



Robert W. Quinn, Jr.
Senior Vice President
Federal Regulatory

AT&T Services, Inc.
1120 20th St. NW, Suite 1000
Washington, D.C. 20036
Phone 202 457-3851
Fax 202 457-2020

May 28, 2010

Joel Gurin
Chief
Consumer and Governmental Affairs Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Ruth Milkman
Chief
Wireless Telecommunications Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *AT&T's Early Contract Termination Policy*

Dear Mr. Gurin and Ms. Milkman:

This is in further reply to your January 26, 2010 letter to AT&T. As we informed you last week, and as AT&T announced on its website, as of June 1, 2010, AT&T will be changing its policies with respect to terms and conditions under which customers who enter into wireless service agreements with a term commitment may terminate that contract early. Specifically, AT&T will reduce the early termination fee (ETF) for customers who enter into a new service agreement with a term commitment in connection with the purchase of basic phones and texting devices, and increase the ETF for customers who enter into a new service agreement with a term commitment in connection with the purchase of our more advanced devices (smartphones or netbooks). This letter is to officially update the Commission on this change in policy before it goes into effect.

First, this change will not affect existing customers who already have entered into a service agreement with a term commitment. It will only affect new or renewing customers who enter into a new service agreement with a term commitment after June 1, 2010.

Currently, the ETF in AT&T's service agreements is \$175 for all two year term plans and is reduced every month thereafter by \$5 per month. Effective June 1, the ETF will be reduced to \$150 for a two year term agreement for standard phones (i.e., basic phones, quick messaging phones) and will be reduced at a rate of \$4 per month following the 30 day return period. At the

same time, the ETF will be increased to \$325 for a 2 year term agreement for our more advanced devices (smart phones and netbooks—see list attached), and will be reduced at a rate of \$10 per month. Of course, all term commitments are subject to a 30 day trial period (within which the first bill will be received) during which customers can cancel the service agreement and return the device without paying an ETF.

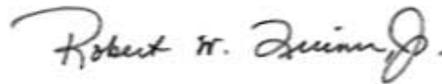
Term agreements are enormously beneficial tools that are widely used, not only in telecommunications, but in many other competitive industries. Magazine publishers, to name one example, routinely offer discounts off the newsstand rate to customers who sign up for multiple month subscriptions. Likewise, automobile dealers, country clubs, fitness centers, lessors of real estate, and many other entities routinely offer discounts to those who make long-term commitments. The reason term plans are so prevalent is that they offer significant benefits to service providers and consumers alike. In the context of wireless services, term plans, (i) make it possible for carriers to offer (and for customers to receive) significant discounts on handsets and other devices, (ii) provide demand predictability that helps carriers plan and manage networks, (iii) provide revenue predictability that helps fund capital investments, and (iv) reduce carrier acquisition, retention, and operating costs, thereby making service more affordable for consumers.

ETFs make term commitments even better for consumers by giving them an alternative means to fulfill their obligations under the service agreement early, without remaining under an obligation to pay the monthly charges for the life of the term agreement. Although historically we have had a single ETF associated with all contract commitments of a similar term, we've redesigned our ETF structure to reflect relevant differences in the products and services our customers purchase, taking into account that some select less expensive devices with lower priced service plans and others select more expensive devices and service plans. For example, a representative smart phone customer pays \$90 per month for a 450 minute voice plan, unlimited texting, and data; a representative feature phone customer would pay \$60 a month for a 450 minute voice plan with unlimited texting.

Of course, there is no requirement that a customer enter into a service agreement with a term commitment subject to an ETF. It is the customer's choice; whether to receive a discounted phone with a term commitment and an ETF, or pay a higher price for an undiscounted phone with no term commitment and no ETF. We will continue to offer prepaid and month-to-month service options, which require no term commitment by the customer, and therefore no ETF requirement. Moreover, we will continue to disclose clearly to customers all their service options at the point-of-sale in our company owned retail stores and on-line. In addition, we will continue to maintain our 30-day trial period and clearly disclose the details about ETFs before a customer makes any term commitment.

Example disclosures of the revised ETF policy in point of sale materials, online store web pages, and a Customer Service Summary will be provided after we launch the new policy on June 1. AT&T will continue to rely on clear disclosures to apprise customers who are considering term commitments in exchange for bundled discounts of the terms of service, including the applicable ETF, prior to entering into any agreement, just as we have done in the past.

Sincerely,

A handwritten signature in black ink that reads "Robert W. Quinn, Jr." with a stylized flourish at the end.

Robert W. Quinn, Jr., Esq.
Senior Vice President—Federal Regulatory
AT&T Services, Inc.

After June 1, new AT&T two year service agreements for the following devices will include an ETF of \$325:

Netbooks:

- All models

SmartPhones:

- Apple: iPhone (all models)
- HTC: PURE, Tilt2
- BlackBerry®: All models
- Samsung: Propel Pro, Jack
- Nokia: E71X, Surge
- Motorola: Backflip
- HP: iPAQ Glisten
- LG: eXpo