merger Conditions – November 10, 2006**

November 10, 2006

SBC Communications Inc.



Priscilla Hill-Ardoin

Senior Vice President – Regulatory Compliance

FCC Corporate Compliance Officer